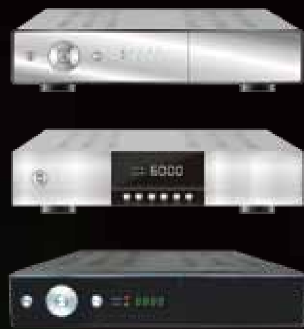
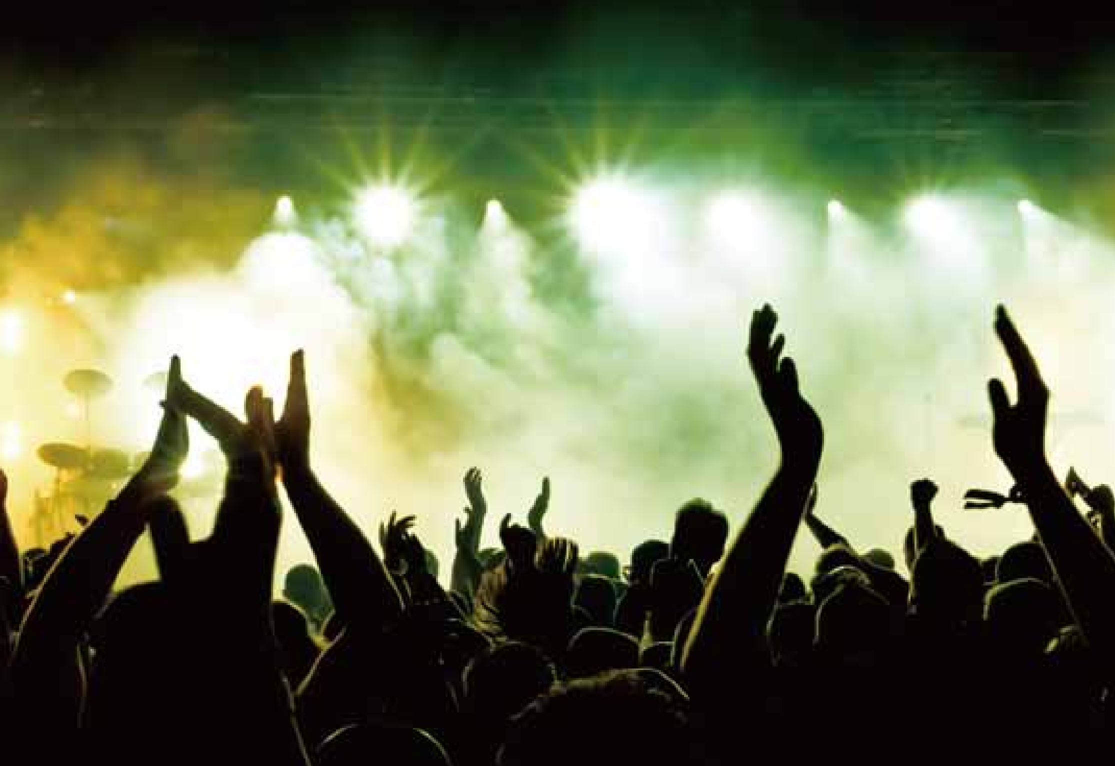
Sandmartin International Holdings Limited
聖馬丁國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00482



Interim Report 2011/12



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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
Mr. Frank Karl-Heinz Fischer

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
HM 11, Bermuda

WEBSITE

www.sandmartin.com.hk

STOCK CODE

Hong Kong 00482
Taiwan 910482

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

The second half year of 2011 was difficult but challenging so far for the Group because of European sovereign debt crisis and chaotic political situation in the Middle East and North Africa. The Group's turnover for the six months ended December 31, 2011 (the "Period"), was HK$634.0 million, representing a decrease of 23.9% when compared with the same period last year (7.1.2010 to 12.31.2010: HK$833.7 million). Gross profit of the Group during the Period was down 26.0% to HK$132.2 million (7.1.2010 to 12.31.2010: HK$178.8 million). Gross profit margin remained stable at 20.9% (7.1.2010 to 12.31.2010: 21.4%). Net profit of the Group during the Period dropped by 98.4% to HK$0.7 million (7.1.2010 to 12.31.2010: HK$46.3 million).

Profit attributable to owners of the Company during the Period was HK$0.6 million (7.1.2010 to 12.31.2010: HK$45.6 million). During the Period, basic and diluted earnings per share were HK0.08 cents and HK0.08 cents respectively (7.1.2010 to 12.31.2010: HK6.23 cents and HK6.19 cents respectively).

