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 2012

Contents

Corporate Information	2
Directors and Senior Management	3
Management Discussion and Analysis	5
Corporate Governance Report	13
Directors' Report	19
Independent Auditor's Report	27
Consolidated Statement of Comprehensive Income	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Changes in Equity	32
Consolidated Statement of Cash Flows	33
Notes to the Consolidated Financial Statements	35
Financial Summary	112

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. Lee Chien Kuo
Mr. Mu Yean Tung *(appointed on June 30, 2012)*
Mr. Tsan Wen Nan *(resigned on June 30, 2012)*

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. Lee Chien Kuo
Mr. Mu Yean Tung *(appointed on June 30, 2012)*
Mr. Tsan Wen Nan *(resigned on June 30, 2012)*

REMUNERATION COMMITTEE

Mr. Lee Chien Kuo *(Chairman)*
(appointed on March 30, 2012)
Mr. Hsu Chun Yi
Mr. Hung Tsung Chin
Mr. Mu Yean Tung *(appointed on June 30, 2012)*
Mr. Tsan Wen Nan *(resigned on June 30, 2012)*

NOMINATION COMMITTEE

Mr. Mu Yean Tung *(Chairman)*
(appointed on June 30, 2012)
Mr. Hsu Chun Yi
Mr. Hung Tsung Chin
Mr. Tsan Wen Nan *(resigned on June 30, 2012)*

PRINCIPAL BANKERS

Bank SinoPac
Standard Chartered Bank (Hong Kong) Limited
Chinatrust Commercial Bank, Limited
Industrial and Commercial Bank of China 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 51, 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 22 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 50, 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 22 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 dual bachelor degrees in Spanish Literature and International Trade.

Mr. Liao Wen I, aged 44, 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 People's Republic of China (the "PRC"), Mr. Liao studied electronic device maintenance in a technical college in Taiwan. Mr. Liao has over 22 years of experience in the cable and connector industries, including 19 years of management experience in the manufacturing operations in the PRC.

Mr. Chen Chien An, aged 54, 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 and he is a member of American Institute of Certified Public Accountants. Mr. Chen has more than 26 years of 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 52, is the Vice President of the Group. Mr. Fischer joined the Group in January 2008 and is responsible for the global market strategy of the Group. Mr. Fischer has more than 24 years of 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 50, 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 United States of America ("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. Mr. Hsu has gained over 20 years' working experience in the finance industry. Mr. Hsu is also a supervisor of a listed company in Taiwan.

Directors and Senior Management

Mr. Lee Chien Kuo (also known as Thomas Lee), aged 48, is an independent non-executive director from February 2009. Mr. Lee has over 20 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.

Mr. Mu Yean Tung, aged 51, is an independent non-executive director from June 2012. Mr. Mu has a master degree in finance from the University of Texas at Dallas in the US. Mr. Mu has over 24 years experience in the financial management industry. He is currently the director of Vita Genomics, Inc., and OriVita Bio Application Inc. and is also the adjunct assistant professor of the Department of International Trade and Finance at the Fu Jen Catholics University in Taiwan. Prior to that, Mr. Mu was the special assistant to the Chairman of ERA Communications Co., Limited, was a branch general manager of Far Eastern International Bank and also was an executive officer and deputy section chief of Central Trust of China, Ministry of Finance in Taiwan.

SENIOR MANAGEMENT

Mr. Su Jow Shi, aged 49, 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. Li Te Wei, aged 51, is the Chief Technology Officer of the Group. Mr. Li joined the Group in July 2011 and is responsible for the future technical trend and code technologies establishment in the Group. Mr. Li has more than 10 years of experience in digital media broadcast and software development in DTV industry for worldwide broadcast system plus several CA system integrations for both Retail and MSO channels. Besides, Mr. Li have dedicated more than 10 years in portal server, application servers, billing system, database servers etc. for IPTV platform services. His educational background included the Bachelor Degree in Mechanical Engineering in the University of Michigan, Dual Master Degrees in Computer Science and Statistics in Indiana State University, and the Candidate of PhD in Purdue University.

Mr. Hsiao Yu Jung, aged 47, 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. Sven Willig, aged 39, 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 12 years of management experience in the development and quality control of digital television technologies.

Ms. Su Wan Ling (also named Ms. Julia Swen), aged 47, is 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 the 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 17 years of experience in research of biotechnology field and business management.

BUSINESS REVIEW

Looking back into the past year, the Group recorded an unsatisfactory performance due to the severe impact of global economic environment and international unrest 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 chaotic political situations and outbreaks of wars in Tunisia, Egypt and Libya and during the second half year of 2011, the United States strengthened its economic sanction against Iran and the Arab league imposed economic sanction against Syria, 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 in the past year.

(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, is developing into a "Debt Storm" which restricts the recovery of European economy and affects the global economic development. The continue deepening of the European debt crisis made the Europe confronting six major crises, which are prolonged market competitiveness crisis, financial crisis, European sovereign political crisis, European Union political crisis, banking crisis and short term market confidence crisis. The short term market confidence crisis is the resultants of the former five prolonged major crises. 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. At present, the Eurozone countries are making multilateral cooperation and joint efforts to resolve the crises and get rid of the difficult situations, but it is still far from recovery. 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 the Group's capital investments in China market.

(3) Transformation from integrated device manufacturer to platform owner

During the past year, 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.

FINANCIAL REVIEW

Revenue

For the year ended June 30, 2012, the revenue of the Group amounted to HK$1,343.7 million (2011: HK$1,604.1 million), representing a decrease of 16.2% as comparing with last year. The decrease in revenue was mainly attributable to the worsening of the European sovereign debt crisis and chaotic political situation in the Middle East.

Gross profit and gross profit margin

The Group's gross profit amounted to HK$261.7 million (2011: HK$348.0 million), representing an decrease of 24.8%. Gross profit margin reduced to 19.5% in 2012 (2011: 21.7%). The decrease in gross profit was mainly resulted from the increase in labour costs and other overhead costs of production.

Segment information

The Group's turnover is mainly derived from sales of media entertainment platform related products, other multimedia products and revenue from 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$827.6 million (2011: HK$1,167.4 million), representing a decrease of 29.1% as compared to last year. Turnover from this segment decreased owing to the impact of the worsening of the Europe's sovereign debt crisis, and the uncertainty in the global economy has depressed consumer spending sentiment.

The turnover generated from sales of other multimedia products for the year maintained at HK$486.1 million (2011: HK$435.1 million), representing an increase of 11.7%.

The turnover generated from road construction for the year amounted to HK$29.3 million (2011: HK$1.5 million). A steady increase in turnover from this segment gave a favourable contribution to the Group's turnover.

Revenue by geographic markets

	Middle East	Europe	North America	Africa	South America	Asia	Other regions	Total
Revenue for the year (HK$m)	276.6	361.4	321.4	188.3	86.4	106.8	2.8	1,343.7
% of Group's revenue	20.6	27.0	23.9	14.0	6.4	7.9	0.2	100
% growth (decline) from last year	(52.3)	13.0	18.4	7.0	(36.8)	(8.7)	(16.6)	(16.2)

Analysis of results by business units

(HK$'000)	Core business (Note 1)	FLT (Note 1)	Epassing (Note 1)	SLE (Note 1)	BCN (Note 1)	Unallocated	Total
Revenue	1,099,482	37,908	34,324	700	171,236	–	1,343,650
Cost of sales	(891,431)	(27,365)	(35,619)	(3,453)	(124,069)	–	(1,081,937)
Gross profit/(loss)	208,051	10,543	(1,295)	(2,753)	47,167	–	261,713
Distribution and selling costs	(27,215)	(3,272)	(38)	(2,640)	(23,844)	–	(57,009)
Administrative expenses	(101,354)	(6,353)	(7,341)	(8,680)	(56,576)	–	(180,304)
Research and development costs	(39,534)	–	(1)	–	(1,285)	–	(40,820)
Profit/(loss) from operations	39,948	918	(8,675)	(14,073)	(34,538)	–	(16,420)
Finance costs	47	(85)	(33)	–	(4,543)	–	(4,614)
Other gains and losses	(9,658)	–	–	–	(776)	(19,467)	(29,901)
– Impairment loss on trade receivables	(6,908)	–	–	–	(776)	–	(7,684)
– Impairment loss on deposit paid for acquisition of an associate (Note 2)	–	–	–	–	–	(19,467)	(19,467)
– Others	(2,750)	–	–	–	–	–	(2,750)
Other income	6,816	1,067	692	1	10,528	13,388	32,492
– Effective interest income on convertible bonds	–	–	–	–	–	13,388	13,388
– Others	6,816	1,067	692	1	10,528	–	19,104
Increase in fair value of investment properties	735	–	–	–	–	–	735
Loss on fair value change of derivatives embedded in convertible bonds (Note 3)	–	–	–	–	–	(15,184)	(15,184)
Gain on bargain purchase	–	–	–	3,233	–	–	3,233
Loss on deemed disposal of interest in an associate	–	–	–	(9,790)	–	–	(9,790)
Gain on deemed disposal of interest in a subsidiary	–	–	–	5,584	–	–	5,584
Share of results of associates	–	–	–	(5,865)	–	(21,053)	(26,918)
Profit/(loss) before tax	37,888	1,900	(8,016)	(20,910)	(29,329)	(42,316)	(60,783)
Taxation							2,908
Loss for the year							(57,875)
Less: Non-controlling interests							(4,634)
Loss for the year attributable to Owners of the Company							(53,241)
Loss per share							(7.2) HK cents

Summary of other comprehensive expenses

	HK$'000
Loss for the year	(57,875)
Other comprehensive expense	
Exchange difference arising from translation of foreign operations	(14,674)
Fair value change of available-for-sale investments	(2,292)
Total comprehensive expense for the year	(74,841)

Under HKFRS, the Group is required to present total comprehensive income (expense) for the year.

Other comprehensive income (expense) represented those items that are outside of profit or loss which have not been realized, including items such as unrealized holding gain or loss from available for sale investments and exchange difference arising on translating the financial statements of foreign operations.

Notes:

1. **The principal activities for the business units**

Core business	–	Trading and manufacturing of TV set top boxes and components of audio and video electronic products.
FLT	–	Trading and manufacturing of optical fibre products.
Epassing	–	Provision of integration system service for public programs.
SLE	–	Retailing and wholesaling of children apparels.
BCN	–	Research and development and trading of electronic goods in Spain.

2. **Impairment loss on deposit paid for acquisition of an associate**

One off impairment loss on deposit paid for acquisition of an associate was provided as at June 30, 2012. On September 29, 2011, the Group entered into a conditional agreement with an independent third party (the "Original Shareholder") to acquire 15% equity interest in Technosat Technology JLT FZE ("Technosat"), a company incorporated in Dubai and 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$58,170,000). As at 30 June 2012, a deposit of US$2,500,000 (equivalent to HK$19,467,000) has been paid and the transaction was not completed, due to the conditions precedent of the completion of acquisition of Technosat including the consent and approval of government authority in Dubai has not been fulfilled. Despite the Group's repeated request for information, there are no satisfactory response from the Original Shareholder of Technosat, regarding the current status and procurement of obtaining government approval from government authority in Dubai. Subsequent to June 30, 2012, the Group has engaged legal counsels to act for the Group and has commenced dispute resolution proceedings against the Original Shareholder and Technosat and as a result, an impairment loss of US$2,500,000 (equivalent to HK$19,467,000) had been made as at June 30, 2012.

