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 2013

Contents

Corporate Information

DIRECTORS

Executive directors

Mr. Hung Tsung Chin *(Chairman)*
Ms. Chen Mei Huei *(Chief Executive Officer)*
Mr. Liao Wen I
Mr. Frank Karl-Heinz Fischer
Mr. Mu Yean Tung (re-designated from independent non-executive director on February 28, 2013)
Mr. Shou Philip Ming-Yung (appointed on March 26, 2013)
Mr. Chen Chien An (resigned on February 28, 2013)

Independent non-executive directors

Mr. Hsu Chun Yi
Mr. Lee Chien Kuo
Mr. Han Chien Shan (appointed on February 28, 2013)
Mr. Mu Yean Tung (re-designated to executive director on February 28, 2013)

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. Han Chien Shan (appointed on February 28, 2013)
Mr. Mu Yean Tung (re-designated to executive director on February 28, 2013)

REMUNERATION COMMITTEE

Mr. Lee Chien Kuo *(Chairman)*
Mr. Hsu Chun Yi
Mr. Hung Tsung Chin
Mr. Han Chien Shan (appointed on February 28, 2013)
Mr. Mu Yean Tung (re-designated to executive director on February 28, 2013)

NOMINATION COMMITTEE

Mr. Han Chien Shan *(Chairman)* (appointed on February 28, 2013)
Mr. Hsu Chun Yi
Mr. Hung Tsung Chin
Mr. Mu Yean Tung (re-designated to executive director on February 28, 2013)

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank SinoPac
CTBC Bank Co., Ltd. (formerly known as 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
KGI Securities Co., Ltd.
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 52, 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 23 years of management experience in the electronics manufacturing industry. Mr. Hung graduated from the National Chengchi University in Taiwan, with a bachelor degree in business administration. He also completed the executives programme from the Graduate School of Business Administration, National Chengchi University.

Ms. Chen Mei Huei, aged 51, 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 23 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 degree in Spanish Literature and International Trade.

Mr. Liao Wen I, aged 45, is a co-founder of the Group since November 1989. 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 People's Republic of China (the "PRC"). Mr. Liao studied electronic device maintenance in a technical college in Taiwan.

Mr. Frank Karl-Heinz Fischer, aged 53, is the Vice President of the Group. Mr. Fischer joined the Group in January 2008 and is responsible for the global marketing strategy of the Group. Mr. Fischer has more than 25 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.

Mr. Mu Yean Tung, aged 52, is the executive director of the Company. He was an independent non-executive director of the Company from June 2012 to February 2013 and has been re-designated as an executive director of the Company since February 28, 2013. Mr. Mu has a master degree in finance from the University of Texas at Dallas. Mr. Mu has over 25 years of 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 Finance and International Business 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.

Mr. Shou Philip Ming-Yung, Ph.D., aged 63, is the founder and Chairman of Pro Brand International, Inc. ("Pro Brand"), a wholly owned subsidiary of the Company. He graduated from the University of California, San Diego with a Doctor of Philosophy in Oceanography. For the period from 1979 to 1982, he was an adjunct professor and research scientist of College of William and Mary. In 1983, Mr. Shou founded Pro Brand, which is now one of the major suppliers of antenna and electronics in the satellite industry worldwide. From April 2003 to June 2012, Mr. Shou was the director of Prime Electronics and Satellitics Inc. (Stock code: 6152.TW), a company listed on the Taiwan Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hsu Chun Yi, aged 51, is an independent non-executive director of the Company since 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. 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.

Mr. Lee Chien Kuo (also known as Thomas Lee), aged 49, is an independent non-executive director of the Company since 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. Han Chien Shan, aged 47, is an independent non-executive director of the Company since February 2013. He graduated from the National Chengchi University with a bachelor degree and a master degree in international trade. He also holds the doctoral degree in finance from the National Taiwan University. Mr. Han has extensive finance and teaching experience. He is currently the associate professor and the department head of the Department of Finance and International Business, Fu Jen Catholics University.

SENIOR MANAGEMENT

Mr. Pan Chih Ching, aged 43, is the Chief Financial Officer of the Group. He graduated from the National Chengchi University with a master degree in accounting and a bachelor degree in public finance. He is a member of the Institute of Internal Auditors and a member of the Project Management Institute. Mr. Pan has over 17 years of experience in internal audit, business consulting and financial management.

Mr. Su Jow Shi, aged 50, 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 where he earned a Master of Public Administration degree. Mr. Su joined the Group in September 1995.

Mr. Hsiao Yu Jung, aged 48, 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 40, 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 13 years of management experience in the development and quality control of digital television technologies.

Ms. Su Wan Ling (also named Ms. Julia Swen), aged 48, is the director of Pro Brand. 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 United States. She graduated from the University of California, with a bachelor degree in Biochemistry; a master degree in Environmental Science and a master degree of Business Administration. Ms. Su has over 18 years of experience in research of biotechnology field and business management.

Mr. James Crownover, aged 53, is the Chief Executive Officer of Pro Brand. Mr. Crownover has been working in Pro Brand since 2001. Prior to joining Pro Brand, he was a sales account manager of DIRECTV since its inception in 1994. He graduated from Old Dominion University with a bachelor degree in science.

BUSINESS REVIEW

During the year, the Group recorded an unsatisfactory performance notwithstanding the stable operation of its core businesses. The loss was mainly brought by: (1) the impairment loss on intangible assets due to the termination of the licensed children apparels business under the brand name of "Pleasant Goat and Big Big Wolf"; (2) the ailing European, Middle East and North African economies; and (3) the investment in product portfolio adjustments.

(1) Termination of children apparels business

During the year, the Group incurred a significant amount of impairment loss on intangible assets due to the early termination of the licensed children apparels business under the brand name of "Pleasant Goat and Big Big Wolf". The Group's strategy is to focus on its core business of the design, manufacturing and sales of media entertainment platform related products. Following the termination of the children apparels business, the Group will continue to pour its resources into its transformation from product manufacturer to platform owner.

(2) Middle East and North African markets and European debt crisis

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 remained the hotspot of conflicts and the situation has been deteriorating. Despite the downfall of old regimes, new order has yet to take shape. During the vacuum period, internal tribal, factional and social clashes erupted while geopolitical confrontations and the wrestling between superpowers intensified. People were struggling through the rockiest patch before things could get better as it was hoped.

The turbulent situations had 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 in the past year.

Due to the European debt crisis, the Group recorded operating losses and impairment losses on asset in the past two years. With the Group's proactive and proper efforts, the business has now been streamlined and the Group is expected to reduce the loss in its accounts for the coming year. With the gradual easing of the crisis as well as the launch of next-generation products, the Group's results might even return to profit.

(3) Investment in product portfolio adjustments

During the past two years, the Group has been going through a period of transition from a designer and manufacturer to a platform owner. Huge amount of research and development expenditure has also been set aside for next-generation 4G and two-way broadband products. Such material transformation will need time to flourish and require continuous investment and accumulation of substantial manpower and resources.

FINANCIAL REVIEW

Revenue

For the year ended June 30, 2013, the Group has recorded revenue of HK$1,398.5 million (2012: HK$1,343.0 million) from continuing operations, representing an increase of 4.1%, which was attributable to the new acquisition during the year.

Gross profit and gross profit margin

Gross profit from continuing operations amounted to HK$159.0 million, representing a decrease of 39.9% year-on-year. Gross profit margin reduced to 11.4% in 2013 (2012: 19.7%). The decrease in gross profit margin was mainly due to the acquisition of a subsidiary, Pro Brand International, Inc., in March 2013 which contributed lower gross profit margin.

Segment information

The Group's turnover is derived from sales of media entertainment platform related products, satellite TV equipment and antenna products, other multimedia products and revenue from provision of integration of signal system and traffic communication network.

The turnover generated from sales of media entertainment platform related products for the year amounted to HK$539.2 million (2012: HK$827.6 million), representing a decrease of 34.8% as compared to last year. The turnover generated from sales of other multimedia products for the year amounted to HK$409.2 million (2012: HK$486.1 million), representing a decrease of 15.8% as compared to last year. Turnover from both segments decreased owing to the impact of the worsening of the Europe's sovereign debt crisis which has depressed consumer spending sentiment.

The turnover generated from sales of satellite TV equipment and antenna products amounted to HK$398.9 million for the year (2012: Nil), representing 28.5% of the Group's turnover. The turnover from this segment was wholly contributed by the new acquisition.

The turnover generated from integration of signal system and traffic communication network for the year amounted to HK$51.2 million (2012: HK$29.3 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)	168.9	223.0	563.2	133.6	168.6	139.3	1.9	1,398.5
% of Group's revenue	12.1	15.9	40.3	9.6	12.0	10.0	0.1	100
% growth (decline) from last year	(38.9)	(38.3)	75.2	(29.1)	95.1	31.3	(31.8)	4.1

Operating results

The Group's loss for the year attributable to the owners of the Company was amounted to HK$271.4 million, as compared to last year's loss attributable to the owners of the Company of HK$53.2 million. The loss in the current year was mainly due to the followings:

1) A decrease in gross profit margin;

2) An increase in administrative and other expenses by 5.2% to approximately HK$187.1 million (2012: HK$177.9 million) mainly due to the acquisition of new business; and

3) Non-recurring provisions and impairments amounted to HK$61.8 million, majority of which are non-cash items including:

    a) non-cash impairment of goodwill arising from the acquisition of BCN Distribuciones, S.A. in Spain of HK$32.8 million;

    b) provision of doubtful debts of HK$19.0 million; and

    c) provision for aged inventory of HK$10.0 million.

In addition, 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 year attributable to the owners of the Company was amounted to HK$218.6 million (2012: HK$32.9 million).

Finance costs

Finance costs for the year ended June 30, 2013 were amounted to HK$11.6 million (2012: HK$4.6 million), representing an increase of HK$7.0 million. The increase in finance costs was primarily attributable to the increase in the amount of bank borrowings.

Working capital efficiency

The average inventory turnover days for the year ended June 30, 2013 and 2012 were 67 days and 67 days respectively.

The average trade receivables turnover days for the year ended June 30, 2013 and 2012 were 104 days and 86 days respectively.

The average trade payables turnover days for the year ended June 30, 2013 and 2012 were 87 days and 73 days respectively.

Liquidity and financial resources

At June 30, 2013, the Group had cash and cash equivalent balances totaled HK$236.6 million (2012: HK$146.0 million). The Group's major financial resources derived from cash generated from financing activities and internal generated cash flow.

The Group's current ratio (ratio of current assets to current liabilities) was 1.3 at June 30, 2013 (2012: 2.1).

As at June 30, 2013, the Group's total borrowings were HK$359.5 million (2012: HK$176.2 million). The gearing ratio (total borrowings over total assets of the Group) increased to 23.9% at June 30, 2013 from 12.3% at June 30, 2012. The increase in gearing was mainly due to the fact that an increase in new bank loan was greater than the increase in total assets.

Charges on assets

As at June 30, 2013, the Group's general banking facilities including bank loans were secured by the following assets of the Group: (i) bank deposits of HK$26.3 million, and (ii) leasehold land and buildings with a carrying value of HK$102.2 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, 2013 (2012: Nil).

SIGNIFICANT ACQUISITIONS, DISPOSAL AND TRANSACTION

Acquisition of Pro Brand International, Inc.

On October 31, 2012, the Company 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 conditionally agreed to acquire and the majority of selling shareholders of Pro Brand 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").

Pro Brand currently has a product portfolio covering more than 260 items in both antenna and low noise blocks ("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.

On March 6, 2013, all the conditions precedent to the Acquisition was satisfied and complete, and Pro Brand becomes a wholly-owned subsidiary of the Company.

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 "Bond Subscription"), pursuant of which, the Company had 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 Bond 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 Bond Subscription. All the conditions precedent to the Bond Subscription were fulfilled and the transaction was completed on December 27, 2012.

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 had 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") would be early terminated with effect from February 15, 2013 (the "Termination Date").

In accordance with the terms of the termination agreement, SLE had 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 would 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 would be released of its obligations to make the balance payment of license fees under the License Agreement.

The early termination of the License Agreement ceased 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. The early termination of License Agreement was completed on Termination Date.

