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

(Incorporated in Bermuda with limited liability)

Stock code: 00482

INTERIM REPORT 2013/14

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Corporate Information

DIRECTORS

Executive directors

Mr. Hung Tsung Chin *(Chairman)*

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

Mr. Liao Wen I

Mr. 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

REGISTERED OFFICE

Clarendon House, 2 Church Street

Hamilton, HM 11, Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 04-05, 16th Floor,

Nam Wo Hong Building,

148 Wing Lok Street,

Sheung Wan, 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

REMUNERATION COMMITTEE

Mr. Lee Chien Kuo *(Chairman)*
Mr. Hsu Chun Yi
Mr. Hung Tsung Chin
Mr. Han Chien Shan

NOMINATION COMMITTEE

Mr. Han Chien Shan *(Chairman)*
Mr. Hsu Chun Yi
Mr. Hung Tsung Chin

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank SinoPac
CTBC Bank Co., Ltd.
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
Codan Services Limited
Clarendon House,
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Hamilton HM DX,
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WEBSITE

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STOCK CODE

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OVERALL REVIEW

For the six months ended December 31, 2013, the Group has recorded a turnover of HK$916.4 million (7.1.2012 to 12.31.2012: HK$533.5 million) from continuing operations, representing an increase of 71.8%. The increase in revenue was primarily attributable to the acquisition of a new company, Pro Brand International, Inc. ("PBI"), in March 2013.

Gross profit margin from continuing operations amounted to HK$99.0 million, (7.1.2012 to 12.31.2012: HK$98.4 million). Gross profit ratio from continuing operations reduced to 10.8% (7.1.2012 to 12.31.2012: 18.5%). The decrease in gross profit ratio was mainly due to the acquisition of PBI which contributed lower gross profit ratio.

During the current period, a significant amount of increase in fair value of investment properties of HK$57.1 million has been credited to the consolidated statement of profit or loss and other comprehensive income.

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 period amounted to HK$209.3 million (7.1.2012 to 12.31.2012: HK$286.1 million), representing a decrease of 26.8% as compared to last year. The turnover generated from sales of other multimedia products for the period amounted to HK$185.0 million (7.1.2012 to 12.31.2012: HK$222.8 million), representing a decrease of 17.0% as compared to last year. Turnover from both segments decreased owing to the impact of the worsening of the European sovereign debt crisis which has depressed consumer spending sentiment.

The turnover generated from sales of satellite TV equipment and antenna products amounted to HK$494.3 million for the period (7.1.2012 to 12.31.2012: Nil), representing 53.9% of the Group's turnover. The turnover from this segment was wholly contributed by the new acquisition in March 2013.

The turnover generated from integration of signal system and traffic communication network for the period amounted to HK$27.7 million (7.1.2012 to 12.31.2012: HK$24.7 million). An increase in turnover from this segment gave a favourable contribution to the Group's turnover.

BUSINESS REVIEW

During the past six months, despite the lack of significant profit growth, the Group achieved brilliant results of operation with a marked drop in loss as compared with the corresponding period last year as well as a strong and healthy financial position. As a matter of fact, order ceilings have recently been reached by various segments of the Group. However, our output, in terms of both value and quantity, were adversely affected by the current labour shortage and high labour turnover rate in the PRC. The Group has been actively seeking solutions and alternatives with the aims of securing output and meeting customers' demand in the near future.

As the political turmoil in the Middle East and North Africa continued to stir, the penetration of the Group's mature and hi-tech products in these major markets required additional time. It is hoped that the popularity of such hi-tech products in these markets will rise and help boost customers' demand in the foreseeable future.

The outlook in Europe remained lacklustre and the Group's total operating revenue from this region fell into stagnation. Nonetheless, as compared with the corresponding period last year, signs of improvement and opportunities for growth have been noticed.

SUMMARY OF THE HALF-YEAR PERIOD

After two years of extensive efforts in, and enormous spending on, integration and expansion, the Group is now poised to reap its fruits. In the coming year, the Group will endeavour to achieve successful transformation through establishing a new branded business model based on multiple platforms in a step-by-step and technology-oriented manner in order to expand its channels, as well as internal integration and cost reduction.