3. **Loss on fair value change of derivatives embedded in convertible bonds**

In December 2010, the Group subscribed for the zero coupon convertible bonds ("Convertible Bonds") issued by Heng Xin China Holdings Limited ("Heng Xin") with principal amount of HK$200,000,000 and a conversion option at a cash consideration of HK$200,000,000. Heng Xin is a listed company with its shares listed on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited and the Convertible Bonds do not bear any interest and with maturity on December 27, 2012. The principal amount of the Convertible Bonds was designated as debt component while the conversion option was designated as derivatives component. Loss on fair value change of derivatives embedded in convertible bonds was attributable to the decrease in fair value of conversion option due to the decrease in share price of Heng Xin as at June 30, 2012.

Operating results

The Group's loss for the year attributable to Owner of the Company was amounted to HK$53.2 million, as compared to last year's profit attributable to Owner of the Company of HK$90.4 million. A significant amount of share of loss of associates amounted to HK$26.9 million (2011: Nil) has been charged to the consolidated statement of comprehensive income during the year.

The Group's operating expenses increased by 9.6% to HK$278.1 million for the year (2011: HK$253.7 million).

– Distribution and selling costs represented 4.2% (2011: 3.3%) of the Group's revenue.

– Administrative expenses increased by 11.6% to approximately HK$180.3 million for the year (2011: HK$161.6 million).

– Research and development costs increased by 5.1% to HK$40.8 million for the year (2011: HK$38.9 million).

Finance costs

Finance costs were amounted to HK$4.6 million, representing an increase of HK$2.4 million from HK$2.2 million last year. The increase of finance costs was primarily attributable to the increase in the volume of borrowings.

Deemed disposal of SLE and subsequent acquisition of further interest 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 ("TEIL"), an indirect wholly-owned subsidiary of Imagi International Holdings Limited and Sino Light Enterprise Limited ("SLE"), entered into a subscription and option agreement ("Subscription Agreement") in respect of the subscription ("Subscription") of certain shares in SLE by TEIL for an aggregate consideration of HK$36,400,000 of which (i) HK$9,100,000 was satisfied in cash by TEIL and (ii) HK$27,300,000 was satisfied by way of the provision of certain management services procured by Toon Express Hong Kong Limited ("TEHKL"). Pursuant to the Subscription Agreement, SLE also granted a share option to TEIL to further subscribe for additional shares in SLE on the terms of the Subscription Agreement.

Before Subscription, Honstar and ETL held 55% and 45% of the issued share capital of SLE respectively. Upon Subscription, SLE ceased to be a subsidiary of the Company and Honstar, ETL and TEIL held approximately 43.65%, 35.71% and 20.64% respectively of the issued share capital of SLE as enlarged by the Subscription, before the exercise of the share option by TEIL. Assuming the exercise of the share option in full immediately after the completion of Subscription at the initial subscription price, TEIL would hold up to approximately 29.58% equity interest of SLE as enlarged by the issue of such shares.

The Subscription was completed on August 29, 2011, and on the same date, 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, TEIL had a right but not an obligation ("Put Option") to require Honstar and ETL to purchase all or a portion of the shares in SLE then held by TEIL at its sole discretion.

To focus on its core business, TEIL decided to dispose all its equity interest in SLE. On March 14, 2012, Honstar further acquired 20.64% equity interest of SLE from TEIL at a cash consideration of HK$9.1 million. The share option under the Subscription Agreement was cancelled and TEHKL was released by SLE from the provision of management service under the Subscription Agreement. Since then, SLE has become the subsidiary of the Company. Details of acquisition of SLE are set out in note 40(a) to the consolidated financial statements.

Acquisition of 47% of issued share capital in Dish Media

As part of the Group's strategy to transform from an integrated device manufacturer to a multimedia platform owner, the Group is actively exploring business opportunities in developing countries with potential subscribers of PayTV platform. On September 26, 2011, the Company entered into an agreement with Dish Media Network Private Limited ("Dish Media"). Pursuant to the agreement, 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.

The subscription and the Group's interest in Dish Media provides 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.

Working capital efficiency

The average inventory turnover days for the year ended June 30, 2012 and 2011 were 67 days and 69 days respectively.

The average trade receivables turnover days for the year ended June 30, 2012 and 2011 were 86 days and 60 days respectively.

The average trade payables turnover days for the year ended June 30, 2012 and 2011 were 73 days and 78 days respectively.

Liquidity and financial resources

The Group generally finances its operations with internal generated cash flow and bank facilities. At June 30, 2012, it had cash and cash equivalent balances totaled HK$146.0 million (2011: HK$276.3 million). The net decrease of cash balance was mainly attributed by the cash outflow from operations and the acquisition of and loan to an associate offsetting by the cash inflow from the new bank loans raising.

The Group's current ratio (ratio of current assets to current liabilities) was 2.1 at June 30, 2012 (2011: 2.3).

As at June 30, 2012, the Group's total borrowings were HK$176.2 million (2011: HK$79.3 million). The gearing ratio (total borrowings over total assets of the Group) increased to 12.3% at June 30, 2012 from 5.7% at June 30, 2011.

Charges on assets

As at June 30, 2012, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$48.3 million, and (ii) buildings with a carrying value of HK$10.3 million.

Foreign exchange exposure

The Group's sales and purchases were denominated mainly in US dollars and Renminbi ("RMB"). The Group was exposed to certain foreign currency exchange risk but it does not expect future currency fluctuations to cause material operation difficulties on the ground that HK dollars are pegged to US dollars and the recent pressure from appreciation of RMB was manageable. However, the Group continuously monitors its foreign currency exchange risk exposure.

Contingent liabilities

The Group did not have any significant contingent liabilities at June 30, 2012 (2011: Nil).

PROSPECTS

(1) Geographical integration of research and development teams with third party technologies

With the continuous global development and expansion of the Group, the effective integration of the Group's research and development teams in different countries has become a crucial step for further development. The Group has merged its research and development teams in Germany and Spain and established the Europe research and development centre, which focuses on new technologies and new products development for the European market, so as to provide seamless technical support and service to the local market and eventually lead to the market development as a whole. The repositioning and integration of Europe research and development centre, secures the research and development centers in Taiwan and China to concentrate the development of operating platform for Middle East, North Africa and North America markets. It is expected that the substantial restructuring of the Group's research and development teams will quickly enhance the Group's overall research and development progress and capabilities, which will lead the markets better around the world and will provide technical supports for the better development of the Group.

Apart from the safeguard of the sustainable development of the Group's core technologies, the Group is actively working with third party laboratories for the technical alliance, which will enrich the Group's product portfolio and services and will accelerate the progress on the development of new technologies and new products. This will provide favourable conditions for the continuous growth of the Group's revenue.

(2) New opportunities under European debts crisis

With the continuous spreading of the European debt crisis, the Group is actively adjust and integrate its market-oriented product lines, and through the integration 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 for the fiscal year 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 also continued 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 subscribers, and sales of the set top boxes 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 equipment, transmission equipment, modulating equipment and terminal receiving equipment, but will also receive the program monthly subscription income, and thus formally enter into the system operator market. When the number of users 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.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended June 30, 2012 (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of shareholders will be closed from Thursday, November 8, 2012 to Friday, November 9, 2012, both days inclusive, during which period no share transfer will be registered. In order to be eligible for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, November 7, 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended June 30, 2012, including the accounting principles and practices adopted by the Group, in conjunction with internal control.

EMPLOYEES

As at June 30, 2012, the Group employed a total of 2,739 (2011: 2,674) 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$183.8 million (2011: HK$172.7 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 "Old 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 Old CG Code. The Stock Exchange has made various amendments to the Old CG Code and it was revised and renamed as the Corporate Governance Code and Corporate Governance Report (the "New CG Code") with effect from April 1, 2012.

Throughout the year ended June 30, 2012 (the "Year"), the Company was in compliance with all the code provisions of the Old CG Code. During the period from April 1, 2012 to June 30, 2012, the Company has complied with all applicable code provisions set out in the New 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 and all Directors confirmed that 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 Board meets regularly during the year at approximately quarterly intervals in order to ensure that all Directors could plan in advance their availability to attend the scheduled Board meetings. Additional meeting will be held as when required. All Directors have full and timely access to all relevant information of the Group.

Composition of the Board

The Board of Directors (the "Board") comprised of five executive Directors and three independent non-executive Directors ("INEDs"). The executive Directors are Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Liao Wen I, Mr. Chen Chien An and Mr. Frank Karl-Heinz Fischer and the INEDs are Mr. Hsu Chun Yi, Mr. Lee Chien Kuo and Mr. Mu Yean Tung. The Chairman of the Board is Mr. Hung Tsung Chin. Each of the executive Directors has a wealth of business and industry experience and the INEDs have a wealth of experience in finance and corporate development. The diversity of experiences of Directors enhances the corporate governance and provides valuable advices for the Group's ongoing development.

Board Meetings

During the Year, the Company held nine Board meetings. The Board also established three committees, which are the Audit Committee, the Nomination Committee and the Remuneration Committee (the "Committees"), with specific responsibilities as set out in their respective terms of reference. The attendance of the Board and the 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	2011 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)*	9/0	100%	N/A	N/A	2/0	100%	1/0	100%	1	100%
Chen Mei Huei *(Chief Executive Officer)*	3/4	78%	N/A	N/A	N/A	N/A	N/A	N/A	0	0%
Liao Wen I	3/0	33%	N/A	N/A	N/A	N/A	N/A	N/A	1	100%
Chen Chien An	8/1	100%	N/A	N/A	N/A	N/A	N/A	N/A	1	100%
Frank Karl-Heinz Fischer	8/0	89%	N/A	N/A	N/A	N/A	N/A	N/A	0	0%
INEDs										
Hsu Chun Yi	9/0	100%	2/0	100%	2/0	100%	1/0	100%	1	100%
Tsan Wen Nan *(resigned on June 30, 2012)*	7/1 (Note 1)	89%	2/0	100%	1/0	50%	1/0	100%	0	0%
Lee Chien Kuo	9/0	100%	2/0	100%	N/A	N/A	0/0 (Note 5)	0%	0	0%
Mu Yean Tung *(appointed on June 30, 2012)*	0/0 (Note 2)	0%	0/0 (Note 3)	0%	0/0 (Note 4)	0%	0/0 (Note 6)	0%	N/A	N/A

Note 1: Nine Board meetings were held during the period from July 1, 2011 to June 29, 2012.

Note 2: No Board meeting was held on June 30, 2012.

Note 3: No Audit Committee meeting was held on June 30, 2012.

Note 4: No Nomination Committee meeting was held on June 30, 2012.

Note 5: No Remuneration Committee meeting was held during the period from March 30, 2012 to June 30, 2012.

Note 6: No Remuneration Committee meeting was held on June 30, 2012.

Responsibilities of the Board

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 unrestricted access to the advice and services of 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 meetings. Minutes of board meetings and meetings of the Committees, 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.

Directors' training and induction

Upon their appointment, Directors are advised on the legal and other duties and obligations that they have as Directors of a listed company. Induction materials were provided to Mr. Mu Yean Tung who joined the Board on June 30, 2012.

