Sandmartin International Holdings Limited

聖馬丁國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00482

Interim Report 2012/13

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Corporate Information

DIRECTORS

Executive directors

Mr. Hung Tsung Chin *(Chairman)*

Ms. Chen Mei Huei *(Chief Executive Officer)*

Mr. Liao Wen I

Mr. Chen Chien An

Mr. Frank Karl-Heinz Fischer

Independent non-executive directors

Mr. Hsu Chun Yi

Mr. Lee Chien Kuo

Mr. Mu Yean Tung

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.)*

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

REMUNERATION COMMITTEE

Mr. Lee Chien Kuo *(Chairman)*
Mr. Hsu Chun Yi
Mr. Hung Tsung Chin
Mr. Mu Yean Tung

NOMINATION COMMITTEE

Mr. Mu Yean Tung *(Chairman)*
Mr. Hsu Chun Yi
Mr. Hung Tsung Chin

PRINCIPAL BANKERS

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

Management Discussion and Analysis

OVERALL REVIEW

For the six months ended December 31, 2012, the Group has recorded turnover of HK$533.5 million (7.1.2011 to 12.31.2011: HK$634.0 million) from continuing operations, representing a decreased of 15.9%. The decrease in revenue was primarily contributed by the decrease in sales to European, North American, and Middle East regions as a result of the European sovereign debt crisis.

Gross profit from continuing operations amounted to HK$98.4 million (7.1.2011 to 12.31.2011: HK$132.2 million), representing a decrease of 25.5%. Gross profit margin from continuing operations also reduced to 18.5% (7.1.2011 to 12.31.2011: 20.9%). The decrease in gross profit margin was due to the increase in labour cost mainly caused by the uplift of labour wages and the labour volatility in the PRC.

During the current period, a significant amount of impairment loss on intangible assets due to the termination of licensed children apparels business under the brand name of "Pleasant Goat and Big Big Wolf" of HK$49.1 million has been charged to the consolidated statement of profit or loss and other comprehensive income. Excluding such impairment loss on intangible assets and the discontinued operations of the distribution of children apparels, the Group's loss for the period was amounted to HK$38.7 million, as compared to last year's profit for the period of HK$6.2 million.

SEGMENTAL INFORMATION

During the period, media entertainment platform related products remain as the major business segment and major revenue source, contributing to 53.6% of the Group's sales revenue (7.1.2011 to 12.31.2011: 57.6%), while other multimedia products contributed to 41.8% of the Group's sales revenue (7.1.2011 to 12.31.2011: 42.0%). The decrease in revenue from media entertainment platform related products was primarily contributed by the decrease in sales to European, African, and Middle East regions as a result of the European sovereign debt crisis.

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

BUSINESS REVIEW

Looking back into the past six months, the Group's performance was unsatisfactory due to the severe impact of unrest around the world. The main factors are as follows:

(1) Middle East and North African markets

The Middle East and North African markets have all along been very important trading markets for the Group representing a considerable proportion of the Group's total operating revenue.

In 2012, the Middle East and North Africa remained the powder keg and hot spot of conflicts in the world featuring the Syrian civil war which has already lasted for 20 months, a series of border clashes between Syria and Turkey and Israel, respectively, as well as a one week long battle between Israel and the Palestine. Several Arabian countries also experienced internal social unrest which eventually brought about either a regime change or government reform.

After sweeping through the region swiftly and intensely in 2011, the so-called Arab Spring ground quickly to a halt and turned into an Arab Winter. There is now deep pessimism and growing concern across the Middle East about its deteriorating development. People are worrying about how long the Arab Winter will persist. The regional picture and future political development of the Middle East is expected to be further complicated and more uncertain, while instability in the region keeps worsening.

The turbulent situation seriously affected the economies and trades in these regions, and inevitably led to a significant reduction in the Group's sales and, hence, its total operating revenue for the period.

(2) European debt crisis

The European sovereign debt crisis, erupted in Greece at the end of 2009, has grown from a single-country trouble to a debt crisis spreading across the entire Eurozone, and is developing further into a "Debt Storm" which restrains and affects the recovery of Europe as well as the global economy. Such intensifying crisis has made Europe confront six major crises, namely prolonged market competitiveness crisis, financial crisis, political crises within the member states, crisis of the European political systems, banking crisis and short-term market confidence crisis. The last one is the result of the former five prolonged major crises. The European debt crisis has substantially affected both domestic and foreign trades of the European Union, and had an impact on the economic growth of its major trading partners through trade. The composite financial crisis resulting from the intertwined Eurozone sovereign debt crisis and banking risks has become a significant threat to the stability of the global financial market. At present, the Eurozone countries are giving multilateral cooperation and making joint efforts to resolve the crises and surmount the difficult situations, but they are still far from recovery. The European debt crisis is a long-term problem and cannot be fully resolved in the near future.

Due to the escalating European Debt Storm, the Group's trade with the European Union has been significantly hindered. The continuous European debt crisis has brought instability to the global economy and also affected the Group's capital investments in the Chinese market.

(3) Transformation from integrated device manufacturer to platform owner

During the past two years, the Group has been going through a period of transition from a designer and manufacturer to a platform owner. The enormous change in business model and vision will need time to flourish and require continuous investment and accumulation of manpower and resources.