PROSPECTS

1. Digital Set Top Box Segment

a) In respect of the Middle East and North African markets, the Group will focus on pay television set top boxes. Many producers in these regions have rushed to produce and encrypt high-definition programmes while stopping further investments in standard-definition ones. Given these trends, the viewing habits of television audience in the regions will definitely alter. With the successful development of new products last year and set top box sales arrangements concluded with various channels, the Group is well-positioned to increase its total operating revenue and fortify its leadership when market demand increases.

b) The number of satellite television subscribers in Nepal has reached 320,000 thanks to a number of upcoming major global sports events in the year (such as an international cricket tournament featuring the first Nepalese national cricket team, as well as a global soccer event) that will take the sales of pay television services in this country to new heights. Dish Media Network Private Limited ("DMN") expects that the number of subscribers will rise further by 200,000 to 500,000 during the year and that it will be able to turn loss into gain. Being the only legally licensed local satellite television programmes broadcaster in Nepal, the market share of DMN has been on the rise. It is also planning to raise the price for its value-added services and the monthly subscription fees in the near future in order to demonstrate the success of its transformation as soon as possible.

c) The successful launch of a new multifunctional hi-tech set top box model at the end of 2013 has helped us to integrate two major new platforms (the Android operating system and the XBMC multimedia entertainment platform) with high-definition satellite television receiver. This model has strengthened the Group's ability and position in the hi-tech set top box market. Leveraging on the improving outlook in Europe, this high-end equipment will be marketed in various countries with a view to lifting the Group's profit.

2. Hi-tech satellite equipment

Following its ascension as a leading high-end satellite equipment supplier in Europe and the Americas subsequent to the acquisition of PBI in the United States in March 2013, the Group has further cooperated with Wha Yu Industrial Co., Ltd. ("Whayu") by merging with Sksteck Inc., a subsidiary of Whayu. This merger will help to secure resources of high technologies for the Group to provide high-end satellite equipment and satellite networks as well as other sophisticated integrated peripheral services targeting mainly at European and American customers.

3. Professional spare parts and components supplies and successful brand strategy

The Group's professional spare parts and components segment concentrates on providing sales and services to international brands and the sales of products from various famous manufacturers. The Group has made a giant leap in the professional spare parts and components trading business with the hope of achieving ground-breaking growth and outstanding total operating revenue in the coming year.

4. Opportunities and business in domestic market

With respect to the domestic market, the Group has expanded from the original receiver and pay television market into the emerging e-business channels, such as setting up an online store on a PRC online store platform to offer professional spare parts and components and distribution and original design manufacturing of branded 3C electronic products. This measure has swiftly boosted the sales volume and brought the Group into the domestic arena. The Group further plans to supply potential domestic customers and increase the importance of online sales to the Group.

5. Progressive internal integration and streamlining measures

In addition to expanding its customer network and business coverage, the Group is also implementing internal streamlining measures through internal integration and restructuring. Through rational streamlining, the Group anticipates that unnecessary costs can be trimmed and internal resource allocation can be enhanced, and that all segments can formulate profit-oriented operating strategies effectively.

SIGNIFICANT ACQUISITIONS, DISPOSAL AND TRANSACTIONS

Formation of Joint Venture Company and Acquisition of Sksteck Inc.

On December 2, 2013, the Company and Whayu have entered into the joint venture agreement (“JV Agreement”), pursuant to which the Company and Whayu will establish a joint venture company (the “JV Company”) as an investment holding company to hold the 100% equity interests of Sksteck Inc. (“SKS”) and Pro Brand International, Inc. (“PBI”), the wholly-owned subsidiaries of Whayu and the Company respectively.

After the establishment of the JV Company, each of the Company and Whayu will subscribe for shares in the JV Company (the "Subscription") by the injection of their respective 100% equity interest in PBI and SKS. It is expected that the JV Company will be majority owned by the Company and upon completion of the formation of the JV Company and the Subscription, the JV Company will be a non-wholly owned subsidiary of the Company; and PBI and SKS will become wholly owned subsidiaries of the JV Company and indirect non-wholly owned subsidiaries of the Company. PBI will continue to be accounted for as a subsidiary of the Company.