Directors' training is an ongoing process. At the Board meeting held on March 30, 2012, the Directors were given a briefing on the recent amendments to the Listing Rules relating to the New CG Code so that they are aware of their responsibilities under the New CG Code. All Directors are also encouraged to attend relevant training courses. Effective from April 1, 2012, all Directors are required to provide the Company with his or her training records on an annual basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer are currently two separate positions to ensure a balance of power and authority. 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, accurate and reliable information in a timely manner as will enable them to make an informed decision. The Chairman is also responsible for the effectiveness of the Board by providing leadership for the Board and encouraging the Directors to make full and active contributions to the Board's affairs to ensure the Board acts in the best interests of the Company. The Chief Executive Officer is delegated with the authority and is responsible for running the Group's business, and the implementation of the approved corporate strategies in achieving the overall commercial objectives.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The INEDs of the Company representing more than one-third of the Board and each of the INEDs has appropriate expertise in financial management. The INEDs of the Company, namely Mr. Hsu Chun Yi, Mr. Lee Chien Kuo and Mr. Mu Yean Tung have entered into the letter of appointment with the Company and be appointed for a period of one year commencing from December 1, 2011, February 2, 2012 and June 30, 2012 respectively and subject to the retirement and re-election provisions in the Bye-laws of the Company and may be terminated by either party by giving three months' prior notice in writing. Pursuant to rule 3.13 of the Listing Rules, each of the INEDs has confirmed his independence in writing and is continued to be considered by the Company to be independent.

REMUNERATION OF DIRECTORS

The Remuneration Committee of the Company with revised written terms of reference 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. The Remuneration Committee is also responsible for the review and approve remuneration proposals with reference to the Board's corporate goals and objectives. The Remuneration Committee comprised one executive Director, Mr. Hung Tsung Chin, and three INEDs, namely, Mr. Lee Chien Kuo, Mr. Hsu Chun Yi and Mr. Mu Yean Tung and is chaired by Mr. Lee Chien Kuo. During the Year, the Remuneration Committee has convened one meeting. Details of Directors' emoluments are set out in note 10 to the consolidated financial statements.

NOMINATION OF DIRECTORS

The Nomination Committee of the Company with revised written terms of reference 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. In considering the nomination of new Directors, the Board takes into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The functions of Nomination Committee are to review and monitor the structure, size and composition of the Board, to identify qualified candidates to become members of the Board, or to assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors. The Nomination Committee comprised one executive Director, Mr. Hung Tsung Chin and two INEDs, namely, Mr. Mu Yean Tung and Mr. Hsu Chun Yi and is chaired by Mr. Mu Yean Tung. During the Year, the Nomination Committee has convened two meetings.

AUDIT COMMITTEE

The Audit Committee has been established with revised written terms of reference, with the responsibility of assisting the Board in providing an independent review on the Company's (i) relationship with the external auditors, including the independence of external auditors and the approval of their remuneration and terms of engagement, (ii) the integrity of interim and annual results and other financial information of the Group, and (iii) the reporting system and internal control procedures. It acts in an advisory capacity and makes recommendations to the Board. The Audit Committee comprised three INEDs, namely, Mr. Hsu Chun Yi, Mr. Lee Chien Kuo and Mr. Mu Yean Tung and is chaired by Mr. Hsu Chun Yi.

During the Year, the Audit Committee has convened two meetings and met the external auditors twice to discuss any areas of concern during the annual audit and interim review. The Audit Committee reviewed the interim and annual reports before submission of the same to the Board.

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 27 of this annual report.

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, 2012 is set out as follows:

	2012	2011
	HK$'000	HK$'000
Audit	**2,522**	2,459
Non-audit services		
– Interim review	**350**	331
– Others	**80**	30

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.

CORPORATE GOVERNANCE FUNCTIONS

No Corporate Governance Committee has been established and the Board is responsible for the fostering of good corporate governance of the Company by developing and reviewing the Company's policies and practices on corporate governance, monitoring the training and continuous professional development of Directors and the Company's policies and practices on compliance with legal and regulatory requirements.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company maintains a website at www.sandmartin.com.hk. It is a channel of the Company to communicate 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 Company's website and the website of the Stock Exchange whereas circular, annual report and interim report are printed and sent to all shareholders of the Company. Shareholders of the Company and investors may also send enquires to the Company's email at smt@sandmartin.com.hk, which will be handled by public relation staff of the Company.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting. The Board may whenever it thinks fit call special general meetings.

Shareholders of the Company may convene a special general meeting of the Company according to the provisions as set out in the Bye-laws and the Companies Act of Bermuda. Shareholders of the Company holding not less than one-tenth of the paid up capital of the Company carrying the voting rights at the date of deposit of the requisition shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

Shareholders of the Company may propose a candidate to be elected as a director of the Company, the procedures and details are set out in the "Procedures for Shareholders to Propose a Person for Election as a Director" which is currently available on the Company's website.

The above procedures are subject to the Company's Bye-laws and the Bermuda Companies Act 1981. During the year, there was no significant change in the constitutional documents of the Company. Shareholders of the Company who have enquiries about the above procedures or have enquiries to put to the Board may write to the Company Secretary at the principal place of business in Hong Kong at Unit 1, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended June 30, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 44 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended June 30, 2012 are set out in the consolidated statement of comprehensive income on page 29.

No interim dividend for the six months ended December 31, 2011 was paid to shareholders during the year. The directors do not recommend the payment of a final dividend for the year ended June 30, 2012.

FINANCIAL SUMMARY

A summary of results and assets and liabilities of the Group for the last five financial years is set out on page 112 of this annual report.

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 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at June 30, 2012 were as follows:

	2012 **HK$'000**	2011 HK$'000
Contributed surplus	**181,788**	181,788
(Accumulated losses) retained profits	**(2,710)**	5,903
	179,078	187,691

DISTRIBUTABLE RESERVES OF THE COMPANY *(Continued)*

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 44 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, 2012.

BORROWINGS

Details of the borrowings of the Group are set out in note 30 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 An
Mr. Frank Karl-Heinz Fischer

Independent non-executive directors:

Mr. Hsu Chun Yi	
Mr. Lee Chien Kuo	
Mr. Mu Yean Tung	(appointed on June 30, 2012)
Mr. Tsan Wen Nan	(resigned on June 30, 2012)

In accordance with the Company's Bye-laws 87(1) and 87(2), Mr. Liao Wen I and Mr. Lee Chien Kuo 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. Mu Yean Tung shall retire from office and being eligible, offered himself for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Hung Tsung Chin, Ms. Chen Mei Huei and Mr. Liao Wen I, the executive directors of the Company, each has entered into a service contract with the Company for a term of three years commencing from April 1, 2005 and will continue thereafter unless and until terminated by either party by three months' prior notice in writing.

Mr. Chen Chien An and Mr. Frank Karl-Heinz Fischer, the executive directors of the Company, each has entered into a service contract with the Company and for a term of three years commencing from June 24, 2011 and will expire on the earlier of the date of the Company's AGM in 2014 and the third anniversary of the date of the service contract. The service contracts may be terminated by either party by giving to the other three months' prior notice in writing.

Mr. Hsu Chun Yi, Mr. Lee Chien Kuo and Mr. Mu Yean Tung, 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, 2011, February 2, 2012 and June 30, 2012 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, 2012, 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 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	Beneficial owner	162,275,437	(Note 1)	21.91%
	Personal	2		0.00%
Ms. Chen Mei Huei	Beneficial owner	162,275,437	(Note 1)	21.91%
Mr. Liao Wen I	Beneficial owner	62,704,812	(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, 2012, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 8,975,000, representing 1.21% of the shares of the Company in issue as at June 30, 2012.

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, 2011**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at June 30, 2012**
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	–	(250,000)	725,000
	December 27, 2007	HK$1.76	HK$1.76	2,150,000	(300,000)	(800,000)	1,050,000
	April 1, 2009	HK$1.10	HK$1.114	2,150,000	(150,000)	(800,000)	1,200,000
	October 22, 2010	HK$2.05	HK$2.05	500,000	–	–	500,000
Total				11,275,000	(450,000)	(1,850,000)	8,975,000

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 29, 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, 2012, 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, 2012, 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	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 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, 2012, 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 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 32% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 8% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 28% 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained a sufficient public float as required under Listing Rules throughout the year.

AUDITOR

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

On behalf of the Board

Hung Tsung Chin
Chairman
Hong Kong, September 28, 2012

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 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 29 to 111, which comprise the consolidated statement of financial position as at June 30, 2012, 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.

Independent Auditor's Report

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, 2012 and of the Group's loss 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, 2012

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	5	**1,343,650**	1,604,087
Cost of sales		**(1,081,937)**	(1,256,049)
Gross profit		**261,713**	348,038
Other income		**32,492**	25,022
Other gains and losses		**(29,901)**	(27,712)
Loss on fair value change of derivatives embedded in convertible bonds	19	**(15,184)**	(11,053)
Gain on deemed disposal of interest in a subsidiary	41	**5,584**	–
Gain on bargain purchase	40(a) & 40(c)	**3,233**	6,871
Loss on deemed disposal of interest in an associate	40(a)	**(9,790)**	–
Share of results of associates	18	**(26,918)**	–
Increase in fair value of investment properties	15	**735**	1,170
Distribution and selling costs		**(57,009)**	(53,221)
Administrative expenses		**(180,304)**	(161,609)
Research and development costs		**(40,820)**	(38,857)
Finance costs	7	**(4,614)**	(2,194)
(Loss) profit before taxation		**(60,783)**	86,455
Taxation	8	**2,908**	3,726
(Loss) profit for the year	9	**(57,875)**	90,181
Other comprehensive (expense) income			
Exchange difference arising from translation of foreign operations		**(14,674)**	42,406
Fair value change of available-for-sale investments		**(2,292)**	(713)
Total comprehensive (expense) income for the year		**(74,841)**	131,874
(Loss) profit for the year attributable to:			
Owners of the Company		**(53,241)**	90,441
Non-controlling interests		**(4,634)**	(260)
		(57,875)	90,181
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(70,013)**	132,550
Non-controlling interests		**(4,828)**	(676)
		(74,841)	131,874
			(restated)
(Loss) earnings per share	12		
Basic		**(7.2) HK cents**	12.3 HK cents
Diluted		**(7.2) HK cents**	12.2 HK cents

Consolidated Statement of Financial Position

At June 30, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	13	**165,182**	168,886
Prepaid lease payments	14	**15,253**	15,350
Investment properties	15	**36,187**	34,752
Goodwill	16	**47,847**	51,111
Intangible assets	17	**67,460**	65,759
Interests in associates	18	**31,975**	–
Available-for-sale investments	19	**–**	179,426
Derivatives embedded in convertible bonds	19	**–**	15,184
Deferred tax assets	20	**34,839**	29,404
Deposit paid for acquisition of an associate	21	**–**	–
Loan receivable	24	**12,953**	–
		411,696	559,872
Current assets			
Inventories	22	**198,932**	198,890
Trade, bills and other receivables	23	**401,923**	341,810
Prepaid lease payments	14	**405**	437
Loan receivable	24	**1,053**	–
Loan to an associate	18	**15,513**	–
Amount due from an associate	25	**22,842**	–
Available-for-sale investments	19	**191,367**	765
Derivative financial instruments	26	**–**	511
Pledged bank deposits	27	**48,346**	13,363
Bank balances and cash	28	**146,016**	276,264
		1,026,397	832,040
Current liabilities			
Trade, bills and other payables	29	**303,812**	269,562
Tax liabilities		**17,643**	17,706
Bank and other borrowings			
– due within one year	30	**158,337**	73,804
Derivative financial instruments	26	**–**	35
		479,792	361,107
Net current assets		**546,605**	470,933
		958,301	1,030,805