PROSPECTS

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

With the Group's continuous development and expansion of its geographical coverage across the globe, the effective integration of its research and development teams in different countries has become a crucial step. The Group has merged its research and development teams in Germany and Spain to establish the European research and development centre, which focuses on the research and development of new technologies and new products for the European market, so as to provide seamless technical support and services to the local markets and eventually boost market development as a whole. The repositioning and integration of the European research and development centre allows the research and development centres in Taiwan and China to concentrate on the development of operating platform for the development of Middle East, North African and North American 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 in turn strengthen its leadership in the markets around the world and ensure technical support for the smooth development of the Group.

Management Discussion and Analysis

Apart from safeguarding the sustainable development of core technologies, the Group is also actively working with third party laboratories to establish technological alliances which will enrich the Group's product portfolio and services and accelerate the progress of the development of new technologies and new products. This will provide favourable conditions for the continuous growth of the Group's total operating revenue.

(2) New opportunities brought by the European debts crisis

With the continuous deterioration of the European debt crisis, the Group is actively adjusting and integrating its product lines based on market demand. In addition to the continual research and development of, and investment in, new technologies and new products, the Group will also strengthen its control on product quality and costs as well as promote the development and production of lower-cost versions of its products as the near-term measures to increase the competitiveness of its products in the market and maintain its market share. Undeterred by the current market recession, the Group will closely monitor new developments in the market and look for new opportunities.

(3) New cooperation to be sought in the American market

The Group is conducting a major acquisition in the American market. The completion of this merger and acquisition will enrich and perfect the Group's product portfolio, boost its market share in the American market and expand its total operating revenue.

(4) Promise of high growth after strategic transformation

After over a year of active marketing and development efforts, the pay television system platform in Nepal has achieved initial success. Notwithstanding the unparalleled hardship in terms of physical environment, the pay television system platform in Nepal already attained a considerable amount of operating revenue in terms of monthly subscription income in the first half of the year 2012-2013. It is expected that its monthly subscription income will contribute a substantial portion of the platform's total operating revenue in five years' time.

Going with the tide of market shift from traditional free television services to pay television systems, the Group is also actively planning to rollout new digital pay television equipment and other new products in other major markets successively in order to enlarge its market share. Besides continually improving its internal research, development and production capacity, the Group is also strengthening and diversifying its product supply chain with the aim of accelerating product rollout and mitigating the rising problem of labor shortage.

After its transformation, the Group will not only be a designer and manufacturer of professional head-end equipment, transmission equipment, modulating equipment and terminal receiving equipment, but also the owner of a comprehensive platform. The system integration business of the Group has been extended to the provision of channel content, content subscription management systems and various value-added service systems. When the number of users reaches a considerable level, the monthly subscription income will become an important operating revenue source of the Group. Redoubling the efforts to consolidate its global operations, the Group is poised to take its business development to new heights.

ACQUISITION OF PRO BRAND INTERNATIONAL, INC.

On October 31, 2012, the Company has entered into a share acquisition agreement ("the Agreement") with the majority of selling shareholders of Pro Brand International, Inc. ("Pro Brand") and Pro Brand, pursuant to which the Company has conditionally agreed to acquire and the majority of selling shareholders of Pro Brand has conditionally agreed to sell the entire issued share capital of Pro Brand for a consideration not exceeding US$33.5 million (approximately equivalent to HK$259.6 million) (the "Acquisition"). Upon closing, Pro Brand will become a wholly-owned subsidiary of the Company.

Pro Brand currently has a product portfolio covering more than 260 items in both antenna and low noise block ("LNB") products and it has strong research and development ("R&D") capabilities and in-house facilities in the design and development of advanced satellite and radio frequency ("RF") related equipment as well as next generation new products and solutions for satellite Pay TV system.

Following the acquisition of Pro Brand and integration of its technologies and R&D capabilities, it will strengthen the Group's R&D capabilities and enhance the Group's technological competitiveness to meet customer demands for high-end satellite television and RF related equipment.

The long established customer relationships of Pro Brand in North America and Latin America will also strengthen the Group's presence in the North America and Latin America markets with Pro Brand acting as a stronghold for the distribution and marketing of the Group's other media entertainment platform related products and accessories as supplement to existing satellite Pay TV products and equipment. In return, the high-end satellite television and wireless communication products of Pro Brand will enrich the Group's product portfolios and enable the Group to reach potential customer in the rest of the world for high-end satellite television and wireless communication products.

With the Group's efficient and cost effective production facilities located in China, the Acquisition will position the Group to become one of the largest providers for satellite Pay TV system and equipment through the integration of Pro Brand's existing long established customer relationships with its customers.

Having taken into account the above reasons and benefits, the management of the Company is of the view that the terms of the Agreement are fair and reasonable and the Acquisition is conducted under normal commercial terms and is in the interests of the Company and the Company's shareholders as a whole.

As at the date of this interim report, the Company and Pro Brand are still in the process to complete the Acquisition.

SUBSCRIPTION OF BOND

On December 27, 2012, the Company and Heng Xin China Holdings Limited ("Heng Xin") entered into a subscription agreement in relation to the subscription of Bond (the "Subscription"), pursuant of which, the Company has conditionally agreed to subscribe for the Bond in the principal amount of HK$100,000,000 for a term of two years with coupon rate of 6% per annum, payable quarterly in arrears.