The consideration for the Company to obtain the majority shareholding of the JV Company will be by the injection of PBI into the JV Company. The consideration of PBI is determined by the net asset value of PBI as at October 31, 2013 plus a premium of NT$300 million (approximately HK$79.2 million, with reference to the premium of US$11 million for the acquisition of PBI by the Company in March 2013.

The consideration for the Subscription was determined after arm's length negotiations between the parties with reference to the market multiples of price-to-book ratio of comparable companies of SKS. Based on the preliminary net asset values of PBI (US$4,715,000, approximately HK$36,555,000) and SKS (NT$254,603,000, approximately HK$67,215,000) as at October 31, 2013, the estimated considerations of PBI and SKS were HK$115,755,000 and HK$72,825,000 respectively.

The formation of JV Company is a strategic alliance between Whayu and the Company. With the efficient production facilities of SKS in the PRC and the long established distribution channels and customers' base of PBI in North America and Latin America, the proposed formation of the JV Company will build up an efficient supply chain that covers the design, manufacture and distribution of LNB products and other equipment to meet different customer demands for high-end satellite television and LNB products.

Following the successful integration of SKS and PBI, it is expected that the profit margin of both companies will be improved and this will equip both companies with the advance technologies capable of developing the next generation products in satellite television receiving system and LNB products.

The Directors consider that the terms and conditions of the Transactions, including the basis of determining Consideration, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As at the date of this interim report, the Company, Whayu and the JV Company are still in the process to complete the Subscription.

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 the appropriate consents from the DOI and MOF have not been obtained by the Company and Dish Media.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2013, the Group's cash and bank balances amounted to HK$164.9 million (6.30.2013: HK$236.6 million). The Group's pledged bank deposits were HK$32.3 million (6.30.2013: HK$26.3 million).

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.4 at December 31, 2013 and 1.3 at June 30, 2013.

For the Period, the annualized average trade receivable turnover period, average inventory turnover period, and average trade payable turnover period were 87 days, 62 days, and 80 days respectively (For the year ended June 30, 2013: 104 days, 67 days, and 87 days respectively).

At December 31, 2013, the Group's total loans were HK$329.1 million (6.30.2013: 376.9 million). Certain of the borrowings were secured by the Group's leasehold land and buildings, pledged deposits, secured and guarantee from the Company and certain of its subsidiaries.

The gearing ratio (total borrowings over total assets of the Group) decreased to 20.5% (6.30.2013: 23.9%).

FOREIGN CURRENCY EXPOSURE

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

CHARGES ON ASSETS

As at December 31, 2013, the Group's general banking facilities were secured by the following assets of the Group: (i) leasehold land and buildings with a carrying value of HK$73.4 million, (ii) investment properties of HK$113.7 million and (iii) bank deposits of HK$32.3 million.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at December 31, 2013.

EMPLOYEES

At December 31, 2013, the Group employed a total of 2,371 (6.30.2013: 2,358) full-time employees. Employees are remunerated accordingly to their performance and responsibilities. Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (7.1.2012 to 12.31.2012: Nil) for the six months ended December 31, 2013.

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

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

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible 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 and complied with 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 Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

As at December 31, 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 (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) were required pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Capacity and nature of interest	Number of shares held or deemed to be interested	Percentage of interest
Mr. Hung Tsung Chin	Beneficial owner	162,275,437 (Note 1)	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	14,336,341	1.72%
	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.

(ii) Share options

As at December 31, 2013, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 7,565,000 (6.30.2013: 8,125,000), representing 0.91% of the shares of the Company in issue as at December 31, 2013.

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

Type of grantee	Date of grant (Note)	Closing price per share immediately prior to the grant date	Exercise price	Number of share options: Outstanding at July 1, 2013	Lapsed during the period	Outstanding at December 31, 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	2,400,000	(60,000)	2,340,000
	December 16, 2006	HK$2.05	HK$2.05	425,000	–	425,000
	December 27, 2007	HK$1.76	HK$1.76	900,000	–	900,000
	April 1, 2009	HK$1.10	HK$1.114	900,000	–	900,000
	October 22, 2010	HK$2.05	HK$2.05	500,000	(500,000)	–
Total				8,125,000	(560,000)	7,565,000

Note:

The share options are vested in stages as follows:

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

Options granted on July 30, 2005 are exercisable until July 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 and options granted on April 1, 2009 are exercisable until March 31, 2019 and options granted on October 22, 2010 are exercisable until October 21, 2020.

