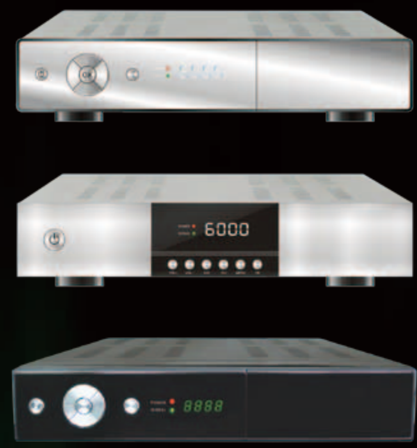
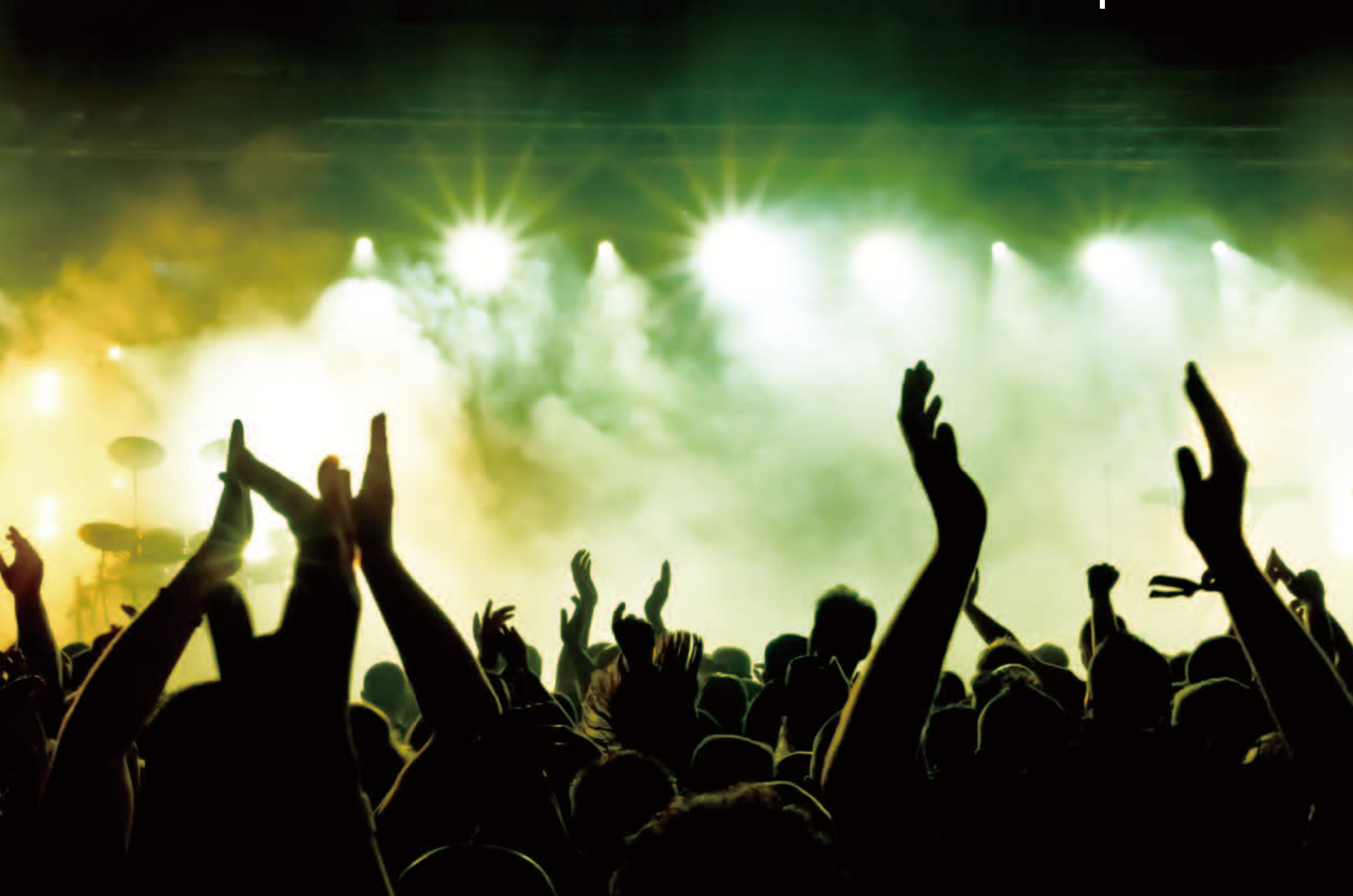
Sandmartin International Holdings Limited
聖馬丁國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00482



Annual Report 2011



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Corporate Information

DIRECTORS
Executive directors
Mr. Hung Tsung Chin *(Chairman)*
Ms. Chen Mei Huei *(Chief Executive Officer)*
Mr. Liao Wen I
Mr. Chen Chien An *(appointed on June 24, 2011)*
Mr. Frank Karl-Heinz Fischer *(appointed on June 24, 2011)*
Mr. Wang Yao Chu *(resigned on February 21, 2011)*

Independent non-executive directors
Mr. Hsu Chun Yi
Mr. Tsan Wen Nan
Mr. Lee Chien Kuo

REGISTERED OFFICE
Clarendon House, 2 Church Street
Hamilton, HM 11, Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 1, 19/F., China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central, Hong Kong

COMPANY SECRETARY
Mr. Chung Ming Fai, *CPA, CPA (Aust.)*
(appointed on September 30, 2011)
Ms. Mak Po Man Cherie, *CPA, FCCA*
(resigned on September 30, 2011)

LEGAL ADVISORS
Sidley Austin

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants

AUDIT COMMITTEE
Mr. Hsu Chun Yi *(Chairman)*
Mr. Tsan Wen Nan
Mr. Lee Chien Kuo

REMUNERATION COMMITTEE
Mr. Hung Tsung Chin *(Chairman)*
Mr. Hsu Chun Yi
Mr. Tsan Wen Nan

NOMINATION COMMITTEE
Mr. Hung Tsung Chin *(Chairman)*
Mr. Hsu Chun Yi
Mr. Tsan Wen Nan

PRINCIPAL BANKERS
Bank SinoPac
Standard Chartered Bank (Hong Kong) Limited
Chinatrust Commercial Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited

SHARE REGISTRARS AND TRANSFER OFFICE
In Hong Kong
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

In Taiwan
Grand Cathay Securities Corporation
5F., No. 2, Section 1,
Chongqing South Road,
Zhongzheng District,
Taipei City 100, Taiwan (R.O.C.)

In Bermuda
HSBC Bank Bermuda Limited
Bank of Bermuda Building
6 Front Street, Hamilton, HM11, Bermuda

WEBSITE
www.sandmartin.com.hk

STOCK CODE
Hong Kong 00482
Taiwan 910482

EXECUTIVE DIRECTORS

Mr. Hung Tsung Chin, aged 50, the husband of Ms. Chen Mei Huei, is the founder and the Chairman of the Group. Mr. Hung founded the Group in November 1989 and is responsible for the Group's overall management, strategic planning and development, and formulation of company policies and business strategy. Mr. Hung has over 21 years of management experience in the electronics manufacturing industry. Mr. Hung obtained a bachelor degree in business administration from National Chengchi University in Taiwan.

Ms. Chen Mei Huei, aged 49, the wife of Mr. Hung Tsung Chin, is a co-founder of the Group since November 1989. Ms. Chen is the Chief Executive Officer of the Group, responsible for the overall management of the Group including all overseas offices. Ms. Chen has been actively engaged in the sales and marketing development of the Group in Taiwan and the international markets for more than 21 years and has particular focus on new customers and new market development in recent years. Ms. Chen graduated from Tamkang University in Taiwan with a bachelor degree in Spanish Literature.

Mr. Liao Wen I, aged 43, is a co-founder of the Group since November 1989 and is responsible for the management of the Group's manufacturing operations and corporate affairs in the PRC. Mr. Liao studied electronic device maintenance in a technical college in Taiwan. Mr. Liao has over 21 years of experience in the cable and connector industries, including 18 years of management experience in the manufacturing operations in the PRC. Mr. Liao is currently a vice-chairman of (Zhong Shan) Taiwan Business Investors Social Association.

Mr. Chen Chien An, aged 52, joined the Group as consultant since January 2009, is currently the Chief Financial Officer of the Group. Mr. Chen received his bachelor degree in accounting from Soochow University. Mr. Chen has more than 25 years experience in the field of corporate finance. He worked as a Deputy Executive Director in KPMG Advisory Services Co., Ltd. and KPMG Corporate Finance Co., Ltd. during the years from 1999 to 2008.

Mr. Frank Karl-Heinz Fischer, aged 51, is the Chief Technology Officer of the Group. He joined the Group in January 2008 and is responsible for the technical strategy of the Group and is leading and coordinating the research and development activities in China, Germany, Spain and the United States of America (the "US"). Mr. Fischer has more than 23 years experience in hardware and software development for consumer electronic products in Europe and has been involved in Digital TV technologies since the beginning of Digital Video Broadcasting Project (DVB) in 1994. He graduated as diploma degree engineer for automation technology and cybernetics from the Technical University Leipzig in Germany.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hsu Chun Yi, aged 49, is an independent non-executive director from October 2004. Mr. Hsu has a bachelor degree in public administration from Tunghai University in Taiwan and a master degree in international management studies from the University of Texas at Dallas of the US. Mr. Hsu is currently an executive director of United Capital Management Limited, a venture investment company based in Taiwan. Prior to that, Mr. Hsu was an associate vice president of China Development Industrial Bank, one of the largest institutional investors in Taiwan, where he gained over ten years' experience in the finance industry. Mr. Hsu is also a supervisor of two listed companies in Taiwan.

Mr. Tsan Wen Nan, aged 48, is an independent non-executive director from October 2004. Mr. Tsan holds a bachelor degree in electrical engineering and a doctor degree in information management from National Central University, and a Master of Business Administration from National Chengchi University in Taiwan. Mr. Tsan has over 22 years' experience in the information technology industry. Mr. Tsan is now the general director of Market Intelligence Center of Institute for Information Industry, a semi-governmental organization in Taiwan.

Mr. Lee Chien Kuo (also known as Thomas Lee), aged 47, is an independent non-executive director from February 2009. Mr. Lee has over 19 years of experience in the private equity industry. He graduated with a degree of Industrial Management from the National Taiwan University of Science and Technology (formerly known as National Taiwan Institute of Technology) and a Master of Business Administration degree from the National Sun Yat-Sen University in Taiwan. Mr. Lee is a managing director of Sinovo Growth Capital Management Co. Ltd., and a vice president of Chinalliance Holding Ltd., both are venture capital companies. Prior to that, Mr. Lee worked as an associate vice president with China Development Industrial Bank, a direct investment bank in Taiwan, where he had gained nearly 13 years of direct investment and corporate finance related experience.

SENIOR MANAGEMENT

Mr. Su Jow Shi, aged 48, is the Deputy General Manager of the Group's digital TV division, responsible for manufacturing operations. Mr. Su graduated from the San Diego State University in the US where he earned a Master of Public Administration degree. Mr. Su joined the Group in September 1995.

Mr. Hsiao Yu Jung, aged 46, is the Deputy General Manager of the Group's cable division responsible for the procurement, manufacturing and development of the Group's cable products. Mr. Hsiao obtained a diploma in mechanical design engineering from the National Formosa University in Taiwan. Mr. Hsiao joined the Group in July 2002.

Mr. Carlos Domingo Bujosa, aged 47, is the Chief Executive Officer of BCN Distribuciones, S.A. ("BCN"). Mr. Domingo Bujosa's family founded the business of BCN in 1965 and he has over 25 years of management experience in the production and marketing of telecommunications products in Europe. After the acquisition of BCN by the Group in January 2006, Mr. Domingo Bujosa is responsible for the overall operations of BCN, as well as the technology and marketing strategy development.

Mr. Sven Willig, aged 38, is the General Manager of Intelligent Digital Services GmbH ("IDS"). Mr. Willig has joined the Group since 2005 and is currently responsible for hardware and software development and sales of Digital Video Broadcasting Products. He has over 11 years of management experience in the development and quality control of digital television technologies.

Ms. Su Wan Ling (also named Mrs. Julia Swen), aged 46, the Managing Director of TRT Business Network Solutions, Inc. ("TRT"). Ms. Su has been working in our Group since 2007 and is responsible for promoting the cable products and digital television products in the market of US. She has graduated at University of California, San Diego and holds a bachelor degree in biochemistry; and holds a master degree in environmental science from University of California, Davis. Ms. Su has over 16 years of experience in research of biotechnology field and business management.

BUSINESS REVIEW

Looking back into the past year, the global economic environment was really bad with U.S. economic recession, the debt crisis in Europe and the chaotic political situation in Middle East revolving around. But what needed to be proud of was that the total group profit margin stayed nearly in par with last year under the joint efforts of all staff and stakeholders of the Group. In such a tough market situation, why the Group was able to get over the impact and managed to maintain its group profit? We should attribute this tremendous success to the Group's senior management in grasping market trends accurately and the correct orientation for the business development of the Group.

1. Retailer market

(1) Middle East and North Africa ("MENA") Markets: Standard Definition ("SD") Set Top Box to High Definition ("HD") Set Top Box

Following the development trend of high-definition television ("HDTV"), the development of HD set top box becomes a necessity. HD set top box brings to the users a brand new audio-visual experience in higher resolution, clearer, exquisite high-quality images with lifelike sound effects. The various optional added-value functions in HD products provide users with more pleasant and convenient services.

With our first-class hardware and software research and development team, and the uninterrupted launching of strong and updated multi-platform high-tech products, the Group continued its leading position in the MENA markets. The high-quality guarantee of our products had established the renowned business reputation and market satisfaction for the Group. The MENA markets continued their excellent performance and contributed sound revenue for the Group.

(2) Europe Market: Transit from Entry Level Products to High-End Products

Closely keeping abreast with the market trends and the emergence of new technologies, the Group had launched multiple platforms of High-end set top boxes with different solutions to support a variety of additional extension functions, such as hard disk recording (PVR Ready), dual tuners (Dual Tuner/Combo), triple play, hybrid, serial hard disk interface (SATA interface), network television (IPTV) and broadband hybrid TV (HbbTV), etc., providing users with better quality life enjoyment.

High-end products come with hi-technology which contributes higher profits and revenue to the Group. Not only would our commitment to the research and development of new technology for high-end models bring economic benefits to the Group, but it had also laid a reliable foundation for the continuous development and innovation of the Group's product structure. Furthermore, it provided strong technical support for the Group's leading position in the industry and market.

2. Operator market

(1) MENA: ICHD, PayTV Operator

The Group invested successfully in the ICHD operator platform in MENA and has become one of the members of its operator solution.

The principal content provider of ICHD operator is Middle East Broadcasting Center ("MBC"). MBC is the largest television program channel in the Middle-east region and the second largest in North African region. It is the first private free of charge satellite broadcasting company in the Arab world and has currently grown to become a well-established media group that enriches people's lives through information, interaction and entertainment. MBC focuses on the broadcasting of high-definition television programs in which some of its content are produced and involved directly by MBC, part of the content is purchased directly from Hollywood studios.