SEGMENTAL INFORMATION

During the Period, media entertainment platform related products remained as the major business segment and major revenue source, contributing to 57.6% of the Group's sales revenue (7.1.2010 to 12.31.2010: 72.3%), while other multimedia products contributed to 42.0% of the Group's sales revenue (7.1.2010 to 12.31.2010: 27.7%). The decrease in revenue from media entertainment platform related products was primarily contributed by the decrease in sales to European, African and Middle East regions as a result of the European sovereign debt crisis and chaotic political situation in the Middle East and North Africa.

Detailed information of the Group's turnover and results for the Period by segment is shown in note 3 to the interim financial statement.

BUSINESS REVIEW

Looking back into the past six months, the Group recorded an unsatisfactory performance due to the severe impact of international situation, in which the main factors are as follows:

(1) Middle East and North Africa Markets

The Middle East and North Africa markets have all along been very important trading markets for the Group, representing a considerable proportion over the total operating revenue of the Group. During the first half year of 2011, the series outbreaks of war in Tunisia, Egypt and Libya and their turbulent situations had seriously affected the economic and trading activities in those regions, which had, to a greater extent, also reduced the Group's turnover from July to November 2011.

(2) European Debt Crisis

The European sovereign debt crisis, erupted in Greece, spread out from a single country sovereign debt crisis to the entire Eurozone debt crisis, and thus affected the global economic activities, bringing serious uncertainties. In order to gain confidence from capital markets, members of the European Union have to improve their government financial condition as quickly as possible to demonstrate their determination to overcome the debt issues. After the outbreak of the crisis, these governments had adopted fiscal austerity policies as primary measures to cope with the crisis in reducing deficit and restoring fiscal balance as quickly as possible. Such measures had led to the increase of unemployment rate, reduction in welfare, shrinkage of effective demand and increasing pressure in credit. The European debt crisis had substantially affected both domestic and foreign trades of the European Union, and affected the economic growth of its major trade partners through the trade channels. The composite financial crisis intertwining by the Eurozone sovereign debt crisis and the banking risks has become a significant threat to the international financial stability. Under this intensifying European debt crisis, the Group's trade to the European Union had slowed down significantly. The continuous European debt crisis has brought instability to the global economy, and also affected on the Group's capital investments in China market.

(3) Transformation from Integrated Device Manufacturer to Platform Owner

During the past six months, the Group was at its transitional transformation period from a design manufacturer to a platform owner. The enormous change in business model and vision will need to experience a certain period to nurture, and it requires continuous contributions and investments in manpower and resources.

PROSPECTS

(1) Letter of Major Co-operation Intent for Middle East and North Africa

As the war had just quelled, the Group entered into a letter of major cooperation intent with key clients in Middle East and North Africa in October 2011, with products continue to deliver in December 2011, January and February 2012, thereby achieved a twofold increase in operating revenue in December 2011 and a full order schedule in the first quarter of 2012. Albeit the Chinese New Year has just passed, the shortage of labour in the entire Guangdong Province is still severe but our staff will endeavour to strive for the punctual delivery of products.

(2) New Opportunities under European Debts Crisis

With the continuous spreading of the European debt crisis, the Group will actively adjust and integrate its market-oriented product lines, and through the expected successful acquisition of important distributors in Europe, the Group will proactively layout and prepare the further development in the European market. It is expected that the Group will overturn from loss to profit in the European market within two years from 2012 to 2013, and its operating revenue will also achieve a significant growth.

(3) Expectable High Growth under Strategic Transformation

While the Group is experiencing a nurturing period of six months in product and market, it will also continue to launch its own platform products in December 2011 and January 2012. Through active market strategies and agreements with distributors, it is expected that the pay television system operators in Middle East and the system operators in Nepal will be able to achieve a significant increase in users, and sales of the set top box will account for 10% of the operating revenue of the Group.

After its transformation, the Group will not only be the designer and manufacturer of professional head-end equipments, transmission equipments, modulating equipments and terminal receiving equipments, but will also receive the program monthly subscription income, and thus formally enter into the system operator market. When the number of user reaches a considerable level, the monthly subscription income will also become an important operating revenue source of the Group. The Group will extend its system integration business 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.

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 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 was satisfied in cash by the Subscriber and (ii) HK$27,300,000 was 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 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 ceased to be a subsidiary of the Company and Honstar, ETL and the Subscriber held 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 entered 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 was made on August 29, 2011.

ACQUISITION OF 47% OF ISSUED SHARE CAPITAL IN DISH MEDIA

On September 26, 2011, the Company entered into an agreement with Dish Media Network Private Limited ("Dish Media") that the Company agreed to subscribe for 4,010,870 new shares of Dish Media, which represented 47% of the issued share capital of Dish Media at a cash consideration of US$5,225,490 (equivalent to HK$40,759,000). The share subscription was completed on February 12, 2012.