Consolidated Statement of Financial Position

At June 30, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	31	**74,065**	67,287
Reserves		**818,341**	893,216
Equity attributable to owners of the Company		**892,406**	960,503
Non-controlling interests		**28,595**	51,354
Total equity		**921,001**	1,011,857
Non-current liabilities			
Bank and other borrowings – due after one year	30	**17,888**	5,472
Deferred tax liabilities	20	**19,412**	13,476
		37,300	18,948
		958,301	1,030,805

The consolidated financial statements on pages 29 to 111 were approved and authorised for issue by the Board of Directors on September 28, 2012 and are signed on its behalf by:

Hung Tsung Chin
DIRECTOR

Chen Chien An
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended June 30, 2012

	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, 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 assets through acquisition of SLE (note 40(b))	–	–	–	–	–	–	–	–	–	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
Loss for the year	–	–	–	–	–	–	–	(53,241)	(53,241)	(4,634)	(57,875)
Fair value change of available-for-sale investments	–	–	–	–	–	(2,292)	–	–	(2,292)	–	(2,292)
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	(14,480)	–	(14,480)	(194)	(14,674)
Total comprehensive expense for the year	–	–	–	–	–	(2,292)	(14,480)	(53,241)	(70,013)	(4,828)	(74,841)
Recognition of equity-settled share-based payments	–	–	1,221	–	–	–	–	–	1,221	–	1,221
Deemed disposal of interest in a subsidiary (note 41)	–	–	–	–	–	–	–	–	–	(39,278)	(39,278)
Acquisition of interest in a subsidiary (note 40(a))	–	–	–	–	–	–	–	–	–	21,347	21,347
Exercise of share options	45	983	(333)	–	–	–	–	–	695	–	695
Transfer	–	–	–	1,944	–	–	–	(1,944)	–	–	–
Bonus issue of shares	6,733	(6,733)	–	–	–	–	–	–	–	–	–
At June 30, 2012	**74,065**	**301,625**	**7,215**	**27,364**	**79,878**	**(3,005)**	**43,432**	**361,832**	**892,406**	**28,595**	**921,001**

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, 2012

	2012 HK$'000	2011 HK$'000
Operating activities		
(Loss) profit before taxation	**(60,783)**	86,455
Adjustments for:		
Amortisation of intangible assets	**5,661**	3,062
Depreciation of property, plant and equipment	**21,009**	21,743
Finance costs	**4,614**	2,194
Loss (gain) on disposal of property, plant and equipment	**258**	(33)
Gain on bargain purchase	**(3,233)**	(6,871)
Impairment loss on trade receivables	**7,684**	6,057
Write-down of inventories	**13,515**	5,275
Impairment loss on goodwill	**–**	18,900
Impairment loss on deposit paid for acquisition of an associate	**19,467**	–
Increase in fair value of investment properties	**(735)**	(1,170)
Interest income	**(2,077)**	(1,581)
Interest income from an associate	**(241)**	–
Effective interest income on convertible bonds	**(13,388)**	(6,376)
Bad debt recovered	**–**	(128)
Release of prepaid lease payments	**404**	324
Share-based payment expense	**1,221**	1,426
(Gain) loss on fair value change of derivative financial instruments	**(310)**	1,202
Loss on fair value change of derivatives embedded in convertible bonds	**15,184**	11,053
Share of results of associates	**26,918**	–
Loss on deemed disposal of interest in an associate	**9,790**	–
Gain on deemed disposal of interest in a subsidiary	**(5,584)**	–
Operating cash flows before movements in working capital	**39,374**	141,532
(Increase) decrease in inventories	**(15,377)**	110,059
Increase in trade, bills and other receivables	**(97,038)**	(39,925)
Increase in amount due from an associate	**(22,601)**	–
Decrease (increase) in derivative financial instruments	**786**	(1,627)
Increase (decrease) in trade, bills and other payables	**26,950**	(148,784)
Cash (used in) generated from operations	**(67,906)**	61,255
Taxation in other jurisdictions paid	**(9,829)**	(11,231)
Taxation in other jurisdictions refunded	**–**	4,273
Interest received	**2,077**	1,581
Interest paid	**(4,614)**	(2,194)
Net cash (used in) from operating activities	**(80,272)**	53,684

Consolidated Statement of Cash Flows

For the year ended June 30, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Investing activities			
Acquisition of an associate		**(40,530)**	–
Placement of pledged bank deposits		**(34,983)**	(13,363)
Deposit paid for acquisition of an associate		**(19,467)**	–
Loan to an associate		**(15,513)**	–
Expenditure on intangible assets		**(14,517)**	(55)
Purchase of property, plant and equipment		**(12,793)**	(9,445)
Deemed disposal of a subsidiary	41	**(7,265)**	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	40	**(3,841)**	3,783
Proceeds from disposal of property, plant and equipment		**345**	1,564
Purchase of available-for-sale investments		**–**	(200,765)
Withdrawal of pledged bank deposits		**–**	1,405
Net cash used in investing activities		**(148,564)**	(216,876)
Financing activities			
New bank and other loans raised		**225,128**	157,407
Increase (decrease) in trust receipt loans		**1,377**	(671)
Proceeds from issue of shares upon exercise of share options		**695**	264
Repayment of bank loans		**(124,526)**	(162,818)
Dividend paid		**–**	(19,943)
Repayment of obligations under finance leases		**–**	(828)
Net cash from (used in) financing activities		**102,674**	(26,589)
Net decrease in cash and cash equivalents		**(126,162)**	(189,781)
Cash and cash equivalents at beginning of the year		**276,264**	477,150
Effect of foreign exchange rate changes		**(4,086)**	(11,105)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**146,016**	276,264

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 44.

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 the Hong Kong Institute of Certified Public Accountant ("HKICPA") and are mandatorily effective for the Group's financial year beginning July 1, 2011, as follows:

Amendments to HKFRSs	Improvements to HKFRSs 2010[1]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

[1] Amendments effective for annual periods beginning on or after January 1, 2011

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these consolidated financial statements.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
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 (Revised in 2011)	Employee Benefits[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[1]
HKAS 28 (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.

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.

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

HKFRS 9 Financial Instruments *(Continued)*

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.

- 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 June 30, 2012, in the opinion of directors, the application of the new standard will affect the classification and measurement of the Group's available-for-sale investments. The Group's interest in convertible bonds will be classified and measured at fair value through profit or loss in their entirety. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(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 other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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 in full 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 combinations and the non-controlling interest share of change 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(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 identifiable assets, liabilities assumed 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 share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); 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 that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

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 is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 in the consolidated statement of comprehensive income. An impairment loss recognised 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.

Interests in associates

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.

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 associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

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.

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.

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 and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have 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 income can be measured reliably. Interest income 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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is stated at cost less accumulated impairment losses.

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.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties 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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

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 recognised as expenses when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and interests in associates, 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 and interests 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.

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effective of any changes in estimate being accounted for on a prospective basis (see the 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, 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. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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, bills, and other receivables, loan receivable, loan to an associate, amount due from an associate, 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 considered to be 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
- 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, in addition, 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, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 were 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 through profit or loss 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, bills and other payables and bank and other 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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. 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)*

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 such that the cumulative expense reflects the revised estimate, 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.

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 immediately in profit or loss.

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 an 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, 2012, the carrying value of trade receivables was HK$335,048,000 (2011: HK$293,287,000) (net of allowance for doubtful debts of HK$71,654,000 (2011: HK$64,749,000)). Details of the movement of allowance for doubtful debts are disclosed in note 23.

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

Estimated impairment of goodwill and property, plant and equipment

Determining whether goodwill and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units ("CGUs") of the business of media entertainment platform related products conducted by BCN Distribuciones, S.A. and Intelligent Digital Service GmbH to which goodwill and property, plant and equipment have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of the value of money and the risks specific to the assets for which future cash flows estimates have not been adjusted. Where the future cash flows are less than expected, a material impairment loss may arise. As at June 30, 2012, the carrying amount of goodwill was HK$47,847,000 (2011: HK$51,111,000), net of accumulated impairment loss of HK$36,010,000 (2011: HK$36,010,000), and the related property, plant and equipment for these CGUs was HK$17,702,000 (2011: HK$21,795,000). Details of the recoverable amount calculation are disclosed in note 16.

Estimated impairment of license right

Determining whether license right allocating to CGU of the segment of children apparels are impaired requires an estimation of the value in use of the children apparels CGU. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at June 30, 2012, the carrying amount of intangible assets allocating to CGU of children apparels are HK$54,765,000 (2011: HK$64,653,000).

Estimated impairment of interests of an associate

In determining impairment of interests of an associate, the Group estimate its share of the present value of the estimated future cash flows expected to be generated by the associate and proceeds on the ultimate disposal of the investment. Any impairment loss is recognised by write down of the investment to its estimated recoverable amount. As at June 30, 2012, the carrying amount of interests of an associate was HK$31,975,000 (2011: nil) and no impairment loss was considered necessary as at June 30, 2012. Details of the interest in an associate are disclosed in note 18.

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, 2012, the carrying amount of inventories was HK$198,932,000 (2011: HK$198,890,000).

Income taxes

As at June 30, 2012, a deferred tax asset of HK$24,206,000 (2011: HK$16,798,000) 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 statement of comprehensive income 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:

	2012 **HK$'000**	2011 HK$'000
Sales of goods	**1,314,347**	1,602,554
Service income	**29,303**	1,533
	1,343,650	1,604,087

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, 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 was acquired during the year.

6. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results

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

Year ended June 30, 2012

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children apparels HK$'000	Total HK$'000
REVENUE					
External sales	827,576	486,071	29,303	700	1,343,650
RESULTS					
Segment results	160,324	42,339	(250)	(5,393)	197,020
Other income					32,492
Other gains and losses					(22,217)
Loss on fair value change of derivatives embedded in convertible bonds					(15,184)
Gain on bargain purchase					3,233
Loss on deemed disposal of interest in an associate					(9,790)
Gain on deemed disposal of interest in a subsidiary					5,584
Share of results of associates					(26,918)
Increase in fair value of investment properties					735
Research and development costs					(40,820)
Administrative expenses					(180,304)
Finance costs					(4,614)
Loss before taxation					(60,783)

6. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results *(Continued)*

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$'000	Children apparels HK$'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

The accounting policies of the operating segments are the same as the accounting policies of the Group described in note 3. 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 and trade receivables), loss on fair value change of derivatives embedded in convertible bonds, gain on bargain purchase, share of results of associates, loss on deemed disposal of interest in an associate, gain on deemed disposal of interest in a subsidiary, increase in fair value of investment properties 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, 2012

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children apparels HK$'000	Total HK$'000
ASSETS					
Segment assets	564,383	185,107	50,785	85,492	885,767
Bank balances and cash					146,016
Unallocated corporate assets					406,310
Consolidated assets					1,438,093
LIABILITIES					
Segment liabilities	203,028	49,241	16,298	16,647	285,214
Bank and other borrowings					176,225
Unallocated corporate liabilities					55,653
Consolidated liabilities					517,092

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$'000	Children apparels HK$'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

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, available-for-sale investments, derivatives embedded in convertible bonds, investment properties, loan to an associate, amount due from an associate, interests in associates, deferred tax assets, deposit paid for acquisition of an associate, loan receivable, 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, tax liabilities, deferred tax liabilities and bank and other borrowings.