The Group has received 50,000 units of HD trial orders from MBC. The Group will use their influence in those regions and plan to reach 1 million households in 3 years (MBC currently has 20,000,000 households SD-TV users where the Group had initially targeted 5% of households will change their platform).

(2) Nepal: DishHome, PayTV Operator

Currently, there are over 5 million household subscribers in Nepal. About 2 million cable TV subscribers are the biggest consumption group in Nepal. However, the reception quality is very poor as they are still using the analog signal. There were about 1 million terrestrial households, however, owing to the overall economic structure, most of these subscribers are very poor that they have neither no electricity nor television.

DishHome is the only satellite TV operator in Nepal, merged and integrated by "Dish Nepal" and "Home TV". Since its merger in March 2011, the number of subscribers has increased rapidly from 20,000 to 70,000. They are targeting at the 4 million potential households in future. As the reception quality is apparently outplayed cable TV, consumers are willing to switch to Direct To Home gradually.

Take India as an example, since India's development of Satellite TV that commenced 3 years ago, up to now, it has already occupied 10-20% share in India's domestic terrestrial cable TV market. The target of Dishhome is to achieve 20-30% share in cable TV market in Nepal.

The Group has become one of the key members of DishHome operators and expected to develop the PayTV platform from an integrated device manufacturers, targeting at the 5 million potential households market in aggregate in Nepal.

(3) China

With the flourishing China economy, per capita income has surged from USD1,125 to USD4,283 in the past decade, solemnly become the second largest economies in the world. The Group plowed deeply into China since 1991. With the increasing demand in digital set-top box ("STB") market in China, the Group will adhere to its efforts in expanding the market share based on its professional experience and providing international group consulting services.

While supplying STBs to the operators in China market, the Group is able to act as system integrator to participate in supplying professional high-end equipments to the operators in China due to its diversified and internalized strong technical background, and becomes an equipment supplier to increase the revenue and income with higher margin for the Company, laying a good foundation of introducing more higher products of added values for the Company.

With the intervention and assistance of its strategic partner Heng Xin China Holdings Limited, the Group had successfully entered into the terrestrial digital TV market of China and obtained big orders, which represents an important proportion of the total required digital terrestrial STBs in China, and has become the largest supplier of digital terrestrial STBs in China. We will continue our efforts in developing China's cable TV market.

FINANCIAL REVIEW

Revenue

For the year ended June 30, 2011, the revenue of the Group amounted to HK$1,604.1 million (2010: HK$1,560.7 million), representing an increase of 2.8% as comparing with last year. The increase in revenue was mainly attributable to the successful open China market.

Gross profit and gross profit margin

The Group's gross profit decreased slightly by 2.2% to HK$348.0 million (2010: HK$355.9 million) and gross profit margin was maintained at 21.7%, similar with the level in the last year (2010: 22.8%).

Segment information

The Group's turnover is derived from sales of media entertainment platform related products, other multimedia products and revenue from the provision of integration system services for public programs.

The turnover generated from sales of media entertainment platform related products for the year amounted to HK$1,167.4 million (2010: HK$1,116.8 million) or 72.8% (2010: 71.6%) of the total turnover. Turnover from this segment increased as a proportion of the total turnover.

The turnover generated from sales of other multimedia products for the year maintained at HK$435.1 million (2010: HK$443.9 million) or 27.1% (2010: 28.4%) of the total turnover. The major products in this segment are cables and connectors, being components for audio and video electronic products.

The turnover generated from the provision of integration system services for public programs for the year amounted to HK$1.5 million or 0.1% of the total revenue.

Revenue by geographic markets

	Middle East	Europe	North America	Africa	South America	Asia	Other regions	Total
Revenue for the Year (HK$'million)	580.0	319.7	271.5	175.9	136.7	117.0	3.3	1,604.1
% of Group's revenue	36.2	19.9	16.9	11.0	8.5	7.3	0.2	100
% growth (decline) from last year	(9.9)	(6.1)	26.9	152.7	8.4	(29.2)	87.4	2.8

Operating results

The Group's profit for the year attributable to equity holders dropped slightly by 1.4% to approximately HK$90.4 million (2010: HK$91.7 million).

The Group's operating expenses amounted to HK$253.7 million for the year (2010: HK$255.9 million), representing a slight decrease of 0.9%.

– Distribution and selling costs represented 3.3% (2010: 3.9%) of the Group's revenue.

– Administrative expenses increased by 13.6% to approximately HK$161.6 million for the year (2010: HK$142.3 million).

– Research and development costs decreased by 25.5% to HK$38.9 million for the year (2010: HK$52.2 million).

Acquisition of a Company

(1) Agreement and Consideration

On December 17, 2010, the Company, Honstar Development Limited ("HDL"), the wholly-owned subsidiary of the Company, Sino Light Group Limited ("SLG"), Express Touch Limited, and Sino Light Enterprise Limited ("SLE") entered into an agreement that (a) HDL acquired from SLG the issued ordinary shares of SLE; and (b) HDL subscribed for new shares of SLE.

The consideration of acquisition is HK$20,000,000 that is satisfied partly by the allotment and issue of 7,936,000 consideration shares, at an issue price of HK$2.52 per share, of the Company and partly by cash at HK$1,280. The consideration of the subscription is HK$30,000,000 that is satisfied by cash. After completion of the acquisition, HDL holds 55% of the entire issued capital of SLE and SLE becomes an indirect non-wholly owned subsidiary of the Company.

On January 3, 2011, the Company allotted and issued 7,936,000 consideration shares to SLG. The closing market price of the date is HK$2.78 per share.

The consideration for the subscription HK$30,000,000 which was, subject to satisfaction of the conditions of the agreement, satisfied by cash, on April 30, 2011.

(2) Principle Activities of SLE

SLE is a company incorporated in Hong Kong on November 8, 2010 and SLE has entered into a license agreement (as amended) ("License Agreement") with the world-wide master distributor of "Pleasant Goat and Big Big Wolf" (Chinese: 喜羊羊與灰太狼; Chinese pronunciation: Xǐ Yáng Yáng yǔ Huǐ Tái Láng ("XYY")) to manufacture and distribute, through establishing chain stores, children's wear for children from 0 to 14 years old under the brand of "Pleasant Goat and Big Big Wolf（喜羊羊與灰太狼）" (the "Products") for 3 years with an option to renew for another three years in mainland China. SLE will principally be engaged in the design, manufacture and/or sourcing, marketing and sales of the Products and the operation of a distribution and retail network for the sales of the Products in the PRC.

(3) Reasons for and Benefits of the Acquisition and Subscription

XYY is a cartoon series originally created by the Creative Power Entertaining（廣州原創動力）in Guangdong province of China. The cartoon series was first broadcasted in 2005 and since then more than 600 episodes have been broadcasted. Since the broadcasting of the XYY episodes, it has been recognized and honored by many awards. In 2008, XYY was the recipient of "The 4th Annual JinLong Prize for Original Cartoon Animation 2007" – "Mainland China, Hong-Kong, Macau and Taiwan The Best Creative Animation of the Year Award"; "14th Shanghai TV Festival Magnolia Award" – "Animation Silver Award"; and Guangdong channels' – "The 2007 Grand Prize for Outstanding Domestically Produced Animated Cartoon".

Owing to the fourth baby boom in China started in 2005, it is expected that this phenomenon will last for 10 to 15 years. By the end of 2008, the number of children in China aged between 0 to 14 has reached 250 million. With such a large population base of infants and children, it is expected that children's wear industry will continue to grow positively. Also, in the next ten years, the children's wear industry is expected to be able to attract those consumers who have the strongest purchasing power in Mainland China.

Apart from this, there are over 1,000 brands of children's wear in Mainland China with low concentration. Each famous brand has its own market pattern, segment, enterprise pattern, brand style and so on. As branded children's wear market continues to grow and develop, brand groups, marketing companies of professional brands, brand processors, brand retailers, exclusive retailers, professional purchasing agents, professional wholesalers, design companies and brand customization companies will put very much effort to differentiate their brands. It is estimated that the scale of the Chinese children's wear industry will grow significantly. Leverage from the already well-known XYY characters, the acquisition will enable the Group to benefit from the growing children's wear market in Mainland China.

For the above reasons, the Directors take the view that the Acquisition and the Subscription are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(4) *New Investor of SLE*

On July 13, 2011, the Company, Honstar Development Limited ("Honstar"), a wholly-owned subsidiary of the Company, Sino Light Group Limited ("SLG"), Express Touch Limited ("ETL"), a wholly-owned subsidiary of SLG, Toon Express International Limited (the "Subscriber"), an indirect wholly-owned subsidiary of Imagi International Holdings Limited (Imagi International Holdings Limited together with its subsidiaries, the "Imagi Group") and Sino Light Enterprise Limited ("SLE"), prior to the completion (the "Completion") of the Subscription, an indirect subsidiary of the Company, entered into a subscription and option agreement ("Subscription Agreement") in respect of the subscription ("Subscription") of certain shares in SLE by the Subscriber for an aggregate consideration of HK$36,400,000 of which (i) HK$9,100,000 will be satisfied in cash by the Subscriber and (ii) HK$27,300,000 will be satisfied by way of the provision of certain management services procured by the Subscriber. Pursuant to the Subscription Agreement, SLE has granted an option ("Option") to the Subscriber to further subscribe for additional shares (at the same price, on a per share basis, as the Subscription) in SLE on the terms of the Subscription Agreement.

Before Completion, Honstar and ETL hold 55% and 45% of the issued share capital of SLE respectively. Upon Completion, SLE will cease to be a subsidiary of the Company and Honstar, ETL and the Subscriber will hold approximately 43.65%, 35.71% and 20.63% respectively of the issued share capital of SLE as enlarged by the Subscription (before the exercise of the Option). Assuming the exercise of the Option in full immediately after Completion at the initial subscription price, the Subscriber will hold up to approximately 29.58% of SLE (as enlarged by the issue of such shares).

Upon Completion, the parties to the Subscription Agreement shall enter into a shareholders' agreement (the "Shareholders' Agreement") for the purposes of, inter alia, regulating the management of SLE. Under the Shareholders' Agreement, in the event of the expiry, termination or non-renewal of the License Agreement, the Subscriber shall have a right but not an obligation ("Put Option") to require Honstar and ETL to purchase all or a portion (such portion to be determined by the Subscriber at its sole discretion) of the shares in SLE then held by the Subscriber based on the then fair market value of such shares. Upon the exercise of the Put Option, the Company will comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Completion is made on August 29, 2011.

Subscription of Convertible Bonds

In December 2010, the Company has subscribed for the convertible bonds in the aggregate principal amount of HK$200,000,000 to be issued by Heng Xin China Holdings Limited ("Heng Xin"). The subscription price was satisfied in cash by the Company. The convertible bonds do not bear any interest. The term of the convertible bonds is two years after the date of issue of the convertible bonds. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK$2 per conversion share, a maximum of 100,000,000 conversion shares will be allotted and issued.

Heng Xin is an investment holding company and its subsidiaries are principally engaged in wireless digital terrestrial television network equipment integrated business, digital cable television two-way conversion business, research, design, development on and manufacturing of electronic message security products, integrated circuits, and the integrated circuit solutions and the related services. In accordance with the Company's corporate strategy to explore other industries with good business potential and growth prospects, the Directors consider that the Subscription provides an opportunity for the Company to participate in the market with strong earnings potential.

The Directors consider that the terms of the convertible bonds are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Issue of Taiwan Depository Receipt ("TDR")

On August 26, 2010, the Company issued TDR at Taiwan Stock Exchange. The ordinary shares of the Company are the underlying securities of the TDR. One ordinary share represents one unit of TDR. A total TDR of 80 million units was issued and all of which are existing shares to be offered by ten shareholders, including Success Power Investments Limited and Wellever Investments Limited, two substantial shareholders of the Company. The Company did not issue any new shares for this TDR issue. The offer price of TDR is NT$9.30 (equivalent to HK$2.26) per unit. The net proceeds of TDR issue, after deduction of underwriting fees and expenses, has been delivered to the shareholders who participated in this TDR issue after completion of issue.

Working capital efficiency

The average inventory turnover days for the year ended June 30, 2011 and 2010 were 69 days and 77 days respectively.

The average trade receivables turnover days for the year ended June 30, 2011 and 2010 were 60 days and 47 days respectively.

The average trade payables turnover days for the year ended June 30, 2011 and 2010 were 78 days and 79 days respectively.

Liquidity and financial resources

The Group generally finances its operations with internal generated cash flow and bank facilities. At June 30, 2011, it had cash and cash equivalent balances totaled HK$276.3 million (2010: HK$477.2 million). The decrease was mainly attributable to the acquisition of SLE and subscription of convertible bonds issued by Heng Xin. After those acquisition and subscription, the Group still has strong net cash position.

The Group's current ratio (ratio of current assets to current liabilities) was 2.3 at June 30, 2011 (2010: 2.2).

As at June 30, 2011, the Group's total borrowings were HK$79.3 million (2010: HK$83.4 million). The gearing ratio (total borrowings over total assets of the Group) was slightly reduced to 5.7% at June 30, 2011 from 6.3% at June 30, 2010.

Charges on assets

As at June 30, 2011, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$13.4 million, and (ii) leasehold land and buildings of HK$7.9 million.

Foreign exchange exposure

The Group's sales and purchases in various foreign currencies, mainly United States dollars ("USD") and Renminbi ("RMB"), that expose it to foreign currency risk arising from sales and purchases and the resulting receivables and the payables. The Group closely and continuously monitors the exposure. Since Hong Kong dollars are pegged to USD and the recent pressure from appreciation of RMB was manageable, so the foreign currency exposure arising from above transactions are minimal.

Contingent liabilities

The Group did not have any significant contingent liabilities at June 30, 2011 (2010: Nil).

PROSPECTS

From Integrated Device Manufacturer ("IDM") to Platform Provider

For existing retailer market, the Group will actively promote high-end products and products with high added-values, to further enhance and expand the Group's business coverage in each market territory, and to provide a solid revenue guarantee for the Group's rapid growth in operator business.

For the operator market, the Group will aggressively expand its market share in the Middle East, North Africa, Latin America, China, Taiwan and other Asia-Pacific emerging markets.

The Group is not only the designer and manufacturer of professional head-end equipments, transmission equipments, modulating equipments and terminal receiving equipments, it is a platform provider backed by strong technology to provide a comprehensive system integration services and leading Conditional Access Systems ("CAS") system technology. The Group will continue to work with technical partners, leading suppliers of CAS systems, platform providers and multi system operators to establish strategic alliances to expand the operator businesses in global markets, and target to transform the Company successfully from an IDM to platform provider, thereby extending its business scope to channel content, content subscription management systems and various value-added service systems, with the aim of bringing the business development of the Group into another new era!

DIVIDEND AND BONUS ISSUE

The Directors do not recommend the payment of a final dividend for the year ended June 30, 2011 (2010: HK3.0 cents per share).