Dish Media is the only satellite television operator in Nepal and currently it provides Direct-to-Home services to its subscribers under the brand name of Dish Home. As the reception quality of satellite television outplayed cable television services in Nepal and the satellite television broadcasting is still in its initial stage of development, the Directors consider that Nepal market present good business opportunities and growth potential for the Group's products.

MANAGEMENT DISCUSSION AND ANALYSIS

The subscription and the Group's interest in Dish Media will provide the Group with a strategic platform to explore and develop the market of set top boxes and other digital media equipment in Nepal, the Directors consider that the subscription was conducted under normal commercial terms and is in the interest of the Company and the shareholders as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2011, the Group's cash and bank balances amounted to HK$204.7 million (6.30.2011: HK$276.3 million). The Group's pledged bank deposits were HK$15.2 million (6.30.2011: HK$13.4 million).

During the Period, the Group had net cash outflow from its operating activities and investing activities amounted to HK$24.0 million and HK$83.0 million respectively. Net cash inflow from financing activities amounted to HK$37.4 million.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 2.4 at December 31, 2011 and 2.3 at June 30, 2011. For the Period, the annualized average trade receivable turnover period, average inventory turnover period, and average trade payable turnover period were 85 days, 74 days, and 77 days respectively (For the year ended June 30, 2011: 60 days, 69 days, and 78 days respectively).

At December 31, 2011, the Group's total loans were HK$111.6 million (6.30.2011: HK$79.3 million). Certain of the borrowings were secured by the Group's leasehold land and buildings, pledged deposits, secured and guarantee from the Company and certain of its subsidiaries. The gearing ratio, expressed as a percentage of total bank borrowings of HK$111.6 million over total assets of HK$1,373.4 million, was 8.1% (6.30.2011: 5.7%).

FOREIGN CURRENCY EXPOSURE

The Group business recorded revenue mainly denominated in US dollars and Renminbi (RMB). Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuations on the Group's business operations.

CHARGES ON ASSETS

As at December 31, 2011, the Group's general banking facilities were secured by the following assets of the Group: (i) leasehold land and buildings with a carrying value of HK$25.5 million, and (ii) bank deposits of HK$15.2 million.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at December 31, 2011.

EMPLOYEES

At December 31, 2011, the Group employed a total of 2,466 (6.30.2011: 2,674) full-time employees. Employees are remunerated accordingly to their performance and responsibilities. Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (7.1.2010 to 12.31.2010: Nil) for the six months ended December 31, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares of the Company during the Period.

CORPORATE GOVERNANCE

The Company has complied with all the provisions set out in the Code on Corporate Governance Practices as contained 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 throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. All Directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standards set out in the Model Code throughout the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at December 31, 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 of any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, 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	162,275,437 (Note 1)	21.91%
	Personal	2	0.00%
Ms. Chen Mei Huei	Corporate	162,275,437 (Note 1)	21.91%
Mr. Liao Wen I	Corporate	62,704,812 (Note 2)	8.47%

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 at 44.38% and Mr. Hung Chih Chun, a son of Mr. Hung Tsung China 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

As at December 31, 2011, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 10,825,000 (6.30.2010: 11,275,000), representing 1.46% of the shares of the Company in issue as at December 31, 2011.

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

				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, 2011**	**Exercised during the period**	**Outstanding at December 31, 2011**
Directors						
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. Frank Karl-Heinz Fischer	October 22, 2010	HK$2.05	HK$2.05	500,000	–	500,000
				3,000,000	–	3,000,000
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	975,000	–	975,000
	December 27, 2007	HK$1.76	HK$1.76	2,150,000	(300,000)	1,850,000
	April 1, 2009	HK$1.10	HK$1.114	2,150,000	(150,000)	2,000,000
	October 22, 2010	HK$2.05	HK$2.05	500,000	–	500,000
Total				11,275,000	(450,000)	10,825,000

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 and 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 December 31, 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

As at December 31, 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 interest	Number of shares held	Percentage of interest
Metroasset Investments Limited	Beneficial owner	162,275,437	21.91% (Note 1)
Success Power Investments Limited	Beneficial owner	101,931,500	13.76%
Wellever Investments Limited	Beneficial owner	62,704,812	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 at 44.38% and Mr. Hung Chih Chun, a son of Mr. Hung Tsung China 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.