Subscription of Additional Shares in Dish Media

On May 10, 2013, the Company and Dish Media Network Private Ltd. ("Dish Media") entered into the agreement, pursuant of which, the Company has conditionally agreed to subscribe for 6,195,652 new shares ("Subscription Shares") in the capital of Dish Media for an aggregate subscription price of US$7,289,002 (equivalent to HK$56,489,765) (the "Share Subscription"). The Subscription Shares represent 12.88% of the enlarged issued share capital of Dish Media upon completion of the subscription. Upon completion of the Share Subscription, the Company's interest in Dish Media will increase from 47% to 60% and Dish Media will become a non-wholly owned subsidiary of the Company.

Dish Media is the only satellite television operator in Nepal and currently it provides Direct-to-Home satellite television services to its subscribers under the brand name of Dish Home which offers over 50 channels to its subscribers covering the full spectrum of satellite television contents. 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 Share Subscription will enable the Company to consolidate its control over Dish Media and provide the Group with a strategic platform to explore and develop the market of set top boxes and other digital media equipment in Nepal. It is the Group's strategy to continue investing resources for the transformation from an integrated device designer and manufacturer to a multimedia platform owner.

Completion of the Share Subscription is subject to the obtaining of the appropriate consents from the Department of Industries ("DOI") and the Ministry of Finance ("MOF") of Nepal as to the allotment of the Subscription Shares to the Company. In the event that the DOI or the MOF do not approve the contemplated transactions, all consideration paid under the Share Subscription shall be refunded by Dish Media, without interest, to the Company.

As at the date of this report, the Share Subscription is still in process and it is expected to be completed in December 2013.

PROSPECTS

(1) New developments in American markets

In March 2013, the Group acquired Pro Brand International, Inc. ("Pro Brand") in its entirety. Pro Brand is a pure research, development and marketing company of the world's leading radio frequency, antenna and microwave electronic technologies. Pro Brand has a century-old powerful and professional team of capable engineers with Direct-to-Home (DTH) services for satellite television broadcasting capability.

Pro Brand principally offers LNB, antennas and two-way broadband antennas. It is a major supplier of the largest satellite television operator in North America, and has recently obtained certification from advanced digital satellite communication and other broadcasting and signal processing equipment manufacturers, leading American telecommunication operators and leading 4G Long Term Evolution (LTE) mobile communication device manufacturers. It has already established footholds in the mainstream two-way broadband and 4G LTE markets. Pro Brand is also one of the major suppliers of satellite receiving products in the United States and Latin America.

Two-way broadband launch – To cope with the rising demand for network bandwidth and mobile data services, satellite communication, particularly two-way satellite communication, has become the most cost-efficient broadband solution owing to its ability to meet the needs for data uploading and downloading at the same time. For instance, the number of its users in the United States has reached 1 million households while the number of potential users in this market is estimated to be approximately 40 million households. Players within the industry believe that the two-way broadband antenna market will sustain constant growth at an annual rate of 5-10% in the next few years.

4G Long Term Evolution – The global sales volume of smartphones has grown from 490 million units in 2011 to the record-breaking 700 million units in 2012. It is expected that by 2015, there will be 3.5 billion mobile broadband users around the globe. Being the mainstream and leading next-generation mobile broadband solution, 4G LTE has been adopted by many key telecommunication operators in the world. As at the date hereof, telecommunication operators in, among others, the United States, Hong Kong, Japan and Korea have acquired a total of 145 LTE commercial networks, representing an increase of 97 networks as compared with 2012. The current number of 4G LTE users around the world has reached nearly 60 million, showing a resilient growth.

With a leading global satellite equipment manufacturer and distribution channels to the Middle East and North African markets on hand, the Group aims at capitalizing on the 30-year strength of Pro Brand in terms of research and development of microwave and satellite communication technologies and customer base in order to seize the enormous market opportunities brought by the global demand for next-generation 4G and satellite communication technologies.

(2) Pay television system platform in Nepal

Dish Media Network Private Limited ("DMN") is the only satellite television operator in Nepal. In 2011, the Group invested in DMN and turned from a hardware manufacturer into a platform owner. After over two years of active market planning and expansion, the pay television system platform in Nepal has turned the corner. The number of subscribers has risen to 215,000 from approximate 40,000 at the start of the Group's investment in March 2011. Currently, an amendment in the laws of Nepal to allow foreign ownership of local enterprise of over 51% is pending. The Group has recently leased the second satellite channel receiving and sending system in order to enter the market of Kathmandu, the capital of Nepal. The Group expects the number of its subscribers will be increased in 2014 so as to broaden its pay television monthly subscription income in the future.

(3) Concentrate on pay television (Pay TV) industry in Middle East and North African markets

In the past two years, the Group has successfully completed the development and market launch of certain products. It is expected that in tandem with the digitalization and investments in the production and encryption of high-definition programs by producers in the Middle East and North African markets, a DTH subscription fever will sweep through these regions one by one. The fever will also boost the demand for middle-and-high-end products and turn the local entertainment focus from free television services to Pay TV systems.

Leveraging on the vertical integration and diversification of its core business, coupled with the continual efforts of the Group in recruiting able research and development talents from around the world and that of its frontline marketing teams in exploring business opportunities, the Group has already jump-started its integration and is actively planning for and moving forward to a new phase of business development. A moderate improvement in the Group's overall profitability is forecasted for 2014 and the fruit of the transformation can be expected after 2015.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended June 30, 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of shareholders will be closed from Friday, November 8, 2013 to Monday, November 11, 2013, 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 ("AGM"), 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 Thursday, November 7, 2013.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended June 30, 2013, in conjunction with the Company's independent auditors prior to their approval by the Board.

EMPLOYEES

As at June 30, 2013, the Group employed a total of 2,358 (2012: 2,739) 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$118.7 million (2012: HK$183.8 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 ("Code Provisions") set out in Appendix 14 the Corporate Governance Code and Corporate Governance Report (taking effect from April 1, 2012) (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the year ended June 30, 2013 (the "Year"), the Company has complied with the Code Provisions set out in the 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 as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, 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

Composition of the board of Directors of the Company (the "Board") is as follows:

Executive Directors:

Mr. Hung Tsung Chin
Ms. Chen Mei Huei
Mr. Liao Wen I
Mr. Frank Karl-Heinz Fischer
Mr. Mu Yean Tung
Mr. Shou Philip Ming-Yung

Independent non-executive Directors:

Mr. Hsu Chun Yi
Mr. Lee Chien Kuo
Mr. Han Chien Shan

The Board is currently comprised of six executive Directors and three independent non-executive Directors ("INEDs"). 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 diverse industry experience and appropriate finance and corporate development background. The Board considered the composition and the diversity of experiences of Directors enhances the corporate governance and provides valuable advices for the Group's ongoing development. The biographical details of the Directors are set out in Directors and Senior Management section on pages 3 and 4 of this annual report.

Board Meetings

During the Year, the Company held seven Board meetings. Regular Board meetings are scheduled in advance to facilitate the attendance by Directors. Senior Management is invited to join the Board meetings to enhance the communications between the Board and the management. Meeting agendas and other relevant information are provided to Directors with reasonable notice in advance of Board meetings. Minutes of board meetings 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. The Board also established three committees, which are the Audit Committee, the Nomination Committee and the Remuneration Committee (the "Committees"), with specific responsibilities 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**	**2012 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)*	7/0	100%	N/A	N/A	3/0	100%	3/0	100%	1	100%
Chen Mei Huei *(Chief Executive Officer)*	4/3	100%	N/A	N/A	N/A	N/A	N/A	N/A	0	0%
Liao Wen I	2/0	29%	N/A	N/A	N/A	N/A	N/A	N/A	0	0%
Chen Chien An	6/0 (Note 1)	100%	N/A	N/A	N/A	N/A	N/A	N/A	1	100%
Frank Karl-Heinz Fischer	3/3	86%	N/A	N/A	N/A	N/A	N/A	N/A	0	0%
Mu Yean Tung *(re-designated to executive director on February 28, 2013)*	0/0 (Note 2)	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shou Philip Ming-Yung *(appointed on March 26, 2013)*	0/0 (Note 3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INEDs										
Hsu Chun Yi	7/0	100%	2/0	100%	3/0	100%	3/0	100%	0	0%
Lee Chien Kuo	7/0	100%	2/0	100%	N/A	N/A	3/0	100%	0	0%
Mu Yean Tung *(re-designated to executive director on February 28, 2013)*	6/0 (Note 1)	100%	2/0 (Note 4)	100%	2/0 (Note 6)	100%	2/0 (Note 8)	100%	1	100%
Han Chien Shan *(appointed on February 28, 2013)*	1/0 (Note 2)	100%	0/0 (Note 5)	N/A	1/0 (Note 7)	100%	1/0 (Note 9)	100%	N/A	N/A

Note 1: Six Board meetings were held during the period from July 1, 2012 to February 27, 2013.

Note 2: One Board meeting was held during the period from February 28, 2013 to June 30, 2013.

Note 3: No Board meeting was held during the period from March 26, 2013 to June 30, 2013.

Note 4: Two Audit Committee meetings were held during the period from July 1, 2012 to February 27, 2013.

Note 5: No Audit Committee meeting was held during the period from February 28, 2013 to June 30, 2013.

Note 6: Two Nomination Committee meetings were held during the period from July 1, 2012 to February 27, 2013.

Note 7: One Nomination Committee meeting was held during the period from February 28, 2013 to June 30, 2013.

Note 8: Two Remuneration Committee meetings were held during the period from July 1, 2012 to February 27, 2013.

Note 9: No Remuneration Committee meeting was held during the period from February 28, 2013 to June 30, 2013.

Mr. Hsu Chun Yi and Mr. Lee Chien Kuo, the INEDs were unable to attend the AGM of the Company held on December 6, 2012 due to their respective overseas engagements.

Responsibilities of the Board

The Directors are collectively and ultimately responsible for the leadership and control of the Group (comprising the Company and its subsidiaries), and the management of its strategic decisions 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.

Details of the rules governing the appointment, re-election and removal of Directors are laid down in the Bye-laws of the Company.

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

Code Provision A.6.5 of the Code requires that all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. 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. Han Chien Shan and Mr. Shou Philip Ming-Yung who joined the Board on February 28, 2013 and March 26, 2013 respectively.

Directors' training is an ongoing process. The Company is responsible for arranging and funding suitable training for Directors. All Directors are required to provide the Company with their training records. At the Board meetings held on September 28, 2012 and July 12, 2013, the Directors were given a briefing and training on the recent amendments to the Listing Rules and the latest development of corporate governance for the Directors to assist them in discharging their duties.

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 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. Han Chien Shan have entered into the letter of appointment with the Company and be appointed for a period of one year commencing from December 1, 2012, February 2, 2013 and February 28, 2013 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 approval of 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. Han Chien Shan and is chaired by Mr. Lee Chien Kuo. During the Year, the Remuneration Committee has convened three meetings. 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 AGM. 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 is 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 INEDs 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. Han Chien Shan and Mr. Hsu Chun Yi and is chaired by Mr. Han Chien Shan. During the Year, the Nomination Committee has convened three 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. Han Chien Shan 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.

DIRECTORS' RESPONSIBILITIES FOR PREPARING ACCOUNTS AND AUDITORS' RESPONSIBILITIES

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 29 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, 2013 is set out as follows:

	2013	2012
	HK$'000	HK$'000
Audit	**4,416**	2,522
Non-audit services		
– Interim review	**310**	350
– Others	**392**	80

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 has delegated the corporate governance functions to the Audit Committee. The Audit Committee 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 AND CHANGES IN CONSTITUTIONAL DOCUMENTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM 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 AGM, shall be called a special general meeting. The Board may whenever it thinks fit to 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, 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended June 30, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

No interim dividend for the six months ended December 31, 2012 was paid to shareholders during the year. The Directors do not recommend the payment of a final dividend for the year ended June 30, 2013.

FINANCIAL SUMMARY

A summary of results and assets and liabilities of the Group for the last five financial years is set out on page 120 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 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at June 30, 2013 were as follows:

	2013	2012
	HK$'000	HK$'000
Contributed surplus	**181,788**	181,788
Accumulated losses	**(46,752)**	(2,710)
	135,036	179,078

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 43 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, 2013.