The Directors recommend a bonus issue to the shareholders of the Company on the basis one bonus share (the "Bonus Share(s)") for every ten existing ordinary shares (the "Bonus Issue"). The Bonus Shares will be credited as fully paid by way of capitalisation of an amount in the share premium account of the Company. The Bonus Shares will rank pari passu in all respects with the ordinary shares of the Company.

The Bonus Issue is conditional upon:

(i) the approval of the Bonus Issue by the shareholders of the Company at the annual general meeting of the Company to be held;

(ii) the Listing Committee of the Stock Exchange granting the listings of, and permission to deal in, the Bonus Shares; and

(iii) compliance with the relevant legal procedures and requirements under the Rules Governing the Listing of Securities on The Stock Exchange, the Hong Kong Companies Ordinance and the Bye-laws of the Company to effect the Bonus Issue.

The necessary resolution will be proposed at the forthcoming annual general meeting of the Company. A circular containing, among other things, further details of the Bonus Issue will be dispatched to the shareholders of the Company as soon as practicable.

EMPLOYEES

As at June 30, 2011, the Group employed a total of 2,674 (2010: 3,866) full-time employees. Employees are remunerated accordingly to their performance and responsibilities and the total employee benefit expenses, excluding directors, for the Year amounted to HK$187.4 million (2010: HK$191.4 million). Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The directors of the Company (the "Directors") believe that good corporate governance provides a framework and platform that is essential for and advantageous to effective management and successful business growth. The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and where appropriate, adopted the recommended best practices of the CG Code. Throughout the year ended June 30, 2011 (the "Year"), the Company has complied with the code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry to all Directors, all Directors confirmed they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Year.

BOARD OF DIRECTORS

The composition of the Board of Directors (the "Board"), including five executive Directors namely, Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Liao Wen I, Mr. Chen Chien An and Mr. Frank Karl-Heinz Fischer and three independent non-executive Directors ("INEDs") namely, Mr. Hsu Chun Yi, Mr. Tsan Wen Nan and Mr. Lee Chien Kuo. The Chairman is Mr. Hung Tsung Chin. The Board held six meetings during the Year. The Company sets up the Audit Committee, Nomination Committee and Remuneration Committee (the "Committees"). The attendance of the Board and Committees meetings during the Year are as follows:

Name of directors	**Board**	**Attendance rate**	**Audit Committee**	**Attendance rate**	**Nomination Committee**	**Attendance rate**	**Remuneration Committee**	**Attendance rate**	**2010 AGM**	**Attendance rate**
	Number of meetings attended in person/ by proxy		Number of meetings attended in person/ by proxy		Number of meetings attended in person/ by proxy		Number of meetings attended in person/ by proxy		Attended in person	
Executive Directors										
Hung Tsung Chin *(Chairman)*	6/0	100%	N/A	N/A	1/0	100%	1/0	100%	1	100%
Chen Mei Huei *(Chief Executive Officer)*	5/0	83%	N/A	N/A	N/A	N/A	N/A	N/A	0	0%
Liao Wen I	5/1	100%	N/A	N/A	N/A	N/A	N/A	N/A	1	100%
Wang Yao Chu *(resigned on February 21, 2011)*	3/0 (note 1)	75%	N/A	N/A	N/A	N/A	N/A	N/A	1	100%
Chen Chien An *(appointed on June 24, 2011)*	N/A (note 2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Frank Karl-Heinz Fischer *(appointed on June 24, 2011)*	N/A (note 2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INEDs										
Hsu Chun Yi	5/0	83%	2/0	100%	1/0	100%	1/0	100%	1	100%
Tsan Wen Nan	5/0	83%	2/0	100%	1/0	100%	1/0	100%	0	0%
Lee Chien Kuo	5/0	83%	2/0	100%	N/A	N/A	N/A	N/A	0	0%

Note 1: Four Board meetings were held during the period from July 1, 2010 to February 20, 2011.

Note 2: No Board meeting was held during the period from June 25, 2011 to June 30, 2011.

The Directors are collectively and ultimately responsible for how the Company is managed, its strategic direction and performance. The Directors meet to plan, decide and review these matters, which resolutions are put to a vote. Day-to-day operations of the Group and implementation of the Board's decisions and strategy are delegated to the Company's management team, and those arrangements are reviewed on a periodic basis to ensure they remain appropriate. All Directors are regularly updated on corporate governance and regulatory matters. The Directors have separate and independent access to the Company's senior management and, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses. All Directors also have access to the Company Secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of the meeting. Minutes of board meetings and meetings of board committee, which recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the Company Secretary and are open for inspection by Directors.

Details of the rules governing the appointment, re-election and removal of Directors are laid down in the Bye-laws of the Company. Biographies of the Directors are set out in the Directors and Senior Management section of this Annual Report.

The Company has also arranged a Director's and Officer's Liability Insurance policy in respect of legal action against its Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer are currently two separate positions. Mr. Hung Tsung Chin, the Chairman, is the husband of Ms. Chen Mei Huei, the Chief Executive Officer. The Chairman is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings and receive adequate, complete and reliable information in a timely manner as will enable them to make an informed decision. The Chief Executive Officer is delegated with the authority and is responsible for running the Group's business, and the implementation of the approved strategies in achieving the overall commercial objectives.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hsu Chun Yi, Mr. Tsan Wen Nan and Mr. Lee Chien Kuo of the INEDs of the Company have entered into the letter of appointment with the Company and be appointed for a period of one year commencing from December 1, 2010, December 1, 2010 and February 2, 2011 respectively and subject to the retirement and re-election provisions in the Bye-laws of the Company and may be terminated by either party giving to the other three months' prior notice in writing. Pursuant to the guidelines set out in rule 3.13 of the Listing Rules, each of the INEDs has confirmed his independence and is continued to be considered by the Company to be independent.

REMUNERATION OF DIRECTORS

The Remuneration Committee of the Company is responsible for formulating and making recommendations to the Board on the Group's policy and structure of the Directors' and the senior management's remuneration, as well as on the establishment of a formal and transparent procedure for developing policy on such remuneration. Throughout the Year, the Remuneration Committee comprised one executive Director and Chairman of the Company, Mr. Hung Tsung Chin (Chairman of the Remuneration Committee), and two INEDs, namely, Mr. Hsu Chun Yi and Mr. Tsan Wen Nan.

During the Year, the Remuneration Committee has convened one meeting.

NOMINATION OF DIRECTORS

The Nomination Committee of the Company is responsible for the appointment of the directors and for considering appropriate candidates for re-election by the Company's shareholders at annual general meeting. Throughout the Year, the Nomination Committee comprised one executive Director and Chairman of the Company, Mr. Hung Tsung Chin (Chairman of the Nomination Committee) and two INEDs, namely, Mr. Hsu Chun Yi and Mr. Tsan Wen Nan.

During the Year, the Nomination Committee has convened one meeting.

AUDITORS' REMUNERATION

During the Year, the remuneration paid to the Company's external auditors, Deloitte Touche Tohmatsu, for their services rendered for the year ended June 30, 2011 is set out as follows:

	2011 HK$'000	2010 HK$'000
Audit	**2,459**	2,552
Non-audit services:		
Interim review	**331**	294
Others	**30**	30

AUDIT COMMITTEE

The Audit Committee has been established with the responsibility of assisting the Board in providing an independent review on the Company's (i) relationship with the external auditors, (ii) financial information, and (iii) the reporting system and internal control procedures. It acts in an advisory capacity and makes recommendations to the Board. Throughout the Year, the Audit Committee comprised three INEDs, namely, Mr. Hsu Chun Yi (Chairman of the Audit Committee), Mr. Tsan Wen Nan and Mr. Lee Chien Kuo.

During the Year, the Audit Committee has convened two meetings.

The Directors are collectively responsible for preparing the consolidated financial statements of the Group which have been prepared on a going concern basis, and complied with requirements of the Listing Rules. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Also, there is no disagreement between the Directors and the Audit Committee regarding the selection of the external auditors.

The auditors' statement about their reporting responsibilities on the consolidated financial statements is set out on page 28 of this annual report.

INTERNAL CONTROL

The Directors have conducted a review covering all material controls, including financial, operational and compliance controls and risk management functions of the Group for the Year and were satisfied that an effective and adequate internal control system had been in operation. Considerations are also given to the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting functions and their training programs and budget.

The Directors and management have also conducted regular reviews on the effectiveness of the system of internal control of the Group and are satisfied with the results of the reviews.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company maintains a website at www.sandmartin.com.hk. It is a channel of the Company to communication with the public with our latest development of the Group. All our corporate communications such as announcements, circular, annual report and interim report are available on the website whereas circular, annual report and interim report are printed and sent to all shareholders of the Company. Shareholders and investors may also email their enquires to the Company's email at smt@sandmartin.com.hk, which will be handled by public relation staff of the company.

The directors of the Company are pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended June 30, 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended June 30, 2011 are set out in the consolidated statement of comprehensive income on page 30.

No interim dividend for the six months ended December 31, 2010 (7.1.2009 to 12.31.2009: HK2.5 cents per share) was paid to shareholders during the year. The directors do not recommended the payment of a final dividend for the year ended June 30, 2011 (2010: HK3.0 cents per share).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at June 30, 2011 were as follows:

	2011 **HK$'000**	2010 HK$'000
Contributed surplus	**181,788**	181,788
Retained profits	**5,903**	37,135
	187,691	218,923

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

SUBSIDIARIES

Particular of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended June 30, 2011.

BORROWINGS

Details of the borrowings of the Group are set out in note 26 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Hung Tsung Chin	
Ms. Chen Mei Huei	
Mr. Liao Wen I	
Mr. Chen Chien Au	(appointed on June 24, 2011)
Mr. Frank Karl-Heinz Fischer	(appointed on June 24, 2011)
Mr. Wang Yao Chu	(resigned on February 21, 2011)

Independent non-executive directors:

Mr. Hsu Chun Yi
Mr. Tsan Wen Nan
Mr. Lee Chien Kuo

In accordance with the Company's Bye-laws 87(1) and 87(2), Mr. Chen Chien An and Mr. Frank Karl-Heinz Fischer shall retire by rotation and, being eligible, offered themselves for re-election at the forthcoming annual general meeting (the "AGM"). In accordance with the Company's Bye-laws 86(2), Mr. Hsu Chun Yi and Mr. Tsan Wen Nan shall retire from office and being eligible, offered themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years commencing April 1, 2005 and will continue thereafter unless and until terminated by either party by three months' prior notice in writing.

Mr. Hsu Chun Yi, Mr. Tsan Wen Nan, and Mr. Lee Chien Kuo, the independent non-executive directors of the Company, have entered into letters of appointment with the Company and have been appointed for a period of one year commencing from December 1, 2010, December 1, 2010 and February 2, 2011 respectively. The appointment is subject to the retirement and re-election provisions in the Bye-laws of the Company and may be terminated by either party giving to the other three months' prior notice in writing.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at June 30, 2011, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws the "SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") Contained in Appendix 10 in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(i) Ordinary shares of HK$0.10 each of the Company

Name of director	Capacity and nature of interest	Number of shares held	Percentage of interest
Mr. Hung Tsung Chin	Corporate	147,523,125 (Note 1)	21.92%
Ms. Chen Mei Huei	Corporate	147,523,125 (Note 1)	21.92%
Mr. Liao Wen I	Corporate	57,004,375 (Note 2)	8.47%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION *(Continued)*

(i) Ordinary shares of HK$0.10 each of the Company *(Continued)*

Notes:

1. These shares are registered in the name of Metroasset Investments Limited which is held by Mr. Hung Tsung Chin as to 45.09%, his wife, Ms. Chen Mei Huei, as to 44.38% and Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei as to 10.53%.

2. These shares are registered in the name of Wellever Investments Limited which is held by Mr. Liao Wen I as to 86.14% and his wife, Ms. Lin Hsiu Ling, as to 13.86%.

All interests in the Company's shares stated above represent long position.

(ii) Share options

Pursuant to a share option scheme approved by a written resolution passed by the shareholders of the Company on March 17, 2005 (the "Option Scheme") for a period of ten years, the Company may grant options to the directors or employees, any business consultants, business partners, suppliers, customers, agents or financial or legal advisers of the Company or any of its subsidiaries, for the recognition of their contributions, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered.

The exercise price of the share option will be determined at the highest of:

(i) the closing price of the Company's shares on the Stock Exchange on the date of grant;

(ii) the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and

(iii) the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Option Scheme, or any conditions stipulated by the board of directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of the Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION *(Continued)*

(ii) Share options *(Continued)*

As at June 30, 2011, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 12,625,000, representing 1.88% of the shares of the Company in issue as at June 30, 2011.

The following table discloses movements in the Company's share options during the year:

				Number of share options				
Type of grantee	Date of grant (Note)	Closing price per share immediately prior to the grant date	Exercise price	Outstanding at July 1, 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at June 30, 2011
Directors								
Mr. Hung Tsung Chin	July 30, 2005	HK$1.02	HK$1.02	500,000	–	–	(500,000)	–
Ms. Chen Mei Huei	July 30, 2005	HK$1.02	HK$1.02	500,000	–	–	–	500,000
	October 22, 2010	HK$2.05	HK$2.05	–	2,000,000	–	–	2,000,000
Mr. Wang Yao Chu	July 30, 2005	HK$1.02	HK$1.02	500,000	–	–	(500,000)	–
Mr. Liao Wen I	July 30, 2005	HK$1.02	HK$1.02	500,000	–	–	(500,000)	–
				2,000,000	2,000,000	–	(1,500,000)	2,500,000
Employees	July 30, 2005	HK$1.02	HK$1.02	2,500,000	–	–	–	2,500,000
	December 16, 2006	HK$2.05	HK$2.05	1,100,000	–	–	(125,000)	975,000
	December 27, 2007	HK$1.76	HK$1.76	3,050,000	–	(150,000)	(150,000)	2,750,000
	April 1, 2009	HK$1.10	HK$1.114	3,050,000	–	–	(150,000)	2,900,000
	October 22, 2010	HK$2.05	HK$2.05	–	1,000,000	–	–	1,000,000
Total				11,700,000	3,000,000	(150,000)	(1,925,000)	12,625,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION *(Continued)*

(ii) Share options *(Continued)*

Note:

The share options are vested in stages as follows:

On or after the second anniversary of the date of grant	50%
On or after the third anniversary of the date of grant	remaining 50%

Options granted on July 30, 2005 are exercisable until July 31, 2015, options granted on December 16, 2006 are exercisable until December 15, 2016, options granted on December 27, 2007 are exercisable until December 26, 2017, options granted on April 1, 2009 are exercisable until March 31, 2019 and options granted on October 22, 2010 are exercisable until October 21, 2020.

Save as disclosed above, as at June 30, 2011, none of the directors and chief executives of the Company had or were deemed to have any interest, or short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2011, the interests or short position of the following substantial shareholders in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Capacity and nature of interests	Number of the Company's shares held	Percentage of interest
Metroasset Investments Limited	Beneficial owner	147,523,125	21.92% (Note 1)
Wellever Investments Limited	Beneficial owner	57,004,375	8.47% (Note 2)

Notes:

1. Metroasset Investments Limited is held by Mr. Hung Tsung Chin as to 45.09%, his wife, Ms. Chen Mei Huei, as to 44.38% and Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei as to 10.53%.