Save as disclosed above, so far as is known to the directors, as at December 31, 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.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
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 BOARD OF DIRECTORS OF
SANDMARTIN INTERNATIONAL HOLDINGS LIMITED
聖馬丁國際控股有限公司
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 56, which comprises the condensed consolidated statement of financial position of Sandmartin International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
February 29, 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended December 31, 2011

	NOTES	Six months ended December 31, 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Revenue	3	**634,040**	833,651
Cost of sales		**(501,811)**	(654,847)
Gross profit		**132,229**	178,804
Other income		**17,873**	7,159
Other gains and losses		**431**	1,187
Loss on fair value change of derivatives embedded in convertible bonds	13	**(14,089)**	(1,541)
Distribution and selling costs		**(28,344)**	(25,119)
Administrative expenses		**(91,990)**	(75,659)
Impairment loss on goodwill	9	**–**	(12,500)
Reversal of (impairment loss) on trade receivables	14	**256**	(2,300)
Research and development costs		**(15,624)**	(20,303)
Share of results of an associate	12	**(5,372)**	–
Gain on deemed disposal of interest in a subsidiary	11	**5,584**	–
Finance costs		**(1,812)**	(1,222)
(Loss) profit before taxation	4	**(858)**	48,506
Taxation	5	**1,584**	(2,226)
Profit for the period		**726**	46,280
Other comprehensive (expense) income			
Exchange difference arising from translation of foreign operations		**(12,009)**	7,254
Fair value change of available-for-sale investments	13	**(8,301)**	478
Total comprehensive (expense) income for the period		**(19,584)**	54,012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended December 31, 2011

	NOTE	Six months ended December 31, 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		**580**	45,580
Non-controlling interests		**146**	700
		726	46,280
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(19,418)**	53,508
Non-controlling interests		**(166)**	504
		(19,584)	54,012
			(restated)
Earnings per share	8		
Basic (HK cents)		**0.08**	6.23
Diluted (HK cents)		**0.08**	6.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2011

	NOTES	**December 31, 2011 HK$'000 (unaudited)**	June 30, 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**166,501**	168,886
Deposits paid for acquisition of associates	10	**56,556**	–
Prepaid lease payments		**15,691**	15,350
Investment properties	9	**35,648**	34,752
Goodwill	9	**48,689**	51,111
Intangible assets		**8,014**	65,759
Interest in an associate	12	**48,218**	–
Available-for-sale investments	13	**–**	179,426
Derivatives embedded in convertible bonds	13	**–**	15,184
Deferred tax assets		**27,994**	29,404
		407,311	559,872
Current assets			
Inventories		**205,540**	198,890
Trade and other receivables	14	**360,591**	341,810
Prepaid lease payments		**407**	437
Available-for-sale investments	13	**178,556**	765
Derivatives embedded in convertible bonds	13	**1,095**	–
Derivative financial instruments		**–**	511
Pledged bank deposits		**15,219**	13,363
Bank balances and cash		**204,713**	276,264
		966,121	832,040
Current liabilities			
Trade and other payables	15	**271,438**	269,562
Tax liabilities		**15,810**	17,706
Amount due to an associate		**5,730**	–
Bank borrowings – due within one year	16	**103,820**	73,804
Derivative financial instruments		**–**	35
		396,798	361,107
Net current assets		**569,323**	470,933
		976,634	1,030,805

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2011

	NOTES	**December 31, 2011 HK$'000 (unaudited)**	June 30, 2011 HK$'000 (audited)
Capital and reserves			
Share capital	17	**74,065**	67,287
Reserves		**868,346**	893,216
Equity attributable to owners of the Company		**942,411**	960,503
Non-controlling interests		**11,960**	51,354
Total equity		**954,371**	1,011,857
Non-current liabilities			
Bank borrowings			
– due after one year	16	**7,748**	5,472
Deferred tax liabilities		**14,515**	13,476
		22,263	18,948
		976,634	1,030,805

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended December 31, 2011

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At July 1, 2010 (audited)	66,478	285,723	5,036	21,863	79,878	15,090	–	350,076	824,144	9,433	833,577
Profit for the period	–	–	–	–	–	–	–	45,580	45,580	700	46,280
Other comprehensive income for the period	–	–	–	–	–	7,450	478	–	7,928	(196)	7,732
Total comprehensive income for the period	–	–	–	–	–	7,450	478	45,580	53,508	504	54,012
Recognition of equity-settled share-based payments	–	–	708	–	–	–	–	–	708	–	708
Dividends recognised as distribution (Note 6)	–	–	–	–	–	–	–	(19,943)	(19,943)	–	(19,943)
At December 31, 2010 (unaudited)	66,478	285,723	5,744	21,863	79,878	22,540	478	375,713	858,417	9,937	868,354
At July 1, 2011 (audited)	67,287	307,375	6,327	25,420	79,878	57,912	(713)	417,017	960,503	51,354	1,011,857
Profit for the period	–	–	–	–	–	–	–	580	580	146	726
Other comprehensive expense for the period	–	–	–	–	–	(11,697)	(8,301)	–	(19,998)	(312)	(20,310)
Total comprehensive expense for the period	–	–	–	–	–	(11,697)	(8,301)	580	(19,418)	(166)	(19,584)
Recognition of equity-settled share-based payments	–	–	639	–	–	–	–	–	639	–	639
Deemed disposal of interest in a subsidiary (Note 11)	–	–	–	–	–	–	–	–	–	(39,228)	(39,228)
Transfer	–	–	–	175	–	–	–	(175)	–	–	–
Exercise of share options	45	983	(341)	–	–	–	–	–	687	–	687
Bonus issue of shares	6,733	(6,733)	–	–	–	–	–	–	–	–	–
At December 31, 2011 (unaudited)	74,065	301,625	6,625	25,595	79,878	46,215	(9,014)	417,422	942,411	11,960	954,371