Save as disclosed above, as at December 31, 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

As at December 31, 2013, so far as is known to the Directors of the Company, shareholders holding five per cent or more of the Company's share capital as recorded in the register of interests in shares and short position maintained by the Company and their reported interests pursuant to provisions of section 336 of the SFO were as follows:

Name of shareholder	Capacity and nature of interest	Number of shares held	Percentage of interests
Metroasset Investments Limited	Beneficial owner	162,275,437	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, 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.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended December 31, 2013, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

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

Hong Kong, February 26, 2014

Deloitte.
德勤

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35/F One Pacific Place
88 Queensway
Hong Kong

TO THE BOARD OF DIRECTORS OF
SANDMARTIN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sandmartin International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 58, which comprises the condensed consolidated statement of financial position as of December 31, 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
February 26, 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended December 31, 2013

	NOTES	Six months ended December 31, 2013 HK$'000 (unaudited)	Six months ended December 31, 2012 HK$'000 (unaudited)
Continuing operations			
Revenue	3	**916,371**	533,529
Cost of sales		**(817,418)**	(435,080)
Gross profit		**98,953**	98,449
Other income		**19,672**	15,341
Other gains and losses		**(1,862)**	(2,019)
Loss on financial instruments	10	**–**	(5,224)
Distribution and selling costs		**(17,533)**	(30,357)
Administrative and other expenses		**(109,690)**	(81,001)
Impairment loss on trade receivables	11	**(340)**	(3,658)
Research and development costs		**(16,562)**	(11,441)
Share of results of an associate		**–**	(1,904)
Finance costs		**(3,622)**	(3,028)
Loss before taxation	4	**(30,984)**	(24,842)
Taxation	5	**(6,444)**	(13,905)
Loss for the period from continuing operations		**(37,428)**	(38,747)
Discontinued operation			
Loss for the period from discontinued operation	16	**–**	(82,136)
Loss for the period		**(37,428)**	(120,883)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended December 31, 2013

	Six months ended December 31,	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other comprehensive income (expense)		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of properties	**57,054**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of foreign operations	**1,240**	8,933
Reclassification upon maturity of available-for-sale investments	**–**	3,002
	58,294	11,935
Total comprehensive income (expense) for the period	**20,866**	(108,948)
Loss for the period attributable to owners of the Company:		
– from continuing operations	**(36,719)**	(39,257)
– from discontinued operation	**–**	(52,802)
	(36,719)	(92,059)
Loss for the period attributable to non-controlling interests:		
– from continuing operations	**(709)**	510
– from discontinued operation	**–**	(29,334)
	(709)	(28,824)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended December 31, 2013

	NOTE	Six months ended December 31, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**21,767**	(80,048)
Non-controlling interests		**(901)**	(28,900)
		20,866	(108,948)
Loss per share from continuing and discontinued operations	8		
Basic (HK cents)		**(4.41)**	(12.43)
Diluted (HK cents)		**(4.41)**	(12.43)
Loss per share from continuing operations	8		
Basic (HK cents)		**(4.41)**	(5.30)
Diluted (HK cents)		**(4.41)**	(5.30)

Condensed Consolidated Statement of Financial Position

At December 31, 2013

	NOTES	December 31, 2013 HK$'000 (unaudited)	June 30, 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	**144,945**	173,304
Deposit paid for acquisition of a subsidiary		**10,961**	10,961
Prepaid lease payments		**11,199**	15,195
Investment properties	9	**130,160**	38,413
Goodwill	9	**26,714**	25,771
Intangible assets		**40,953**	46,234
Interest in an associate		**–**	–
Loan to an associate		**23,269**	23,269
Amount due from an associate		**14,170**	14,170
Deferred tax assets		**10,533**	10,537
Loan receivable		**10,238**	10,238
Bond receivables	10	**–**	95,699
		423,142	463,791
Current assets			
Inventories		**300,047**	259,403
Trade, bills and other receivables	11	**526,545**	550,564
Prepaid lease payments		**382**	414
Loan receivable		**3,326**	4,203
Amount due from an associate		**54,790**	33,737
Available-for-sale investments		**821**	816
Bond receivables	10	**97,069**	–
Pledged bank deposits		**32,299**	26,324
Bank balances and cash		**164,867**	236,621
		1,180,146	1,112,082
Current liabilities			
Trade, bills and other payables	12	**505,805**	454,131
Tax liabilities		**39,104**	38,467
Bank and other borrowings – due within one year	13	**306,655**	353,764
Obligations under finance leases		**1,811**	1,804
		853,375	848,166
Net current assets		**326,771**	263,916
		749,913	727,707