Reference is made to the convertible bonds which the Company subscribed for in December 2010 (the "2010 Convertible Bonds"). The 2010 Convertible Bonds were matured on December 27, 2012 and after arm's length discussions with Heng Xin, it was agreed that the Company and Heng Xin would enter into a subscription agreement to refinance half of the outstanding principal amount of the 2010 Convertible Bonds and Heng Xin would repay the remaining half of the outstanding principal amount of the 2010 Convertible Bonds. It has been one of the Group's corporate strategies to explore the market of digital television equipment in Mainland China with good business potential and growth prospects, which coincides with the business of Heng Xin. The Directors consider that the Subscription provides an opportunity for the Group to enhance its strategic position in the market of digital television equipment in Mainland China with a reasonable interest return from the Subscription. All the conditions precedent to the Subscription were fulfilled and the Subscription was completed on December 27, 2012.

Management Discussion and Analysis

TERMINATION OF THE CHILDREN APPARELS BUSINESS

On February 5, 2013, Sino Light Enterprise Limited ("SLE"), an indirect non-wholly owned subsidiary of the Company, and The Walt Disney Company (Asia Pacific) Limited (the "Master Distributor") entered into a termination agreement, pursuant to which SLE and the Master Distributor have agreed to early terminate the license agreement between SLE and the Master Distributor dated December 21, 2010 and as amended on May 26, 2011 for the sale of children apparels under the brand name of "Pleasant Goat and Big Big Wolf" in the PRC, excluding Hong Kong, Macau and Taiwan (the "License Agreement") will be early terminated with effect from February 15, 2013 ("Termination Date").

In accordance with the terms of the termination agreement, SLE has agreed to pay a termination payment of US$498,000 to the Master Distributor in respect of royalties arising from the sale of licensed products made before the Termination Date and any guarantees and advances that would have been due to the Master Distributor under the License Agreement and remain unpaid as at the Termination Date. SLE will cease the sales of the licensed children apparels under the brand names of "Pleasant Goat and Big Big Wolf" with effect from the Termination Date, and SLE will be released of its obligations to make the balance payment of license fees under the License Agreement.

The early termination of the License Agreement will cease the children apparel business of the Group. It is the Group's strategy to focus on its core business of design, manufacturing and trading of media entertainment platform related products and continue to invest resources in the transformation from an integrated device manufacturer to a platform owner.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2012, the Group's cash and bank balances amounted to HK$251.0 million (6.30.2012: HK$146.0 million). The net increase of cash and bank balances was mainly attributed by the receipts from the maturity of convertible bonds and the new bank loans raising. The Group's pledged bank deposits were HK$48.7 million (6.30.2012: HK$48.3 million).

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.7 at December 31, 2012 and 2.1 at June 30, 2012.

For the Period, the annualized average trade receivable turnover period, average inventory turnover period, and average trade payable turnover period were 114 days, 84 days, and 96 days respectively (For the year ended June 30, 2012: 86 days, 67 days, and 73 days respectively).

At December 31, 2012, the Group's total loans were HK$260.2 million (6.30.2012: HK$176.2 million). Certain of the borrowings were secured by the Group's leasehold land and buildings, pledged deposits, secured and guarantee from the Company and certain of its subsidiaries.

The gearing ratio (total borrowings over total assets of the Group) increased to 18.2% (6.30.2012: 12.3%).

FOREIGN CURRENCY EXPOSURE

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

CHARGES ON ASSETS

As at December 31, 2012, the Group's general banking facilities were secured by the following assets of the Group: (i) leasehold land and buildings with a carrying value of HK$55.5 million, and (ii) bank deposits of HK$48.7 million.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at December 31, 2012.

EMPLOYEES

At December 31, 2012, the Group employed a total of 2,447 (6.30.2012: 2,739) full-time employees. Employees are remunerated accordingly to their performance and responsibilities. Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend (7.1.2011 to 12.31.2011: Nil) for the six months ended December 31, 2012.

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

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

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation 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 and complied with all the provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

As at December 31, 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 of any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, the "SFO") which (a) 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 (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) were required pursuant to the Model Code, 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 or deemed to be interested	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%
	Personal	2,500,000 (Note 3)	0.34%
Mr. Liao Wen I	Beneficial owner	62,704,812 (Note 2)	8.47%
Mr. Frank Karl-Heinz Fischer	Personal	500,000 (Note 3)	0.07%

Notes:

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

2. Wellever Investments Limited is held as to 86.14% by Mr. Liao Wen I, an executive Director, and as to 13.86% by his wife, Ms. Lin Hsiu Ling. Mr. Liao Wen I is also a director of Wellever Investments Limited.

3. This represents the ordinary shares of the Company to be allotted and issued upon exercise of the share options granted to Ms. Chen Mei Huei and Mr. Frank Karl-Heinz Fischer under the share option scheme of the Company pursuant to a written resolution passed by the shareholders of the Company on March 17, 2005.

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

(ii) Share options

As at December 31, 2012, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 8,975,000 (6.30.2012: 8,975,000), representing 1.21% of the shares of the Company in issue as at December 31, 2012.