2. Wellever Investments Limited is held by Mr. Liao Wen I as to 86.14% and his wife, Ms. Lin Hsiu Ling, as to 13.86%.

All the interests in the Company's shares stated above represent long position.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Save as disclosed above, so far as is known to the directors, as at June 30, 2011, there was no person (other than a director or chief executive of the Company) who had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company pursuant to section 336 of the SFO.

CONFIRMATION OF INDEPENDENCE NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the Option Scheme as disclosed under directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company of its associated corporation at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Other employee benefits included insurance and medical cover, subsidised training programme as well as the share option scheme that is set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 40% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 16% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 23% of the total purchases.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, own more than 5% of the Company's issued share capital had any interest in the share capital of any of the Group's five largest customers.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period are set out in note 41 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended June 30, 2011.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Hung Tsung Chun
Chairman
Hong Kong, September 28, 2011

Deloitte.
德勤

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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF
SANDMARTIN INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sandmartin International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 101, which comprise the consolidated statement of financial position as at June 30, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at June 30, 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 28, 2011

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	5	**1,604,087**	1,560,713
Cost of sales		**(1,256,049)**	(1,204,824)
Gross profit		**348,038**	355,889
Other income		**25,022**	20,306
Other gains and losses		**(27,712)**	(17,635)
Loss on fair value change of derivatives embedded in convertible bonds	18	**(11,053)**	–
Gain on bargain purchase	37(b)	**6,871**	–
Increase in fair value of investment properties		**1,170**	569
Distribution and selling costs		**(53,221)**	(61,392)
Administrative expenses		**(161,609)**	(142,277)
Research and development costs		**(38,857)**	(52,195)
Finance costs	7	**(2,194)**	(5,935)
Profit before taxation		**86,455**	97,330
Taxation	8	**3,726**	(6,345)
Profit for the year	9	**90,181**	90,985
Other comprehensive income			
Exchange difference arising from translation of foreign operations		**42,406**	(11,115)
Fair value change of available-for-sale investments		**(713)**	–
Total comprehensive income for the year		**131,874**	79,870
Profit for the year attributable to:			
Owners of the Company		**90,441**	91,698
Non-controlling interests		**(260)**	(713)
		90,181	90,985
Total comprehensive income attributable to:			
Owners of the Company		**132,550**	80,662
Non-controlling interests		**(676)**	(792)
		131,874	79,870
Earnings per share	12		
Basic		**13.5 HK cents**	14.9 HK cents
Diluted		**13.4 HK cents**	14.8 HK cents

Consolidated Statement of Financial Position

At June 30, 2011

	NOTES	**6.30.2011 HK$'000**	6.30.2010 HK$'000 (Restated)	7.1.2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	13	**168,886**	170,814	188,571
Prepaid lease payments	14	**15,350**	15,010	15,230
Investment properties	15	**34,752**	31,981	31,083
Goodwill	16	**51,111**	66,392	84,681
Intangible assets	17	**65,759**	2,980	6,234
Available-for-sale investments	18	**179,426**	–	–
Derivatives embedded in convertible bonds	18	**15,184**	–	–
Deferred tax assets	19	**29,404**	12,624	8,723
		559,872	299,801	334,522
Current assets				
Inventories	20	**198,890**	278,791	227,496
Trade and other receivables	21	**341,810**	276,268	191,046
Prepaid lease payments	14	**437**	378	374
Available-for-sale investments	18	**765**	–	–
Derivative financial instruments	22	**511**	51	299
Pledged bank deposits	23	**13,363**	1,405	1,275
Bank balances and cash	24	**276,264**	477,150	173,305
		832,040	1,034,043	593,795
Current liabilities				
Trade and other payables	25	**269,562**	392,223	236,310
Tax liabilities		**17,706**	14,658	9,028
Bank borrowings				
– due within one year	26	**73,804**	66,395	84,955
Obligations under finance leases				
– due within one year	27	**–**	291	35
Derivative financial instruments	22	**35**	–	–
		361,107	473,567	330,328
Net current assets		**470,933**	560,476	263,467
		1,030,805	860,277	597,989

Consolidated Statement of Financial Position

At June 30, 2011

	NOTES	6.30.2011 HK$'000	6.30.2010 HK$'000 (Restated)	7.1.2009 HK$'000 (Restated)
Capital and reserves				
Share capital	28	**67,287**	66,478	55,672
Reserves		**893,216**	757,666	508,494
Equity attributable to owners of the Company		**960,503**	824,144	564,166
Non-controlling interests		**51,354**	9,433	10,225
Total equity		**1,011,857**	833,577	574,391
Non-current liabilities				
Bank borrowings				
– due after one year	26	**5,472**	16,157	16,184
Deferred tax liabilities	19	**13,476**	10,006	7,414
Obligations under finance leases				
– due after one year	27	**–**	537	–
		18,948	26,700	23,598
		1,030,805	860,277	597,989

The consolidated financial statements on pages 30 to 101 were approved and authorised for issue by the Board of Directors on September 28, 2011 and are signed on its behalf by:

Hung Tsung Chin	**Chen Chien An**
DIRECTOR	*DIRECTOR*

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At July 1, 2009	55,672	93,111	3,611	19,237	79,878	–	26,126	286,531	564,166	10,225	574,391
Profit for the year	–	–	–	–	–	–	–	91,698	91,698	(713)	90,985
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	(11,036)	–	(11,036)	(79)	(11,115)
Total comprehensive income for the year	–	–	–	–	–	–	(11,036)	91,698	80,662	(792)	79,870
Issue of shares	10,800	196,109	–	–	–	–	–	–	206,909	–	206,909
Transaction costs attributable to issue of shares	–	(3,558)	–	–	–	–	–	–	(3,558)	–	(3,558)
Dividends recognised as distribution	–	–	–	–	–	–	–	(25,527)	(25,527)	–	(25,527)
Recognition of equity-settled share-based payments	–	–	1,431	–	–	–	–	–	1,431	–	1,431
Exercise of share options	6	61	(6)	–	–	–	–	–	61	–	61
Transfer	–	–	–	2,626	–	–	–	(2,626)	–	–	–
At June 30, 2010	66,478	285,723	5,036	21,863	79,878	–	15,090	350,076	824,144	9,433	833,577
Profit for the year	–	–	–	–	–	–	–	90,441	90,441	(260)	90,181
Fair value change of available-for-sale investments	–	–	–	–	–	(713)	–	–	(713)	–	(713)
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	42,822	–	42,822	(416)	42,406
Total comprehensive income for the year	–	–	–	–	–	(713)	42,822	90,441	132,550	(676)	131,874
Issue of shares	794	21,268	–	–	–	–	–	–	22,062	–	22,062
Dividends recognised as distribution	–	–	–	–	–	–	–	(19,943)	(19,943)	–	(19,943)
Recognition of equity-settled share-based payments	–	–	1,426	–	–	–	–	–	1,426	–	1,426
Exercise of share options	15	384	(135)	–	–	–	–	–	264	–	264
Acquisition of interest in a subsidiary (note 37(a))	–	–	–	–	–	–	–	–	–	42,597	42,597
Transfer	–	–	–	3,557	–	–	–	(3,557)	–	–	–
At June 30, 2011	**67,287**	**307,375**	**6,327**	**25,420**	**79,878**	**(713)**	**57,912**	**417,017**	**960,503**	**51,354**	**1,011,857**

Notes:

(a) The statutory reserve is required by the relevant law of The People's Republic of China (the "PRC") applicable to the subsidiaries in the PRC. The statutory reserve can be applied in conversion into PRC subsidiaries' capital by means of a capitalisation issue.

(b) The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation prior to the listing of the Company's shares and the surplus arising pursuant to a capitalisation of advances from shareholders as part of the group reorganisation.

Consolidated Statement of Cash Flows

For the year ended June 30, 2011

	NOTE	2011 HK$'000	2010 HK$'000
Operating activities			
Profit before taxation		**86,455**	97,330
Adjustments for:			
Amortisation of intangible assets		**3,062**	3,150
Depreciation of property, plant and equipment		**21,743**	23,364
Finance costs		**2,194**	5,935
Gain on disposal of property, plant and equipment		**(33)**	(129)
Gain on bargain purchase		**(6,871)**	–
Impairment loss on trade receivables		**6,057**	4,794
Write-down of inventories		**5,275**	12,700
Impairment loss on goodwill		**18,900**	14,055
Increase in fair value of investment properties		**(1,170)**	(569)
Interest income		**(1,581)**	(990)
Effective interest income on convertible bonds		**(6,376)**	–
Bad debt recovered		**(128)**	(18)
Release of prepaid lease payments		**324**	375
Share-based payment expense		**1,426**	1,431
Loss (gain) on fair value change of derivative financial instruments		**1,202**	(51)
Loss on fair value change of derivatives embedded in convertible bonds		**11,053**	–
Operating cash flows before movements in working capital		**141,532**	161,377
Decrease (increase) in inventories		**110,059**	(72,028)
Increase in trade and other receivables		**(39,925)**	(99,136)
(Increase) decrease in derivative financial instruments		**(1,627)**	299
(Decrease) increase in trade and other payables		**(148,784)**	156,625
Cash generated from operations		**61,255**	147,137
Taxation in other jurisdictions paid		**(11,231)**	(12,723)
Taxation in other jurisdictions refunded		**4,273**	9,684
Interest received		**1,581**	990
Interest paid		**(2,194)**	(5,935)
Net cash from operating activities		**53,684**	139,153
Investing activities			
Purchase of available-for-sale investments		**(200,765)**	–
Placement of pledged bank deposits		**(13,363)**	(1,405)
Purchase of property, plant and equipment		**(9,445)**	(6,477)
Expenditure on intangible assets		**(55)**	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	37	**3,783**	–
Proceeds from disposal of property, plant and equipment		**1,564**	383
Withdrawal of pledged bank deposits		**1,405**	1,275
Net cash used in investing activities		**(216,876)**	(6,224)

Consolidated Statement of Cash Flows

For the year ended June 30, 2011

	2011 HK$'000	2010 HK$'000
Financing activities		
Repayment of bank loans	**(162,818)**	(295,537)
Dividend paid	**(19,943)**	(25,527)
Repayment of obligations under finance leases	**(828)**	(237)
Decrease in trust receipt loans	**(671)**	(1,970)
New bank loans raised	**157,407**	292,319
Proceeds from issue of shares upon exercise of share options	**264**	61
Proceeds from issue of shares	**–**	206,909
Expense on placing of new shares	**–**	(3,558)
Net cash (used in) from financing activities	**(26,589)**	172,460
Net (decrease) increase in cash and cash equivalents	**(189,781)**	305,389
Cash and cash equivalents at beginning of the year	**477,150**	173,305
Effect of foreign exchange rate changes	**(11,105)**	(1,544)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**276,264**	477,150

1. GENERAL

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Company is United States dollars ("USD"). As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and are mandatorily effective for the Group's financial year beginning July 1, 2010, as follows:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

[1] Except for the amendments that are effective for annual periods beginning on or after January 1, 2011.

Except as described below, the adoption of the above new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 17 "Leases"

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendment is effective from July 1, 2010 for the Group. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 17 "Leases" *(Continued)*

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at July 1, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. This resulted in a reclassification from prepaid lease payments with the carrying amounts of HK$7,838,000 and HK$7,669,000 as at July 1, 2009 and June 30, 2010 respectively to property, plant and equipment.

As at June 30, 2011, leasehold land that qualifies for finance lease classification with the carrying amount of HK$7,500,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK-Int 5")

HK-Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-Int 5 for the first time in the current year. HK-Int 5 requires retrospective application.

In order to comply with the requirements set out in HK-Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK-Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at June 30, 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$13,029,000 (July 1, 2009 and June 30, 2010: nil) have been classified as current liabilities.

The application of HK-Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 32 for details).

The change in accounting policies described above has had no effect on the Group's basic and diluted earnings per share for the current and prior years.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The effect of the above change in accounting policy on the financial positions of the Group as at July 1, 2009 and June 30, 2010 is as follows:

	As at 7.1.2009 (originally stated)	Adjustments	As at 7.1.2009 (restated)	As at 6.30.2010 (originally stated)	Adjustments	As at 6.30.2010 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Property, plant and equipment	180,733	7,838	188,571	163,145	7,669	170,814
Prepaid lease payment – non-current	22,899	(7,669)	15,230	22,510	(7,500)	15,010
Prepaid lease payment – current	543	(169)	374	547	(169)	378
	204,175	–	204,175	186,202	–	186,202

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised 2008), HKAS 1 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (Revised in 2011)	Employee Benefits[4]
HKAS 24 (Revised in 2009)	Related Party Disclosures[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[4]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

1 Effective for annual periods beginning on or after January 1, 2011.
2 Effective for annual periods beginning on or after July 1, 2011.
3 Effective for annual periods beginning on or after July 1, 2012.
4 Effective for annual periods beginning on or after January 1, 2013.
5 Effective for annual periods beginning on or after January 1, 2012.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The directors anticipate that application of HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending June 30, 2014 and application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the PRC that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

The directors anticipate that the applications of other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised 2008) are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 "Share-based Payment"; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU"), or groups of CGU, that are expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment at the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of returns and discounts.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Freehold land is stated at cost less accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposals or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after July 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans, Hong Kong Mandatory Provident Fund Scheme (the "MPF Scheme") and the state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at the fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets comprise financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL are classified as financial assets held for trading. A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group has designated the debt element of an investment in convertible bonds as an available-for-sale investment.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Such financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 120 days, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will continue to be held in the share option reserve.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment loss on trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status, creditworthiness and the past collection history of each customer. Specific allowance is made for receivables if objective evidence of impairment exists and is recognised as the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and the carrying value. If no objective evidence exists that receivables are impaired on a individual basis, those receivables are included in a collective assessment of impairment. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at June 30, 2011, the carrying value of trade receivables was HK$293,995,000 (2010: HK$236,229,000) (net of allowance for doubtful debts of HK$64,749,000 (2010: HK$103,957,000)). Details of the movement of allowance for doubtful debts are disclosed in note 21.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the future cash flow and the discount rate are different from the original estimate, such difference will impact the carrying value of goodwill and impairment loss in the year in which such estimate has been changed. As at June 30, 2011, the carrying amount of goodwill was HK$57,511,000 (2010: HK$66,392,000), net of accumulated impairment loss of HK$29,610,000 (2010: HK$17,110,000). Details of the recoverable amount calculation are disclosed in note 16.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Write-down of inventories

Management reviews the inventory listing at the end of the reporting period, and makes an allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. When determining the allowance, reference is made to the latest market value for those inventories identified. Where the net realisable value is less than the carrying amount, a material write down may arise. As at June 30, 2011, the carrying amount of inventories was HK$198,890,000 (2010: HK$278,791,000).