Condensed Consolidated Statement of Financial Position

At December 31, 2013

	NOTES	**December 31, 2013 HK$'000 (unaudited)**	June 30, 2013 HK$'000 (audited)
Capital and reserves			
Share capital	14	**83,223**	83,223
Reserves		**622,841**	600,945
Equity attributable to owners of the Company		**706,064**	684,168
Non-controlling interests		**(3,790)**	(2,889)
Total equity		**702,274**	681,279
Non-current liabilities			
Bank and other borrowings – due after one year	13	**5,949**	5,696
Deferred tax liabilities		**26,984**	25,114
Obligations under finance leases		**14,706**	15,618
		47,639	46,428
		749,913	727,707

Condensed Consolidated Statement of Changes in Equity

For the six months ended December 31, 2013

	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$'000 (note b)	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000 (note c)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At July 1, 2012 (audited)	74,065	301,625	7,215	27,364	79,878	(3,005)	–	43,432	361,832	892,406	28,595	921,001
Loss for the period	–	–	–	–	–	–	–	–	(92,059)	(92,059)	(28,824)	(120,883)
Reclassification upon maturity of available-for-sale investments	–	–	–	–	–	3,002	–	–	–	3,002	–	3,002
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	9,009	–	9,009	(76)	8,933
Total comprehensive expense for the period	–	–	–	–	–	3,002	–	9,009	(92,059)	(80,048)	(28,900)	(108,948)
Recognition of equity-settled share-based payments	–	–	404	–	–	–	–	–	–	404	–	404
Transfer	–	–	–	2,099	–	–	–	–	(2,099)	–	–	–
At December 31, 2012 (unaudited)	74,065	301,625	7,619	29,463	79,878	(3)	–	52,441	267,674	812,762	(305)	812,457
At July 1, 2013 (audited)	83,223	349,246	7,830	29,220	79,878	(15)	–	46,234	88,552	684,168	(2,889)	681,279
Loss for the period	–	–	–	–	–	–	–	–	(36,719)	(36,719)	(709)	(37,428)
Revaluation of properties	–	–	–	–	–	–	57,054	–	–	57,054	–	57,054
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	1,432	–	1,432	(192)	1,240
Total comprehensive income for the period	–	–	–	–	–	–	57,054	1,432	(36,719)	21,767	(901)	20,866
Recognition of equity-settled share-based payments	–	–	129	–	–	–	–	–	–	129	–	129
Transfer	–	–	–	822	–	–	–	–	(822)	–	–	–
Effect of share options forfeited	–	–	(421)	–	–	–	–	–	421	–	–	–
At December 31, 2013 (unaudited)	83,223	349,246	7,538	30,042	79,878	(15)	57,054	47,666	51,432	706,064	(3,790)	702,274

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.

(c) The property revaluation reserve is frozen upon the transfer of properties from property, plant and equipment to investment properties and will be transferred to retained profits when the relevant properties are disposed of.

Condensed Consolidated Statement of Cash Flows

For the six months ended December 31, 2013

	NOTE	Six months ended December 31, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Net cash used in operating activities		**(20,046)**	(67,440)
Net cash (used in) from investing activities:			
Additions to property, plant and equipment		**(6,637)**	(3,767)
Expenditure on intangible assets		**–**	(3,146)
Placement of pledged bank deposits		**(5,975)**	(347)
Receipts upon the maturity of Convertible Bonds (as defined in note 10)	10	**–**	100,000
Other investing cash flows		**877**	651
Proceeds from disposal of property, plant and equipment		**7,560**	–
		(4,175)	93,391
Net cash (used in) from financing activities:			
Repayment of bank and other loans		**(155,377)**	(32,474)
New bank and other loans raised		**105,295**	113,076
Other financing cash flows		**(905)**	(196)
		(50,987)	80,406
Net (decrease) increase in cash and cash equivalents		**(75,208)**	106,357
Cash and cash equivalents at beginning of the period		**236,621**	146,016
Effect of foreign exchange rate changes		**3,454**	(1,387)
Cash and cash equivalents at end of the period, represented by bank balances and cash		**164,867**	250,986

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended December 31, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended June 30, 2013, except for the accounting policy for property transferred from owner-occupied property to investment property carried at fair value which are disclosed below.