BORROWINGS

Details of the borrowings of the Group are set out in note 28 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. Frank Karl-Heinz Fischer	
Mr. Mu Yean Tung	(re-designated from independent non-executive director on February 28, 2013)
Mr. Shou Philip Ming-Yung	(appointed on March 26, 2013)
Mr. Chen Chien An	(resigned on February 28, 2013)

Independent non-executive directors:

Mr. Hsu Chun Yi	
Mr. Lee Chien Kuo	
Mr. Han Chien Shan	(appointed on February 28, 2013)
Mr. Mu Yean Tung	(re-designated to executive director on February 28, 2013)

In accordance with the Company's Bye-laws 87(1) and 87(2), Mr. Hung Tsung Chin, Ms. Chen Mei Huei and Mr. Hsu Chun Yi shall retire by rotation and, being eligible, offered themselves for re-election at the forthcoming AGM. In accordance with the Company's Bye-laws 86(2), Mr. Shou Philip Ming-Yung and Mr. Han Chien Shan shall retire from office and being eligible, offered themselves 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. Frank Karl-Heinz Fischer, the executive director of the Company, 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 contract may be terminated by either party by giving to the other three months' prior notice in writing.

Mr. Mu Yean Tung, the executive director of the Company, has entered into a service contract with the Company and for a term of three years commencing from February 28, 2013 and will expire on the earlier of the date of the Company's AGM in 2016 and the third anniversary of the date of the service contract. The service contract may be terminated by either party by giving to the other three months' prior notice in writing.

Mr. Shou Philip Ming-Yung, the executive director of the Company, has entered into a service contract with the Company and for a term of three years commencing from March 26, 2013 and will expire on the earlier of the date of the Company's AGM in 2016 and the third anniversary of the date of the service contract. The service contract 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. Han Chien Shan, 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, 2012, February 2, 2013 and February 28, 2013 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.

Save as disclosed above, none of the Directors has entered into any service contract which is not determinable by the Company and any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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, 2013, 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 interests	Number of the Company's shares held		Percentage of interests
Mr. Hung Tsung Chin	Beneficial owner	162,275,437	(Note 1)	19.50%
	Personal	2		0.00%
Ms. Chen Mei Huei	Beneficial owner	162,275,437	(Note 1)	19.50%
	Personal	2,500,000	(Note 3)	0.30%
Mr. Liao Wen I	Beneficial owner	62,704,812	(Note 2)	7.53%
Mr. Frank Karl-Heinz Fischer	Personal	500,000	(Note 3)	0.06%
Mr. Shou Philip Ming-Yung	Personal	8,236,341		0.99%
	Interest of spouse	12,395,745	(Note 4)	1.49%

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.

4. Mr. Shou Philip Ming-Yung is the spouse of Ms. Gen-Chu Shou and is deemed to be interested in the shares of the Company in which Ms. Gen-Chu Shou is deemed or taken to be interested pursuant to the SFO.

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

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

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.

As at June 30, 2013, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 8,125,000, representing 0.98% of the shares of the Company in issue as at June 30, 2013.

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)*

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

				Number of share options			
Type of grantee	Date of grant	Closing price per share immediately prior to the grant date	Exercise price	Outstanding at July 1, 2012	Exercised during the year	Lapsed during the year	Outstanding at June 30, 2013
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	–	(100,000)	2,400,000
	December 16, 2006	HK$2.05	HK$2.05	725,000	–	(300,000)	425,000
	December 27, 2007	HK$1.76	HK$1.76	1,050,000	–	(150,000)	900,000
	April 1, 2009	HK$1.10	HK$1.114	1,200,000	–	(300,000)	900,000
	October 22, 2010	HK$2.05	HK$2.05	500,000	–	–	500,000
Total				8,975,000	–	(850,000)	8,125,000

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, 2013, 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, 2013, 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 interests
Metroasset Investments Limited	Beneficial owner	162,275,437	19.50% (Note 1)
Success Power Investments Limited	Beneficial owner	101,931,500	12.25%
Wellever Investments Limited	Beneficial owner	62,704,812	7.53% (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, 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.

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.

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, 2013, 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 34 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 the Listing Rules throughout the year.

AUDITOR

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

On behalf of the Board

Hung Tsung Chin
Chairman
Hong Kong, September 30, 2013

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 31 to 119, which comprise the consolidated statement of financial position as at June 30, 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at June 30, 2013 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 30, 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended June 30, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	5	**1,398,548**	1,342,950
Cost of sales		**(1,239,569)**	(1,078,484)
Gross profit		**158,979**	264,466
Other income		**24,257**	32,492
Other gains and losses		**(59,070)**	(29,901)
Loss on financial instruments	19	**(5,224)**	–
Loss on fair value change of derivatives embedded in convertible bonds		**–**	(15,184)
Gain on deemed disposal of interest in a subsidiary	39	**–**	5,584
Gain on bargain purchase	38(b)	**–**	3,233
Loss on deemed disposal of interest in an associate	38(b)	**–**	(9,790)
Share of results of associates	18	**(21,802)**	(9,209)
Increase in fair value of investment properties	15	**1,357**	735
Distribution and selling costs		**(41,635)**	(54,369)
Administrative and other expenses		**(187,055)**	(177,867)
Research and development costs		**(35,229)**	(40,820)
Finance costs	7	**(11,550)**	(4,614)
Loss before taxation		**(176,972)**	(35,244)
Taxation	8	**(43,454)**	2,908
Loss for the year from continuing operations		**(220,426)**	(32,336)
Discontinued operation			
Loss for the year from discontinued operation	9	**(82,136)**	(25,539)
Loss for the year	9(a)	**(302,562)**	(57,875)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of foreign operations		**2,456**	(14,674)
Fair value change of available-for-sale investments		**(12)**	(2,292)
Reclassification upon maturity of available-for-sale investments		**3,002**	–
Total comprehensive expense for the year		**(297,116)**	(74,841)
Loss for the year attributable to owners of the Company:			
– from continuing operations		**(218,622)**	(32,910)
– from discontinued operation		**(52,802)**	(20,331)
		(271,424)	(53,241)
Loss for the year attributable to non-controlling interests:			
– from continuing operations		**(1,804)**	574
– from discontinued operation		**(29,334)**	(5,208)
		(31,138)	(4,634)
		(302,562)	(57,875)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended June 30, 2013

	NOTE	2013 HK$'000	2012 HK$'000
Total comprehensive expense attributable to:			
Owners of the Company		**(265,632)**	(70,013)
Non-controlling interests		**(31,484)**	(4,828)
		(297,116)	(74,841)
Loss per share from continuing and discontinued operations	12		
Basic		**(35.2) HK cents**	(7.2) HK cents
Diluted		**(35.2) HK cents**	(7.2) HK cents
Loss per share from continuing operations	12		
Basic		**(28.4) HK cents**	(4.4) HK cents
Diluted		**(28.4) HK cents**	(4.4) HK cents

Consolidated Statement of Financial Position

At June 30, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	13	**173,304**	165,182
Deposit paid for acquisition of a subsidiary	44	**10,961**	–
Prepaid lease payments	14	**15,195**	15,253
Investment properties	15	**38,413**	36,187
Goodwill	16	**25,771**	47,847
Intangible assets	17	**46,234**	67,460
Interest in an associate	18	**–**	31,975
Loan to an associate	18	**23,269**	–
Amount due from an associate	24	**14,170**	–
Deferred tax assets	20	**10,537**	34,839
Loan receivable	23	**10,238**	12,953
Bond receivables	19	**95,699**	–
		463,791	411,696
Current assets			
Inventories	21	**259,403**	198,932
Trade, bills and other receivables	22	**550,564**	401,923
Prepaid lease payments	14	**414**	405
Loan receivable	23	**4,203**	1,053
Loan to an associate	18	**–**	15,513
Amount due from an associate	24	**33,737**	22,842
Available-for-sale investments	19	**816**	191,367
Pledged bank deposits	25	**26,324**	48,346
Bank balances and cash	26	**236,621**	146,016
		1,112,082	1,026,397
Current liabilities			
Trade, bills and other payables	27	**454,131**	303,812
Tax liabilities		**38,467**	17,643
Bank and other borrowings – due within one year	28	**353,764**	158,337
Obligations under finance leases	28(a)	**1,804**	–
		848,166	479,792
Net current assets		**263,916**	546,605
		727,707	958,301

Consolidated Statement of Financial Position

At June 30, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	29	**83,223**	74,065
Reserves		**600,945**	818,341
Equity attributable to owners of the Company		**684,168**	892,406
Non-controlling interests		**(2,889)**	28,595
Total equity		**681,279**	921,001
Non-current liabilities			
Bank and other borrowings – due after one year	28	**5,696**	17,888
Deferred tax liabilities	20	**25,114**	19,412
Obligations under finance leases	28(a)	**15,618**	–
		46,428	37,300
		727,707	958,301

The consolidated financial statements on pages 31 to 119 were approved and authorised for issue by the Board of Directors on September 30, 2013 and are signed on its behalf by:

Hung Tsung Chin
DIRECTOR

Chen Mei Huei
DIRECTOR

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At July 1, 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	–	–	–	–	–	–	–	–	–	(39,278)	(39,278)
Acquisition of interest in a subsidiary (note 38(b))	–	–	–	–	–	–	–	–	–	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
Loss for the year	–	–	–	–	–	–	–	(271,424)	(271,424)	(31,138)	(302,562)
Fair value change of available-for-sale investments	–	–	–	–	–	(12)	–	–	(12)	–	(12)
Reclassification upon maturity of available-for-sale investments	–	–	–	–	–	3,002	–	–	3,002	–	3,002
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	2,802	–	2,802	(346)	2,456
Total comprehensive expense for the year	–	–	–	–	–	2,990	2,802	(271,424)	(265,632)	(31,484)	(297,116)
Issue of shares (note 29)	9,158	47,621	–	–	–	–	–	–	56,779	–	56,779
Recognition of equity-settled share-based payments	–	–	615	–	–	–	–	–	615	–	615
Transfer	–	–	–	1,856	–	–	–	(1,856)	–	–	–
At June 30, 2013	**83,223**	**349,246**	**7,830**	**29,220**	**79,878**	**(15)**	**46,234**	**88,552**	**684,168**	**(2,889)**	**681,279**

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, 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Loss before taxation	**(268,144)**	(60,783)
Adjustments for:		
Amortisation of intangible assets	**13,289**	5,661
Depreciation of property, plant and equipment	**16,666**	21,009
Finance costs	**11,550**	4,614
(Gain) loss on disposal of property, plant and equipment	**(1,524)**	258
Gain on bargain purchase	**–**	(3,233)
Impairment loss on trade and other receivables	**25,238**	7,684
Write-down of inventories	**15,754**	13,515
Impairment loss on goodwill	**32,817**	–
Impairment loss on deposit paid for acquisition of an associate	**–**	19,467
Impairment loss on property, plant and equipment	**4,134**	–
Impairment loss on intangible assets	**49,100**	–
Increase in fair value of investment properties	**(1,357)**	(735)
Interest income	**(882)**	(2,077)
Interest income from an associate	**(983)**	(241)
Effective interest income on convertible bonds	**(6,440)**	(13,388)
Effective interest income on bond receivables	**(3,915)**	–
Bad debt recovered	**(48)**	–
Release of prepaid lease payments	**407**	404
Share-based payment expense	**615**	1,221
Gain on fair value change of derivative financial instruments	**–**	(310)
Loss on financial instruments	**5,224**	–
Loss on fair value change of derivatives embedded in convertible bonds	**–**	15,184
Share of results of associates	**21,802**	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	**(86,697)**	39,374
Decrease (increase) in inventories	**46,556**	(15,377)
Increase in trade, bills and other receivables	**(65,991)**	(97,038)
Increase in amount due from an associate	**(10,153)**	(22,601)
Decrease in derivative financial instruments	**–**	786
(Decrease) increase in trade, bills and other payables	**(38,571)**	26,950
Cash used in operations	**(154,856)**	(67,906)
Taxation in other jurisdictions paid	**(6,139)**	(9,829)
Taxation in other jurisdictions refunded	**6,234**	–
Interest received	**882**	2,077
Interest paid	**(11,550)**	(4,614)
Net cash used in operating activities	**(165,429)**	(80,272)