Income taxes

As at June 30, 2011, a deferred tax asset of HK$16,798,000 (2010: HK$1,897,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold, less returns and discounts, and services provided by the Group to outside customers during the year. An analysis of the Group's revenue is as follows:

	2011 **HK$'000**	2010 HK$'000
Sales of goods	**1,602,554**	1,560,713
Service income	**1,533**	–
	1,604,087	1,560,713

6. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of their goods and services delivered or provided by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products. During the current year, the Group expanded its operations through the acquisition of subsidiaries which were reported under two new operating segments, provision of integration system services for public programs and trading of children wear. Details of the acquisition are disclosed in note 37.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

1. Media entertainment platform related products
2. Other multimedia products
3. Public system for providing service of integration system of public program
4. Children wear

6. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Year ended June 30, 2011

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children wear HK$'000	Total HK$'000
REVENUE					
External sales	1,167,445	435,109	1,533	–	1,604,087
RESULTS					
Segment results	228,984	39,999	877	–	269,860
Other income					25,022
Other gains and losses					(2,755)
Loss on fair value change of derivatives embedded in convertible bonds					(11,053)
Gain on bargain purchase					6,871
Increase in fair value of investment properties					1,170
Research and development costs					(38,857)
Administrative expenses					(161,609)
Finance costs					(2,194)
Profit before taxation					86,455

6. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results *(Continued)*

Year ended June 30, 2010

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children wear HK$'000	Total HK$'000
REVENUE					
External sales	1,116,837	443,876	–	–	1,560,713
RESULTS					
Segment results	230,203	45,445	–	–	275,648
Other income					20,306
Other gains and losses					1,214
Increase in fair value of investment properties					569
Research and development costs					(52,195)
Administrative expenses					(142,277)
Finance costs					(5,935)
Profit before taxation					97,330

The accounting policies of the operating segments are the same as the accounting policies of the Group described in note 3. Segment profit represents the profit earned by each segment without allocation of administrative expenses, research and development costs, other income, other gains and losses (except impairment loss on goodwill and trade receivables) and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results *(Continued)*

The following is an analysis of the Group's assets and liabilities by operating segment:

At June 30, 2011

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children wear HK$'000	Total HK$'000
ASSETS					
Segment assets	**574,188**	**150,325**	**7,909**	**74,941**	**807,363**
Bank balances and cash					**276,264**
Unallocated corporate assets					**308,285**
Consolidated assets					**1,391,912**
LIABILITIES					
Segment liabilities	**185,970**	**49,959**	**4,379**	**619**	**240,927**
Bank borrowings					**79,276**
Unallocated corporate liabilities					**59,852**
Consolidated liabilities					**380,055**

At June 30, 2010

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children wear HK$'000	Total HK$'000
ASSETS					
Segment assets	575,854	205,258	–	–	781,112
Bank balances and cash					477,150
Unallocated corporate assets					75,582
Consolidated assets					1,333,844
LIABILITIES					
Segment liabilities	295,424	56,289	–	–	351,713
Bank borrowings					82,552
Unallocated corporate liabilities					66,002
Consolidated liabilities					500,267

6. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results *(Continued)*

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, prepaid lease payments, available-for-sale investments, derivatives embedded in convertible bonds, investment properties, other receivables, bank balances and cash, pledged bank deposits and derivative financial instruments; and
- all liabilities are allocated to operating segments other than certain other payables, derivative financial instruments and bank borrowings.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

Year ended June 30, 2011

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children wear HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	4,012	1,297	2,339	64,712	2,614	74,974
Depreciation and amortisation	18,207	2,493	827	–	3,278	24,805
Release of prepaid lease payments	324	–	–	–	–	324
Impairment loss on goodwill	18,900	–	–	–	–	18,900
Impairment loss on trade receivables	2,546	3,511	–	–	–	6,057

Year ended June 30, 2010 (Restated)

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children wear HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	4,651	2,469	–	–	381	7,501
Depreciation and amortisation	20,627	4,115	–	–	1,772	26,514
Release of prepaid lease payments	314	61	–	–	–	375
Impairment loss on goodwill	11,000	3,055	–	–	–	14,055
Impairment loss on trade receivables	2,875	1,919	–	–	–	4,794

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are mainly located in the PRC (country of domicile), Taiwan, Europe, North America, Middle East, Africa and South America.

The Group's revenue from external customers, based on location of customers, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets (note)	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000 (Restated)
Asia				
– PRC (country of domicile)	**78,263**	–	**183,469**	185,226
– Taiwan	**12,682**	134,888	**4,954**	3,128
– Others	**26,074**	30,321	**73,424**	9,729
Europe				
– Germany	**89,665**	36,944	**19,213**	16,726
– Spain	**56,640**	232,079	**54,798**	72,368
– Italy	**56,552**	4,709	**–**	–
– Ukaine	**41,795**	–	**–**	–
– France	**25,082**	5,141	**–**	–
– Others	**49,994**	61,606	**–**	–
North America				
– United States of America	**175,575**	169,907	**–**	–
– Canada	**55,798**	17,714	**–**	–
– Mexico	**39,493**	24,295	**–**	–
– Others	**621**	2,125	**–**	–
Middle East				
– United Arab Emirates	**547,958**	495,320	**–**	–
– Others	**32,069**	148,283	**–**	–
Africa				
– Morocco	**125,808**	32,292	**–**	–
– Others	**50,061**	37,281	**–**	–
South America				
– Chile	**47,565**	33,158	**–**	–
– Uruguay	**–**	52,126	**–**	–
– Argentina	**61,237**	9,998	**–**	–
– Brazil	**24,790**	28,568	**–**	–
– Others	**3,051**	2,190	**–**	–
Other regions	**3,314**	1,768	**–**	–
	1,604,087	1,560,713	**335,858**	287,177

Note: Non-current assets exclude deferred tax assets and financial instruments.

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers in the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 **HK$'000**	2010 HK$'000
Customer A	**260,084**	327,125
Customer B (Note)	**254,931**	–

Revenue from the above customers are all from the media entertainment platform related products segment.

Note: Revenue from this customer for the year ended June 30, 2010 contributed less than 10% of the total sales of the Group.

7. FINANCE COSTS

	2011 **HK$'000**	2010 HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	**2,105**	5,913
– obligations under finance leases	**89**	22
Total finance costs	**2,194**	5,935

8. TAXATION

	2011 **HK$'000**	2010 HK$'000
The tax (credit) charge comprises:		
Current tax:		
PRC	**6,512**	5,514
Jurisdictions other than the PRC and Hong Kong	**6,083**	7,782
Underprovision in prior years	**–**	1,756
Tax refunded in respect of research and development activities in other jurisdictions	**(4,273)**	(5,504)
	8,322	9,548
Deferred taxation:		
Current year	**(15,038)**	(6,077)
Provision for withholding tax	**2,990**	2,874
	(12,048)	(3,203)
	(3,726)	6,345

8. TAXATION *(Continued)*

The tax rates applicable to the Group's principal operating subsidiaries are as follows:

(i) PRC

Pursuant to the relevant laws and regulations in the PRC, 珠海保稅區虹揚電子科技有限公司 and 珠海保稅區隆宇光電科技有限公司 are subject to PRC enterprise income tax that provide for a transitional period of 5 years commencing January 1, 2008 for the tax rate to reach 25%.

As for 中山聖馬丁電子元件有限公司, in late 2008, it successfully applied for High and New Technology Enterprises Status, so the applicable tax rate has been reduced to 15% ("Reduced Tax Rate") from January 1, 2008 to December 31, 2010. The application for renewal is still under processing. At the end of the reporting period, the directors of the Company consider that it is expected that the renewal will be successful.

(ii) Hong Kong

No tax is payable on the profit for the year arising in Hong Kong as the assessable profit is wholly absorbed by tax losses brought forward.

(iii) Europe

The Group's European subsidiaries are subject to profit tax rates at range of 26.3% to 30% (2010: 26.3% to 30%).

(iv) Macau

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated October 18, 1999, the Macau subsidiary is exempted from Macao Complementary Tax.

(v) Others

Other subsidiaries operating in other jurisdictions are subject to applicable tax rates in the relevant jurisdictions.

8. TAXATION *(Continued)*

The tax (credit) charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 **HK$'000**	2010 HK$'000
Profit before taxation	**86,455**	97,330
Tax at the applicable rate of 25% (2010: 25%)	**21,615**	24,332
Tax effect of income subject to falling within Reduced Tax Rate	**(34)**	(5,692)
Tax effect of expenses not deductible for tax purpose	**16,159**	8,873
Tax effect of income not taxable for tax purpose	**(3,292)**	(3,293)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(726)**	92
Tax effect of exemption granted to Macau subsidiary	**(38,304)**	(17,656)
Tax effect of utilisation of tax losses previously not recognised	**(2)**	(340)
Tax effect of tax loss not recognised	**2,141**	903
Underprovision in prior years	**–**	1,756
Tax refunded in respect of research and development activities in other jurisdictions	**(4,273)**	(5,504)
Deferred taxation arising from dividend withholding tax	**2,990**	2,874
Tax (credit) charge for the year	**(3,726)**	6,345

Details of deferred taxation for the year are set out in note 19.

9. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000 (Restated)
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 10)	**4,893**	6,412
Other staff costs	**165,085**	171,022
Retirement benefit scheme contributions, excluding directors	**21,361**	18,947
Share-based payment expense, excluding director	**939**	1,431
Total employee benefit expenses	**192,278**	197,812
Auditor's remuneration	**2,820**	2,876
Depreciation of property, plant and equipment	**21,743**	23,364
Amortisation of intangible assets (included in cost of sales)	**3,062**	3,150
Release of prepaid lease payments	**324**	375
Impairment loss on goodwill (included in other gains and losses) (note 16)	**18,900**	14,055
Write-down of inventories (included in cost of sales)	**5,275**	12,700
Impairment loss on trade receivables (included in other gains and losses)	**6,057**	4,794
Loss (gain) on fair value change of derivative financial instruments (included in other gains and losses)	**1,202**	(51)
Foreign exchange loss (included in other gains and losses)	**2,561**	2,539
and after crediting:		
Bank interest income	**1,581**	990
Effective interest income on convertible bonds	**6,376**	–
Bad debts recovered	**128**	18
Foreign exchange gain (included in other gains and losses)	**1,008**	3,702
Gain on disposal of property, plant and equipment	**33**	129
Property rental income with negligible outgoings	**3,022**	2,377
Scrap and sample sales (included in other income)	**7,302**	10,785

Included in the total employee benefit expenses is an aggregate amount of HK$21,399,000 (2010: HK$18,992,000) in respect of contributions of retirement benefits schemes made by the Group.

Note: Cost of inventories recognised as an expense approximates cost of sales as shown in the consolidated statement of comprehensive income for both years.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the directors were as follows:

Year ended June 30, 2011

	Mr. Hung Tsung Chin HK$'000	Ms. Chen Mei Huei HK$'000	Mr. Wang Yao Chu HK$'000 (note i)	Mr. Liao Wen I HK$'000	Mr. Chen Chien An HK$'000 (note ii)	Mr. Frank Karl-Heinz Fischer HK$'000 (note iii)	Mr. Hsu Chun Yi HK$'000	Mr. Tsan Wen Nan HK$'000	Mr. Lee Chien Kuo HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	40	40	40	120
Other emoluments:										
– salaries and other benefits	1,340	1,323	857	708	10	10	–	–	–	4,248
– retirement benefit schemes contributions	11	9	8	10	–	–	–	–	–	38
Share-based payment expense	–	487	–	–	–	–	–	–	–	487
Total emoluments	1,351	1,819	865	718	10	10	40	40	40	4,893

Year ended June 30, 2010

	Mr. Hung Tsung Chin HK$'000	Ms. Chen Mei Huei HK$'000	Mr. Wang Yao Chu HK$'000 (note i)	Mr. Liao Wen I HK$'000	Mr. Hsu Chun Yi HK$'000	Mr. Tsan Wen Nan HK$'000	Mr. Lee Chien Kuo HK$'000	Total HK$'000
Fees	–	–	–	–	40	40	40	120
Other emoluments:								
– salaries and other benefits	1,712	2,007	1,425	1,103	–	–	–	6,247
– retirement benefit schemes contributions	12	10	12	11	–	–	–	45
Total emoluments	1,724	2,017	1,437	1,114	40	40	40	6,412

Notes:

(i) Mr. Wang Yao Chu resigned as a director of the Company on February 21, 2011.

(ii) Mr. Chen Chien An was appointed as a director of the Company on June 24, 2011.

(iii) Mr. Frank Karl-Heinz Fischer was appointed as a director of the Company on June 24, 2011.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: three) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining three (2010: two) individuals are as follow:

	2011 **HK$'000**	2010 HK$'000
Total emoluments	**7,626**	3,232

The emoluments were within the following band:

	2011 **No. of employees**	2010 No. of employees
HK$1,000,000 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	–

During each of the two years ended June 30, 2011, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director waived any emoluments for each of the two years ended June 30, 2011.

11. DIVIDENDS

	2011 **HK$'000**	2010 HK$'000
Dividends recognised as distribution during the year:		
2010 Final – HK3.0 cents (2009: HK1.6 cents) per share	**19,943**	8,908
2011 Interim – nil (2010: HK2.5 cents per share)	**–**	16,619
	19,943	25,527

The directors do not recommend the payment of a final dividend for the year ended June 30, 2011 (2010: HK3.0 cents per share).