Other segment information

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

Year ended June 30, 2012

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system services for public programs HK$'000	Children apparels HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	23,842	1,349	1,771	63,027	23	90,012
Depreciation and amortisation	19,121	2,473	523	2,934	1,619	26,670
Release of prepaid lease payments	339	65	–	–	–	404
Impairment loss on trade receivables	5,386	2,298	–	–	–	7,684
Write-down of inventories	10,714	2,801	–	–	–	13,515

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$'000	Children apparels HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	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
Write-down of inventories	3,693	1,582	–	–	–	5,275

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)	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Asia				
– Taiwan	**57,755**	12,682	**19,887**	4,954
– Nepal	**22,915**	–	**–**	–
– PRC (country of domicile)	**938**	78,263	**192,779**	183,469
– Others	**25,169**	26,074	**56,867**	73,424
Europe				
– Germany	**157,397**	89,665	**15,779**	19,213
– Italy	**53,090**	56,552	**–**	–
– Spain	**52,772**	56,640	**44,794**	54,798
– Ukaine	**28,342**	41,795	**–**	–
– Portugal	**20,883**	9,641	**–**	–
– France	**13,628**	25,082	**–**	–
– Others	**35,231**	40,353	**–**	–
North America				
– United States of America	**212,946**	175,575	**–**	–
– Canada	**56,589**	55,798	**–**	–
– Mexico	**51,211**	39,493	**–**	–
– Others	**670**	621	**–**	–
Middle East				
– United Arab Emirates	**254,109**	547,958	**1,823**	–
– Others	**22,504**	32,069	**–**	–
Africa				
– Algeria	**101,180**	36,773	**–**	–
– Morocco	**73,278**	125,808	**–**	–
– Others	**13,877**	13,288	**–**	–
South America				
– Brazil	**33,764**	24,790	**–**	–
– Chile	**28,748**	47,565	**–**	–
– Argentina	**14,904**	61,237	**–**	–
– Others	**8,986**	3,051	**–**	–
Other regions	**2,764**	3,314	**–**	–
	1,343,650	1,604,087	**331,929**	335,858

Note: Non-current assets exclude interests in associates, 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:

	2012	2011
	HK$'000	HK$'000
Customer A	**(Note)**	260,084
Customer B	**(Note)**	254,931

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

Note: Revenue from these customers for the year ended June 30, 2012 contributed less than 10% of the total sales of the Group.

7. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**4,614**	2,105
– obligations under finance leases	**–**	89
Total finance costs	**4,614**	2,194

8. TAXATION

	2012	2011
	HK$'000	HK$'000
The tax credit comprises:		
Current tax:		
Hong Kong	**410**	–
PRC	**4,436**	6,512
Jurisdictions other than the PRC and Hong Kong	**1,640**	6,083
Tax refunded in respect of research and development activities in other jurisdictions	**–**	(4,273)
Withholding tax	**4,899**	–
	11,385	8,322
Overprovision in prior years:		
Jurisdictions other than the PRC and Hong Kong	**(403)**	–
Deferred taxation:		
Current year	**(15,606)**	(15,038)
Provision for withholding tax	**1,716**	2,990
	(13,890)	(12,048)
	(2,908)	(3,726)

8. TAXATION *(Continued)*

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

(i) PRC

The applicable PRC enterprise income tax rate of the PRC subsidiaries is 25% (2011: 25%) in accordance with the relevant income tax law and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, 珠海保税區虹揚電子科技有限公司 and 珠海保税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. During the year, the application for renewal has been succeeded with expiry date extended to December 31, 2013.

(ii) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

No tax is payable on the profit in prior 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 a range of 26.3% to 30% (2011: 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 for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of comprehensive income as follows:

	2012 **HK$'000**	2011 HK$'000
(Loss) profit before taxation	**(60,783)**	86,455
Tax at the applicable rate of 25% (2011: 25%)	**(15,196)**	21,614
Tax effect of assessable profit subject to Reduced Tax Rate	**(2,202)**	(34)
Tax effect of expenses not deductible for tax purpose	**16,719**	13,327
Tax effect of deductible temporary differences not recognised	**5,300**	2,833
Tax effect of income not taxable for tax purpose	**(2,526)**	(3,292)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**511**	(726)
Tax effect of exemption granted to Macau subsidiary	**(5,727)**	(38,304)
Tax effect of utilisation of tax losses previously not recognised	**(2,448)**	(2)
Tax effect of tax loss not recognised	**1,348**	2,141
Tax refunded in respect of research and development activities in other jurisdictions	**–**	(4,273)
Deferred taxation arising from dividend withholding tax	**1,716**	2,990
Overprovision in prior years	**(403)**	–
Tax credit for the year	**(2,908)**	(3,726)

Details of deferred taxation for the year are set out in note 20.

9. (LOSS) PROFIT FOR THE YEAR

	2012 **HK$'000**	2011 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments (note 10)	**6,987**	4,893
Other staff costs	**175,863**	165,085
Retirement benefit scheme contributions, excluding directors	**7,590**	6,695
Share-based payment expense, excluding directors	**339**	939
Total employee benefit expenses	**190,779**	177,612
Auditor's remuneration	**2,902**	2,820
Depreciation of property, plant and equipment	**21,009**	21,743
Amortisation of intangible assets (included in cost of sales)	**5,661**	3,062
Release of prepaid lease payments	**404**	324
Impairment loss on goodwill (included in other gains and losses) (note 16)	**–**	18,900
Impairment loss on deposit paid for acquisition of an associate (included in other gains and losses) (note 21)	**19,467**	–
Write-down of inventories (included in cost of sales)	**13,515**	5,275
Impairment loss on trade receivables (included in other gains and losses)	**7,684**	6,057
Loss on disposal of property, plant and equipment	**258**	–
Net loss on fair value change of derivative financial instruments (included in other gains and losses)	**–**	1,202
Foreign exchange loss (included in other gains and losses)	**5,022**	2,561
and after crediting:		
Interest income	**2,077**	1,581
Interest income from an associate	**241**	–
Effective interest income on convertible bonds	**13,388**	6,376
Bad debts recovered	**–**	128
Foreign exchange gain (included in other gains and losses)	**1,962**	1,008
Gain on disposal of property, plant and equipment	**–**	33
Net gain on fair value change of derivative financial instruments (included in other gains and losses)	**310**	–
Property rental income with negligible outgoings	**3,035**	3,022
Scrap and sample sales (included in other income)	**3,371**	7,302

Included in the total employee benefit expenses is an aggregate amount of HK$7,617,000 (2011: HK$6,733,000) 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, 2012

	Mr. Hung Tsung Chin HK$'000	Ms. Chen Mei Huei HK$'000	Mr. Liao Wen I HK$'000	Mr. Chen Chien An HK$'000	Mr. Frank Karl-Heinz Fischer HK$'000	Mr. Hsu Chun Yi HK$'000	Mr. Tsan Wen Nan HK$'000 (note iv)	Mr. Lee Chien Kuo HK$'000	Mr. Mu Yean Tung HK$'000 (note v)	Total HK$'000
Fees	–	–	–	–	–	100	100	100	–	300
Other emoluments:										
– salaries and other benefits	1,339	1,362	121	1,324	1,632	–	–	–	–	5,778
– retirement benefit schemes contributions	10	8	9	–	–	–	–	–	–	27
Share-based payment expense	–	711	–	–	171	–	–	–	–	882
Total emoluments	1,349	2,081	130	1,324	1,803	100	100	100	–	6,987

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

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.

(iv) Mr. Tsan Wen Nan resigned as a director of the Company on June 30, 2012.

(v) Mr. Mu Yean Tung was appointed as a director of the Company on June 30, 2012.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2011: two) were directors of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining one (2011: three) individuals are as follow:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**980**	5,918
Retirement benefit schemes contributions	**77**	1,708
Total emoluments	**1,057**	7,626

The emoluments were within the following band:

	2012 **No. of employees**	2011 No. of employees
HK$1,000,000 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	1

During each of the two years ended June 30, 2012, 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, 2012.

11. DIVIDENDS

	2012 **HK$'000**	2011 HK$'000
Dividends recognised as distribution during the year:		
2011 Final – nil (2010: HK3.0 cents per share)	**–**	19,943

The directors do not recommend the payment of a final dividend for the year ended June 30, 2012 (2011: nil).

12. (LOSS) EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit attributable to owners of the Company	**(53,241)**	90,441

	Number of shares	
	2012	2011 (restated)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**740,646,101**	736,063,236
Effect of dilutive potential ordinary shares in respect of share options (Note)	**–**	5,186,063
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**740,646,101**	741,249,299

The weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share for both of the year ended June 30, 2011 and 2012 had been adjusted for the bonus issue of shares on a ten-to-one basis on December 6, 2011.

Note: The computation of diluted loss per share for the year ended June 30, 2012 does not include the share options as the assumed exercise of these share options has an anti-dilutive effect.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Taiwan HK$'000	Leasehold land in Hong Kong HK$'000	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, 2010	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
Exchange adjustments	(161)	–	198	(786)	1,794	202	(261)	758	1,744
Acquisition of a subsidiary (note 40(a))	–	–	–	2,581	–	2,319	159	45	5,104
Disposal of a subsidiary (note 41)	–	–	–	(135)	–	(7)	–	(59)	(201)
Additions	–	–	–	196	3,822	3,828	251	4,696	12,793
Disposals	–	–	–	(201)	(3,878)	(1,021)	(170)	(5,158)	(10,428)
At June 30, 2012	**2,715**	**9,405**	**142,138**	**16,059**	**220,534**	**27,170**	**4,950**	**18,960**	**441,931**
DEPRECIATION AND AMORTISATION									
At July 1, 2010	–	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
Exchange adjustments	–	–	382	(750)	1,285	214	(265)	669	1,535
Eliminated on disposal of a subsidiary (note 41)	–	–	–	–	–	–	–	(3)	(3)
Provided for the year	–	169	4,996	476	10,252	1,669	652	2,795	21,009
Eliminated on disposals	–	–	–	(3)	(3,647)	(961)	(97)	(5,117)	(9,825)
At June 30, 2012	**–**	**2,074**	**34,849**	**9,282**	**190,295**	**20,743**	**4,537**	**14,969**	**276,749**
CARRYING VALUES									
At June 30, 2012	**2,715**	**7,331**	**107,289**	**6,777**	**30,239**	**6,427**	**413**	**3,991**	**165,182**
At June 30, 2011	2,876	7,500	112,469	4,845	36,391	2,028	724	2,053	168,886

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$^{1}/_{3}$%

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

	2012 HK$'000	2011 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong		
Medium-term lease	**15,658**	15,787
Analysed for reporting purposes as:		
Current asset	**405**	437
Non-current asset	**15,253**	15,350
	15,658	15,787

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At July 1, 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
Exchange adjustments	700
Changes in fair value recognised in consolidated statement of comprehensive income	735
At June 30, 2012	**36,187**

The fair value of the Group's investment properties at June 30, 2012 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 capitalises the net rental income derived from the existing tenancies with due allowance for the 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

	2012	2011
	HK$'000	HK$'000
COST		
At July 1	**87,121**	83,502
Exchange adjustments	**(3,264)**	3,619
At June 30	**83,857**	87,121
IMPAIRMENT		
At July 1	**36,010**	17,110
Impairment loss recognised in the year	**–**	18,900
At June 30	**36,010**	36,010
CARRYING AMOUNTS		
At June 30	**47,847**	51,111

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:

	2012 HK$'000	2011 HK$'000
Media entertainment platform related products		
– BCN Distribuciones, S.A.	**32,608**	33,344
– Intelligent Digital Service GmbH	**15,239**	17,767
	47,847	51,111

During the year ended June 30, 2012, the management assessed the cash flow projections of the CGUs engaged in media entertainment platform related products. No impairment loss is noted for the year as the recoverable amounts of the media entertainment platform related products segment based on value in use calculations are higher than their carrying amounts.