	NOTE	2013 HK$'000	2012 HK$'000
Investing activities			
Receipts upon the maturity of Convertible Bonds (as defined in note 19)		**100,000**	–
Withdrawal of pledged bank deposits		**22,022**	–
Proceeds from disposal of property, plant and equipment		**7,560**	345
Repayment from an associate		**241**	–
Advance to an associate		**(14,170)**	–
Deposit paid for acquisition of a subsidiary		**(10,961)**	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	38	**(10,474)**	(3,841)
Loan to an associate		**(7,756)**	(15,513)
Purchase of property, plant and equipment		**(6,266)**	(12,793)
Expenditure on intangible assets		**(3,221)**	(14,517)
Acquisition of an associate		**–**	(40,530)
Placement of pledged bank deposits		**–**	(34,983)
Deposit paid for acquisition of an associate		**–**	(19,467)
Deemed disposal of a subsidiary		**–**	(7,265)
Net cash from (used in) investing activities		**76,975**	(148,564)
Financing activities			
New bank and other loans raised		**289,881**	225,128
Repayment of bank and other loans		**(99,429)**	(124,526)
(Decrease) increase in trust receipt loans		**(8,078)**	1,377
Repayment of obligations under finance leases		**(597)**	–
Proceeds from issue of shares upon exercise of share options		**–**	695
Net cash from financing activities		**181,777**	102,674
Net increase (decrease) in cash and cash equivalents		**93,323**	(126,162)
Cash and cash equivalents at beginning of the year		**146,016**	276,264
Effect of foreign exchange rate changes		**(2,718)**	(4,086)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**236,621**	146,016

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 43.

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 Accountants ("HKICPA") and are mandatorily effective for the Group's financial year beginning July 1, 2012, as follows:

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

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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(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 year. 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 Company anticipate that the application of other new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements.

Except as described above, the application of the other new or 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.

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 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[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
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]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) – Int 21	Levies[2]

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets *(Continued)*

[1] Effective for annual periods beginning on or after January 1, 2013.

[2] Effective for annual periods beginning on or after January 1, 2014.

[3] Effective for annual periods beginning on or after January 1, 2015.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets.

HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- 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. 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, 2013, in the opinion of directors, the application of the new standard do not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC) – Int 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

The package of five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statement for the annual period beginning on July 1, 2013.

However, the directors anticipate that the application of these five standards do not have significant effect on the Group.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

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 and 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)*

Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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 when 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. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill 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 the Group's 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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 profit or loss and other 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure *(Continued)*

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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.

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, bond receivables, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

Financial liabilities and equity

Debt 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, bank and other borrowings and obligations under finance leases 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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 with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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.

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

Impairment loss on receivables, deposit and advance

The assessment of the impairment loss on trade receivables, loan receivable, loan to an associate and amount due from an associate 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 counterparty. 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 counterparties 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, 2013, the carrying value of trade receivables, loan receivable, loan to an associate and amount due from an associate were HK$457,777,000, HK$14,441,000, HK$23,269,000 and HK$47,907,000, respectively (2012: HK$335,048,000, HK$14,006,000, HK$15,513,000 and HK$22,842,000, respectively) (net of allowance for doubtful debts of HK$87,763,000 (2012: HK$71,654,000)). Details of the movement of allowance for doubtful debts are disclosed in note 22. No impairment loss has been recognised for loan receivable, loan to an associate and amount due from an associate in both years as the directors of the Company considered the carrying amounts still recoverable.

Estimated impairment of goodwill, intangible asset, and property, plant and equipment

Determining whether goodwill, intangible asset 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 and estimation of the value in use of CGU of business of satellite TV equipment and antenna conducted by Pro Brand International, Inc. ("PBI") to which goodwill, intangible asset, 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, 2013, the carrying amount of goodwill was HK$25,771,000 (2012: HK$47,847,000), net of accumulated impairment loss of HK$68,827,000 (2012: HK$36,010,000) which include impairment loss of HK$32,817,000 (2012: Nil) was recognised during the year, and the carrying amounts of related intangible asset and property, plant and equipment for the CGU of the business of satellite TV equipment and antenna and for the CGUs of the business of media entertainment platform related products were HK$36,061,000 (2012: Nil) and HK$16,732,000 (2012: HK$17,702,000), respectively. Details of the recoverable amount calculation are disclosed in note 16.

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

Estimated impairment of interest in an associate and deposit paid for acquisition of a subsidiary

In determining impairment of interest in an associate and deposit paid for acquisition of a subsidiary, the Group estimate its share of the present value of the estimated future cash flows expected to be generated by the associate. Any impairment loss is recognised by write down of the investment to its estimated recoverable amount. After making such assessment, the directors of the Company are of the view that no impairment loss of interest in an associate and deposit paid for acquisition of a subsidiary was necessary during the year. Details are disclosed in note 18.

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, 2013, the carrying amount of inventories was HK$259,403,000 (2012: HK$198,932,000), and allowance of inventories of HK$29,269,000 (2012: HK$13,515,000) was recognised as at June 30, 2013.

Income taxes

As at June 30, 2013, a deferred tax asset of HK$10,537,000 (2012: HK$34,798,000) in relation to unused tax losses and deferred expenditure 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 taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

A reversal of deferred tax assets of HK$34,311,000 was recognised during the year as the actual profits generated was less than expected in one of the subsidiaries of the Group.

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:

	2013	2012
	HK$'000	HK$'000
Sales of goods	**1,347,378**	1,313,647
Service income	**51,170**	29,303
	1,398,548	1,342,950

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 different products and services.

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. Integration of signal system and traffic communication network

Integration of signal system and traffic communication network

– Provide installation and integration of signal system and traffic communication network.

4. Satellite TV equipment and antenna

Trading of satellite TV equipment and antenna.

In the prior year, the Group had four operating segments (i.e. media entertainment platform related products, other multimedia products, integration of signal system and traffic communication network and children apparels). During the year, one more business (i.e. satellite TV equipment and antenna) was newly acquired by the Group and an operating segment regarding the retailing and wholesaling of children apparels was discontinued. The segment information reported in this note does not include any amounts for this discontinued operation which are described in more details in note 9.

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, 2013

Continuing operations

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Integration of signal system and traffic communication network HK$'000	Satellite TV equipment and antenna HK$'000	Total HK$'000
REVENUE					
External sales	539,211	409,248	51,170	398,919	1,398,548
RESULTS					
Segment results	30,219	13,011	2,058	20,259	65,547
Other income					24,257
Other gains and losses					(7,273)
Loss on financial instruments					(5,224)
Share of results of associates					(21,802)
Increase in fair value of investment properties					1,357
Research and development costs					(35,229)
Administrative and other expenses					(187,055)
Finance costs					(11,550)
Loss before taxation (continuing operations)					(176,972)

6. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results *(Continued)*

Year ended June 30, 2012

Continuing operations

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Integration of signal system and traffic communication network HK$'000	Total HK$'000
REVENUE				
External sales	827,576	486,071	29,303	1,342,950
RESULTS				
Segment results	160,324	42,339	(250)	202,413
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				(9,209)
Increase in fair value of investment properties				735
Research and development costs				(40,820)
Administrative and other expenses				(177,867)
Finance costs				(4,614)
Loss before taxation (continuing operations)				(35,244)

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 and other expenses, research and development costs, other income, other gains and losses (except impairment loss on goodwill and trade receivables), loss on financial instruments, 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 Assets and Liabilities

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

At June 30, 2013

	Continuing operations				
	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Integration of signal system and traffic communication network HK$'000	Satellite TV equipment and antenna HK$'000	Total HK$'000
ASSETS					
Segment assets	473,332	172,397	70,295	312,447	1,028,471
Bank balances and cash					236,621
Pledged bank deposits					26,324
Assets relating to discontinued operation					1,666
Unallocated corporate assets					282,791
Consolidated assets					1,575,873
LIABILITIES					
Segment liabilities	211,595	57,119	15,180	149,838	433,732
Bank and other borrowings					359,460
Obligations under finance leases					17,422
Liabilities relating to discontinued operation					1,290
Unallocated corporate liabilities					82,690
Consolidated liabilities					894,594

6. SEGMENT INFORMATION *(Continued)*

Segment Assets and Liabilities *(Continued)*

At June 30, 2012

	Continuing operations			
	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Integration of signal system and traffic communication network HK$'000	Total HK$'000
ASSETS				
Segment assets	564,383	185,107	50,785	800,275
Bank balances and cash				146,016
Pledged bank deposits				48,346
Assets relating to discontinued operation				85,492
Unallocated corporate assets				357,964
Consolidated assets				1,438,093
LIABILITIES				
Segment liabilities	203,028	49,241	16,298	268,567
Bank and other borrowings				176,225
Liabilities relating to discontinued operations				16,647
Unallocated corporate liabilities				55,653
Consolidated liabilities				517,092

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, deposit paid for acquisition of a subsidiary, available-for-sale investments, bond receivables, investment properties, loan to an associate, amount due from an associate, interest in an associate, deferred tax assets, loan receivables, other receivables, bank balances and cash and pledged bank deposits; and

- all liabilities are allocated to operating segments other than certain other payables, tax liabilities, deferred tax liabilities and bank and other borrowings.

6. SEGMENT INFORMATION *(Continued)*

Other Segment Information

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

Year ended June 30, 2013

Continuing operations

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Integration of signal system and traffic communication network HK$'000	Satellite TV equipment and antenna HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	6,476	1,346	654	65,385	655	74,516
Depreciation and amortisation	16,779	2,108	672	3,411	988	23,958
Release of prepaid lease payments	341	66	–	–	–	407
Impairment loss on goodwill	22,972	9,845	–	–	–	32,817
Impairment loss on trade receivables	13,503	5,477	–	–	–	18,980
Write-down of inventories	3,942	5,444	–	640	–	10,026

Year ended June 30, 2012

Continuing operations

	Media entertainment platform related products HK$'000	Other multimedia products HK$'000	Integration of signal system and traffic communication network HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	23,842	1,349	1,771	23	26,985
Depreciation and amortisation	19,121	2,473	523	1,702	23,819
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

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)	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Asia				
– Taiwan	**63,438**	57,755	**14,223**	19,887
– Nepal	**20,762**	22,915	**–**	–
– PRC (country of domicile)	**2,061**	238	**171,405**	192,779
– Others	**53,026**	25,169	**9,015**	56,867
Europe				
– Germany	**39,169**	157,397	**16,101**	15,779
– Italy	**44,313**	53,090	**–**	–
– Spain	**66,014**	52,772	**16,594**	44,794
– Ukraine	**33,239**	28,342	**–**	–
– Portugal	**6,394**	20,883	**–**	–
– France	**9,618**	13,628	**–**	–
– Others	**24,238**	35,231	**–**	–
North America				
– United States of America	**481,847**	212,946	**71,579**	–
– Canada	**48,598**	56,589	**–**	–
– Mexico	**31,244**	51,211	**–**	–
– Others	**1,575**	670	**–**	–
Middle East				
– United Arab Emirates	**152,836**	254,109	**–**	1,823
– Others	**16,114**	22,504	**–**	–
Africa				
– Algeria	**47,543**	101,180	**–**	–
– Morocco	**61,424**	73,278	**–**	–
– Others	**24,625**	13,877	**–**	–
South America				
– Brazil	**26,423**	33,764	**–**	–
– Chile	**53,660**	28,748	**–**	–
– Argentina	**54,062**	14,904	**–**	–
– Others	**34,441**	8,986	**–**	–
Other regions	**1,884**	2,764	**–**	–
	1,398,548	1,342,950	**298,917**	331,929

Note: Non-current assets exclude interest in an associate, deferred tax assets, deposit paid for acquisition of a subsidiary and financial instruments.

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2013 HK$'000	2012 HK$'000
Customer A	**262,705**	Note

Note: Revenue from the above customer is from the satellite TV equipment and antenna segment, which was acquired by the Group during the year.

7. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest on:		
Bank and other borrowings		
– wholly repayable within five years	**11,478**	4,614
– not wholly repayable within five years	**24**	–
Finance leases	**48**	–
	11,550	4,614

8. TAXATION

	2013 HK$'000	2012 HK$'000
Continuing operations		
The tax charge (credit) comprises:		
Current tax:		
Hong Kong	**–**	410
PRC	**5,616**	4,436
Jurisdictions other than the PRC and Hong Kong	**1,411**	1,640
Withholding tax	**4,597**	4,899
	11,624	11,385
Under(over)provision in prior years:		
Jurisdictions other than the PRC and Hong Kong	**4**	(403)
Deferred taxation:		
Current year	**28,674**	(15,606)
Effect of change in tax rate	**1,837**	–
Provision for withholding tax	**1,315**	1,716
	31,826	(13,890)
	43,454	(2,908)

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% (2012: 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"). In March 2013, 中山聖馬丁電子元件有限公司 received a notice from the relevant PRC tax authority that certain conditions under High and New Technology Enterprises Status have not been fulfilled and the tax rate resumed to 25% effective from January 2013 accordingly.

(ii) Hong Kong

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 as the entity operating in Hong Kong incurred tax losses for the year.

(iii) United States of America ("USA")

The Group's subsidiaries in USA are subject to United States Federal Income Tax at 34% and States Income Tax at 6%.

(iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 26.3% to 30% (2012: 26.3% to 30%).

(v) 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 since its income is generated from business outside Macau.

(vi) Others

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

8. TAXATION *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Loss before taxation (from continuing operations)	**(176,972)**	(35,244)
Tax at the applicable rate of 25% (2012: 25%)	**(44,243)**	(8,811)
Tax effect of assessable profit subject to Reduced Tax Rate	**(411)**	(2,202)
Tax effect of expenses not deductible for tax purpose	**26,774**	10,334
Tax effect of deductible temporary differences not recognised	**5,891**	5,300
Tax effect of income not taxable for tax purpose	**(3,942)**	(2,526)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**3,410**	511
Tax effect of exemption granted to Macau subsidiary	**–**	(5,727)
Tax effect of utilisation of tax losses previously not recognised	**–**	(2,448)
Tax effect of tax loss not recognised	**18,508**	1,348
Deferred taxation arising from dividend withholding tax	**1,315**	1,716
Under(over)provision in prior years	**4**	(403)
Increase in deferred tax liability resulting from an increase in applicable tax rate (note 20)	**1,837**	–
Tax effect of reversal of tax losses and deferred expenditure (note 20)	**34,311**	–
Tax charge (credit) for the year (from continuing operations)	**43,454**	(2,908)

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

9. DISCONTINUED OPERATION

Sino Light Enterprise Limited ("SLE"), a subsidiary of the Group, was engaged in the trading of children apparels and it commenced its business in October 2011.

On February 5, 2013, SLE entered into a termination agreement with The Walt Disney Company (Asia Pacific) Limited ("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. The results of the discontinued operation of retailing and wholesaling of children apparels is analysed as follows and prior year figures are re-presented:

	Year ended June 30,	
	2013	2012
	HK$'000	HK$'000
Loss of retailing and wholesaling of children apparels for the year	**(82,136)**	(7,830)
Share of result of an associate (Note)	–	(17,709)
	(82,136)	(25,539)

Note: On August 29, 2011, the Group lost its control in SLE, which became an associate, subsequent to the Subscription by the Subscriber (both as defined in note 39). In March 2012, the Group acquired additional interest in SLE and SLE became a subsidiary of the Group since then. (for details see note 38(b)).

9. DISCONTINUED OPERATION *(Continued)*

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

	2013 HK$'000	2012 HK$'000
Revenue	**2,432**	700
Cost of sales	**(14,178)**	(3,453)
	(11,746)	(2,753)
Other income	**1**	–
Administrative and other expenses	**(11,698)**	(2,437)
Distribution and selling costs	**(3,256)**	(2,640)
Impairment loss on intangible assets (note 17)	**(49,100)**	–
Expenses related to termination of business (note (a))	**(15,373)**	–
Loss before taxation	**(91,172)**	(7,830)
Taxation credit	**9,036**	–
Loss for the year	**(82,136)**	(7,830)

Note (a)

Expenses related to termination of business:

	2013 HK$'000	2012 HK$'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 retails stores	**(671)**	–
Compensation paid to Walt Disney	**(3,885)**	–
	(15,373)	–

During the year, SLE, contributed HK$8,419,000 (2012: HK$11,881,000) to the Group's net operating cash flows, paid HK$8,770,000 (2012: HK$4,899,000) in respect of investing activities.

9A. LOSS FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Continuing operations		
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 10)	**7,048**	6,987
Other staff costs	**111,627**	174,063
Retirement benefit scheme contributions, excluding directors	**4,900**	7,590
Share-based payment expense, excluding directors	**102**	339
Total employee benefit expenses	**123,677**	188,979
Auditor's remuneration	**4,778**	2,902
Depreciation of property, plant and equipment	**16,334**	20,991
Amortisation of intangible assets (included in cost of sales)	**7,624**	2,828
Release of prepaid lease payments	**407**	404
Impairment loss on goodwill (included in other gains and losses) (note 16)	**32,817**	–
Impairment loss on deposit paid for acquisition of an associate (included in other gains and losses)	**–**	19,467
Write-down of inventories (included in cost of sales)	**10,026**	13,515
Impairment loss on trade receivables (included in other gains and losses)	**18,980**	7,684
Loss on disposal of property, plant and equipment	**–**	60
Net foreign exchange loss (included in other gains and losses)	**8,797**	3,060
and after crediting:		
Interest income	**882**	2,077
Interest income from an associate	**983**	241
Effective interest income on bond receivables	**3,915**	–
Effective interest income on convertible bonds	**6,440**	13,388
Bad debts recovered	**48**	–
Gain on disposal of property, plant and equipment (included in other gains and losses)	**1,524**	–
Net gain on fair value change of derivative financial instruments (included in other gains and losses)	**–**	310
Property rental income with negligible outgoings	**3,374**	3,035
Scrap and sample sales (included in other income)	**2,472**	3,371
Discontinued operation		
Cost of inventories recognised as expense	**2,785**	620
Amortisation of intangible assets (included in cost of sales)	**5,665**	2,833
Impairment of intangible assets	**49,100**	–
Depreciation of property, plant and equipment	**332**	18
Write-down of inventories (included in cost of sales)	**5,728**	–
Other staff costs	**2,024**	1,800
Foreign exchange	**–**	32
Loss on disposal of property, plant and equipment	**–**	198

9A. LOSS FOR THE YEAR *(Continued)*

Included in the total employee benefit expenses is an aggregate amount of HK$4,930,000 (2012: HK$7,610,000) 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 profit or loss and other comprehensive income for both years.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

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

Year ended June 30, 2013

	Directors									Chief Executive	
	Mr. Hung Tsung Chin HK$'000	Mr. Liao Wen I HK$'000	Mr. Chen Chien An HK$'000 (note iii)	Mr. Frank Karl-Heinz Fischer HK$'000	Mr. Mu Yean Tung HK$'000	Mr. Shou Philip Ming-Yung HK$'000 (note v)	Mr. Hsu Chun Yi HK$'000	Mr. Lee Chien Kuo HK$'000	Mr. Han Chien Shan HK$'000 (note iv)	Ms. Chen Mei Huei HK$'000	Total HK$'000
Fees	120	120	80	120	120	40	120	120	40	120	1,000
Other emoluments:											
– salaries and other benefits	1,332	–	940	1,533	–	358	–	–	–	1,342	5,505
– retirement benefit schemes contributions	13	9	–	–	–	–	–	–	–	8	30
Share-based payment expense	–	–	–	103	–	–	–	–	–	410	513
Total emoluments	1,465	129	1,020	1,756	120	398	120	120	40	1,880	7,048

Year ended June 30, 2012

	Directors								Chief Executive	
	Mr. Hung Tsung Chin 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 i)	Mr. Lee Chien Kuo HK$'000	Mr. Mu Yean Tung HK$'000 (note ii)	Ms. Chen Mei Huei HK$'000	Total HK$'000
Fees	–	–	–	–	100	100	100	–	–	300
Other emoluments:										
– salaries and other benefits	1,339	121	1,324	1,632	–	–	–	–	1,362	5,778
– retirement benefit schemes contributions	10	9	–	–	–	–	–	–	8	27
Share-based payment expense	–	–	–	171	–	–	–	–	711	882
Total emoluments	1,349	130	1,324	1,803	100	100	100	–	2,081	6,987

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

(a) Directors' and chief executive's emoluments *(Continued)*

Notes:

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

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

(iii) Mr. Chen Chien An resigned as a director of the Company on February 28, 2013.

(iv) Mr. Han Chien Shan was appointed as a director of the Company on February 28, 2013.

(v) Mr. Shou Philip Ming-Yung was appointed as a director of the Company on March 26, 2013.

Ms. Chen Mei Huei is a director and also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2012: four) were directors and the chief executive of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining one (2012: one) individual are as follow:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**1,111**	980
Retirement benefit schemes contributions	**–**	77
Total emoluments	**1,111**	1,057

The emoluments were within the following band:

	2013 No. of employees	2012 No. of employees
HK$1,000,000 to HK$1,500,000	**1**	1

During each of the two years ended June 30, 2013, no emoluments were paid by the Group to any of the directors and top paid employee 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, 2013.

11. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended June 30, 2013 (2012: nil).

12. LOSS PER SHARE

From continuing and discontinued operations

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

	2013 HK$'000	2012 HK$'000
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**(271,424)**	(53,241)

	Number of shares	
	2013	2012
Weighted average number of ordinary shares for the purpose of basic loss per share	**770,005,280**	740,646,101
Effect of dilutive potential ordinary shares in respect of share options (Note)	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**770,005,280**	740,646,101

Note: The computation of diluted loss per share for the year ended June 30, 2013 and 2012 does not include the share options as the assumed exercise of these share options has an anti-dilutive effect.

From continuing operations

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

	2013 HK$'000	2012 HK$'000
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**(218,622)**	(32,910)

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

From discontinued operation

Both basic loss per share and diluted loss per share for the discontinued operation attributable to the owners of the Company is HK6.9 cents per share (2012: HK2.7 cents per share), based on the loss for the year from the discontinued operation of HK$52,802,000 (2012: HK$20,331,000) and the denominators detailed above for both basic and diluted loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong	Leasehold land in Hong Kong	Leasehold land outside Hong Kong	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST										
At July 1, 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 38(b))	–	–	–	–	2,581	–	2,319	159	45	5,104
Disposal of a subsidiary	–	–	–	–	(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
Exchange adjustments	34	–	–	280	242	4,133	1,518	122	1,336	7,665
Acquisition of a subsidiary (note 38(a))	–	–	3,399	12,850	657	6,913	95	63	3,124	27,101
Additions	–	–	–	–	–	3,345	1,447	212	1,262	6,266
Disposals	(2,749)	–	–	–	(1,003)	(5,085)	(2,869)	(284)	(1,940)	(13,930)
At June 30, 2013	**–**	**9,405**	**3,399**	**155,268**	**15,955**	**229,840**	**27,361**	**5,063**	**22,742**	**469,033**
DEPRECIATION AND AMORTISATION										
At July 1, 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	–	–	–	–	–	–	–	–	(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
Exchange adjustments	–	–	–	262	219	3,006	1,327	114	1,146	6,074
Provided for the year	–	169	–	4,630	706	6,863	1,584	447	2,267	16,666
Impairment loss recognised in profit or loss (note 9)	–	–	–	–	1,689	–	2,272	143	30	4,134
Eliminated on disposals	–	–	–	–	(374)	(5,001)	(414)	(221)	(1,884)	(7,894)
At June 30, 2013	**–**	**2,243**	**–**	**39,741**	**11,522**	**195,163**	**25,512**	**5,020**	**16,528**	**295,729**
CARRYING VALUES										
At June 30, 2013	**–**	**7,162**	**3,399**	**115,527**	**4,433**	**34,677**	**1,849**	**43**	**6,214**	**173,304**
At June 30, 2012	2,715	7,331	–	107,289	6,777	30,239	6,427	413	3,991	165,182

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 outside Hong Kong	Nil
Leasehold land in Hong Kong	2%
Leasehold land outside Hong Kong	Over the term of finance lease
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% – 33⅓%
Furniture, fixtures and equipment	20%
Motor vehicles	20% – 33⅓%
Computer equipment	20% – 33⅓%

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.