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2011	2010
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to owners of the Company	**90,441**	91,698

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**668,731,436**	614,749,000
Effect of dilutive potential ordinary shares in respect of share options	**5,186,063**	2,852,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**673,917,499**	617,601,000

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Taiwan HK$'000	Leasehold land in Hong Kong HK$'000 (Restated)	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
COST									
At July 1, 2009 (originally stated)	2,379	–	133,406	14,813	222,761	21,610	2,515	14,283	411,767
Effect of change in accounting policy	–	9,405	–	–	–	–	–	–	9,405
At July 1, 2009 (Restated)	2,379	9,405	133,406	14,813	222,761	21,610	2,515	14,283	421,172
Exchange adjustments	85	–	(1,130)	(707)	1,114	27	(173)	(32)	(816)
Additions	–	–	–	254	2,186	866	1,532	2,663	7,501
Disposals	–	–	–	(98)	(4,198)	(992)	(172)	(563)	(6,023)
At June 30, 2010 (Restated)	2,464	9,405	132,276	14,262	221,863	21,511	3,702	16,351	421,834
Exchange adjustments	412	–	9,890	946	18,001	2,038	1,183	2,950	35,420
Acquisition of a subsidiary	–	–	–	–	–	796	25	–	821
Additions	–	–	–	425	3,052	2,444	314	3,210	9,445
Disposals	–	–	(226)	(1,229)	(24,120)	(4,940)	(253)	(3,833)	(34,601)
At June 30, 2011	**2,876**	**9,405**	**141,940**	**14,404**	**218,796**	**21,849**	**4,971**	**18,678**	**432,919**
DEPRECIATION AND AMORTISATION									
At July 1, 2009 (originally stated)	–	–	19,177	8,505	169,980	18,375	2,209	12,788	231,034
Effect of change in accounting policy	–	1,567	–	–	–	–	–	–	1,567
At July 1, 2009 (Restated)	–	1,567	19,177	8,505	169,980	18,375	2,209	12,788	232,601
Exchange adjustments	–	–	118	(541)	1,184	97	(124)	90	824
Provided for the year	–	169	3,354	729	12,337	2,272	752	3,751	23,364
Eliminated on disposals	–	–	–	(7)	(4,072)	(981)	(146)	(563)	(5,769)
At June 30, 2010 (Restated)	–	1,736	22,649	8,686	179,429	19,763	2,691	16,066	251,020
Exchange adjustments	–	–	2,493	724	15,759	1,741	1,045	2,578	24,340
Provided for the year	–	169	4,555	632	10,921	3,067	659	1,740	21,743
Eliminated on disposals	–	–	(226)	(483)	(23,704)	(4,750)	(148)	(3,759)	(33,070)
At June 30, 2011	**–**	**1,905**	**29,471**	**9,559**	**182,405**	**19,821**	**4,247**	**16,625**	**264,033**
CARRYING VALUES									
At June 30, 2011	**2,876**	**7,500**	**112,469**	**4,845**	**36,391**	**2,028**	**724**	**2,053**	**168,886**
At June 30, 2010 (Restated)	2,464	7,669	109,627	5,576	42,434	1,748	1,011	285	170,814
At July 1, 2009 (Restated)	2,379	7,838	114,229	6,308	52,781	3,235	306	1,495	188,571

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land in Taiwan	Nil
Leasehold land in Hong Kong	2%
Buildings	50 years or over the term of lease or land use rights, whichever is shorter
Leasehold improvements	20% or over the term of lease, whichever is shorter
Plant and machinery	10% – 33 1/3%
Furniture, fixtures and equipment	20%
Motor vehicles	20% – 33 1/3%
Computer equipment	20% – 33 1/3%

At June 30, 2011, the carrying value of property, plant and equipment included an amount of HK$1,104,000 in respect of assets held under finance leases.

The carrying amount of leasehold land included in property, plant and equipment is leasehold land located in Hong Kong held under medium-term lease only.

14. PREPAID LEASE PAYMENTS

	6.30.2011 HK$'000	6.30.2010 HK$'000 (Restated)	7.1.2009 HK$'000 (Restated)
The Group's prepaid lease payments comprise:			
Leasehold land outside Hong Kong			
Medium-term lease	**15,787**	15,388	15,604
Analysed for reporting purposes as:			
Current asset	**437**	378	374
Non-current asset	**15,350**	15,010	15,230
	15,787	15,388	15,604

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At July 1, 2009	31,083
Exchange adjustments	329
Changes in fair value recognised in consolidated statement of comprehensive income	569
At June 30, 2010	31,981
Exchange adjustments	1,601
Changes in fair value recognised in consolidated statement of comprehensive income	1,170
At June 30, 2011	**34,752**

The fair value of the Group's investment properties at June 30, 2011 has been arrived at on the basis of a valuation carried out as of that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuer not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by Investment Approach, which capitalizes the net rental incomes derived from the existing tenancies with due allowance for reversionary income potential of the investment properties.

The carrying value of investment properties shown above comprises properties situated in the PRC under medium-term lease. They are held for rental purpose under operating leases.

16. GOODWILL

	6.30.2011 HK$'000	6.30.2010 HK$'000	7.1.2009 HK$'000
COST			
At July 1	**83,502**	87,736	90,725
Exchange adjustments	**3,619**	(4,234)	(2,989)
At June 30	**87,121**	83,502	87,736
IMPAIRMENT			
At July 1	**17,110**	3,055	–
Impairment loss recognised in the year	**18,900**	14,055	3,055
At June 30	**36,010**	17,110	3,055
CARRYING AMOUNTS			
At June 30	**51,111**	66,392	84,681

16. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill has been allocated to two CGUs, including two subsidiaries in media entertainment platform related products segment. The carrying amounts of goodwill allocated to these CGUs are as follows:

	2011 **HK$'000**	2010 HK$'000
Media entertainment platform related products		
– BCN Distribuciones, S.A.	**33,344**	51,428
– Intelligent Digital Service GmbH	**17,767**	14,964
	51,111	66,392

During the year, the management reassessed the cash flow projections of the CGUs engaged in media entertainment platform related products. As the recoverable amounts of the media entertainment platform related products segment based on value in use calculation are less than their carrying amounts, an impairment loss of HK$18,900,000 (2010: HK$11,000,000) was recognised. Due to the sales performance of the respective CGUs are lower than the management expectation, impairment on goodwill were recognised to reduce the carrying amount to their recoverable amounts.

The recoverable amount of these units have been determined based on value in use calculations. For impairment assessment purpose, such calculations use cash flow projections covering a four-year period (2010: five-year period) and adopted discount rates of 8% (2010: 8%). Cash flows beyond the four-year period (2010: five-year period), are extrapolated for 4 years (2010: 2 years) with no growth. The cash flow projections are from the most recent financial budgets that cover a four-year period approved by management. The key assumptions for the value in use calculations are the budgeted gross margin and budgeted revenue, which are determined based on the unit's past performance and management's expectations regarding market development.

17. INTANGIBLE ASSETS

	Product technology HK$'000 (note a)	Trademark HK$'000 (note b)	License right HK$'000 (note c)	Others HK$'000 (note d)	Total HK$'000
COST					
At July 1, 2009	9,732	1,211	–	3,420	14,363
Exchange adjustments	(491)	–	–	(455)	(946)
At June 30, 2010	9,241	1,211	–	2,965	13,417
Exchange adjustments	1,215	–	–	555	1,770
Additions	55	–	–	–	55
Acquired on acquisition of assets through acquisition of a subsidiary	–	–	64,653	–	64,653
At June 30, 2011	**10,511**	**1,211**	**64,653**	**3,520**	**79,895**
AMORTISATION					
At July 1, 2009	6,256	847	–	1,026	8,129
Exchange adjustments	(620)	–	–	(222)	(842)
Provided for the year	2,230	242	–	678	3,150
At June 30, 2010	7,866	1,089	–	1,482	10,437
Exchange adjustments	309	–	–	328	637
Provided for the year	2,286	122	–	654	3,062
At June 30, 2011	**10,461**	**1,211**	**–**	**2,464**	**14,136**
CARRYING VALUES					
At June 30, 2011	**50**	**–**	**64,653**	**1,056**	**65,759**
At June 30, 2010	1,375	122	–	1,483	2,980
At July 1, 2009	3,476	364	–	2,394	6,234

Notes:

(a) Product technology includes software and knowhow developed by the entity to support a project that provides a new hardware platform for the products. Amortisation is provided on a straight-line basis over 5 years.

(b) The trademark represents a brand name used in Europe acquired through the acquisition of a subsidiary. Amortisation is provided on a straight-line basis over 5 years.

17. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(c) In January 2011, the Group acquired a license right through the acquisition of a subsidiary. Details of the acquisition are set out in note 37(a).

The license right represents a right granted by The Walt Disney Company (Asia Pacific) Limited ("Walt Disney") to manufacture and distribute children's wear, through establishing chain stores, under the brand of the animated television series "Pleasant Goat and Big Big Wolf" in Hong Kong and the PRC for 3.5 years from the date of acquisition, with an option to renew for another three years upon satisfaction of certain conditions as stated in the license agreement. The amortisation will commence when the chain stores are available for marketing and distribution of products.

(d) Others represent the fair value of the research and development team of Intelligent Digital Services GmbH, a subsidiary that the Group acquired in January 2008. The mature research and development team is separately recognised based on the fair value at the date of acquisition. It can support the Group for further expansion. Amortisation is provided on a straight-line basis over 5 years.

18. AVAILABLE-FOR-SALE INVESTMENTS/DERIVATIVES EMBEDDED IN CONVERTIBLE BONDS

	2011 HK$'000	2010 HK$'000
Available-for-sale investments comprises:		
Listed securities:		
– equity securities listed overseas classified as current asset	**765**	–
Unlisted securities:		
– debt component of convertible bonds classified as non-current asset (Note)	**179,426**	–
	180,191	–
Derivatives embedded in convertible bonds, at fair value (Note)	**15,184**	–

Note:

On December 28, 2010, the Group subscribed for the zero coupon convertible bonds ("Convertible Bonds") issued by Heng Xin China Holdings Limited ("HXCH") with principal amount of HK$200,000,000 from HXCH at a consideration of HK$200,000,000. The consideration was settled in cash by the Group. HXCH is a public limited company with its shares listed on the Growth Enterprise Market Board of the Stock Exchange. The Convertible Bonds do not bear any interest with maturity on December 27, 2012. The Group can exercise the conversion option at anytime during the period from the day immediately after the expiry of six months from the issue date of December 28, 2010 up to the maturity date. The conversion price is HK$2.00 per share (subject to pro-rata adjustments on capital structure changes). From the day immediately after the expiry of six months from the issue date of December 28, 2010, HXCH may cancel and redeem all the outstanding Convertible Bonds in whole at 110% of the principal amount. Unless previously redeemed or converted or purchased and cancelled, HXCH shall redeem the Convertible Bonds at 100% of the principal amount at maturity date.

18. AVAILABLE-FOR-SALE INVESTMENTS/DERIVATIVES EMBEDDED IN CONVERTIBLE BONDS *(Continued)*

The Group has designated the debt component of the Convertible Bonds as available-for-sale investments on initial recognition.

The movement of each component of the Convertible Bonds is set out below:

	Debt component HK$'000	**Derivatives component** HK$'000	**Total** HK$'000
As at December 28, 2010	173,763	26,237	200,000
Interest income credited to profit or loss	6,376	–	6,376
Decrease in fair value	(713)	(11,053)	(11,766)
As at June 30, 2011	**179,426**	**15,184**	**194,610**

The fair value of debt component was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the convertible bonds issuer and remaining time to maturity. The effective interest rate of the debt element of the Convertible Bonds as at December 28, 2010 and June 30, 2011 are 7.279% and 7.518% respectively.

The Binomial model is used for the valuation of derivatives component of the Convertible Bonds. The inputs into the model for the derivatives component of the Convertible Bonds as at December 28, 2010 and June 30, 2011 are as follows:

	December 28, 2010	**June 30, 2011**
Share price	HK$1.43	**HK$1.32**
Conversion price	HK$2.00	**HK$2.00**
Redemption price (by the issuer)	HK$220,000,000	**HK$220,000,000**
Risk-free rate	0.653%	**0.211%**
Expected life	2 years	**1.5 years**
Implied volatility	56.503%	**57.847%**
Expected dividend yield	–	**–**

The fair value of each of the debt and derivatives components of the Convertible Bonds on initial recognition and at the end of the reporting period are determined by the directors of the Company with reference to the valuation performed by BMI Appraisals Limited, firm of independent valuer not connected with the Group.

19. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years:

	Fair value adjustment on intangible asset HK$'000	Tax losses HK$'000	Deferred expenditure HK$'000	Revaluation of investment properties HK$'000	Provision for PRC withholding tax HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At July 1, 2009	(719)	2,170	6,296	(2,385)	(4,149)	96	1,309
Exchange adjustments	70	(268)	(1,594)	–	(69)	(33)	(1,894)
Credit (charge) to consolidated statement of comprehensive income for the year	204	(5)	5,855	(85)	–	108	6,077
Provision for PRC withholding tax	–	–	–	–	(2,874)	–	(2,874)
At June 30, 2010	(445)	1,897	10,557	(2,470)	(7,092)	171	2,618
Exchange adjustments	(69)	(246)	1,967	–	(433)	43	1,262
Credit (charge) to consolidated statement of comprehensive income for the year	198	15,147	(154)	(175)	–	22	15,038
Provision for PRC withholding tax	–	–	–	–	(2,990)	–	(2,990)
At June 30, 2011	**(316)**	**16,798**	**12,370**	**(2,645)**	**(10,515)**	**236**	**15,928**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	6.30.2011 HK$'000	6.30.2010 HK$'000	7.1.2009 HK$'000
Deferred tax assets	**29,404**	12,624	8,723
Deferred tax liabilities	**(13,476)**	(10,006)	(7,414)
	15,928	2,618	1,309

At June 30, 2011, the Group had unused tax losses of HK$75,767,000 (2010: HK$18,497,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$50,923,000 (2010: HK$6,617,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$24,844,000 (2010: HK$11,880,000) due to the unpredictability of future profit streams.

Included in the unrecognised tax losses are losses of HK$11,830,000 (2010: HK$8,943,000) that will expire in ten years. Other tax losses may be carried forward indefinitely.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has been provided for in full in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

20. INVENTORIES

	6.30.2011 HK$'000	6.30.2010 HK$'000	7.1.2009 HK$'000
Raw materials	**56,304**	91,894	68,731
Work in progress	**37,766**	56,882	22,814
Finished goods	**104,820**	130,015	135,951
	198,890	278,791	227,496

21. TRADE AND OTHER RECEIVABLES

	6.30.2011 HK$'000	6.30.2010 HK$'000	7.1.2009 HK$'000
Trade receivables	**358,744**	340,186	263,655
Less: allowance for doubtful debts	**(64,749)**	(103,957)	(99,056)
	293,995	236,229	164,599
Other receivables	**47,815**	40,039	26,447
Total trade and other receivables	**341,810**	276,268	191,046

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting periods:

	6.30.2011 HK$'000	6.30.2010 HK$'000	7.1.2009 HK$'000
0 – 30 days	**118,921**	119,748	96,371
31 – 60 days	**76,075**	63,497	33,487
61 – 90 days	**55,116**	41,932	19,522
91 – 180 days	**33,807**	11,052	14,662
More than 180 days	**10,076**	–	557
	293,995	236,229	164,599

Before accepting a new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. 95% (2010: 95%) of the trade receivables that are neither past due nor impaired are due from customers with no default payment history.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$14,183,000 (2010: HK$11,052,000) which was past due at the end of the reporting period but for which the Group has not provided for impairment loss because management believes that the fundamental credit quality of the relevant customers has not deteriorated.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

Aging of trade receivables which are past due but not impaired:

	2011 HK$'000	2010 HK$'000
91 – 180 days	**4,107**	11,052
More than 180 days	**10,076**	–
	14,183	11,052

Movement in the allowance for doubtful debts:

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	**103,957**	99,056
Impairment loss recognised on receivables	**6,057**	4,794
Amounts written off as uncollectable	**(49,582)**	(549)
Amounts recovered during the year	**(128)**	(18)
Exchange realignment	**4,445**	674
Balance at the end of the year	**64,749**	103,957

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$64,749,000 (2010: HK$103,957,000), which have been outstanding for more than one year and legal action has been taken for certain customers. Management considered they are unlikely to be collected. The Group does not hold any collateral over these balances.