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

Type of grantee	Date of grant (Note)	Closing price per share immediately prior to the grant date	Exercise price	Number of share options: Outstanding at July 1, 2012	Exercised during the period	Outstanding at December 31, 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	725,000	–	725,000
	December 27, 2007	HK$1.76	HK$1.76	1,050,000	–	1,050,000
	April 1, 2009	HK$1.10	HK$1.114	1,200,000	–	1,200,000
	October 22, 2010	HK$2.05	HK$2.05	500,000	–	500,000
Total				8,975,000	–	8,975,000

Note:

The share options are vested in stages as follows:

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

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

Save as disclosed above, as at December 31, 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

As at December 31, 2012, so far as is known to the Directors of the Company, shareholders holding five per cent or more of the Company's share capital as recorded in the register of interests in shares and short position maintained by the Company and their reported interests pursuant to provisions of section 336 of the SFO were as follows:

Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of interests
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 as to 45.09% by Mr. Hung Tsung Chin, an executive Director, as to 44.38% by his wife, Ms. Chen Mei Huei, an executive Director and as to 10.53% by Mr. Hung Chih Chun, a son of Mr. Hung Tsung Chin and Ms. Chen Mei Huei.

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

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

Management Discussion and Analysis

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended December 31, 2012, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

By Order of the Board
Sandmartin International Holdings Limited
Hung Tsung Chin
Chairman

Hong Kong, February 27, 2013

Deloitte.
德勤

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88 Queensway
Hong Kong

TO THE BOARD OF DIRECTORS OF
SANDMARTIN INTERNATIONAL HOLDINGS LIMITED
聖馬丁國際控股有限公司
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sandmartin International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 56, which comprises the condensed consolidated statement of financial position as of December 31, 2012 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Interim Financial Information

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
February 27, 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended December 31, 2012

	NOTES	Six months ended December 31, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Continuing operations			
Revenue	3	**533,529**	634,040
Cost of sales		**(435,080)**	(501,811)
Gross profit		**98,449**	132,229
Other income		**15,341**	17,873
Other gains and losses		**(2,019)**	431
Loss on financial instruments		**(5,224)**	–
Loss on fair value change of derivatives embedded in convertible bonds		**–**	(14,089)
Distribution and selling costs		**(30,357)**	(28,210)
Administrative expenses		**(81,001)**	(91,990)
(Impairment loss) reversal of impairment loss on trade receivables	11	**(3,658)**	256
Research and development costs		**(11,441)**	(15,624)
Share of results of an associate		**(1,904)**	–
Gain on deemed disposal of interest in a subsidiary	16	**–**	5,584
Finance costs		**(3,028)**	(1,812)
(Loss) profit before taxation	4	**(24,842)**	4,648
Taxation	5	**(13,905)**	1,584
(Loss) profit for the period from continuing operations		**(38,747)**	6,232
Discontinued operation			
Loss for the period from discontinued operation	17	**(82,136)**	(5,506)
(Loss) profit for the period		**(120,883)**	726

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended December 31, 2012

	Six months ended December 31, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	**8,933**	(12,009)
Fair value change of available-for-sale investments	**–**	(8,301)
Reclassification upon maturity of available-for-sale investments	**3,002**	–
	11,935	(20,310)
Total comprehensive expense for the period	**(108,948)**	(19,584)
(Loss) profit for the period attributable to owners of the Company:		
– from continuing operations	**(39,257)**	4,979
– from discontinued operations	**(52,802)**	(4,399)
	(92,059)	580
(Loss) profit for the period attributable to non-controlling interests:		
– from continuing operations	**510**	1,253
– from discontinued operations	**(29,334)**	(1,107)
	(28,824)	146

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended December 31, 2012

	NOTE	Six months ended December 31, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Total comprehensive expense attributable to:			
Owners of the Company		**(80,048)**	(19,418)
Non-controlling interests		**(28,900)**	(166)
		(108,948)	(19,584)
(Loss) earnings per share from continuing and discontinued operations	8		
Basic (HK cents)		**(12.43)**	0.08
Diluted (HK cents)		**(12.43)**	0.08
(Loss) earnings per share from continuing operations	8		
Basic (HK cents)		**(5.30)**	0.67
Diluted (HK cents)		**(5.30)**	0.67

Condensed Consolidated Statement of Financial Position

At December 31, 2012

	NOTES	**December 31, 2012 HK$'000 (unaudited)**	June 30, 2012 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**154,894**	165,182
Prepaid lease payments		**15,287**	15,253
Investment properties	9	**36,379**	36,187
Goodwill	9	**49,075**	47,847
Intangible assets	9	**13,061**	67,460
Interest in an associate		**30,071**	31,975
Deferred tax assets		**23,017**	34,839
Loan receivables		**12,953**	12,953
Bond receivables	10	**94,776**	–
		429,513	411,696
Current assets			
Inventories		**202,608**	198,932
Trade, bills and other receivables	11	**430,364**	401,923
Prepaid lease payments		**407**	405
Loan receivables		**1,053**	1,053
Loan to an associate		**26,921**	15,513
Amount due from an associate		**34,919**	22,842
Available-for-sale investments	10	**853**	191,367
Pledged bank deposits		**48,693**	48,346
Bank balances and cash		**250,986**	146,016
		996,804	1,026,397
Current liabilities			
Trade, bills and other payables	12	**325,350**	303,812
Tax liabilities		**22,070**	17,643
Bank and other borrowings – due within one year	13	**254,416**	158,337
		601,836	479,792
Net current assets		**394,968**	546,605
		824,481	958,301