The carrying values of freehold land outside Hong Kong, buildings and leasehold improvements include amounts of HK$3,399,000 (2012: Nil), HK$12,643,000 (2012: Nil) and HK$613,000 (2012: Nil) respectively in respect of assets held under finance leases.

14. PREPAID LEASE PAYMENTS

	2013	2012
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong		
Medium-term lease	**15,609**	15,658
Analysed for reporting purposes as:		
Current asset	**414**	405
Non-current asset	**15,195**	15,253
	15,609	15,658

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At July 1, 2011	34,752
Exchange adjustments	700
Changes in fair value recognised in profit or loss	735
At June 30, 2012	36,187
Exchange adjustments	869
Changes in fair value recognised in profit or loss	1,357
At June 30, 2013	**38,413**

The fair value of the Group's investment properties at June 30, 2013 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 Income 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

	2013 **HK$'000**	2012 HK$'000
COST		
At July 1	**83,857**	87,121
Arising on acquisition of a subsidiary (note 38(a))	**9,813**	–
Exchange adjustments	**928**	(3,264)
At June 30	**94,598**	83,857
IMPAIRMENT		
At July 1	**36,010**	36,010
Impairment loss recognised in the year	**32,817**	–
At June 30	**68,827**	36,010
CARRYING AMOUNTS		
At June 30	**25,771**	47,847

16. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill has been allocated to three (2012: two) CGUs, including two subsidiaries in media entertainment platform related products segment and one subsidiary in satellite TV equipment and antenna segment. The carrying amounts of goodwill allocated to these CGUs are as follows:

	2013 HK$'000	2012 HK$'000
Media entertainment platform related products		
– BCN Distribuciones, S.A. ("BCN")	**–**	32,608
– Intelligent Digital Service GmbH ("IDS")	**15,958**	15,239
Satellite TV equipment and antenna		
– PBI	**9,813**	–
	25,771	47,847

During the year ended June 30, 2013, the management assessed the expected recoverable amount based on the higher of value in use and fair value and determined that the higher amount would be based on the cash flow projections of the CGUs engaged in media entertainment platform related products and other multimedia products ("BCN CGU"), media entertainment platform related products ("IDS CGU") and satellite TV equipment and antenna ("PBI CGU"). As as June 30, 2013, the carrying amount of property, plant and equipment included in BCN CGU, IDS CGU and PBI CGU were HK$16,594,000, HK$138,000 and HK$25,524,000 respectively. As at June 30, 2013, the carrying amount of intangible assets include in IDS CGU and PBI CGU were HK$4,000 and HK$36,242,000 respectively, while no intangible assets included in BCN CGU. As the sales performance of BCN CGU was lower than the management expectation due to the poor economic sentiment in Europe, the recoverable amount of BCN CGU based on value in use calculation is less than the carrying amount, an impairment loss of HK$32,817,000 was recognised in goodwill during the year. The impairment loss recognised for BCN CGU is first to reduce the carrying amount of goodwill, therefore no impairment is noted on property, plant and equipment. No impairment loss is recognised for IDS CGU and PBI CGU for the year as the recoverable amounts of IDS CGU and PBI CGU based on value in use calculations are higher than their carrying amounts.

During the year ended June 30, 2012, the management assessed the cash flow projections of BCN CGU and IDS CGU. No impairment loss was recognised for respective CGUs for that year as the recoverable amounts of respective CGUs based on value in use calculations were higher than their carrying amounts.

The recoverable amount of these units has been determined based on the value in use calculations.

The calculations for the two CGUs engaged in trading and manufacturing of media entertainment platform related products use cash flow projections covering a four-year period (2012: four-year period) and adopted discount rate of 10% (2012: 8%). Cash flow beyond the four-year period (2012: four year period) are extrapolated 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.

The calculation for the CGU engaged in trading of satellite TV equipment and antenna use cash flow projection covering a five-year period and adopted discounted rate of 17%. Cash flow beyond five-year period is extrapolated for with a constant growth rate of 2%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flow projection is from the most recent financial budget that cover a five-year period approved by management. The key assumptions for the value in use calculation 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$'000 (note a)	License right HK$'000 (note b)	Customer relationship HK$'000 (note c)	Others HK$'000 (note d)	Total HK$'000
COST					
At July 1, 2011	10,511	64,653	–	3,520	78,684
Exchange adjustments	(14)	–	–	(501)	(515)
Additions	14,517	–	–	–	14,517
Acquisition of a subsidiary (note 38(b))	–	57,598	–	–	57,598
Deemed disposal of a subsidiary	–	(64,653)	–	–	(64,653)
At June 30, 2012	25,014	57,598	–	3,019	85,631
Exchange adjustments	(61)	–	–	–	(61)
Acquisition of a subsidiary (note 38(a))	–	–	35,244	2,684	37,928
Additions	3,221	–	–	–	3,221
At June 30, 2013	**28,174**	**57,598**	**35,244**	**5,703**	**126,719**
AMORTISATION					
At July 1, 2011	10,461	–	–	2,464	12,925
Exchange adjustments	(9)	–	–	(406)	(415)
Provided for the year	2,169	2,833	–	659	5,661
At June 30, 2012	12,621	2,833	–	2,717	18,171
Exchange adjustments	(75)	–	–	–	(75)
Provided for the year	5,637	5,665	1,566	421	13,289
Impairment loss for the year (note 9)	–	49,100	–	–	49,100
At June 30, 2013	**18,183**	**57,598**	**1,566**	**3,138**	**80,485**
CARRYING VALUES					
At June 30, 2013	**9,991**	**–**	**33,678**	**2,565**	**46,234**
At June 30, 2012	12,393	54,765	–	302	67,460

Notes:

(a) Product technology represents software acquired from independent third parties for the development of TV set top box. Amortisation is provided on a straight-line basis over 3 years.

(b) The license right represents a right granted by 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.

During the year, the Group recognised impairment loss amounting to HK$49,100,000 in relation to the license right granted by Walt Disney as a result of the cessation of business in trading of children apparels during the year (Details see note 9).

17. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(c) Customer relationship represents contracted and non-contracted customer relationship arising from the acquisition of PBI during the year. The amount is amortised over its estimated useful life of 7.5 years on a straight-line basis. Details of the impairment test on customer relationship is set out in note 16.

(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.

Additions for the year, represents the fair value of the research and development team of PBI, a subsidiary of the Group acquired during the year. 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 7.5 years.

18. INTEREST IN AN ASSOCIATES/LOAN TO AN ASSOCIATE

	2013	2012
	HK$'000	HK$'000
Cost of unlisted investment in an associate (Note i)	**40,530**	40,530
Share of post-acquisition loss and other comprehensive income	**(40,530)**	(8,555)
	–	31,975
Loan to an associate (Note ii)	**23,269**	15,513

Notes:

(i) Included in cost of investment in an associate is goodwill of HK$Nil (2012: HK$21,977,000) arising from the acquisition of 47.12% of the issued capital of an associate.

(ii) Loan to an associate is unsecured, repayable on demand and bearing fixed interest rate at 4.75% per annum. During the year, loan to an associate being reclassified as non-current as the management expected the repayment of loan from an associate will be over one year from the end of the reporting period.

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. The recoverable amount of the Group's interest in the associate was higher than its carrying amount, therefore no impairment loss was recognised against the Group's interest in the associate.

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

As at June 30, 2013 and 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		Principal activities
					2013	2012	
Dish Media Network Private Limited ("Dish Media")	Limited company	Nepal	Nepal	Ordinary	**47.12%**	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:

	2013 HK$'000	2012 HK$'000
Total assets	**138,450**	150,188
Total liabilities	**(174,430)**	(128,969)
Net (liabilities) assets	**(35,980)**	21,219
Group's share of net assets of an associate	**–**	9,998

	2013 HK$'000	2012 HK$'000
Revenue	**59,423**	16,034
Loss for the year	**(37,733)**	(19,544)
Group's share of loss of associate for the year	**(21,802)**	(9,209)

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 AND BOND RECEIVABLES

	2013 HK$'000	2012 HK$'000
Available-for-sale investments comprises:		
Listed securities:		
– equity securities listed overseas	**816**	809
Unlisted securities:		
– debt component of convertible bonds (Note)	**–**	190,558
	816	191,367

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 maturity date.

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 was used for the valuation of derivatives component of the Convertible Bonds. The inputs into the model for the derivatives component of the Convertible Bonds for the year ended June 30, 2012 were as follows:

	2012
Share price	HK$0.33
Conversion price	HK$2.00
Redemption price (by the issuer)	HK$220,000,000
Risk-free rate	0.109%
Expected life	0.5 years
Implied volatility	65.791%
Expected dividend yield	–

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

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, coupon 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 in 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.

The movement of the Bond is set out below:

	HK$'000
As at December 27, 2012	94,776
Effective interest income credited to profit or loss	3,915
Coupon interest receivable	(2,992)
As at June 30, 2013	**95,699**

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 (Note 1)	Deferred expenditure HK$'000 (Note 1)	Revaluation of investment properties HK$'000	Provision for PRC withholding tax HK$'000 (Note 2)	Accelerated tax depreciation HK$'000	Total HK$'000
At July 1, 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 38(b))	(9,503)	–	–	–	–	–	(9,503)
Credit (charge) to profit or loss 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
Exchange adjustments	(2)	(374)	(112)	–	(120)	69	(539)
Acquisition of a subsidiary (Note 38(a))	(15,171)	10,536	–	–	–	(2,040)	(6,675)
Release of deferred taxation upon discontinued operation	9,036	–	–	–	–	–	9,036
Credit (charge) to profit or loss for the year	769	(23,831)	(10,480)	(339)	3,282	610	(29,989)
Effect of change in tax rate (Note 3)	–	–	–	(1,837)	–	–	(1,837)
At June 30, 2013	**(14,497)**	**10,537**	**–**	**(4,931)**	**(4,366)**	**(1,320)**	**(14,577)**

Note 1: Movement during the year represented reversal of tax losses and deferred expenditure amounting to a total of HK$34,311,000 as the future taxable profit available for tax deduction is less than expected.

Note 2: Movement during the year included HK$1,315,000 (2012: HK$1,716,000) provision for PRC withholding tax, and HK$4,597,000 (2012: HK4,899,000) reversal of withholding tax due to the payment during the year.

Note 3: In March 2013, 中山聖馬丁電子元件有限公司 received a notice from the relevant PRC tax authority that certain conditions under High and New Technology Enterprises Status have not been fulfilled and its applicable tax rate changed from the Reduced Tax Rate of 15% to 25%, effective from January 2013 accordingly.

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

	2013 HK$'000	2012 HK$'000
Deferred tax assets	**10,537**	34,839
Deferred tax liabilities	**(25,114)**	(19,412)
	(14,577)	15,427

20. DEFERRED TAXATION *(Continued)*

At June 30, 2013, the Group had unused tax losses of HK$211,497,000 (2012: HK$114,485,000) available for offset against future profits and a deferred tax asset has been recognised in respect of HK$26,343,000 (2012: HK$80,806,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$185,154,000 (2012: HK$33,679,000) due to the unpredictability of future profit streams.

Included in the unrecognised tax losses are losses of HK$11,151,000 (2012: HK$2,038,000) that will expire between 2025 and 2033 (2012: 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.