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended December 31, 2011

	NOTE	Six months ended December 31, 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Net cash (used in) from operating activities		**(23,958)**	24,986
Net cash used in investing activities:			
Deposits paid for acquisition of associates		**(56,556)**	–
Purchase of available-for-sale investments		**–**	(200,000)
Additions to property, plant and equipment		**(10,438)**	(5,068)
Expenditure on intangible assets		**(8,380)**	–
Deemed disposal of interest in a subsidiary (net of cash and cash equivalents disposed of)	11	**(7,265)**	–
Placement of pledged bank deposits		**(1,856)**	(20)
Other investing cash flows		**1,545**	815
		(82,950)	(204,273)
Net cash from (used in) financing activities:			
Repayment of bank borrowings		**(41,584)**	(55,536)
Dividends paid		**–**	(19,943)
New bank borrowings raised		**77,521**	62,253
Other financing cash flows		**1,425**	(124)
		37,362	(13,350)
Net decrease in cash and cash equivalents		**(69,546)**	(192,637)
Cash and cash equivalents at beginning of the period		**276,264**	477,150
Effect of foreign exchange rate changes		**(2,005)**	7,573
Cash and cash equivalents at end of the period, represented by bank balances and cash		**204,713**	292,086

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended December 31, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended June 30, 2011. In addition, the Group has applied the following accounting policies for change in the Group's ownership interests in existing subsidiaries and interest in an associate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Interest in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Interest in an associate *(Continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in an associate are initially recognised in the consolidated statement of financial position at deemed cost (representing the fair value of the Group's retained interest on the date the Group lost control over a subsidiary) and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Interest in an associate *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on July 1, 2011.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after January 1, 2013.
[2] Effective for annual periods beginning on or after January 1, 2015.
[3] Effective for annual periods beginning on or after January 1, 2012.
[4] Effective for annual periods beginning on or after July 1, 2012.
[5] Effective for annual periods beginning on or after January 1, 2014.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at December 31, 2011, in the opinion of directors, the application of the new standard will affect the classification and measurement of the Group's available-for-sales investments. The Group's interest in convertible bonds will be classified and measured at fair value through profit and loss in their entirety. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after January 1, 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale located in the People's Republic of China (the "PRC").

Other than disclosed above, the directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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

1. Media entertainment platform related products

Trading and manufacturing of media entertainment platform related products

– TV set top boxes, which mainly for high definition and standard definition televisions.

2. Other multimedia products

Trading and manufacturing of other multimedia products

– Components of audio and video electronic products such as cable lines.

3. Provision of integration system service for public programs

Public system for providing service of integration system of public program

– Manufacturing of communication networks and signal system of the transportation systems.

4. Children apparels

Retailing and wholesaling of children apparels

– Retailing and wholesaling of children apparels is performed through a subsidiary, Sino Light Enterprise Limited ("SLE"), which acquired on January, 2011.

3. SEGMENT INFORMATION *(Continued)*

4. Children apparels *(Continued)*

Retailing and wholesaling of children apparels *(Continued)*

In August, 2011, the Group lost its control in SLE subsequent to a subscription of shares by a new investor (detail see Note 11). Retailing and wholesaling of children apparels is discontinued since then.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended December 31, 2011

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system service for public programs HK$'000	Children apparels HK$'000	Total HK$'000
REVENUE					
External sales	365,188	266,271	2,581	–	634,040
RESULTS					
Segment results	75,583	27,309	1,383	(134)	104,141
Other income					17,873
Other gains and losses					431
Loss on fair value change of derivatives embedded in convertible bonds					(14,089)
Research and development costs					(15,624)
Administrative expenses					(91,990)
Share of results of an associate					(5,372)
Finance costs					(1,812)
Gain on deemed disposal of interest in a subsidiary					5,584
Loss before taxation					(858)

3. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

Six months ended December 31, 2010

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system service for public programs HK$'000	Children apparels HK$'000	Total HK$'000
REVENUE					
External sales	602,770	230,881	–	–	833,651
RESULTS					
Segment results	113,745	25,140	–	–	138,885
Other income					7,159
Other gains and losses					1,187
Loss on fair value change of derivative embedded in convertible bonds					(1,541)
Research and development costs					(20,303)
Administrative expenses					(75,659)
Finance costs					(1,222)
Profit before taxation					48,506