During the year ended June 30, 2011, the management assessed 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 calculations are less than their carrying amounts, an impairment loss of HK$18,900,000 was recognised. Due to the sales performance of the respective CGUs were lower than the management expectation, impairment on goodwill were recognised to reduce the carrying amounts to their recoverable amounts.

The recoverable amount of these units has been determined based on the value in use calculations. That calculations use cash flow projection covering a four-year period (2011: four-year period) and adopted discount rate of 8% (2011: 8%). Cash flow beyond the four-year period (2011: four-year period), are extrapolated for four years (2011: four years) with no growth. The cash flow projections are from the most recent financial budget that cover a four-year period approved by management. The key assumptions for the value in use calculations are 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, 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 (note 40(b))	–	–	64,653	–	64,653
At June 30, 2011	10,511	1,211	64,653	3,520	79,895
Exchange adjustments	(14)	–	–	(501)	(515)
Additions	14,517	–	–	–	14,517
Acquisition of a subsidiary (note 40(a))	–	–	57,598	–	57,598
Deemed disposal of a subsidiary (note 41)	–	–	(64,653)	–	(64,653)
At June 30, 2012	**25,014**	**1,211**	**57,598**	**3,019**	**86,842**
AMORTISATION					
At July 1, 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
Exchange adjustments	(9)	–	–	(406)	(415)
Provided for the year	2,169	–	2,833	659	5,661
At June 30, 2012	**12,621**	**1,211**	**2,833**	**2,717**	**19,382**
CARRYING VALUES					
At June 30, 2012	**12,393**	**–**	**54,765**	**302**	**67,460**
At June 30, 2011	50	–	64,653	1,056	65,759

Notes:

(a) (i) During the year ended June 30, 2011, product technology represented software and knowhow developed by the Group to support a project that provide a new hardware platform for the products of TV set box. Amortisation was provided on a straight-line basis over 5 years and amount was fully amortised during the year ended June 30, 2012.

(ii) During the year ended June 30, 2012, the additions in product technology represent software acquired from independent third parties for the development of TV set box. Amortisation is provided on a straight-line basis over 3 years.

17. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(b) The trademark represents a brandname used in Europe acquired through the acquisition of a subsidiary. Amortisation is provided on a straight-line basis over 5 years and the amount was fully amortised in previous year.

(c) The license right represents a right granted by The Walt Disney Company (Asia Pacific) Limited ("Walt Disney") to manufacture and distribute children's apparel, 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 years from May 2011 to April 2014. Directors of the Company determined that the economic useful life of the licences right is 6 years, based on the fact that an option to renew for another 3 years upon satisfaction of certain conditions as stated in the license agreement. Amortisation is therefore provided on a straight-line basis over 6 years thereon.

(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. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE

	2012	2011
	HK$'000	HK$'000
Cost of unlisted investments in associates (Note i)	**40,530**	–
Share of post-acquisition loss and other comprehensive income	**(8,555)**	–
	31,975	–
Loan to an associate (Note ii)	**15,513**	–

Note i: Included in cost of investments in associates is goodwill of HK$21,977,000 arising from the acquisition of 47.12% of the issued capital of an associate. The movement of goodwill is set out as follows:

	HK$'000
COST	
Arising on acquisition of an associate and at June 30, 2012	21,977

Note ii: Loan to an associate is unsecured, repayable on demand and interest bearing at 4.75% per annum.

The management of the Group carried out impairment review on the entire carrying amount of its interest in the associate (including goodwill) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its entire carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by the associate and proceeds on the ultimate disposal of the investment. Based on the assessments, the recoverable amount of the Group's interest in the associate exceeded its carrying amount. Hence, no impairment against the Group's interest in the associate is considered necessary.

18. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE *(Continued)*

As at June 30, 2012, the Group had interests in the following associate:

Name of entity	Form of business structure	Place of incorporation	Place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2012	Principal activities
Dish Media Network Private Limited ("Dish Media")	Limited company	Nepal	Nepal	Ordinary	47.12%	Provision of Direct-To-Home service for satellite TV broadcasting

The summarised financial information in respect of the Group's associate is set out below:

	2012 HK$'000	2011 HK$'000
Total assets	150,188	–
Total liabilities	(128,969)	–
Net assets	21,219	–
Group's share of net assets of an associate	9,998	–

	2012 HK$'000	2011 HK$'000
Revenue	16,034	–
Loss for the year	(19,544)	–
Other comprehensive income	1,388	–
Group's share of loss of associate for the year	(9,209)	–
Group's share of loss and other comprehensive income of associates for the year	(654)	–

The above summarised financial information does not include the share of loss of SLE amounting to HK$17,709,000 for the period from August 2011 to March 2012.

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

	2012 HK$'000	2011 HK$'000
Available-for-sale investments comprises:		
Listed securities:		
– equity securities listed overseas	**809**	765
Unlisted securities:		
– debt component of convertible bonds (Note)	**190,558**	179,426
	191,367	180,191
Analysed for reporting purposes as:		
Current	**191,367**	765
Non-current	**–**	179,426
	191,367	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.

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

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

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
Interest income credited to profit or loss	13,388	–	13,388
Decrease in fair value	(2,256)	(15,184)	(17,440)
As at June 30, 2012	**190,558**	**–**	**190,558**

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 7.299%.

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 June 30, 2012 are as follows:

	June 30, 2011	**June 30, 2012**
Share price	HK$1.32	**HK$0.33**
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%	**0.109%**
Expected life	1.5 years	**0.5 years**
Implied volatility	57.847%	**65.791%**
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.

20. 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$'000 (Note)	Accelerated tax depreciation HK$'000	Total HK$'000
At July 1, 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
Exchange adjustments	24	(2,926)	(1,759)	–	(196)	(31)	(4,888)
Acquisition of a subsidiary (Note 40(a))	(9,503)	–	–	–	–	–	(9,503)
Credit (charge) to consolidated statement of comprehensive income for the year	666	10,334	(19)	(110)	3,183	(164)	13,890
At June 30, 2012	**(9,129)**	**24,206**	**10,592**	**(2,755)**	**(7,528)**	**41**	**15,427**

Note: Movement during the year included HK$1,716,000 provision for PRC withholding tax, and HK$4,899,000 reversal of withholding tax due to the payment during the year.

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

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**34,839**	29,404
Deferred tax liabilities	**(19,412)**	(13,476)
	15,427	15,928

At June 30, 2012, the Group had unused tax losses of HK$114,485,000 (2011: HK$86,227,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$80,806,000 (2011: HK$50,923,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$33,679,000 (2011: HK$35,304,000) due to the unpredictability of future profit streams.

Included in the unrecognised tax losses are losses of HK$2,038,000 (2011: HK$11,830,000) that will expire between 2025 and 2032. 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. DEFERRED TAXATION *(Continued)*

At June 30, 2012, the Group had deductible temporary differences arising from allowances for bad and doubtful debts and inventories of approximately HK$32,531,000 (2011: HK$11,332,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

21. DEPOSIT PAID FOR ACQUISITION OF AN ASSOCIATE

On September 29, 2011, the Group entered into a conditional agreement (the "Agreement") with an independent individual third party (the "Original Shareholder") and Technosat Technology JLT FZE ("Technosat", a company incorporated in Dubai, which was wholly owned by the Original Shareholder), to subscribe for 375 new shares in Technosat at a cash consideration of US$7,500,000 (equivalent to HK$58,170,000), amounting to 15% of Technosat's enlarged capital. Technosat is set up to be engaged in operation of digital TV and radio platform, pay TV channel, and sales and supply of TV set top boxes.

As at June 30, 2012, the Group had paid a deposit of US$2,500,000 (equivalent to HK$19,467,000) to Technosat to acquire new shares in Technosat. Pursuant to the terms of the Agreement, the Group is required to pay a further US$5,000,000 in relation to the subscription of this 15% equity interest in Technosat. The subscription is not yet completed up to the date of approval of this report as the conditions precedent of the subscription of new shares in Technosat including the consent and approval by government authority in Dubai has not been fulfilled.

Despite the Group's repeated request for information, there were no satisfactory response from the Original Shareholder or Technosat ("Counterparties") regarding the current status and the procurement of obtaining government approval from the government authority in Dubai. Subsequent to June 30, 2012, the Group has engaged legal counsel to act for the Group and started dispute resolution proceedings against the Original Shareholder and Technosat. At the date of approval of this report, the Group is pending further response from the Counterparties.

In the opinion of the management, the Group will take further legal action to seek for the termination of the Agreement, claim for the refund of the US$2,500,000 deposit paid and cease further commitment in relation to this investment.

However, the management considered that the recoverability of the deposit paid is remote and a full impairment of US$2,500,000 had been made as at June 30, 2012.

22. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**59,245**	56,304
Work in progress	**46,170**	37,766
Finished goods	**93,517**	104,820
	198,932	198,890

23. TRADE, BILLS AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	**406,702**	358,036
Bills receivables	**2,590**	708
Less: allowance for doubtful debts	**(71,654)**	(64,749)
	337,638	293,995
Other receivables	**64,285**	47,815
Total trade, bills and other receivables	**401,923**	341,810

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	**116,645**	118,921
31 – 60 days	**86,044**	76,075
61 – 90 days	**53,361**	55,116
91 – 180 days	**66,839**	33,807
More than 180 days	**14,749**	10,076
	337,638	293,995

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. 68% (2011: 95%) of the trade and bills receivables that are neither past due nor impaired are due from customers with no default payment history.

Included in the Group's trade and bills receivable balance are debtors with an aggregate carrying amount of HK$81,588,000 (2011: HK$14,183,000) 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.

23. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

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

	2012 HK$'000	2011 HK$'000
91 – 180 days	**66,839**	4,107
More than 180 days	**14,749**	10,076
	81,588	14,183

Movement in the allowance for doubtful debts:

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**64,749**	103,957
Impairment loss recognised on receivables	**7,684**	6,057
Amounts written off as uncollectable	**(816)**	(49,582)
Amounts recovered during the year	**–**	(128)
Exchange realignment	**37**	4,445
Balance at the end of the year	**71,654**	64,749

The allowance for doubtful debts at the end of the reporting period provided represents allowance on individually impaired trade and bills receivables with an aggregate balance of HK$71,654,000 (2011: HK$64,749,000), which have been outstanding for more than one year. Legal action has been taken for certain of these customers. Management considered they are unlikely to be collected. The Group does not hold any collateral over these balances.

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

	United States dollars HK$'000
As at June 30, 2012	**1,800**
As at June 30, 2011	39

24. LOAN RECEIVABLE

The loan is granted to a customer of the Group and bears interest at 4% per annum. Balance of HK$12,953,000 is classified as non-current portion according to repayment schedule.

25. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest-free and the Group allows a credit period of 360 days to its associate which is trade in nature.