Property, plant and equipment

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Moreover, in the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements;
HKFRS 11	Joint Arrangements;
HKFRS 12	Disclosure of Interests in Other Entities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities;
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle; and
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Impact of the application of HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The adoption of HKFRS 10 has no impact on the consolidation of investments held by the Group.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

HKFRS 13 "Fair Value Measurement" *(Continued)*

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 18.

Amendments to HKAS 34 "Interim Financial Reporting" (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Amendments to HKAS 34 "Interim Financial Reporting" (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle) *(Continued)*

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total assets and total liabilities information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

3. SEGMENT INFORMATION *(Continued)*

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.

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

Six months ended December 31, 2013

	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	209,348	185,018	27,692	494,313	916,371
RESULTS					
Segment results	24,321	19,660	470	36,629	81,080
Other income					19,672
Other gains and losses					(1,862)
Research and development costs					(16,562)
Administrative and other expenses					(109,690)
Finance costs					(3,622)
Loss before taxation (continuing operations)					(30,984)

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Six months ended December 31, 2012

	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
Continuing operations				
REVENUE				
External sales	286,054	222,796	24,679	533,529
RESULTS				
Segment results	43,243	21,143	48	64,434
Other income				15,341
Other gains and losses				(2,019)
Research and development costs				(11,441)
Administrative and other expenses				(81,001)
Loss on financial instruments				(5,224)
Share of results of an associate				(1,904)
Finance costs				(3,028)
Loss before taxation (continuing operations)				(24,842)

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, loss on financial instruments, share of results of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. LOSS BEFORE TAXATION

	Six months ended December 31,	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
Loss before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	**5,333**	3,122
Release of prepaid lease payments	**205**	407
Depreciation of property, plant and equipment	**9,364**	10,797
Impairment loss on trade receivables	**340**	3,658
Write-down of inventories (included in cost of sales)	**5,500**	–
Interest income	**(3,002)**	(1,647)
Effective interest income on bond receivables	**(4,370)**	–
Effective interest income on convertible bonds	**–**	(6,439)
Loss on financial instruments	**–**	5,224
Discontinued operation		
Amortisation of intangible assets (included in cost of sales)	**–**	5,665
Impairment of intangible assets	**–**	49,100
Depreciation of property, plant and equipment	**–**	332
Write-down of inventories (included in cost of sales)	**–**	5,728

5. TAXATION

	Six months ended December 31,	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
The tax charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**1,520**	1,368
Other jurisdictions	**3,626**	49
Underprovision in prior years	**–**	3
Withholding tax	**2,113**	4,134
Deferred taxation:		
Current period	**(1,123)**	7,775
Provision for PRC dividend withholding tax	**308**	576
	6,444	13,905

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

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

5. TAXATION *(Continued)*

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

As for 中山聖馬丁電子元件有限公司, in late 2008, it successfully applied for High and New Technology Enterprises Status, so the applicable tax rate has been reduced to 15% ("Reduced Tax Rate"). 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.

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.

The Group's subsidiaries in United States of America are subjected to United States Federal Income Tax at 34% and States Income Tax at 6%.

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

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

6. DIVIDENDS

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

7. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

(iii) the nominal value of the shares.