Segment results represent the profit (loss) earned or incurred by each segment without allocation of administrative expenses, research and development costs, other income, other gains and losses (except impairment loss on goodwill), loss on fair value change of derivatives embedded in convertible bonds, share of results of an associate, gain on deemed disposal of interest in a subsidiary and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended December 31,	
	2011	2010
	HK$'000	HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	**1,224**	1,362
Release of prepaid lease payments	**92**	194
Depreciation of property, plant and equipment	**12,006**	11,406
Write-down of inventories (included in cost of sales)	**465**	3,000
Bank interest income	**(1,882)**	(203)
Effective interest income on convertible bonds (Note 13)	**(6,610)**	–
Net loss on fair value change of derivative financial instruments (Note)	**476**	24
Net loss on fair value change of derivatives embedded in convertible bonds (Note 13)	**14,089**	1,541

Note: The amount represents fair value change for foreign currency exchange contracts.

5. TAXATION

	Six months ended December 31,	
	2011	2010
	HK$'000	HK$'000
The tax (credit) charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**1,391**	2,851
Other jurisdictions	**43**	622
Underprovision in prior years	**3**	–
Deferred taxation:		
Current period	**(3,907)**	(2,905)
Provision for PRC dividend withholding tax	**886**	1,658
	(1,584)	2,226

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

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%. Tax rate for both companies are 22% and 24% for each of the six months periods ended December 31, 2010 and December 31, 2011, respectively.

5. TAXATION *(Continued)*

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% from January 1, 2008 to December 31, 2010. During the period, the application for renewal has been successed with expiry date extended to December 31, 2014.

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.

The Group's European subsidiaries are subject to profits tax rates at range of 26.3% to 30%.

Tax arising in other jurisdictions are subject to applicable tax rates in the relevant jurisdictions.

6. DIVIDENDS

No dividend was paid during the six months ended December 31, 2011. During the six months ended December 31, 2010, a final dividend of HK3.0 cents per share, amounting to HK$19,943,000 was paid to the shareholders for the year ended June 30, 2010.

The directors do not recommend the payment of an interim dividend for the six months ended December 31, 2011.

7. 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.

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

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.

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

			Number of share options		
Type of grantee	Date of grant (note 2)	Exercise price (note 1)	Outstanding at July 1, 2011	Exercised during the period	Outstanding at December 31, 2011
Directors	July 30, 2005	HK$1.02	500,000	–	500,000
Directors	October 22, 2010	HK$2.05	2,500,000	–	2,500,000
Employees	July 30, 2005	HK$1.02	2,500,000	–	2,500,000
Employees	December 16, 2006	HK$2.05	975,000	–	975,000
Employees	December 27, 2007	HK$1.76	2,150,000	(300,000)	1,850,000
Employees	April 1, 2009	HK$1.114	2,150,000	(150,000)	2,000,000
Employees	October 22, 2010	HK$2.05	500,000	–	500,000
Total			11,275,000	(450,000)	10,825,000
Exercisable at the end of the period			7,200,000		6,825,000
Weighted average exercise price			1.54	1.54	1.54

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

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 vest 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 Group has recognised total expense of HK$639,000 (7.1.2010 to 12.31.2010: HK$708,000) in relation to share options granted by the Company.

8. 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:

	Six months ended December 31,	
	2011	2010
	HK$'000	HK$'000
		(restated)
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**580**	45,580

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**740,642,463**	732,113,800
Effect of dilutive potential ordinary shares in respect of share options	**4,481,926**	4,451,926
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**745,124,389**	736,565,726

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share for the six months ended December 31, 2010 has been adjusted for the bonus issue of shares on a ten-to-one basis on December 6, 2011.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND GOODWILL

The directors are of the opinion that the carrying value of the Group's investment properties as at December 31, 2011 was not materially different from the fair value of the investment properties as at June 30, 2011. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group spent HK$10,438,000 (7.1.2010 to 12.31.2010: HK$5,068,000) on additions of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying amount of HK$1,876,000 (7.1.2010 to 12.31.2010: HK$555,000) resulting in a loss of HK$133,000 (7.1.2010 to 12.31.2010: gain of HK$260,000).

For the purpose of impairment testing, goodwill is allocated into two (7.1.2010 to 12.31.2010: two) individual cash-generating units ("CGU"), comprising BCN Distribuciones, S.A. ("BCN") and Intelligent Digital Services GmbH ("IDS"). BCN is engaged in media entertainment platform related products and other multimedia products and IDS is engaged in media entertainment platform related products.