At June 30, 2013, the Group had deductible temporary differences arising from allowances for bad and doubtful debts and inventories of approximately HK$61,537,000 (2012: HK$32,531,000). 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. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**41,410**	59,245
Work in progress	**69,092**	46,170
Finished goods	**148,901**	93,517
	259,403	198,932

22. TRADE, BILLS AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**545,540**	406,702
Bills receivables	**600**	2,590
Less: allowance for doubtful debts	**(87,763)**	(71,654)
	458,377	337,638
Other receivables	**92,187**	64,285
Total trade, bills and other receivables	**550,564**	401,923

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

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:

	2013 HK$'000	2012 HK$'000
0 – 30 days	**240,750**	116,645
31 – 60 days	**78,490**	86,044
61 – 90 days	**44,859**	53,361
91 – 180 days	**68,548**	66,839
More than 180 days	**25,730**	14,749
	458,377	337,638

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. 79% (2012: 76%) 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$94,278,000 (2012: HK$81,588,000) 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.

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

	2013 HK$'000	2012 HK$'000
91 – 180 days	**68,548**	66,839
More than 180 days	**25,730**	14,749
	94,278	81,588

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

Movement in the allowance for doubtful debts:

	2013 **HK$'000**	2012 HK$'000
Balance at beginning of the year	**71,654**	64,749
Impairment loss recognised on receivables	**18,980**	7,684
Amounts written off as uncollectable	**(4,549)**	(816)
Amounts recovered during the year	**(48)**	–
Exchange realignment	**1,726**	37
Balance at the end of the year	**87,763**	71,654

The allowance for doubtful debts at the end of the reporting period represents allowance on individually impaired trade and bills receivables with an aggregate balance of HK$87,763,000 (2012: HK$71,654,000), 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, 2013	**14,078**
As at June 30, 2012	1,800

23. LOAN RECEIVABLE

The loan is granted to a customer of the Group, which borne fixed interest at 4% per annum, repayable by annual instalments up to year 2017. Balance of HK$10,238,000 (2012: HK$12,953,000) is classified as non-current portion according to the repayment schedule. Amount of HK$1,053,000 being due as at June 30, 2013 was subsequently settled at the date of report.

24. AMOUNT DUE FROM AN ASSOCIATE

Amount due from an associate include

i) amount of HK$14,170,000 being non-interest bearing, repayable on demand, and

ii) amount of HK$33,737,000 being unsecured, interest-free and the Group allows a credit period of 360 days to its associate which is trade in nature.

During the year, amount of HK$14,170,000 due from an associate being classified as non-current as the management expected the repayment of amount due from an associate will be over 1 year from the year end date.

The amount of HK$241,000 due from an assoicate as at June 30, 2012 was fully repaid during the year.

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

	2013 **HK$'000**	2012 HK$'000
0 – 30 days	**4,217**	4,510
31 – 60 days	**2,773**	62
61 – 90 days	**2,148**	4,911
91 – 180 days	**648**	11,414
181 – 360 days	**12,990**	1,945
More than 360 days	**10,961**	–
	33,737	22,842

Included in the Group's amount due from an associate balance is trade debt with an aggregate amount of HK$10,961,000 (2012: Nil) which was past due at the end of the reporting period but for which the Group has not provided for impairment loss because management is of the opinion that the amount is recoverable taking into account repayments during the year and after the end of the reporting period.

Aging of amount due from an associate which are past due but not impaired:

	2013 **HK$'000**	2012 HK$'000
More than 360 days	**10,961**	–

25. 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 0.2% to 1.4% (2012: 0.4% to 0.9%) per annum. The pledged bank deposits will be released upon the settlement of short-term bank borrowings.

26. 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 remaining bank deposits carry fixed interest rates ranging from 0.01% to 3.25% (2012: 0.1% to 4.60%) 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	Hong Kong dollars	Renminbi
	HK$'000	HK$'000	HK$'000
As at June 30, 2013	**15,776**	**966**	**479**
As at June 30, 2012	14,699	1,453	290

27. TRADE, BILLS AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Trade payables	**359,404**	218,120
Bills payables	**3,926**	9,172
Other payables	**90,801**	76,520
	454,131	303,812

27. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

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

	2013	2012
	HK$'000	HK$'000
0 – 30 days	**224,019**	103,598
31 – 60 days	**81,386**	61,328
61 – 90 days	**28,763**	35,011
91 – 180 days	**21,187**	25,593
181 – 365 days	**7,832**	1,762
More than 365 days	**143**	–
	363,330	227,292
Accrued expenses	**38,896**	26,263
Receipt in advance	**17,607**	22,805
Consideration payable (note 38(a))	**4,797**	–
Other payables	**29,501**	27,452
Total trade, bills and other payables	**454,131**	303,812

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	**United States dollars**	**Renminbi**
	HK$'000	HK$'000	HK$'000
As at June 30, 2013	**509**	**22,015**	**108,563**
As at June 30, 2012	1,448	–	38,631

28. BANK AND OTHER BORROWINGS

	2013 HK$'000	2012 HK$'000
Trust receipt loans	–	8,078
Bank loans	349,007	147,229
Other loans	10,453	20,918
	359,460	176,225
Analysed as:		
Secured	258,923	68,544
Unsecured	100,537	107,681
	359,460	176,225
Carrying amount repayable:		
On demand or within one year	243,280	107,790
In more than one year but not more than two years	2,562	13,644
In more than two years but not more than three years	414	1,110
In more than three years but not more than four years	414	414
In more than four years but not more than five years	414	414
More than five years	1,892	2,306
	248,976	125,678
Carrying amount of bank loans that contain a repayment on demand clause		
Within one year	110,484	42,658
In more than two years but not more than three years (shown as current liabilities)	–	7,889
	110,484	50,547
	359,460	176,225
Less: Amount due within one year shown under current liabilities	(353,764)	(158,337)
Amount due after one year	5,696	17,888

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

Including in the balance, amount of HK$Nil (2012: HK$2,306,000) of other loans is non-interest bearing.

28. BANK AND OTHER BORROWINGS *(Continued)*

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

	2013	2012
Variable interest rate borrowings	**2.86% – 3.48%**	1.73% – 5.00%

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, 2013	**184,170**
As at June 30, 2012	46,669

During the year, in respect of bank loan due within one year with carrying amount of HK$46,541,000 as at June 30, 2013, the Group breached certain terms of the bank covenants. On discovery of the breach, the directors of the Company informed the bank and commenced a renegotiation of the terms of the loan with the relevant banker. The negotiations had been concluded subsequent to the end of the reporting period and therefore the bank agreed to waive their rights to demand immediate payment. The directors of the Company are of the opinion that such breach of covenants have no material impact on the continuing operations of the Group.

28A. OBLIGATIONS UNDER FINANCE LEASES

	2013 **HK$'000**	2012 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**1,804**	–
Non-current liabilities	**15,618**	–
	17,422	–

It is the Group's policy to lease certain of its freehold land and buildings under finance leases. The average lease term is 10 years. Interest rate underlying all obligations under finance leases is fixed at the contract date at 5% per annum. These leases have no terms of renewal or purchase options and escalation clauses.

28A. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

	Minimum lease payments 2013 HK$'000	Present value of minimum lease payments 2013 HK$'000
Amounts payable under finance leases		
Within one year	1,939	1,804
In more than one year but not more than two years	1,939	1,819
In more than two years but not more than five years	5,818	5,546
In more than five years	8,403	8,253
	18,099	17,422
Less: future finance charges	(677)	–
Present value of lease obligations	17,422	17,422
Less: Amount due for settlement within 12 months (shown under current liabilities)		(1,804)
Amount due for settlement after 12 months		15,618

29. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At July 1, 2011, June 30, 2012 and 2013	1,000,000,000	100,000
Issued and fully paid:		
At July 1, 2011	672,868,000	67,287
Exercise of share options (i)	450,000	45
Issue of shares (ii)	67,331,800	6,733
At June 30, 2012	740,649,800	74,065
Issue of shares (iii)	91,579,062	9,158
At June 30, 2013	832,228,862	83,223

29. SHARE CAPITAL *(Continued)*

(i) 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.

(ii) 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.

(iii) During the year ended June 30, 2013, the Group acquired 100% of the issued share capital in PBI pursuant to the acquisition agreement, part of the consideration was satisfied by issue of 91,579,062 ordinary shares of the Company. Details of the acquisition were set out in note 38(a).

30. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2013	2012
	HK$'000	HK$'000
Premises	**10,851**	11,852

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:

	2013	2012
	HK$'000	HK$'000
Within one year	**6,363**	9,041
In the second to fifth year inclusive	**5,605**	9,934
	11,968	18,975

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.

30. OPERATING LEASES *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$3,374,000 (2012: HK$3,035,000) 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:

	2013 **HK$'000**	2012 HK$'000
Within one year	**3,599**	2,169
In the second to fifth year inclusive	**4,147**	1,778
	7,746	3,947

31. CAPITAL AND OTHER COMMITMENTS

	2013 **HK$'000**	2012 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of a subsidiary (For details see note 44)	**45,529**	–

32. 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 28, 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.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	932,254	615,353
Available-for-sale investments	816	191,367
Financial liabilities		
Amortised cost	774,510	430,969

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, loan receivable, bond receivables, available-for-sale investments, 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	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Renminbi ("RMB")	528	290	108,563	38,631
Hong Kong dollars ("HKD")	98,431	192,011	509	1,448
United States dollars ("USD")	43,527	16,499	206,185	46,669

33. 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 (2012: USD and RMB monetary assets and liabilities and intercompany balances) at the end of the reporting period. A negative number below indicates an increase in loss 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.

	Note	**2013** **HK$'000**	2012 HK$'000
Increase in loss for the year:			
– RMB	(i)	**(4,051)**	(1,438)
– USD	(i)	**(6,100)**	(1,895)

Note:

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

33. 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 fixed-rate loan to an associate, loan receivable, bond receivables, pledged bank deposits, bank deposits and obligations under finance leases set out in notes 18, 23, 19, 25, 26 and 28(a) (2012: fixed-rate loan to an associate, loan receivable, debt component of convertible bonds and fixed rate bank deposits).

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 26 and 28 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 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 Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's USD 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 therefore no sensitivity analysis is presented.

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:

	2013	2012
	HK$'000	HK$'000
Liabilities	**359,460**	173,919

33. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

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, 2013 would increase or decrease by HK$1,348,000 (2012: HK$652,000). The Group's sensitivity to interest rates has increased during the year mainly due to increase in bank and other borrowings.

For the year ended June 30, 2012, 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 was 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 represented 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, as a result of the change in fair value of debt component of convertible bonds classified as available-for-sale investments.

(iii) Other price risk

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.

33. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at June 30, 2013 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$18,980,000 (2012: HK$7,684,000) 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, 2013, the loan receivable was mainly 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 concentration of credit risk through its loan to an associate, amount due from an associate and deposit paid for acquisition of a subsidiary. 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.

The Group has concentration of credit risk as 16% (2012: 10%) and 31% (2012: 33%) 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, bonds receivable from HXCH amounts to principal of HK$100,000,000 with carrying amount of HK$95,699,000 (2012: convertible bonds subscribed from HXCH amounting to principal of HK$200,000,000 with carrying amount of HK$ HK$190,558,000) as at June 30, 2013, expose the Group to concentration of credit risk on the counterparty. The Group assesses the credit risk by reviewing the financial performance of HXCH. Since HXCH has been profitable with positive net asset value, the management considers the default risk is not significant. Other than that, the Group has no other significant concentration of credit risk.

33. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

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$'000	Carrying amount at June 30, 2013 HK$'000
2013							
Non-derivative financial liabilities							
Trade, bills and other payables	–	251,417	117,180	29,031	–	397,628	397,628
Bank and other borrowings	2.85	119,512	200,956	39,973	5,858	366,299	359,460
Obligations under finance leases	5.00	162	323	1,454	16,160	18,099	17,422
		371,091	318,459	70,458	22,018	782,026	774,510

	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

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, 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK$110,484,000 (2012: HK$50,547,000). 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$110,484,000 and HK$2,060,000 (2012: HK$50,547,000 and HK$1,314,000) respectively.

33. 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, 2013				At June 30, 2012			
	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
Available-for-sale financial assets								
Listed equity securities	**816**	**–**	**–**	**816**	809	–	–	809
Unlisted debt securities	**–**	**–**	**–**	**–**	–	–	190,558	190,558
Total	**816**	**–**	**–**	**816**	809	–	190,558	191,367

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

33. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

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

Reconciliation of Level 3 fair value measurement of financial assets:

	Debt component of the Convertible Bonds	**Derivatives component of the Convertible Bonds**
	HK$'000	HK$'000
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	–
Interest income credited to profit or loss	6,440	–
Reclassification upon maturity of available-for-sale investments	3,002	–
Redeemed upon maturity	(200,000)	–
At June 30, 2013	**–**	**–**

34. 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.