The following is an aged analysis of amount due from an associate, presented based on the invoice date at the end of the reporting periods:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**4,510**	–
31 – 60 days	**62**	–
61 – 90 days	**4,911**	–
91 – 180 days	**11,414**	–
181 – 360 days	**1,945**	–
	22,842	–

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		**Liabilities**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Foreign currency forward contracts	**–**	511	**–**	35

Major terms of the outstanding foreign currency forward contracts as at June 30, 2011 were 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

The above derivatives were measured at fair value as at June 30, 2011. Their fair values were determined based on the prices provided by counterparty multi-national financial institutions for equivalent instruments at the end of the reporting period.

26. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

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

	Assets United States dollars HK$'000	Liabilities United States dollars HK$'000
As at June 30, 2012	–	–
As at June 30, 2011	511	35

27. 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% (2011: 0.4% to 0.9%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

28. 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 original maturity of three months or less. The bank deposits carry fixed interest rates ranging from 0.1% to 4.60% (2011: 0.1% to 4.62%) per annum.

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

	United States dollars HK$'000	Hong Kong dollars HK$'000	Renminbi HK$'000
As at June 30, 2012	**14,699**	**1,453**	**290**
As at June 30, 2011	55,625	1,055	361

29. TRADE, BILLS AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Trade payables	**218,120**	205,723
Bills payables	**9,172**	904
Other payables	**76,520**	62,935
	303,812	269,562

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	**103,598**	86,869
31 – 60 days	**61,328**	60,032
61 – 90 days	**35,011**	35,469
91 – 180 days	**25,593**	20,532
181 – 365 days	**1,762**	3,725
	227,292	206,627
Other payables	**76,520**	62,935
Total trade, bills and other payables	**303,812**	269,562

The average credit period on purchases of goods is 90 days.

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

	Hong Kong dollars HK$'000	United States dollars HK$'000	Renminbi HK$'000
As at June 30, 2012	**1,448**	**–**	**38,631**
As at June 30, 2011	–	146	57,872

30. BANK AND OTHER BORROWINGS

	2012 HK$'000	2011 HK$'000
Trust receipt loans	**8,078**	6,701
Bank loans	**147,229**	72,575
Other loans	**20,918**	–
	176,225	79,276
Analysed as:		
Secured	**68,544**	51,954
Unsecured	**107,681**	27,322
	176,225	79,276
Carrying amount repayable:		
Within one year	**107,790**	21,850
In more than one year but not more than two years	**13,644**	2,948
In more than two years but not more than three years	**1,110**	1,301
In more than three years but not more than four years	**414**	1,223
In more than four years but not more than five years	**414**	–
More than five years	**2,306**	–
	125,678	27,322
Carrying amount of bank loans that contain a repayment on demand clause		
Within one year	**42,658**	38,925
In more than two years but not more than three years (shown as current liabilities)	**7,889**	13,029
	50,547	51,954
	176,225	79,276
Less: Amount due within one year shown under current liabilities	**(158,337)**	(73,804)
Amount due after one year	**17,888**	5,472

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

Including in the balance, amount of HK$2,306,000 of other loans is non-interest bearing.

30. BANK AND OTHER BORROWINGS *(Continued)*

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

	2012	2011
Variable interest rate borrowings	**1.73% – 5.00%**	1.65% – 7.00%

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

	United States dollars HK$'000
As at June 30, 2012	**46,669**
As at June 30, 2011	51,954

31. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At July 1, 2010, June 30, 2011 and 2012	1,000,000,000	100,000
Issued and fully paid:		
At July 1, 2010	664,782,000	66,478
Exercise of share options (i)	150,000	15
Issue of shares (ii)	7,936,000	794
At June 30, 2011	672,868,000	67,287
Exercise of share options (iii)	450,000	45
Issue of shares (iv)	67,331,800	6,733
At June 30, 2012	**740,649,800**	**74,065**

(i) 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.

(ii) During the year ended June 30, 2011, the Group acquired shares and subscribed for additional shares in SLE 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 was the market price per share at the acquisition date. Details of the acquisition were set out in note 40(b).

31. SHARE CAPITAL *(Continued)*

(iii) During the year ended June 30, 2012, a total of 300,000 and 150,000 ordinary shares of the Company were issued upon the exercise of 450,000 share options at an exercise price of HK$1.76 and HK$1.114 with a consideration of HK$528,000 and HK$167,100, respectively.

(iv) Pursuant to an ordinary resolution at the annual general meeting held on December 6, 2011, a bonus issue of share was approved 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 were on the Register of Member of the Company on December 12, 2011.

32. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2012 **HK$'000**	2011 HK$'000
Premises	**11,852**	11,198

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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**9,041**	10,383
In the second to fifth year inclusive	**9,934**	36,264
	18,975	46,647

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.

32. OPERATING LEASES *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$3,035,000 (2011: HK$3,022,000) 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:

	2012	2011
	HK$'000	HK$'000
Within one year	**2,169**	2,869
In the second to fifth year inclusive	**1,778**	1,993
	3,947	4,862

33. CAPITAL AND OTHER COMMITMENTS

	2012	2011
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**–**	1,292

34. 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 30, 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.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**615,353**	593,802
Available-for-sale investments	**191,367**	180,191
Derivative financial instruments	**–**	15,695
Financial liabilities		
Amortised cost	**430,969**	305,240
Derivative financial instruments	**–**	35

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, loan receivable, available-for-sale investments, derivatives embedded in convertible bonds, derivative financial instruments, loan to an associate, amount due from an associate, pledged bank deposits, bank balances and cash, trade, bills and other payables and bank and other 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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Renminbi ("RMB")	**290**	361	**38,631**	57,872
Hong Kong dollars ("HKD")	**192,011**	195,665	**1,448**	–
United States dollars ("USD")	**16,499**	56,175	**46,669**	52,135

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

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.

The Group is mainly exposed to USD and RMB relative to the functional currency 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.

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 a decrease (increase) in loss (2011: an increase (decrease) in profit) where USD and RMB strengthen 5% against the functional currency. For a 5% weakening of USD and RMB against the functional currency, there would be an equal and opposite impact on the loss for the year (2011: profit for the year).

	NOTE	**2012** **HK$'000**	2011 HK$'000
Increase in loss (2011: decrease in profit) for the year:			
– RMB	(i)	**(1,438)**	(2,157)
– USD	(i)	**(1,895)**	(1,829)

Note:

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

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(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 19, 27 and 28.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings as set out in notes 28 and 30 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.

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 risk. The directors of the Company monitor the exposure on an ongoing basis and will consider hedging significant interest rate risk should the need arise.

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank and other 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:

	2012	2011
	HK$'000	HK$'000
Liabilities	**173,919**	79,276

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 loss for the year ended June 30, 2012 would increase or decrease by HK$652,000 (2011: profit for the year decrease or increase by HK$297,000). The Group's sensitivity to interest rates has increased during the year mainly due to increase in bank and other borrowings.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

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 debt component of convertible bonds 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 variables were held constant, the Group's investment revaluation reserve would increase/decrease by HK$937,000 for the year ended June 30, 2012 (2011: HK$438,000), as a result of the change in fair value of debt component of convertible bonds classified as 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.

(iii) 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 loss for the year decrease/increase by HK$nil (2011: 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.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Price risk on derivatives embedded in convertible bonds (Continued)

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 loss for the year decrease/increase by HK$nil (2011: 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.

Credit risk

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at June 30, 2012 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$7,684,000 (2011: HK$6,057,000) had been made for the long outstanding 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 in respect of loan receivable. As at June 30, 2012, the loan receivable was provided to a customer in Spain who has long-term trading relationship with the Group from the segment of media entertainment platform related products with continuous repayment from the customer. The management of the Group continuously monitors the level of exposure to ensure that follow up actions and collection actions are taken promptly to lower exposure.

The Group is also exposed to credit risk through its loan to an associate and amount due from an associate. Because of the Group's involvement in the management of the associate, the Group is in a position to monitor its financial performance. Accordingly, management believes that the Group's exposure in this regard is significantly reduced.

35. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

The Group has concentration of credit risk as 10% (2011: 16%) and 33% (2011: 40%) of the total trade and bills 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 and bills receivables due from these customers.

In addition, convertible bonds subscribed from HXCH amounting to principal of HK$200,000,000 with carrying amount of HK$190,558,000 (2011: HK$194,610,000) as at June 30, 2012, 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.

35. 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. 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$'000	Carrying amount at June 30, 2012 HK$'000
2012							
Non-derivative financial liabilities							
Trade, bills and other payables	–	86,291	148,690	19,763	–	254,744	254,744
Bank and other borrowings	2.80	81,261	58,308	20,926	18,389	178,884	176,225
		167,552	206,998	40,689	18,389	433,628	430,969

	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, bills and other payables	–	106,206	95,501	24,257	–	225,964	225,964
Bank and other 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

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, 2012, the aggregate undiscounted principal amounts of these bank loans amounted to HK$50,547,000 (2011: 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 within one year and one year 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$43,767,000 and HK$8,094,000 (2011: HK$39,019,000 and HK$13,680,000) respectively.

35. 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 to 3 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).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At June 30, 2012				At June 30, 2011			
	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
Available-for-sale financial assets								
Listed equity securities	**809**	**–**	**–**	**809**	765	–	–	765
Unlisted debt securities	**–**	**–**	**190,558**	**190,558**	–	–	179,426	179,426
Total	**809**	**–**	**190,558**	**191,367**	765	511	194,610	195,886
Financial liabilities at FVTPL								
Derivative financial instruments	**–**	**–**	**–**	**–**	–	35	–	35

There were no transfers among Levels 1 to 3 in the current and prior years.

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(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	173,763	26,237
Interest income credited to profit or loss	6,376	–
Decrease in fair value		
– in profit or loss	–	(11,053)
– in other comprehensive income	(713)	–
At July 1, 2011	179,426	15,184
Interest income credited to profit or loss	13,388	–
Decrease in fair value		
– in profit or loss	–	(15,184)
– in other comprehensive income	(2,256)	–
At June 30, 2012	**190,558**	**–**

36. 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.

36. 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:

			Number of share options							
Type of grantee	Date of grant (note 2)	Exercise price (note 1)	Outstanding at July 1, 2010	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding at June 30, 2011	Exercised during the year	Lapsed during the year	Outstanding at June 30, 2012
Directors	July 30, 2005	HK$1.02	2,000,000	–	–	(1,500,000)	500,000	–	–	500,000
Directors	October 22, 2010	HK$2.05	–	2,500,000	–	–	2,500,000	–	–	2,500,000
Employees	July 30, 2005	HK$1.02	2,500,000	–	–	–	2,500,000	–	–	2,500,000
Employees	December 16, 2006	HK$2.05	1,100,000	–	–	(125,000)	975,000	–	(250,000)	725,000
Employees	December 27, 2007	HK$1.76	3,050,000	–	(150,000)	(750,000)	2,150,000	(300,000)	(800,000)	1,050,000
Employees	April 1, 2009	HK$1.114	3,050,000	–	–	(900,000)	2,150,000	(150,000)	(800,000)	1,200,000
Employees	October 22, 2010	HK$2.05	–	500,000	–	–	500,000	–	–	500,000
Total			11,700,000	3,000,000	(150,000)	(3,275,000)	11,275,000	(450,000)	(1,850,000)	8,975,000
Exercisable at the end of the year			7,125,000				7,200,000			5,975,000
Weighted average exercise price			1.34	2.05	1.76	1.25	1.54	1.54	1.52	1.55

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$1.54 (2011: HK$3.07).

