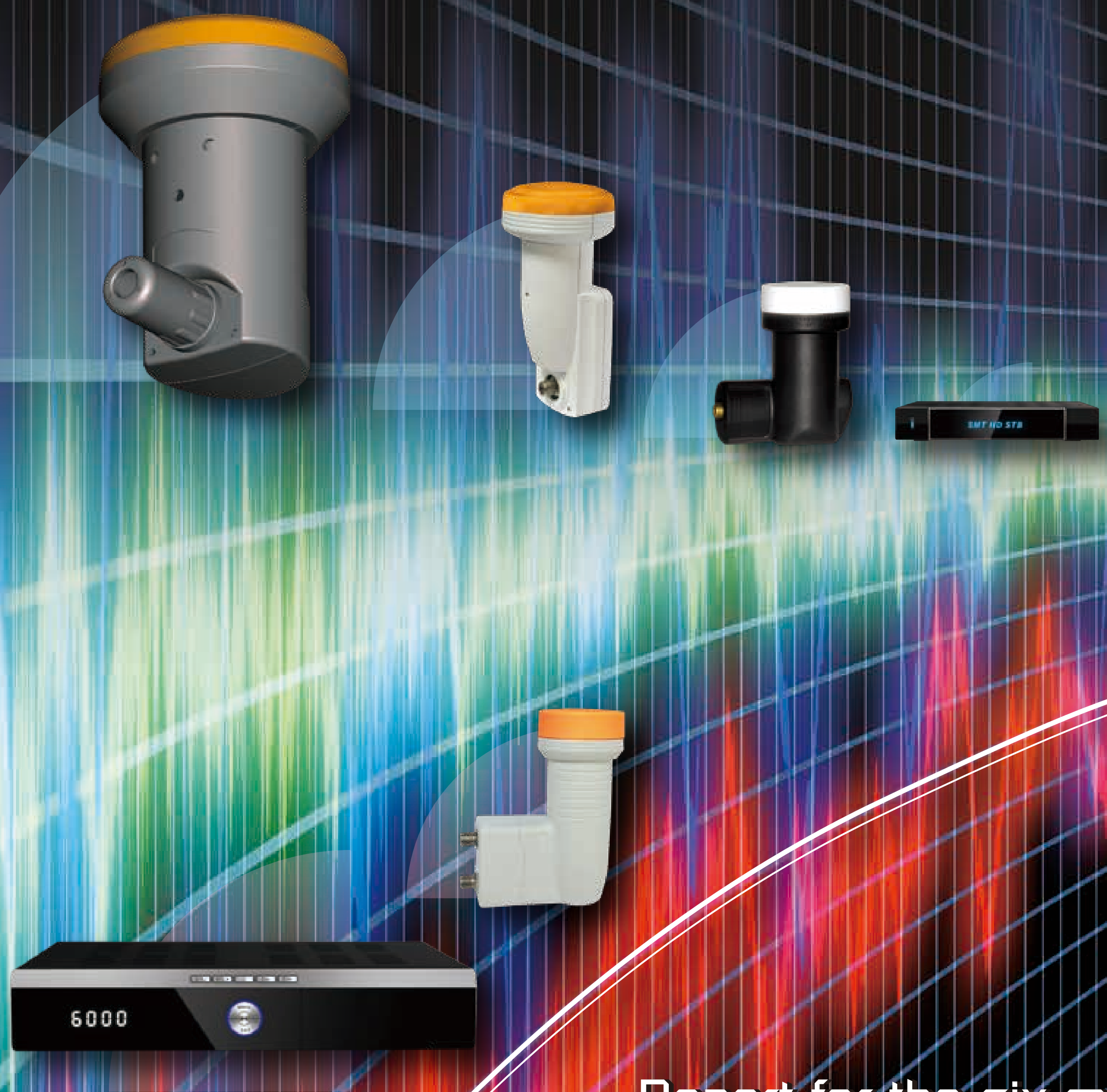
Sandmartin International Holdings Limited
聖馬丁國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00482