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

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

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

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

			Number of share options		
Type of grantee	**Date of grant** (note 2)	**Exercise price** (note 1)	**Outstanding at July 1, 2013**	**Lapsed during the period**	**Outstanding at December 31, 2013**
Directors	July 30, 2005	HK$1.02	500,000	–	500,000
Directors	October 22, 2010	HK$2.05	2,500,000	–	2,500,000
Employees	July 30, 2005	HK$1.02	2,400,000	(60,000)	2,340,000
Employees	December 16, 2006	HK$2.05	425,000	–	425,000
Employees	December 27, 2007	HK$1.76	900,000	–	900,000
Employees	April 1, 2009	HK$1.114	900,000	–	900,000
Employees	October 22, 2010	HK$2.05	500,000	(500,000)	–
Total			8,125,000	(560,000)	7,565,000
Exercisable at the end of the period			6,625,000		7,565,000
Weighted average exercise price			1.55	1.94	1.52

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

Notes:

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

2. The share options 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.

During the period, the Group has recognised total expense of HK$129,000 (7.1.2012 to 12.31.2012: HK$404,000) in relation to share options granted by the Company.

8. 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:

	Six months ended December 31, 2013 HK$'000	2012 HK$'000
Loss for the purposes of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(36,719)**	(92,059)

	Number of shares 2013	2012
Weighted average number of ordinary shares for the purpose of basic loss per share	**832,228,862**	740,649,800
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	**832,228,862**	740,649,800

Note: The computation of diluted loss per share for the six months ended December 31, 2013 does not include share options as the assumed exercise of those share options has an anti-dilutive effect.

8. LOSS PER SHARE *(Continued)*

From continuing operations

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

	Six months ended December 31,	
	2013	2012
	HK$'000	HK$'000
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(36,719)**	(39,257)

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

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

During the period, an office premise in Hong Kong with carrying amount of HK$8,849,000, and office premises and staff quarter in the PRC with carrying amount of HK$22,577,000, were transferred from property, plant and equipment to investment properties with deemed cost of HK$58,000,000 and HK$33,239,000, respectively, with reference to valuation carried out as of the respective dates of transfer by independent qualified professional valuers not connected with the Group.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND GOODWILL *(Continued)*

The directors are of the opinion that the carrying value of the Group's investment properties as at December 31, 2013 was not materially different from the fair value of the investment properties as at June 30, 2013 or the fair value for those investment properties transferred from property, plant and equipment during the period. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group spent HK$6,637,000 (7.1.2012 to 12.31.2012: HK$3,767,000) on additions of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying amount of HK$359,000 (7.1.2012 to 12.31.2012: HK$700,000) resulting in a gain of HK$7,201,000 (7.1.2012 to 12.31.2012: loss of HK$49,000).

For the purpose of impairment testing, goodwill is allocated into two (7.1.2012 to 12.31.2012: two) individual cash-generating units ("CGU"), comprising Pro Brand International, Inc. ("PBI CGU") and Intelligent Digital Service GmbH ("IDS CGU") (12.31.2012: comprising BCN Distribuciones, S.A. ("BCN CGU") and IDS CGU).

During the six months ended December 31, 2013, the management assessed the cash flow projections of PBI CGU and IDS CGU. No impairment loss was recognised for respective CGUs as the recoverable amounts of PBI CGU and IDS CGU based on value in use calculations were higher than their carrying amounts.

10. BOND RECEIVABLES

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

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

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

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

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

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

10. BOND RECEIVABLES *(Continued)*

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 June 30, 2013	95,699
Effective interest income credited to profit or loss	4,370
Coupon interest receivable	(3,000)
As at December 31, 2013	97,069

11. TRADE, BILLS AND OTHER RECEIVABLES

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

	December 31, 2013 HK$'000	June 30, 2013 HK$'000
0 – 30 days	**192,031**	240,750
31 – 60 days	**43,697**	78,490
61 – 90 days	**41,009**	44,859
91 – 180 days	**38,002**	68,548
More than 180 days	**100,327**	25,730
	415,066	458,377
Prepayments and other receivables	**111,479**	92,187
Total trade, bills and other receivables	**526,545**	550,564

During the period, the directors reviewed the carrying amounts of certain long outstanding trade and bills receivables and identified an impairment loss of HK$340,000 (7.1.2012 to 12.31.2012: HK$3,658,000) which has been recognised in profit or loss.