As the recoverable amount of BCN (attributable to media entertainment platform related products) was lower than the carrying value of the unit, an impairment loss on goodwill of HK$12,500,000 was recognised for BCN during the six months ended December 31, 2010. The impairment loss was mainly resulted from the sales performance of BCN being lower than the management's expectation.

During the six months ended December 31, 2011, as the recoverable amounts of both BCN (attributable to media entertainment platform related products and other multimedia products) and IDS (attributable to media entertainment platform related products) were higher than the carrying values of the units, no impairment loss on goodwill was recognised.

10. DEPOSITS PAID FOR ACQUISITION OF ASSOCIATES

On September 26, 2011, the Group entered into a conditional sale and purchase agreement with Dish Media Network Private Limited ("Dish Media"), to subscribe for 4,010,870 shares (approximately 47% equity interest) of Dish Media, a company incorporated in Nepal, which is engaged in operating of satellite receiving system and communication system in Nepal, at a subscription price of US$5,225,490 (equivalent to HK$40,759,000).

On September 29, 2011, the Group entered into a conditional sale and purchase agreement with a third party, to acquire 15% equity interest in Technosat Technology JLT FZE ("Technosat"), a company incorporated in Dubai, which is engaged in operating of digital TV and radio platform, pay TV channel, and sales and supply of TV set top boxes, at a consideration of US$7,500,000 (equivalent to HK$58,500,000).

An aggregate deposits of HK$56,556,000 had been paid as at December 31, 2011 for the two transactions aforesaid. The conditions precedent of the completion of acquisitions of Dish Media and Technosat including the consent and approval of government authorities in Nepal and Dubai, respectively had not been fulfilled as at December 31, 2011.

The acquisition of Dish Media had been completed in February 2012, and the acquisition of Technosat had not yet been completed at the date of approval for the issuance of the condensed consolidated financial statements.

11. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

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

The fair value of the management service which has been determined to be HK$27,300,000. The provision of management services, which was detailed in a business support agreement dated August 29, 2011, has a term of three years commencing from the effective date of the agreement, subject to early termination upon occurrence of certain events.

11. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY *(Continued)*

Subscription Option

Pursuant to the Subscription Option, the Subscriber has the right, but not the obligation, to subscribe further 11.3% interest (1,600 new shares at HK$14,000 per share) in SLE for HK$22.4 million during the period from the date of completion of the Subscription to August 31, 2014, subject to certain early termination clauses.

Subscriber Put Options and SLE Original Shareholders Call Options

In conjunction with the Subscription and pursuant to the Shareholders' agreement entered between the SLE Original Shareholders and the Subscriber, the shares held by the shareholders of SLE are restricted for transfer, except under certain circumstances including the exercise of the Subscriber Put Options (detailed below) and the SLE Original Shareholders Call Options (detailed below).

Subscriber Put Options

Each of the SLE Original Shareholders of SLE granted an option to the Subscriber whereby the Subscriber has the right to require the SLE Original Shareholders to purchase its equity interest in SLE under certain conditions including the expiry of a licensing agreement SLE entered for business (the "Subscriber Put Options").

11. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY *(Continued)*

SLE Original Shareholders Call Options

The Subscriber granted an option to SLE Original Shareholders whereby the SLE Original Shareholders have the right to require the Subscriber to sell its equity interest in SLE to them under certain conditions including the Subscriber ceases to hold certain of its brands (the "SLE Original Shareholders Call Options").

The exercise price of both the Subscriber Put Options and the SLE Original Shareholders Call Options are to be determined (a) between the parties concerned; or (b) if the concerned parties are unable to agree on an exercise price, they appoint an independent professional business valuer to determine the fair value of the exercise price at date of exercise. In the opinion of the directors, these options have insignificant value on initial recognition and at the end of the reporting period.

Upon completion of the Subscription on August 29, 2011, the Group's equity interest in SLE was decreased from 55% to 43.65% and SLE ceased to be a subsidiary of the Company. SLE is accounted for as an associate of the Group upon and after the completion of the Subscription.

11. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY *(Continued)*

The Subscription has resulted in the recognition of a gain of HK$5,584,000 in profit or loss, calculated as follows:

	SLE August 29, 2011
	HK$'000
Analysis of assets and liabilities over which control was lost:	
Intangible assets (licensing agreement)	64,654
Property, plant and equipment	198
Other receivables	19,932
Bank and cash	7,265
Accrued expenses	(4,815)
Net assets derecognised	87,234
Gain on deemed disposal of a subsidiary:	
Fair value of the interest retained (43.65%) (Note 12)	53,590
Net assets derecognised	(87,234)
Less: Non-controlling interest	39,228
Gain on disposal	5,584
Net cash outflow arising on deemed disposal:	
Bank balances and cash disposed of	(7,265)

The disposal resulted in a discontinuance of business in retailing and wholesaling of children apparels.