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Renminbi HK$'000	United States dollars HK$'000
As at June 30, 2011	**–**	**39**
As at June 30, 2010	5,057	–

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets			Liabilities		
	6.30.2011	6.30.2010	7.1.2009	**6.30.2011**	6.30.2010	7.1.2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Foreign currency forward contracts	**511**	51	299	**35**	–	–

Major terms of the outstanding foreign currency forward contracts as at June 30, 2011 are as follows:

Notional amount	Forward Contract Rates	Maturity
1 contract to buy US$4,150,000	US$1 to RMB6.4550	October 14, 2011
1 contract to sell US$4,150,000	US$1 to RMB6.5184	October 12, 2011

Major terms of the outstanding foreign currency forward contracts as at June 30, 2010 are as follows:

Notional amount	Forward Contract Rates	Maturity
2 contracts to buy US$2,000,000 in total	US$1 to RMB6.7633 – 6.7747	From July 1, 2010 to July 8, 2010

The above derivatives are measured at fair value at the end of the reporting period. Their fair values are determined based on the prices provided by counterparty multi-national financial institutions for equivalent instruments at the end of the reporting period.

The Group's derivative financial instruments that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Assets	Liabilities
	United States dollars	**United States dollars**
	HK$'000	HK$'000
As at June 30, 2011	**511**	**35**
As at June 30, 2010	51	–

23. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure short-term bank borrowings granted to the Group. The deposits carry fixed interest rates ranged from 0.4% to 0.9% (2010: 0.02% to 0.7%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

24. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise bank balances and cash held and short-term bank deposits that are interest-bearing at floating interest rate and are with maturity of three months or less. The bank deposits carry fixed interest rates ranging from 0.1% to 4.62% (2010: 0.001% to 0.01%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars	**Hong Kong dollars**	**Renminbi**
	HK$'000	HK$'000	HK$'000
As at June 30, 2011	**55,625**	**1,055**	**361**
As at June 30, 2010	221,088	2,522	487

25. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting periods:

	6.30.2011	6.30.2010	7.1.2009
	HK$'000	HK$'000	HK$'000
0 – 30 days	**86,869**	151,276	102,884
31 – 60 days	**60,032**	102,782	50,231
61 – 90 days	**35,469**	49,380	28,782
91 – 180 days	**20,532**	23,895	13,246
181 – 365 days	**3,725**	1,891	324
	206,627	329,224	195,467
Other payables	**62,935**	62,999	40,843
Total trade and other payables	**269,562**	392,223	236,310

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

25. TRADE AND OTHER PAYABLES *(Continued)*

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars HK$'000	Renminbi HK$'000
As at June 30, 2011	**146**	**57,872**
As at June 30, 2010	–	53,869

26. BANK BORROWINGS

	6.30.2011 HK$'000	6.30.2010 HK$'000	7.1.2009 HK$'000
Trust receipt loans	**6,701**	7,372	9,342
Bank loans	**72,575**	75,180	91,031
Bill discounted with recourse	**–**	–	766
	79,276	82,552	101,139
Analysed as:			
Secured	**51,954**	100	766
Unsecured	**27,322**	82,452	100,373
	79,276	82,552	101,139
Carrying amount repayable:			
Within one year	**21,850**	66,395	84,955
In more than one year but not more than two years	**2,948**	10,004	4,889
In more than two years but not more than three years	**1,301**	3,486	4,541
In more than three years but not more than four years	**1,223**	1,496	3,132
In more than four years but not more than five years	**–**	683	1,670
More than five years	**–**	488	1,952
	27,322	82,552	101,139
Carrying amount of bank loans that contain a repayment on demand clause			
Within one year	**38,925**	–	–
In more than two years but not more than three years (shown as current liabilities)	**13,029**	–	–
	79,276	82,552	101,139
Less: Amount due within one year shown under current liabilities	**(73,804)**	(66,395)	(84,955)
Amount due after one year	**5,472**	16,157	16,184

The Group's variable-rate borrowings are mainly subject to interest at London Interbank Offered Rate ("LIBOR") or Euro Interbank Offered Rate ("EUROIBOR") plus a spread.

26. BANK BORROWINGS *(Continued)*

The range of the effective interest rates on the Group's bank borrowings are as follows:

	2011	2010
Variable interest rate borrowings	**1.65% – 7.00%**	2.35% – 7.15%

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States dollars HK$'000
As at June 30, 2011	**51,954**
As at June 30, 2010	–

27. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is three years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates at 7.6% per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Amounts payable under finance leases:				
Within one year	–	344	–	291
In more than one year but not more than two years	–	344	–	314
In more than two years but not more than three years	–	229	–	223
	–	917	–	828
Less: Future finance charges	–	(89)	**N/A**	–
Present value of lease obligations	–	828	–	828
Less: Amount due within one year shown under current liabilities			–	(291)
Amount due after one year			–	537

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

28. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At July 1, 2009, June 30, 2010 and 2011	1,000,000,000	100,000
Issued and fully paid:		
At July 1, 2009	556,722,000	55,672
Exercise of share options (i)	60,000	6
Issue of shares (ii)	108,000,000	10,800
At June 30, 2010	664,782,000	66,478
Exercise of share options (iii)	150,000	15
Issue of shares (iv)	7,936,000	794
At June 30, 2011	**672,868,000**	**67,287**

(i) During the year ended June 30, 2010, a total of 60,000 ordinary shares of the Company were issued upon the exercise of 60,000 share options at an exercise price of HK$1.02 with a consideration of HK$61,000.

(ii) On December 17, 2009, the Company issued 108,000,000 new ordinary shares. The 108,000,000 new ordinary shares, together with 40,000,000 existing ordinary shares held by various shareholders, were transferred to a depositary bank as underlying securities for the issuance of 148,000,000 units of Taiwan Depositary Receipts ("TDRs") on Taiwan Stock Exchange Corporation. The TDRs were offered at a price of NT$8.00 (equivalent to HK$1.92) per unit, where each unit of TDR represents one ordinary share of the Company.

(iii) During the year ended June 30, 2011, a total of 150,000 ordinary shares of the Company were issued upon the exercise of 150,000 share options at an exercise price of HK$1.76 with a consideration of HK$264,000.

(iv) During the year ended June 30, 2011, the Group acquired shares and subscribed for additional shares in Sino Light Enterprise Limited ("Sino Light") at a total consideration of HK$52,063,000. Part of the consideration was satisfied by the issue of 7,936,000 ordinary shares of the Company, at the issue price of HK$2.78 each which is the market price per share at the acquisition date. Details of the acquisition are set out in note 37(a).

29. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2011	2010
	HK$'000	HK$'000
Premises	**11,198**	10,053

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**10,383**	11,179
In the second to fifth year inclusive	**36,264**	41,505
	46,647	52,684

Operating lease payments represent rentals payable by the Group for certain of its offices and factories. Leases are negotiated for lease terms ranging from one to four years.

The Group as lessor

Property rental income earned during the year was HK$3,022,000 (2010: HK$2,377,000) with negligible outgoings. All of the investment properties held have committed tenants for the next three to five years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011	2010
	HK$'000	HK$'000
Within one year	**2,869**	2,636
In the second to fifth year inclusive	**1,993**	3,126
Over fifth year	**–**	1
	4,862	5,763

30. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,292**	–

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 26, equity reserves attributable to owners of the Group, comprising issued share capital and various reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**593,802**	723,352
Available-for-sale investments	**180,191**	–
Derivative financial instruments	**15,695**	51
Financial liabilities		
Amortised cost	**305,240**	438,475
Derivative financial instruments	**35**	–

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale investments, derivatives embedded in convertible bonds, derivative financial instruments, pledged bank deposits, bank balances and cash, trade and other payables, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign exchange risk.

The carrying amounts of the Group's foreign currency (as in relation to the functional currency of the relevant group entities) denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**361**	5,544	**57,872**	53,869
Hong Kong dollars ("HKD")	**195,665**	2,522	**–**	–
United States dollars ("USD")	**56,175**	221,139	**52,135**	–

Sensitivity analysis

As HKD is pegged with USD, the Group's currency risk relative to USD in relation to the monetary assets/liabilities denominated in HKD is not expected to be significant. In addition, the directors of the Company consider the exposure of EUR against the foreign currencies is insignificant and no relevant sensitivity analysis is presented.

The Group is mainly exposed to USD and RMB relative to the functional currencies of the relevant Group entities, which are mainly RMB and USD respectively. The Group does not have a formal foreign currency hedging policy. But management monitors the Group's foreign currency exposure and enters into forward contracts when movements in the exchange rates are outside management's expected range in order to minimise the exchange rate risk.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

The following table details the Group's sensitivity to a 5% increase and decrease in functional currency of respective group entities against USD and RMB. 5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes both USD and RMB monetary assets and liabilities and intercompany balances at the end of the reporting period. A positive (negative) number below indicates an increase (decrease) in profit where USD and RMB strengthen 5% against the functional currencies. For a 5% weakening of USD and RMB against the functional currencies, there would be an equal and opposite impact on the profit for the year, and the balances below would be (negative) positive.

	NOTE	**2011** **HK$'000**	2010 HK$'000
(Decrease) increase in profit for the year:			
– RMB	(i)	**(2,157)**	(1,816)
– USD	(i)	**(1,829)**	1,551

Note:

(i) This is mainly attributable to the exposure outstanding on receivables and payables.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to debt component of convertible bonds and fixed rate bank deposits as set out in notes 18, 23 and 24.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings as set out in notes 24 and 26 respectively. It is the Group's policy to keep the majority of balances and borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR/EURIBOR arising from the Group's USD/EUR borrowings.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The bank balances of the Group carry floating-rates of interest and have exposure to cash flow interest rate risk. The directors of the Company consider the exposure is insignificant and no sensitivity analysis is therefore presented.

The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The directors of the Company monitor the exposure on an ongoing basis and will consider hedging significant interest rate risks should the need arise.

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings. The analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point change is used and represents management's assessment of the reasonably possible change in interest rates.

A summary of the Group's monetary liabilities at the end of the reporting period that carried variable interest rate is as follows:

	2011 **HK$'000**	2010 HK$'000
Liabilities	**79,276**	82,552

Based on the above summary, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended June 30, 2011 would decrease or increase by HK$297,000 (2010: decrease or increase by HK$310,000), and vice versa. The Group's sensitivity to interest rates has decreased during the year mainly due to a decrease in bank borrowings.

Regarding the fair value interest rate risk, the sensitivity analyses below have been determined based on the exposure to interest rates for debt component of convertible bonds classified as available-for-sale investments. The analysis is prepared assuming the amount of the outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variable were held constant, the Group's investment revaluation reserve would decrease/increase by approximately HK$438,000, as a result of the change in fair value of debt component of convertible bonds classified as available-for-sale investments.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Price risk on listed securities under available-for-sale investments

The Group is primarily exposed to equity price risk through its investments in listed equity securities included in available-for-sale investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange.

No sensitivity analysis is presented as the amount involved is insignificant.

(iv) Price risk on derivatives embedded in convertible bonds

The Group is required to estimate the fair value of the derivatives embedded in the convertible bonds at the end of the reporting period with changes in fair value to be recognised in profit or loss as long as the convertible bonds are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in share price and its volatility of the convertible bonds issuer.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to the change of share price and its volatility of the convertible bonds issuer at the end of the reporting period. If the share prices of those convertible bonds issuer had been 5% higher/lower and all other variables were held constant, the Group's post-tax profit for the year increase/decrease by HK$4,082,000, as a result of changes in fair value of derivatives embedded in the convertible bonds.

If the volatility of share prices of those convertible bonds issuer had been 5% higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by HK$3,788,000, as a result of changes in fair value of derivatives embedded in the convertible bonds.

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the derivatives embedded in the convertible bonds involves multiple variables and certain variables are interdependent.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at June 30, 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has delegated a team for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. During the year, impairment losses of HK$6,057,000 (2010: HK$4,794,000) had been made for the long outstanding major customers, representing the full irrecoverable amount of those customers. In this regard, the directors of the Company consider that the Group's credit risk in other debts is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk as 16% (2010: 16%) and 40% (2010: 31%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The directors of the Company considered that the receivable balance from these customers do not represent a significant credit risk based on past collection experience and no bad debts have been recognised against trade receivables due from these customers in prior years. The credit quality of these customers is considered high under the Group's internal credit rating system.

In addition, convertible bonds subscribed from HXCH amounting to principal of HK$200,000,000 with carrying amount of HK$194,610,000 as at June 30, 2011, expose the Group to concentration of credit risk on the counterparty. The Group assesses the credit risk of the convertible bonds by reviewing and monitoring the financial performance of HXCH. Since HXCH has been profitable with positive net asset value, the management considers the default risk on the convertible bonds is not significant. Other than that, the Group has no other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

32. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity risk tables

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at June 30, 2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade and other payables	–	106,206	95,501	24,257	–	225,964	225,964
Bank borrowings	3.49	51,954	5,653	16,959	5,664	80,230	79,276
		158,160	101,154	41,216	5,664	306,194	305,240
Derivative – net settlement		–	–	35	–	35	35

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at June 30, 2010 HK$'000
2010							
Trade and other payables	–	169,849	157,792	27,454	–	355,095	355,095
Bank borrowings	6.88	–	17,741	53,222	17,268	88,231	82,552
Obligations under finance leases	7.60	73	43	192	579	887	828
		169,922	175,576	80,868	17,847	444,213	438,475

Bank loans with a repayment on demand clause are included in the "less than 1 month or on demand" time band in the above maturity analysis. As at June 30, 2011, the aggregate undiscounted principal amounts of these bank loans amounted to HK$51,954,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The directors believe that such bank loans will be repaid one year and three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$39,019,000 and HK$13,680,000 respectively.

32. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	At June 30, 2011				At June 30, 2010			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL								
Derivatives embedded in convertible bonds	–	–	**15,184**	**15,184**	–	–	–	–
Derivative financial instruments	–	**511**	–	**511**	–	51	–	51
Available-for-sale financial assets								
Listed equity securities	**765**	–	–	**765**	–	–	–	–
Unlisted debt securities	–	–	**179,426**	**179,426**	–	–	–	–
Total	**765**	**511**	**194,610**	**195,886**	–	51	–	51
Financial liabilities at FVTPL								
Derivative financial instruments	–	**35**	–	**35**	–	–	–	–
Total	–	**35**	–	**35**	–	–	–	–

There were no transfers between Levels 1 and 2 in the current and prior years.

32. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

Reconciliation of Level 3 fair value measurement of financial assets:

	Debt component of the Convertible Bonds HK$'000	Derivatives component of the Convertible Bonds HK$'000
At July 1, 2010	–	–
Purchases	173,764	26,236
Interest income credited to profit or loss	6,376	–
Decrease in fair value		
– in profit or loss	–	(11,052)
– in other comprehensive income	(714)	–
At June 30, 2011	**179,426**	**15,184**

33. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a share option scheme approved by a written resolution passed by the shareholders of the Company on March 17, 2005 (the "Option Scheme"), the Company may grant options to the directors or employees, any business consultants, business partners, suppliers, customers, agents or financial or legal advisers of the Company or any of its subsidiaries, for the recognition of their contributions, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered.