Condensed Consolidated Statement of Financial Position

At December 31, 2012

	NOTES	December 31, 2012 HK$'000 (unaudited)	June 30, 2012 HK$'000 (audited)
Capital and reserves			
Share capital	14	**74,065**	74,065
Reserves		**738,697**	818,341
Equity attributable to owners of the Company		**812,762**	892,406
Non-controlling interests		**(305)**	28,595
Total equity		**812,457**	921,001
Non-current liabilities			
Bank and other borrowings – due after one year	13	**5,778**	17,888
Deferred tax liabilities		**6,246**	19,412
		12,024	37,300
		824,481	958,301

Condensed Consolidated Statement of Changes in Equity

For the six months ended December 31, 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, 2011 (audited)	67,287	307,375	6,327	25,420	79,878	(713)	57,912	417,017	960,503	51,354	1,011,857
Profit for the period	–	–	–	–	–	–	–	580	580	146	726
Fair value change of available-for-sale investments	–	–	–	–	–	(8,301)	–	–	(8,301)	–	(8,301)
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	(11,697)	–	(11,697)	(312)	(12,009)
Total comprehensive expense for the period	–	–	–	–	–	(8,301)	(11,697)	580	(19,418)	(166)	(19,584)
Recognition of equity-settled share-based payments	–	–	639	–	–	–	–	–	639	–	639
Deemed disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	(39,228)	(39,228)
Exercise of share options	45	983	(341)	–	–	–	–	–	687	–	687
Transfer	–	–	–	175	–	–	–	(175)	–	–	–
Bonus issue of shares	6,733	(6,733)	–	–	–	–	–	–	–	–	–
At December 31, 2011 (unaudited)	74,065	301,625	6,625	25,595	79,878	(9,014)	46,215	417,422	942,411	11,960	954,371
At July 1, 2012 (audited)	74,065	301,625	7,215	27,364	79,878	(3,005)	43,432	361,832	892,406	28,595	921,001
Loss for the period	–	–	–	–	–	–	–	(92,059)	(92,059)	(28,824)	(120,883)
Reclassification upon maturity of available-for-sale investments	–	–	–	–	–	3,002	–	–	3,002	–	3,002
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	9,009	–	9,009	(76)	8,933
Total comprehensive expense for the period	–	–	–	–	–	3,002	9,009	(92,059)	(80,048)	(28,900)	(108,948)
Recognition of equity-settled share-based payments	–	–	404	–	–	–	–	–	404	–	404
Transfer	–	–	–	2,099	–	–	–	(2,099)	–	–	–
At December 31, 2012 (unaudited)	74,065	301,625	7,619	29,463	79,878	(3)	52,441	267,674	812,762	(305)	812,457

Condensed Consolidated Statement of Changes in Equity

For the six months ended December 31, 2012

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.

Condensed Consolidated Statement of Cash Flows

For the six months ended December 31, 2012

	NOTE	Six months ended December 31, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Net cash used in operating activities		**(67,440)**	(23,958)
Net cash from (used in) investing activities:			
Deposits paid for acquisition of associates		**–**	(56,556)
Additions to property, plant and equipment		**(3,767)**	(10,438)
Expenditure on intangible assets		**(3,146)**	(8,380)
Deemed disposal of interest in a subsidiary (net of cash and cash equivalents disposed of)		**–**	(7,265)
Placement of pledged bank deposits		**(347)**	(1,856)
Receipts upon the maturity of Convertible Bonds (as defined in note 10)	10	**100,000**	–
Other investing cash flows		**651**	1,545
		93,391	(82,950)
Net cash from financing activities:			
Repayment of bank borrowings		**(32,474)**	(41,584)
New bank borrowings raised		**113,076**	77,521
Other financing cash flows		**(196)**	1,425
		80,406	37,362
Net increase (decrease) in cash and cash equivalents		**106,357**	(69,546)
Cash and cash equivalents at beginning of the period		**146,016**	276,264
Effect of foreign exchange rate changes		**(1,387)**	(2,005)
Cash and cash equivalents at end of the period, represented by bank balances and cash		**250,986**	204,713

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended December 31, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended June 30, 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on July 1, 2012.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current period. 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 entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is rebutted.

The Group continues to recognise deferred tax on changes in fair value of the investment properties, thus the application of the amendments to HKAS 12 has no material effect on the consolidated financial statements.

The directors of the Group anticipate that the application of other new and revised HKFRSs in the current period has had no material effect on the consolidated financial statements.

3. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of their goods and services delivered or provided by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around different 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.

Segment information for the six months ended December 31, 2011 has been restated as an operating segment regarding the retailing and wholesaling of children apparels was discontinued in the current interim period. Details are set out in note 17.

3. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

Six months ended December 31, 2012

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system service for public programs HK$'000	Total HK$'000
Continuing operations				
REVENUE				
External sales	286,054	222,796	24,679	533,529
RESULTS				
Segment results	43,243	21,143	48	64,434
Other income				15,341
Other gains and losses				(2,019)
Research and development costs				(11,441)
Administrative expenses				(81,001)
Loss on financial instruments				(5,224)
Share of results of an associate				(1,904)
Finance costs				(3,028)
Loss before taxation (continuing operations)				(24,842)

3. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

Six months ended December 31, 2011 (restated)

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Provision of integration system service for public programs HK$'000	Total HK$'000
Continuing operations				
REVENUE				
External sales	365,188	266,271	2,581	634,040
RESULTS				
Segment results	75,583	27,309	1,383	104,275
Other income				17,873
Other gains and losses				431
Loss on fair value change of derivatives embedded in convertible bonds				(14,089)
Research and development costs				(15,624)
Administrative expenses				(91,990)
Finance costs				(1,812)
Gain on deemed disposal of interest in a subsidiary				5,584
Profit before taxation (continuing operations)				4,648

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, loss on fair value change of derivatives embedded in convertible bonds, loss on financial asset, share of results of an associate, gain on deemed disposal of interest in a subsidiary and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended December 31,	
	2012	2011
	HK$'000	HK$'000
Continuing operations		
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	**3,122**	1,224
Release of prepaid lease payments	**407**	92
Depreciation of property, plant and equipment	**10,797**	12,006
Write-down of inventories (included in cost of sales)	**–**	465
Interest income	**(1,647)**	(1,882)
Effective interest income on convertible bonds	**(6,439)**	(6,610)
Net loss on fair value change of derivative financial instruments (Note)	**–**	476
Loss on fair value change of derivatives embedded in convertible bonds	**–**	14,089
Loss on financial instruments	**5,224**	–
Discontinued operation		
Amortisation of intangible assets (included in cost of sales)	**5,665**	–
Impairment of intangible assets	**49,100**	–
Depreciation of property, plant and equipment	**332**	–
Write-down of inventories (included in cost of sales)	**5,728**	–

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

5. TAXATION

	Six months ended December 31,	
	2012	2011
	HK$'000	HK$'000
Continuing operations		
The tax charge (credit) comprises:		
Current tax:		
PRC Enterprise Income Tax	**1,368**	1,391
Other jurisdictions	**49**	43
Underprovision in prior years	**3**	3
Withholding tax	**4,134**	–
Deferred taxation:		
Current period	**7,775**	(3,907)
Provision for PRC dividend withholding tax	**576**	886
	13,905	(1,584)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No tax is payable on the profit arising in Hong Kong for both periods as the assessable profit is wholly absorbed by tax losses brought forward.

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

5. TAXATION *(Continued)*

As for 中山聖馬丁電子元件有限公司, it successfully renewed for High and New Technology Enterprises Status, so the applicable tax rate has been reduced to 15% from January 1, 2011 to December 31, 2013.

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

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

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

6. DIVIDENDS

No dividend was paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the interim period.

7. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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.

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

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

			Number of share options		
Type of grantee	Date of grant (note 2)	Exercise price (note 1)	Outstanding at July 1, 2012	Exercised during the period	Outstanding at December 31, 2012
Directors	July 30, 2005	HK$1.02	500,000	–	500,000
Directors	October 22, 2010	HK$2.05	2,500,000	–	2,500,000
Employees	July 30, 2005	HK$1.02	2,500,000	–	2,500,000
Employees	December 16, 2006	HK$2.05	725,000	–	725,000
Employees	December 27, 2007	HK$1.76	1,050,000	–	1,050,000
Employees	April 1, 2009	HK$1.114	1,200,000	–	1,200,000
Employees	October 22, 2010	HK$2.05	500,000	–	500,000
Total			8,975,000	–	8,975,000
Exercisable at the end of the period			5,975,000		7,475,000
Weighted average exercise price			1.55	–	1.55

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

Notes:

1. The closing prices of the Company's shares immediately before July 30, 2005, December 16, 2006, December 27, 2007, April 1, 2009 and October 22, 2010, the dates the options were granted, were HK$1.02, HK$2.05, HK$1.76, HK$1.114 and HK$2.05, respectively.

2. The share options vest in stages as follows:

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

Options granted on July 30, 2005, December 16, 2006, December 27, 2007, April 1, 2009 and October 22, 2010 are exercisable until July 29, 2015, December 15, 2016, December 26, 2017, March 31, 2019 and October 21, 2020, respectively.

During the period, the Group has recognised total expense of HK$404,000 (7.1.2011 to 12.31.2011: HK$639,000) in relation to share options granted by the Company.

8. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended December 31,	
	2012	2011
	HK$'000	HK$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	**(92,059)**	580

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**740,649,800**	740,642,463
Effect of dilutive potential ordinary shares in respect of share options *(Note)*	**–**	4,481,926
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**740,649,800**	745,124,389

Note: The computation of diluted loss per share for the six months ended December 31, 2012 does not include share options as the assumed exercise of those share options has an anti-dilutive effect.

8. (LOSS) EARNINGS PER SHARE *(Continued)*

From continuing operations

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

	Six months ended December 31,	
	2012	2011
	HK$'000	HK$'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	**(39,257)**	4,979

The denominators used are the same as those for continuing and discontinued operations.