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

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

The following table discloses movements of the share options of the Company 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, 2011	Exercised during the year	Lapsed during the year	Outstanding at June 30, 2012	Lapsed during the year	Outstanding at June 30, 2013
Directors	July 30, 2005	HK$1.02	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	(100,000)	2,400,000
Employees	December 16, 2006	HK$2.05	975,000	–	(250,000)	725,000	(300,000)	425,000
Employees	December 27, 2007	HK$1.76	2,150,000	(300,000)	(800,000)	1,050,000	(150,000)	900,000
Employees	April 1, 2009	HK$1.114	2,150,000	(150,000)	(800,000)	1,200,000	(300,000)	900,000
Employees	October 22, 2010	HK$2.05	500,000	–	–	500,000	–	500,000
Total			11,275,000	(450,000)	(1,850,000)	8,975,000	(850,000)	8,125,000
Exercisable at the end of the year			7,200,000			5,975,000		6,625,000
Weighted average exercise price			1.54	1.54	1.52	1.55	1.55	1.55

In respect of the share options exercised during the year ended June 30, 2012, the weighted average share price at the dates of exercise was HK$1.54.

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$615,000 for the year ended June 30, 2013 (2012: HK$1,221,000) in relation to share options granted by the Company.

35. 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 profit or loss and other 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.

36. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following related party transaction:

Relationship	Nature of transaction	2013 HK$'000	2012 HK$'000
Associate	Sales of goods	**23,744**	16,057
	Interest income	**983**	241

(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 24.

36. 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:

	2013 HK$'000	2012 HK$'000
Short-term benefits	**7,617**	7,057
Post-employment benefits	**30**	104
Share-based payments	**513**	882
	8,160	8,043

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.

37. PLEDGE OF ASSETS

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

	2013 HK$'000	2012 HK$'000
Bank deposits	**26,324**	48,346
Leasehold land and buildings	**102,211**	10,334

38. ACQUISITION OF SUBSIDIARIES
For the year ended June 30, 2013

(a) Acquisition of PBI

On October 31, 2012, the Group entered into a sale and purchase agreement in respect of the acquisition of the entire issued share capital of PBI and its subsidiary, Pro Brand International (Europe) Limited (collectively referred to as the "PBI Group"). The completion date of the agreement was on March 6, 2013, which is also the acquisition date for accounting purposes.

PBI Group is engaged in trading of satellite TV equipment and antenna. The reason of the acquisition is to strengthen the Group's research and development capabilities and enhance the Group's technological competitiveness for high-end satellite television related products.

The aggregate consideration of US$18,738,000 (equivalent to HK$145,343,000) of which, US$11,418,000 (equivalent to HK$88,564,000) will be satisfied in cash by the Company and US$7,320,000 (equivalent to HK$56,779,000) (i.e. 91,579,062 shares) was satisfied by way of issue of the Company's shares. The number of shares to be issued by the Company upon completion of acquisition was determined based on the audited net asset value of the PBI Group per share as at June 30, 2012 which is HK$1.20 (i.e. 91,579,062 shares). The fair value of the total consideration at the acquisition date was US$18,738,000 (equivalent to HK$145,343,000).

Consideration transferred

	HK$'000
Cash consideration payable (included in other payables)	4,797
Cash consideration paid	83,767
Equity instruments issued (note)	56,779
	145,343

Note: As part of the consideration for the acquisition of PBI, 91,579,062 ordinary shares of the Company with par value of HK$0.01 each were issued. The fair value of the ordinary shares of the Company was determined using the published price available at the date of acquisition which amounted to HK$0.62.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*
For the year ended June 30, 2013 *(Continued)*

(a) Acquisition of PBI *(Continued)*

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

	HK$'000
Property, plant and equipment (note 13)	27,101
Intangible assets (note 17) (provisional)	37,928
Inventories	117,476
Trade and other receivables	98,909
Bank balances and cash	73,293
Trade and other payables	(181,272)
Obligations under finance leases	(18,019)
Tax payable	(13,211)
Deferred tax assets	8,496
Deferred tax liabilities (provisional)	(15,171)
	135,530

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	145,343
Less: net assets acquired	(135,530)
Goodwill arising on acquisition (note 16)	9,813

The initial accounting for the acquisition has been determined provisionally, subject to the finalisation of professional valuation of intangible assets and related deferred tax liabilities.

The fair value of trade and other receivables at the date of acquisition amounted to HK$98,909,000. The gross contractual amount of those trade and other receivables acquired amounted to HK$98,909,000 at the date of acquisition. None of the contractual cash flows of trade and other receivables is estimated to be uncollectible.

Acquisition-related costs amounting to HK$2,600,000 have been recognised as expenses in current year and included in administrative and other expenses line item in the consolidated statement of profit or loss and other comprehensive income.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*
For the year ended June 30, 2013 *(Continued)*

(a) Acquisition of PBI (Continued)

Net cash outflow on acquisition of PBI

	HK$'000
Cash consideration paid	**83,767**
Less: bank balances and cash acquired	**(73,293)**
	10,474

Included in the loss for the year is a profit of HK$2,219,000 generated by the business of PBI. Revenue for the year includes HK$398,919,000 generated from PBI.

The goodwill arising on the acquisition is attributable to the anticipated profitability of its business.

Had the acquisition been completed on July 1, 2012, total group revenue for the year would have been HK$2,150,210,000, and loss for the year would have been HK$260,498,000. 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, 2012, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended June 30, 2012

(b) Acquisition of SLE

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 39, 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	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	(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 bargain purchase was attributable to the difference between the consideration and the fair value of the underlying assets and liabilities acquired.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

(b) 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)

	March 2012 HK$'000
Analysis of fair value of SLE which control was gained:	
Cost of investment	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)

Notes:

(i) The fair value of the 43.65% equity interest and non-controlling interest in SLE held by the Group had been remeasured 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 was 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.

38. ACQUISITION OF SUBSIDIARIES *(Continued)*
For the year ended June 30, 2012 *(Continued)*

(b) ***Acquisition of SLE*** *(Continued)*

Notes: *(Continued)*

(ii) The Group had recognised a gain of HK$3,233,000 resulting from the acquisition. The gain on acquisition was 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.

(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 crystalised 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 was a loss of HK$9,176,000 incurred by the business of SLE. Revenue for the year included 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 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, 2011, nor was it intended to be a projection of future results.

39. 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 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.

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

Deemed disposal of interest in SLE *(Continued)*

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 year ended June 30, 2012.

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.

40. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance leases arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$16,655,000.

For the year ended June 30, 2013, the Group received a bond issued by HXCH with principal amount of HK$100,000,000 as part of a settlement of the convertible bonds issued by HXCH held by the Group with principal amount of HK$200,000,000 upon its maturity. Further details are set out in note 19.

For the year ended June 30, 2013, the Group acquired 100% of the issued share capital of PBI at a total consideration of HK$145,343,000. Part of the consideration was satisfied by the issue of 91,579,062 ordinary shares of the Company. Further details are set out in note 29(iii).

For the year ended June 30, 2012, the account receivable from a customer of the Group was transferred to loan receivable amounting to HK$14,006,000. Further details are set out in note 23.

41. 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.

41. 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.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2013** HK$'000	2012 HK$'000
Investments in subsidiaries		**332,399**	181,888
Interest in an associate		**–**	40,530
Deposit paid for acquisition of a subsidiary		**10,961**	–
Available-for-sale investments		**–**	190,558
Bond receivables		**95,699**	–
Loan to an associate		**23,269**	15,513
Amounts due from subsidiaries		**154,104**	274,372
Other assets		**2,700**	1,031
Total assets		**619,132**	703,892
Other payables		**(6,348)**	(1,448)
Amount due to a subsidiary		**(83,766)**	(63,530)
Total liabilities		**(90,114)**	(64,978)
Net assets		**529,018**	638,914
Capital and reserves			
Share capital		**83,223**	74,065
Reserves	(a)	**445,795**	564,849
Equity attributable to owners of the Company		**529,018**	638,914

42. 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, 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
Loss for the year	–	–	–	–	–	(170,259)	(170,259)
Reclassification upon maturity of available-for-sale investments	–	–	–	2,969	–	–	2,969
Total comprehensive expense for the year	–	–	–	2,969	–	(170,259)	(167,290)
Issue of shares	47,621	–	–	–	–	–	47,621
Recognition of equity-settled share-based payments	–	–	615	–	–	–	615
At June 30, 2013	**349,246**	**181,788**	**7,830**	**–**	**79,900**	**(172,969)**	**445,795**

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.

43. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at June 30, 2013 and 2012 are as follows:

Name of company	Country/ place of incorporation/ establishment/ operations	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share/registered capital held by the Company				Principal activities
				2013		2012		
				Directly	Indirectly	Directly	Indirectly	
Top Peaker	British Virgin Islands ("BVI")/Hong Kong	Ordinary	US$10,000	100%	–	100%	–	Investment holding
Sandmartin (Zhong Shan) Electronic Co., Ltd. (note (a)) 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
PBI	United States of America	Ordinary	US$1	100%	–	–	–	Trading of Satellite TV equipment and antenna
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(a)) 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 (note (b))	Hong Kong/PRC	Ordinary	HK$12,600	–	64%	–	64%	Trading of children wear
Epassing Co., Ltd (formerly known as E-passing Network Technology Engineering Company)	Taiwan	Ordinary	NTW100,000,000	–	100%	–	100%	Service of integration system of public program

Note (a): These companies are wholly foreign owned enterprises.

Note (b): The company is classified as discontinued operation during the year.

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, 2013.

44. EVENTS AFTER THE REPORTING PERIOD

On May 10, 2013, the Group entered into a conditional agreement in respect of the subscription of 6,195,652 new shares in Dish Media, an associate of the Group as at June 30, 2013, for a subscription price of US$7,289,002 (equivalent to HK$56,489,765). Dish Media is principally engaged in the provision of Direct-To-Home service for satellite TV broadcasting.

The reason of the acquisition is to enable the Group to obtain control over Dish Media and provide the Group with a strategic platform to explore and develop the market of TV set top boxes and other digital media equipment in Nepal.

Upon completion of the subscription, the Group interest in Dish Media will increase from 47.12% to 60% and Dish Media will become a non-wholly owned subsidiary of the Group accordingly.

As at June 30, 2013, a deposit of US$1,414,000 (equivalent to HK$10,961,000) has been paid by the Group.

Details of the transaction are set out in the announcement of the Company dated May 10, 2013.

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

Financial Summary

	Year ended June 30,				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	1,377,179	1,560,713	1,604,087	1,342,950	**1,398,548**
Profit (loss) before taxation	31,798	97,330	86,455	(35,244)	**(176,972)**
Income tax (expense) credit	(1,148)	(6,345)	3,726	2,908	**(43,454)**
Profit (loss) for the year from continuing operations	30,650	90,985	90,181	(32,336)	**(220,426)**
Loss for the year from discontinued operation	–	–	–	(25,539)	**(82,136)**
Profit (loss) for the year	30,650	90,985	90,181	(57,875)	**(302,562)**
Attributable to:					
Owners of the Company	32,191	91,698	90,441	(53,241)	**(271,424)**
Non-controlling interests	(1,541)	(713)	(260)	(4,634)	**(31,138)**
	30,650	90,985	90,181	(57,875)	**(302,562)**

	At June 30,				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	928,317	1,333,844	1,391,912	1,438,093	**1,575,873**
Total liabilities	(353,926)	(500,267)	(380,055)	(517,092)	**(894,594)**
	574,391	833,577	1,011,857	921,001	**681,279**
Equity attributable to owners of the Company	564,166	824,144	960,503	892,406	**684,168**
Non-controlling interests	10,225	9,433	51,354	28,595	**(2,889)**
	574,391	833,577	1,011,857	921,001	**681,279**