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$1.114 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 29, 2015, December 15, 2016, December 26, 2017, March 31, 2019 and October 21, 2020 respectively.

The Group recognised total expense of HK$1,221,000 for the year ended June 30, 2012 (2011: HK$1,426,000) in relation to share options granted by the Company.

37. 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.

38. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following related party transaction:

Relationship	Nature of transaction	2012 HK$'000	2011 HK$'000
Associate	Sales of goods (Note)	**16,057**	–
	Interest income	**241**	–

Note: The amount above represents sales to an associate, Dish Media, for the period from February 12, 2012 to June 30, 2012. Sales to Dish Media for the year ended June 30, 2012 amounted to HK$22,862,000.

(ii) Balances

Details of the Group non-trade balances with related party is set out in the consolidated statement of financial position and in notes 18 and 25.

38. RELATED PARTY DISCLOSURES *(Continued)*

(iii) Compensation of key management personnel

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

	2012 HK$'000	2011 HK$'000
Short-term benefits	7,057	10,286
Post-employment benefits	104	1,746
Share-based payments	882	487
	8,043	12,519

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.

39. PLEDGE OF ASSETS

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

	2012 HK$'000	2011 HK$'000
Bank deposits	48,346	13,363
Leasehold land and buildings	10,334	7,861

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

For the year ended June 30, 2012

(a) Acquisition of SLE

As referred to in note 40(b), the Group acquired shares and subscribed for additional shares in SLE and SLE became a 55% owned subsidiary of the Company in January 2011. As referred to in note 41, the Group's equity interest in SLE was decreased from 55% to 43.65% as a result of the subscription of new shares in SLE by a new investor in August 2011.

In March 2012, the Group acquired an additional 20.64% of the equity interest of SLE for a consideration of HK$9,100,000 from Toon Express International Limited (the "Acquisition"). This acquisition has been accounted for using the purchase method. SLE was engaged in the trading of children apparels.

Consideration transferred

	HK$'000
Cash	9,100

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

	HK$'000
Property, plant and equipment	5,104
Intangible assets (provisional value)	57,598
Inventories	7,183
Trade and other receivables	6,897
Bank balances and cash	5,259
Trade and other payables	(12,767)
Deferred tax liabilities (provisional value)	(9,503)
	59,771

The fair value of trade and other receivables at the date of acquisition amounted to HK$6,897,000 which is the same as the gross contractual amounts of these trade and other receivables acquired. None of the contractual cash flows of the above amounts is estimated to be uncollectible.

The initial accounting for the intangible assets (and related deferred tax) of the acquisition has been determined provisionally, awaiting the receipt of professional valuation. The bargain purchase were attributable to the difference between the consideration and the fair value or provisional fair value of underlying assets and liabilities acquired. Since the fair value of intangible assets (and related deferred tax) are determined provisionally, the amount of bargain purchase is subject to further changes upon finalisation of initial accounting.

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

For the year ended June 30, 2012 *(Continued)*

(a) Acquisition of SLE *(Continued)*

Bargain purchase arising on acquisition:

	HK$'000
Cash consideration transferred (for 20.64% of SLE)	9,100
Fair value of previously held interest (43.65% of SLE) (Note i & iii)	26,091
Plus: non-controlling interests (35.71% in SLE) (Note i)	21,347
Less: net assets acquired	(59,771)
Bargain purchase arising on acquisition (Note ii)	(3,233)

	SLE March 2012 HK$'000
Analysis of fair value of SLE which control was gained:	
Cost of investment (Note 41)	53,590
Share of results of an associate	(17,709)
	35,881
Loss on deemed disposal of interest in an associate:	
Fair value of previously held interest (Note i & iii)	26,091
Net assets derecognised	(35,881)
Loss on deemed disposal of interest in an associate	(9,790)

Note i: The fair value of the 43.65% equity interest and non-controlling interest in SLE held by the Group has been re-measured as of the date of acquisition at HK$26,091,000 and HK$21,347,000, respectively, by Greater China Appraisal Limited, an independent firm of professional valuer not connected with the Group. The fair value is determined using the income approach.

The non-controlling interests 35.71% in SLE recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$21,347,000. This fair value was estimated by applying the income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate of 19.99%;
- assumed long-term sustainable growth rate of 3.00%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in SLE.

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

For the year ended June 30, 2012 *(Continued)*

(a) Acquisition of SLE (Continued)

Note ii: The Group has recognised a gain of HK$3,233,000 resulting from the acquisition. The gain on acquisition is mainly attributable to the excess of net assets determined at fair value as at the acquisition date over the net assets of SLE, as an incentive given by the vendor for its desire to exit the investment.

Note iii: Significant decrease in fair value of previously held interest was attributed to the slowdown of the expansion plan of SLE as certain planned strategic alliance cannot be crystalized upon the change in shareholders.

Net cash outflow on acquisition of SLE

	HK$'000
Cash consideration paid	**9,100**
Less: bank balances and cash acquired	**(5,259)**
	3,841

Included in the loss for the year is a loss of HK$9,176,000 incurred by the business of SLE. Revenue for the year includes HK$1,064,000 generated from SLE.

Had the acquisition been completed on July 1, 2011, total group revenue for the year would have been HK$1,346,302,000, and loss for the year would have been HK$85,635,000. 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, 2011, nor is it intended to be a projection of future results.

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

For the year ended June 30, 2011

(b) Acquisition of assets through acquisition of SLE

On January 3, 2011, the Group acquired 2,500 ordinary shares of SLE 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$1,000. On the same day, the Group also subscribed for additional 3,000 new ordinary shares of SLE 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 SLE. Details of the license right are set out in note 17(c).

Consideration transferred

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

Assets acquired at the date of acquisition were 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 SLE)	42,597
	94,660

Net cash inflow on acquisition:

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

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

For the year ended June 30, 2011 *(Continued)*

(c) 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 had 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 were 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 payables	(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 were expected to be collected.

Bargain purchase arising on acquisition:

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

For the year ended June 30, 2011, the Group recognised a gain resulting from the acquisition of HK$6,871,000. The discount on acquisition was 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.

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

For the year ended June 30, 2011 *(Continued)*

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

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 ended June 30, 2011 was a loss of HK$1,219,000 incurred by the business of E-passing Network. Revenue for the year ended June 30, 2011 included HK$1,533,000 generated from E-passing Network.

Had the acquisition been completed on July 1, 2010, total group revenue for the year ended June 30, 2011 would have been HK$1,635,169,000, and profit for the year ended June 30, 2011 would have been HK$95,759,000. The pro forma information was for illustrative purposes only and was 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 was it intended to be a projection of future results.

41. DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

Deemed disposal of interest in SLE

On July 13, 2011, the Company, Sino Light Group Limited, both as guarantors of the transaction, Honstar Development Limited, a wholly owned subsidiary of the Company, Express Touch Limited, a wholly owned subsidiary of Sino Light Group Limited, which Honstar Development Limited and Express Touch Limited were 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.

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

Deemed disposal of interest in SLE *(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 a consideration of 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. The fair value of the Subscription Option which has been determined to be HK$6,798,000.

Subscriber Put Options and SLE Original Shareholders Call Options

In conjunction with the Subscription and pursuant to the Shareholder's agreement entered among 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").

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.

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

Deemed disposal of interest in SLE *(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)	64,653
Property, plant and equipment	198
Other receivables	19,983
Bank balances and cash	7,265
Accrued expenses	(4,815)
Net assets derecognised	87,284
Gain on deemed disposal of a subsidiary:	
Fair value of the interest retained (43.65% of SLE)	53,590
Net assets derecognised	(87,284)
Less: Non-controlling interest	39,278
Gain on disposal	5,584
Cash outflow arising on deemed disposal:	
Bank balances and cash disposed of	(7,265)

The deemed disposal did not result in discontinued operation, as the Group acquired additional equity interest in SLE on March 14, 2012 and SLE become a subsidiary of the Group since then (note 40(a)).

42. MAJOR NON-CASH TRANSACTION

For the year ended June 30, 2012, the account receivable from a customer of the Group is transferred to loan receivable amounting to HK$14,006,000. Further details are set out in note 24.

For the year ended June 30, 2011, part of the consideration for the acquisition of SLE comprised the issue of shares of the Company. Further details of the acquisition are set out in note 40(b).

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	2012 HK$'000	2011 HK$'000
Investment in a subsidiary		**181,888**	181,888
Interest in an associate		**40,530**	–
Available-for-sale investments		**190,558**	179,426
Derivative embedded in convertible bonds		**–**	15,184
Loan to an associate		**15,513**	–
Amounts due from subsidiaries		**274,372**	272,357
Other assets		**1,031**	1,111
Total assets		**703,892**	649,966
Other payables		**(1,448)**	(2,099)
Amount due to a subsidiary		**(63,530)**	–
Total liabilities		**(64,978)**	(2,099)
Net assets		**638,914**	647,867
Capital and reserves			
Share capital		**74,065**	67,287
Reserves	(a)	**564,849**	580,580
Equity attributable to owners of the Company		**638,914**	647,867

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

Note:

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Special reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At July 1, 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
Loss for the year	–	–	–	–	–	(8,613)	(8,613)
Fair value change of available-for-sale investments	–	–	–	(2,256)	–	–	(2,256)
Total comprehensive expense for the year	–	–	–	(2,256)	–	(8,613)	(10,869)
Bonus issue of shares	(6,733)	–	–	–	–	–	(6,733)
Recognition of equity-settled share-based payments	–	–	1,221	–	–	–	1,221
Exercise of share options	983	–	(333)	–	–	–	650
At June 30, 2012	**301,625**	**181,788**	**7,215**	**(2,969)**	**79,900**	**(2,710)**	**564,849**

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.

44. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at June 30, 2012 and 2011 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 2012 Directly	2012 Indirectly	2011 Directly	2011 Indirectly	Principal activities
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
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
SLE	Hong Kong/PRC	Ordinary	HK$12,600	**–**	**64%**	–	55%	Trading of children wears
E-passing Network Technology Engineering Company	Taiwan	Ordinary	NTW100,000,000	**–**	**100%**	–	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, 2012.

Financial Summary

	Year ended June 30,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	1,725,083	1,377,179	1,560,713	1,604,087	**1,343,650**
Profit (loss) before taxation	50,260	31,798	97,330	86,455	**(60,783)**
Income tax (expense) credit	(7,818)	(1,148)	(6,345)	3,726	**2,908**
Profit (loss) for the year	42,442	30,650	90,985	90,181	**(57,875)**
Attributable to:					
Owners of the Company	42,300	32,191	91,698	90,441	**(53,241)**
Non-controlling interests	142	(1,541)	(713)	(260)	**(4,634)**
	42,442	30,650	90,985	90,181	**(57,875)**

	At June 30,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,100,095	928,317	1,333,844	1,391,912	**1,438,093**
Total liabilities	(541,290)	(353,926)	(500,267)	(380,055)	**(517,092)**
	558,805	574,391	833,577	1,011,857	**921,001**
Equity attributable to owners of the Company	547,048	564,166	824,144	960,503	**892,406**
Non-controlling interests	11,757	10,225	9,433	51,354	**28,595**
	558,805	574,391	833,577	1,011,857	**921,001**