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

The directors are of the opinion that the carrying value of the Group's investment properties in the PRC as at December 31, 2012 was not materially different from the fair value of the investment properties as at June 30, 2012. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group spent HK$3,767,000 (7.1.2011 to 12.31.2011: HK$10,438,000) on additions of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying amount of HK$700,000 (7.1.2011 to 12.31.2011: HK$1,876,000) resulting in a loss of HK$49,000 (7.1.2011 to 12.31.2011: HK$133,000).

During the current period, the Group recognised impairment loss amounting to HK$49,100,000 on intangible assets in relation to the license right granted by The Walt Disney Company (Asia Pacific) Limited ("Walt Disney") as a result of the cessation of business in trading of children apparels during the period (Details are set out in note 17).

For the purpose of impairment testing, goodwill is allocated into two (7.1.2011 to 12.31.2011: two) individual cash-generating units ("CGU"), comprising BCN Distribuciones, S.A. ("BCN") and Intelligent Digital Services GmbH ("IDS"). BCN is engaged in media entertainment platform related products and other multimedia products in the Europe market and IDS is engaged in media entertainment platform related products in the Europe and Asia market.

During the six months ended December 31, 2012, as the recoverable amounts of BCN (attributable to media entertainment platform related products and other multimedia products) and IDS (attributable to media entertainment platform related products) was higher than the carrying values of the units, thus, no impairment loss on goodwill was recognised.

10. AVAILABLE-FOR-SALE INVESTMENTS AND BOND RECEIVABLES

	December 31, 2012 HK$'000	June 30, 2012 HK$'000
Available-for-sale investments comprises:		
Listed securities:		
– equity securities listed overseas	**853**	809
Unlisted securities:		
– debt component of convertible bonds (Note)	**–**	190,558
	853	191,367

10. AVAILABLE-FOR-SALE INVESTMENTS AND BOND RECEIVABLES *(Continued)*

Note:

On December 28, 2010, the Group subscribed for the zero coupon convertible bonds ("Convertible Bonds") issued by Heng Xin China Holdings Limited ("HXCH") with principal amount of HK$200,000,000 from HXCH at a consideration of HK$200,000,000. The consideration was settled in cash by the Group. HXCH is a public limited company with its shares listed on the Growth Enterprise Market Board of the Stock Exchange. The Convertible Bonds do not bear any interest with maturity on December 27, 2012.

Upon the maturity of the Convertible Bonds on December 27, 2012, the Convertible Bonds were settled by:

i) cash for HK$100,000,000; and

ii) a bond ("Bond") issued by HXCH with principal amount of HK$100,000,000.

The Bond is unsecured, bears a coupon rate of 6% per annum, payable quarterly in arrears, with its maturity on December 26, 2014.

Fair value of the Bond on December 27, 2012 was HK$94,776,000. The difference between the fair value of the aggregate consideration for redemption of the Convertible Bonds (in the form of Cash and Bond as discussed above) and the carrying amount of the Convertible Bonds amounting to HK$5,224,000, including a reclassification adjustment of other comprehensive income upon the maturity of the Convertible Bonds of HK$3,002,000, was recognised to profit or loss accordingly.

At initial recognition, the amount of the Bond 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 Bond issuer and remaining time to maturity. The effective interest rate of the Bond is 9.1% per annum. Subsequent to the initial recognition, the Bond is measured at amortised cost less identified impairment losses at the end of the reporting period.

11. TRADE, BILLS AND OTHER RECEIVABLES

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

	December 31, 2012 HK$'000	June 30, 2012 HK$'000
0 – 30 days	**144,372**	116,645
31 – 60 days	**59,398**	86,044
61 – 90 days	**52,596**	53,361
91 – 180 days	**32,638**	66,839
More than 180 days	**42,660**	14,749
	331,664	337,638
Prepayments and other receivables	**98,700**	64,285
Total trade, bills and other receivables	**430,364**	401,923

During the period, the directors reviewed the carrying amounts of certain long outstanding trade and bills receivables and identified an impairment loss of HK$3,658,000 (7.1.2011 to 12.31.2011: reversal of impairment loss of HK$256,000) which has been recognised in profit or loss.

12. TRADE, BILLS AND OTHER PAYABLES

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

	December 31, 2012 HK$'000	June 30, 2012 HK$'000
0 – 30 days	**119,103**	103,598
31 – 60 days	**52,631**	61,328
61 – 90 days	**30,788**	35,011
91 – 180 days	**24,088**	25,593
181 – 365 days	**4,345**	1,762
	230,955	227,292
Other payables	**94,395**	76,520
Total trade, bills and other payables	**325,350**	303,812

13. BANK AND OTHER BORROWINGS

During the current period, the Group raised bank loans in the amount of HK$113,076,000 with interest rate ranged from 2.67% to 3.30% per annum which are mainly subject to interest at London Interbank Offered Rate and repaid bank and other loans of HK$32,474,000. The bank loans bear interest at prevailing market rate.

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Issued and fully paid		
At July 1, 2011	672,868,000	67,287
Exercise of share options	450,000	45
Issue of shares	67,331,800	6,733
At June 30, 2012 and December 31, 2012	740,649,800	74,065

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended December 31,	
	2012	2011
	HK$'000	HK$'000
Short-term employee benefits	**3,859**	3,514
Post-employment benefits	**15**	10
Share-based payments	**337**	393
	4,211	3,917

15. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel *(Continued)*

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.