However, no discontinued operation was shown on the financial statements as at December 31, 2011 since the management considered the results contributed by such business was insignificant.

12. INTEREST IN AN ASSOCIATE

	December 31, 2011 HK$'000	June 30, 2011 HK$'000
Cost of investment in an associate		
Unlisted (Note 11)	**53,590**	–
Share of post-acquisition loss and other comprehensive income	**(5,372)**	–
	48,218	–

After the completion of the subscription stipulated in note 11, the Group lost control of SLE and retained as an associate since then.

As at December 31, 2011, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of establishment/ principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2011	Principal activities
Sino Light Enterprise Limited	Limited company	Hong Kong	Ordinary	43.65%	Retailing and wholesaling of children apparel

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

	December 31, 2011 HK$'000	June 30, 2011 HK$'000
Available-for-sale investments comprises:		
Listed securities:		
– equity securities listed overseas	**821**	765
Unlisted securities:		
– debt component of convertible bonds (Note)	**177,735**	179,426
	178,556	180,191
Analysed for reporting purposes as:		
Current	**178,556**	765
Non-current	**–**	179,426
	178,556	180,191
Derivatives embedded in convertible bonds, at fair value (Note)		
Current	**1,095**	–
Non-current	**–**	15,184
	1,095	15,184

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

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.

The Group has designated the debt element 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 July 1, 2011	179,426	15,184	194,610
Interest income credited to profit or loss	6,610	–	6,610
Decrease in fair value	(8,301)	(14,089)	(22,390)
As at December 31, 2011	177,735	1,095	178,830

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

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 component of the Convertible Bonds is 7.279%

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 June 30, 2011 and December 31, 2011 are as follows:

	June 30, 2011	**December 31, 2011**
Share price	HK$1.32	**HK$0.62**
Conversion price	HK$2.00	**HK$2.00**
Redemption price (by the issuer)	HK$220,000,000	**HK$220,000,000**
Risk-free rate	0.211%	**0.250%**
Expected life	1.5 years	**0.99 years**
Implied volatility	57.847%	**66.867%**
Expected dividend yield	–	**–**

The fair value of each of the debt and derivatives components of the Convertible Bonds 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.

14. TRADE AND OTHER RECEIVABLES

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:

	December 31, 2011 HK$'000	June 30, 2011 HK$'000
0 – 30 days	**168,258**	118,921
31 – 60 days	**36,170**	76,075
61 – 90 days	**11,090**	55,116
91 – 180 days	**16,838**	33,807
More than 180 days	**66,243**	10,076
	298,599	293,995
Other receivables	**61,992**	47,815
Total trade and other receivables	**360,591**	341,810

During the period, the directors reviewed the carrying amounts of certain long outstanding trade receivables and identified a reversal of impairment loss of HK$256,000 (7.1.2010 to 12.31.2010: impairment loss of HK$2,300,000) which has been recognised in the statement of comprehensive income.

15. 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:

	December 31, 2011 HK$'000	June 30, 2011 HK$'000
0 – 30 days	**129,694**	86,869
31 – 60 days	**49,670**	60,032
61 – 90 days	**25,095**	35,469
91 – 180 days	**13,159**	20,532
181 – 365 days	**1,896**	3,725
	219,514	206,627
Other payables	**51,924**	62,935
Total trade and other payables	**271,438**	269,562

16. BANK BORROWINGS

During the current period, the Group raised and repaid bank loans in the amount of HK$77,521,000 and HK$41,584,000, respectively. The bank loans bear interest at prevailing market rate.

17. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Issued and fully paid		
At July 1, 2010	664,782,000	66,478
Exercise of share options	150,000	15
Issue of shares	7,936,000	794
At June 30, 2011 and July 1, 2011	672,868,000	67,287
Exercise of share options	450,000	45
Bonus issue of shares (Note)	67,331,800	6,733
At December 31, 2011	740,649,800	74,065

Note: Pursuant to an ordinary resolution at the annual general meeting held on December 6, 2011, a bonus issue of share is approved on the basis of one new ordinary share of HK$0.10, credited are fully paid, for every ten existing shares held by the shareholders of the Company whose names are on the Register of Member of the Company on December 12, 2011.

18. CAPITAL COMMITMENTS

	December 31, 2011 HK$'000	June 30, 2011 HK$'000
Capital expenditure in respect of acquisition of associates – contracted for but not provided in the consolidated financial statements	**42,703**	–
Capital expenditure in respect of acquisition of property, plant and equipment – contracted for but not provided in the consolidated financial statements	**–**	1,292

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended December 31, 2011 HK$'000	Six months ended December 31, 2010 HK$'000
Short-term employee benefits	**3,514**	3,791
Post-employment benefits	**10**	150
Share-based payments	**393**	136
	3,917	4,077

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.