12. TRADE, BILLS AND OTHER PAYABLES

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

	December 31, 2013 HK$'000	June 30, 2013 HK$'000
0 – 30 days	**210,356**	224,019
31 – 60 days	**67,287**	81,386
61 – 90 days	**35,639**	28,763
91 – 180 days	**28,441**	21,187
181 – 365 days	**11,960**	7,832
More than 365 days	**245**	143
	353,928	363,330
Other payables	**151,877**	90,801
Total trade, bills and other payables	**505,805**	454,131

13. BANK AND OTHER BORROWINGS

During the current period, the Group raised bank loans in the amount of HK$105,295,000 with interest rate ranged from 2.25% to 3.48% per annum which are mainly subject to interest at London Interbank Offered Rate and repaid bank and other loans of HK$155,377,000. The bank loans bear interest at prevailing market rate.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Issued and fully paid		
At July 1, 2012	740,649,800	74,065
Issue of shares	91,579,062	9,158
At June 30, 2013 and December 31, 2013	832,228,862	83,223

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended December 31,	
	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**8,148**	3,859
Post-employment benefits	**147**	15
Share-based payments	**108**	337
	8,403	4,211

15. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel *(Continued)*

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

16. DISCONTINUED OPERATION

Sino Light Enterprise Limited ("SLE") was engaged in the trading of children apparels and it commenced its business in October 2011. During the six months ended December 31, 2012, management of the Group ceased such business and has finalised the negotiation with The Walt Disney Company (Asia Pacific) Limited ("Walt Disney") for the early termination of the licences agreement. This operating segment was classified as discontinued operation accordingly.

On February 5, 2013, SLE entered into a formal termination agreement with Walt Disney. The results of the discontinued operation of retailing and wholesaling of children apparels was analysed as follows:

	Six months ended December 31,	
	2013	2012
	HK$'000	HK$'000
Loss of retailing and wholesaling of children apparels for the period	–	(82,136)

16. DISCONTINUED OPERATION *(Continued)*

The results of the discontinued operation for the six months ended December 31, 2012 were as follows:

	Six months ended December 31,	
	2013	2012
	HK$'000	HK$'000
Revenue	–	2,432
Cost of sales	–	(14,178)
	–	(11,746)
Other income	–	1
Administrative and other expenses	–	(11,698)
Distribution and selling costs	–	(3,256)
Impairment loss on intangible assets	–	(49,100)
Expenses related to termination of business (Note (a))	–	(15,373)
Loss before taxation	–	(91,172)
Taxation credit	–	9,036
Loss for the period	–	(82,136)

16. DISCONTINUED OPERATION *(Continued)*

Note (a):

Expenses related to termination of business

	Six months ended December 31,	
	2013	2012
	HK$'000	HK$'000
Impairment of property, plant and equipment	–	(4,134)
Impairment of other receivables	–	(1,601)
Impairment of prepayment made to Walt Disney	–	(4,657)
Severance payments to employees	–	(425)
Loss on close down of retail stores	–	(671)
Provision for compensation made to Walt Disney	–	(3,885)
Total	–	(15,373)

17. 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.

17. 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 considers it pre-mature to estimate the outcome of such arbitration.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements 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); and

- 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).

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

Financial asset	Fair value as at December 31, 2013	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as available- for-sale investments	HK$821,000	HK$816,000	Level 1	Quoted bid prices in an active market

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

19. EVENTS AFTER THE REPORTING PERIOD

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

(a) On May 10, 2013, the Group entered into a conditional agreement in respect of the subscription of 6,195,652 new shares in Dish Media Network Private Limited ("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.

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

(a) *(Continued)*

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 December 31, 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 Company are still in process of assessing the financial effects of the transaction.

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

(b) On December 2, 2013, the Company and Wha Yu Industrial Co., Ltd. ("Whayu") entered into a joint venture agreement pursuant to which the parties agreed to establish a joint venture company ("JV Company") as an investment holding company and the principal businesses of the JV Company are to design, manufacture and distribute satellite television antenna, low noise block and accessories.

Pursuant to the terms of the joint venture agreement, the Group will inject its wholly owned subsidiary, Pro Brand International, Inc. ("PBI") and Whayu will inject its wholly owned subsidiary, Sksteck Inc. into the JV Company. Upon completion of the transaction, the JV Company will become a non-wholly owned subsidiary of the Company and PBI will continue to be a non-wholly owned subsidiary of the Company.

Details of the transaction are set out in the announcement of the Company dated December 2, 2013.

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