16. 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 original shareholders of Sino Light Enterprise Limited ("SLE"), 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 in respect of the subscription (the "Subscription") of 2,600 new shares in SLE (the "Subscription Shares") at HK$14,000 per share by the Subscriber and a related 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.

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 was accounted for as an associate of the Group upon and after the completion of the Subscription.

The Subscription has resulted in the recognition of a gain of HK$5,584,000 in profit or loss for the six months ended December 31, 2011.

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

Deemed disposal of interest in SLE *(Continued)*

The Group acquired an additional 20.64% of the equity interest of SLE for a consideration of HK$9,100,000 from the Subscriber in March 2012. Upon completion of the acquisition in March 2012, the Group's equity interest in SLE increased from 43.65% to 64.29% and SLE became a subsidiary of the Company since then.

17. DISCONTINUED OPERATION

SLE was engaged in the trading of children apparels and it commenced its business in October 2011. During the current interim period, management of the Group ceased such business and has finalised the negotiation with The Walt Disney Company (Asia Pacific) Limited ("Walt Disney") for the early termination of the licences agreement. This operating segment is classified as discontinued operation at the end of the reporting period accordingly.

Subsequently, SLE entered into a formal termination agreement with Walt Disney on February 5, 2013 (Details are set out in note 18). The results of the discontinued operation of retailing and wholesaling of children apparels is analysed as follows:

	Six months ended December 31,	
	2012	2011
	HK$'000	HK$'000
Loss of retailing and wholesaling of children apparels for the period	**(82,136)**	(134)
Share of result of an associate (Note)	**–**	(5,372)
	(82,136)	(5,506)

Note: On August 29, 2011, the Group lost its control in SLE, which became an associate, subsequent to the Subscription by the Subscriber. In March 2012, the Group acquired additional interest in SLE and SLE became a subsidiary of the Group since then. (Details are set out in note 16).

17. DISCONTINUED OPERATION *(Continued)*

The results of the discontinued operation for both periods were as follows:

	Six months ended December 31,	
	2012	2011
	HK$'000	HK$'000
Turnover	**2,432**	–
Cost of sales	**(14,178)**	–
	(11,746)	–
Other income	**1**	–
Administrative expenses	**(11,698)**	(134)
Distribution and selling costs	**(3,256)**	–
Impairment loss on intangible assets	**(49,100)**	–
Expenses related to termination of business (Note (a))	**(15,373)**	–
Loss before taxation	**(91,172)**	(134)
Taxation	**9,036**	–
Loss for the period	**(82,136)**	(134)

17. DISCONTINUED OPERATION *(Continued)*

Note (a):

Expenses related to termination of business

	Six months ended December 31, 2012 HK$'000	2011 HK$'000
Impairment of property, plant and equipment	**(4,134)**	–
Impairment of other receivables	**(1,601)**	–
Impairment of prepayment made to Walt Disney	**(4,657)**	–
Severance payments to employees	**(425)**	–
Loss on close down of retail stores	**(671)**	–
Provision for compensation to be made to Walt Disney	**(3,885)**	–
Total	**(15,373)**	–

18. ARBITRATION

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.

18. ARBITRATION *(Continued)*

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.

On January 21, 2013, the legal counsel of the Original Shareholder and Technosat served a notice to the Group's legal counsel for a claim on the further payment of US$5,000,000 in relation to the subscription of this 15% equity interest in Technosat.

The Group's legal counsel has replied on behalf of the Group on February 11, 2013 in response to the claim of the Original Shareholder and Technosat defending the claim as the directors of the Company consider such claim invalid, as the conditions precedent of the subscription of new shares in Technosat had not been fulfilled and constituted a breach of the Agreement.

At the date of approval of this report, the Group is pending further responses from the Counterparties and consider it pre-mature to estimate the outcome of such arbitration.

19. EVENTS AFTER THE REPORTING PERIOD

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

(a) On February 5, 2013, SLE entered into a termination agreement ("Termination Agreement") with Walt Disney, for the termination of their right to manufacture and distribute children's apparel, under the brand of the animation television series "Pleasant Goat and Big Big Wolf" in Hong Kong and the PRC for 3 years from May 2011 to April 2014.

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

(a) *(Continued)*

Such termination was resulted from the cessation of business of trading of children apparels during the period, details of the discontinued operation are set out in note 17.

(b) On October 31, 2012, the Group entered into a conditional agreement in respect of the acquisition of the entire issued share capital of Pro Brand International, Inc. ("Pro-Brand"). Pro-Brand is principally engaged in trading of satellite television and wireless communication products. The reason of the acquisition is to strengthen the Group's Research and Development capabilities and enhance the Group technological competitiveness for high end satellite television related products.

The aggregate consideration of US$33,500,000 (equivalent to HK$259,625,000) of which,

(i) US$19,200,000 (equivalent to HK$148,800,000) will be satisfied in cash by the Company at closing;

(ii) US$14,300,000 (equivalent to HK$110,825,000) will be satisfied by way of issue of the Company's shares at closing.

Details of the transaction are set out in a circular of the Company dated December 31, 2012.

Up to the date of approval of this report, the acquisition has not yet been completed and the directors of the Group are still in process of assessing the financial effects of the transaction.