The exercise price of the share option will be determined at the highest of:

(i) the closing price of the Company's shares on the Stock Exchange on the date of grant;

(ii) the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and

(iii) the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Option Scheme, or any conditions stipulated by the board of directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of the Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the share options of the Company entitled by the Company's directors or employees during the year:

Type of grantee	Date of grant (note 2)	Exercise price (note 1)	Outstanding at July 1, 2009	Exercised during the year	Lapsed during the year	Outstanding at June 30, 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at June 30, 2011
			Number of share options							
Directors	July 30, 2005	HK$1.02	2,000,000	–	–	2,000,000	–	–	(1,500,000)	500,000
Directors	October 22, 2010	HK$2.05	–	–	–	–	2,000,000	–	–	2,000,000
Employees	July 30, 2005	HK$1.02	2,760,000	(60,000)	(200,000)	2,500,000	–	–	–	2,500,000
Employees	December 16, 2006	HK$2.05	1,100,000	–	–	1,100,000	–	–	(125,000)	975,000
Employees	December 27, 2007	HK$1.76	3,050,000	–	–	3,050,000	–	(150,000)	(150,000)	2,750,000
Employee	April 1, 2009	HK$1.114	3,050,000	–	–	3,050,000	–	–	(150,000)	2,900,000
Employees	October 22, 2010	HK$2.05	–	–	–	–	1,000,000	–	–	1,000,000
Total			11,960,000	(60,000)	(200,000)	11,700,000	3,000,000	(150,000)	(1,925,000)	12,625,000
Exercisable at the end of the year			5,310,000			7,125,000				8,175,000
Weighted average exercise price			1.35	1.02	1.02	1.34	2.05	1.76	1.15	1.53

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$3.07 (2010: HK$1.31).

Notes:

1. The closing prices of the Company's shares immediately before July 30, 2005, December 16, 2006, December 27, 2007, April 1, 2009 and October 22, 2010, the dates the options were granted, were HK$1.02, HK$2.05, HK$1.76, HK$1.10 and HK$2.05 respectively.

2. The share options are vested in stages as follows:

On or after the second anniversary of the date of grant	50%
On or after the third anniversary of the date of grant	remaining 50%

Options granted on July 30, 2005, December 16, 2006, December 27, 2007, April 1, 2009 and October 22, 2010 are exercisable until July 31, 2015, December 15, 2016, December 26, 2017, March 31, 2019 and October 21, 2020 respectively.

The estimated fair value of the options granted during the year is approximately HK$2,527,000.

33. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The fair value of the options granted during the year was calculated using the Hull White Trinomial pricing model. The inputs into the model were as follows:

	October 22, 2010
Grant date share price	HK$2.05
Exercise price	HK$2.05
Expected volatility	42.81%
Dividend yield	2.44%
Risk-free rate	2.088%

Expected volatility was determined by using the historical volatility of the Company's share price since the shares are listed on the Stock Exchange in 2005.

The Group recognised total expense of HK$1,426,000 for the year ended June 30, 2011 (2010: HK$1,431,000) in relation to share options granted by the Company.

34. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution paid and payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions paid and payable to the funds by the Group at rates specified in the rules of the scheme.

The employees employed by the operations in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC government is to make the required contributions under the schemes.

In addition, certain subsidiaries of the Company in foreign countries are required to contribute amounts based on employees' salaries to the retirement benefit schemes as stipulated by the relevant local authorities. The employees are entitled to the Company's contributions subject to the regulations of the relevant local authorities.

35. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2011	2010
	HK$'000	HK$'000
Short-term benefits	**10,286**	8,419
Post-employment benefits	**1,746**	1,225
Share-based payments	**487**	–
	12,519	9,644

In the opinion of the directors, the remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

36. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure banking facilities granted to the Group:

		2011	2010
		HK$'000	HK$'000
			(Restated)
(a)	bank deposits	**13,363**	1,405
(b)	leasehold land and buildings	**7,861**	9,657

37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY/ ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets through acquisition of Sino Light

On January 3, 2011, the Group acquired 2,500 ordinary shares of Sino Light from an independent third party (who subsequently becomes the non-controlling shareholder) to acquire the license right granted by the Walt Disney at a total consideration of HK$22,062,000, which was satisfied by the issue of 7,936,000 ordinary shares of the Company at HK$2.78 each and in cash of HK$1,280. On the same day, the Group also subscribed for additional 3,000 new ordinary shares of Sino Light at a consideration of HK$30,000,000, which was satisfied in cash. Upon the completion of the acquisition and subscription, the Group owned 55% equity interest in Sino Light. Details of the license right are set out in note 17.

Consideration transferred

	HK$'000
Other payable due to Sino Light	30,000
Cash	1
Equity instruments issued	22,062
Total	52,063

Assets acquired at the date of acquisition are as follows:

	HK$'000
Intangible asset	64,653
Other receivable due from the Group	30,000
Cash	7
Net assets acquired	94,660

Total consideration, satisfied by:

	HK$'000
Consideration transferred	52,063
Plus: non-controlling interest (45% of Sino Light)	42,597
	94,660

Net cash inflow on acquisition:

	HK$'000
Cash acquired	7
Less: cash consideration paid	(1)
	6

37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY/ ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of E-passing Network Technology Engineering Company, Proteam Consulting Co., Ltd. and Into-Ad. Co., Ltd. (collectively "E-passing Network")

On January 15, 2011, the Group acquired 100% of the issued share capital of E-passing Network for a consideration of HK$5,245,000 from an independent third party. This acquisition has been accounted for using the purchase method. The amount of bargain purchase arising as a result of the acquisition was HK$6,871,000. E-passing Network is engaged in providing services of the integration system of digital convergence and the integration systems for public programs. E-passing Network was acquired so as to diverse the business of the Group.

Consideration transferred

	HK$'000
Cash	5,245

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	821
Inventories	7,721
Trade and other receivables	6,467
Bank balances and cash	9,022
Trade and other payable	(7,936)
Tax liability	(29)
Bank borrowings	(3,950)
	12,116

The receivables acquired (which principally comprised trade and other receivables) with a fair value and gross contractual amounts of HK$6,467,000. All of the contractual cash flows are expected to be collected.

37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY/ ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) Acquisition of E-passing Network Technology Engineering Company, Proteam Consulting Co., Ltd. and Into-Ad. Co., Ltd. (collectively "E-passing Network") *(Continued)*

Bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	5,245
Less: net assets acquired	(12,116)
Bargain purchase arising on acquisition	(6,871)

During the year, the Group recognised a gain resulting from the acquisition of HK$6,871,000. The discount on acquisition is mainly attributable to the excess of net assets determined at fair value as at acquisition date over the net assets of E-passing Network prepared under cash basis by the vendor.

Net cash inflow on acquisition of E-passing Network:

	HK$'000
Cash consideration paid	(5,245)
Less: bank balances and cash acquired	9,022
	3,777

Included in the profit for the year is a loss of HK$1,219,000 incurred by the business of E-passing Network. Revenue for the year includes HK$1,533,000 generated from E-passing Network.

Had the acquisition been completed on July 1, 2010, total group revenue for the year would have been HK$1,635,169,000, and profit for the year would have been HK$95,759,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on July 1, 2010, nor is it intended to be a projection of future results.

38. MAJOR NON-CASH TRANSACTION

For the year ended June 30, 2011, part of the consideration for the acquisition of Sino Light comprised the issue of shares of the Company. Further details of the acquisition are set out in note 37(a).

For the year ended June 30, 2010, the Group entered into finance lease arrangements in respect of assets with total capital value at the inception of the leases of HK$1,024,000.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	**2011 HK$'000**	2010 HK$'000
Total assets		**649,966**	657,591
Total liabilities		**(2,099)**	(1,531)
Net assets		**647,867**	656,060
Capital and reserves			
Share capital		**67,287**	66,478
Reserves	(a)	**580,580**	589,582
Equity attributable to owners of the Company		**647,867**	656,060

Note:

(a) Reserves

	Share premium HK$'000	**Contributed surplus** HK$'000	**Share option reserve** HK$'000	**Revaluation reserve** HK$'000	**Special reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At July 1, 2009	93,111	181,788	3,611	–	79,900	67,287	425,697
Total comprehensive expense for the year	–	–	–	–	–	(4,625)	(4,625)
Dividends recognised as distribution	–	–	–	–	–	(25,527)	(25,527)
Recognition of equity-settled share-based payments	–	–	1,431	–	–	–	1,431
Issue of shares	196,109	–	–	–	–	–	196,109
Transaction costs attributable to issue of shares	(3,558)	–	–	–	–	–	(3,558)
Exercise of share options	61	–	(6)	–	–	–	55
At June 30, 2010	285,723	181,788	5,036	–	79,900	37,135	589,582
Loss for the year	–	–	–	–	–	(11,289)	(11,289)
Fair value change of available-for-sale investments	–	–	–	(713)	–	–	(713)
Total comprehensive expense for the year	–	–	–	(713)	–	(11,289)	(12,002)
Dividends recognised as distribution	–	–	–	–	–	(19,943)	(19,943)
Issue of shares	21,268	–	–	–	–	–	21,268
Recognition of equity-settled share-based payments	–	–	1,426	–	–	–	1,426
Exercise of share options	384	–	(135)	–	–	–	249
At June 30, 2011	**307,375**	**181,788**	**6,327**	**(713)**	**79,900**	**5,903**	**580,580**

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: *(Continued)*

(a) Reserves *(Continued)*

The contributed surplus represents the difference between the consolidated shareholders' fund of Top Peaker Group Limited ("Top Peaker") and the nominal value of the Company's shares issued to acquire Top Peaker at the time of a group reorganisation in prior years.

The special reserve represents the surplus arising pursuant to the capitalisation of advances from shareholders as part of the group reorganisation.

40. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at June 30, 2011 and 2010 are as follows:

Name of company	Country/ place of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share/registered capital held by the Company				Principal activities
				2011		2010		
				Directly	Indirectly	Directly	Indirectly	
Top Peaker	British Virgin Islands ("BVI")/Hong Kong	Ordinary	US$10,000	**100%**	**–**	100%	–	Investment holding
Sandmartin (Zhong Shan) Electronic Co., Ltd. (note) 中山聖馬丁電子元件有限公司	PRC	Registered capital	US$19,500,000	**–**	**100%**	–	100%	Manufacture of electronic goods
SMT Hong Kong Limited	Hong Kong	Ordinary	HK$2	**–**	**100%**	–	100%	Trading of electronic goods
SMT Electronic Technology Limited	Cayman Islands/Taiwan	Ordinary	US$1	**–**	**100%**	–	100%	Trading of electronic goods
SMT (Macao Commercial Offshore) Limited	Macau	Quota capital	MOP100,000	**–**	**100%**	–	100%	Trading of electronic goods
TRT Business Network Solutions, Inc.	United States of America	Ordinary	US$100,000	**–**	**100%**	–	100%	Trading of electronic goods
Weblink Technology Limited	BVI/Hong Kong	Ordinary	US$200	**–**	**51%**	–	51%	Investment holding
FLT Hong Kong Technology Limited	BVI/Hong Kong	Ordinary	US$450,000	**–**	**51%**	–	51%	Trading of optical fibre products
Fiberlink Technology Limited (note) 珠海保税區隆宇光電科技有限公司	PRC	Registered capital	US$1,500,000	**–**	**51%**	–	51%	Manufacture of optical fibre products

40. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Country/ place of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share/registered capital held by the Company				Principal activities
				2011		2010		
				Directly	Indirectly	Directly	Indirectly	
BCN Distribuciones, S.A.	Spain	Ordinary	EUR412,102	–	100%	–	100%	Research and development and trading of electronic goods
Intelligent Digital Service GmbH	Germany	Ordinary	EUR31,250	–	100%	–	100%	Design and manufacture of electronic goods
Sino Light Enterprise Limited	Hong Kong/PRC	Ordinary	HK$10,000	–	55%	–	–	Trading of children wears
E-passing Network Technology Engineering Company	Taiwan	Ordinary	NTW100,000,000	–	100%	–	–	Service of integration system of public program

Note: These companies are wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at any time of the year or at June 30, 2011.

41. EVENTS AFTER THE REPORTING PERIOD

Significant events of the Group that took place after the end of the reporting period are as follows:

(a) On July 13, 2011, the Company, Honstar Development Limited, a wholly owned subsidiary of the Group, Sino Light, Express Touch Limited, a wholly owned subsidiary of Sino Light Group Limited, Toon Express International Limited (the "Subscriber"), an indirect wholly-owned subsidiary of Imagi International Holdings Limited, entered into a subscription and option agreement (the "Subscription Agreement") in respect of the subscription (the "Subscription") of 2,600 new shares in Sino Light at HK$14,000 per share by the Subscriber for an aggregate consideration of HK$36,400,000 of which (i) HK$9,100,000 will be satisfied in cash by the Subscriber and (ii) HK$27,300,000 will be satisfied by way of the provision of certain management services procured by the Subscriber.

Pursuant to the Subscription Agreement, Sino Light has also granted an option (the "Option") to the Subscriber to further subscribe for up to an aggregate of 1,600 new shares in Sino Light at HK$14,000 per share. The Subscription and the Option were completed on August 29, 2011.

41. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(a) *(Continued)*

Upon completion of the Subscription, the Group's equity interest in Sino Light is decreased from 55% to 44% and Sino Light ceased to be a subsidiary of the Company. In case of full exercise of the Option, the Group's equity interest in Sino Light will be further decreased to 39%.

Details of the transaction are set out in an announcement of the Company dated July 13, 2011.

Up to the date of this report, the directors of the Company are in the process of assessing the financial effects of the transaction.

(b) Pursuant to the announcement of the Company dated September 28, 2011, the Board proposes to make a bonus issue of shares with amount approximately HK$6,729,000 on the basis of one new ordinary share of HK$0.10, credited as fully paid, for every ten existing shares held by the shareholders of the Company whose names are on the Register of Members of the Company on December 12, 2011 (the "Bonus Share Issue"). The Bonus Share Issue is subject to shareholders' approval at the Company's forthcoming annual general meeting to be held on December 6, 2011, and the granting the listing and permission to deal by the Listing Committee of the Stock Exchange.

Financial Summary

	Year ended June 30,				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	1,315,998	1,725,083	1,377,179	1,560,713	**1,604,087**
(Loss) profit before taxation	(6,844)	50,260	31,798	97,330	**86,455**
Income tax (expense) credit	(8,251)	(7,818)	(1,148)	(6,345)	**3,726**
(Loss) profit for the year	(15,095)	42,442	30,650	90,985	**90,181**
Attributable to:					
Owners of the Company	(14,039)	42,300	32,191	91,698	**90,441**
Non-controlling interests	(1,056)	142	(1,541)	(713)	**(260)**
	(15,095)	42,442	30,650	90,985	**90,181**

	At June 30,				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,162,594	1,100,095	928,317	1,333,844	**1,391,912**
Total liabilities	(737,653)	(541,290)	(353,926)	(500,267)	**(380,055)**
	424,941	558,805	574,391	833,577	**1,011,857**
Equity attributable to owners of the Company	412,902	547,048	564,166	824,144	**960,503**
Non-controlling interests	12,039	11,757	10,225	9,433	**51,354**
	424,941	558,805	574,391	833,577	**1,011,857**