Report for the six months ended 31 December 2014

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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. Lee Chien Kuo
Mr. Han Chien Shan
Mr. Wu Chia Ming (appointed in December 1, 2014)
Mr. Hsu Chun Yi (resigned on December 1, 2014)

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. Young Ho Kee Bernard, *ACIS, ACS*
(appointed on March 30, 2015)
Mr. Chung Ming Fai, *CPA, CPA (Aust.)*
(resigned on March 30, 2015)

LEGAL ADVISORS

Sidley Austin

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

AUDIT COMMITTEE

Mr. Wu Chia Ming *(Chairman)*
(appointed in December 1, 2014)
Mr. Lee Chien Kuo
Mr. Han Chien Shan
Mr. Hsu Chun Yi (resigned on December 1, 2014)

REMUNERATION COMMITTEE

Mr. Lee Chien Kuo *(Chairman)*
Mr. Hung Tsung Chin
Mr. Han Chien Shan
Mr. Wu Chia Ming (appointed in December 1, 2014)
Mr. Hsu Chun Yi (resigned on December 1, 2014)

NOMINATION COMMITTEE

Mr. Han Chien Shan *(Chairman)*
Mr. Hung Tsung Chin
Mr. Wu Chia Ming (appointed in December 1, 2014)
Mr. Hsu Chun Yi (resigned on December 1, 2014)

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank SinoPac
Industrial and Commercial Bank of China Limited
Taishin International Bank Co., Ltd.

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,
PO Box HM 1022,
Hamilton HM DX,
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WEBSITE

www.sandmartin.com.hk

STOCK CODE

Hong Kong 00482
Taiwan 910482

EXECUTIVE DIRECTORS

Mr. Hung Tsung Chin, aged 54, 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 25 years of management experience in the electronics manufacturing industry. Mr. Hung graduated from the National Chengchi University in Taiwan, with a bachelor's 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 53, 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 25 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 47, is a co-founder of the Group since November 1989. Mr. Liao has over 24 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 55, 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 27 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 54, 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's degree in finance from the University of Texas at Dallas. Mr. Mu has over 27 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 65, is the founder and Chairman of Pro Brand International, Inc. ("Pro Brand"), a non-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. Lee Chien Kuo (also known as Thomas Lee), aged 51, 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 49, is an independent non-executive director of the Company since February 2013. He graduated from the National Chengchi University with a bachelor's degree and a master's 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.

Mr. Wu Chia Ming, aged 46, is an independent non-executive director of the Company since December 2014. He has a master's degree in business administration from the Institute of International Business, National Cheng-kung University and a bachelor's degree in electronic engineering from Chung Yuan Christian University in Taiwan. Mr. Wu has nearly 20 years of experience in financial analysis and fund management. Currently, he is the Chairman of Fortune-Future Investment Co., Ltd. Prior to that, Mr. Wu was a fund manager of KGI Securities Investment Trust Co., Ltd.

SENIOR MANAGEMENT

Mr. Su Jow Shi, aged 52, 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 50, 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 42, 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 15 years of management experience in the development and quality control of digital television technologies.

Ms. Su Wan Ling (also named Ms. Julia Swen), aged 50, 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's degree in Biochemistry; a master's degree in Environmental Science and a master's degree of Business Administration. Ms. Su has over 20 years of experience in research of biotechnology field and business management.

Mr. James Crownover, aged 55, 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's degree in science.

BUSINESS REVIEW

Over the past six months, the overall market remained sluggish in its recovery as the general economy was uncertain. The Group has been going through a period of transition to integrate its different business units and to upgrade its production facilities gradually with automation systems so as to improve production efficiency and to reduce the operating costs. As a result of these efforts, the gross profit margin of the Group was improved from 10.4% for the year ended June 30, 2014 to 12.0% for the six months ended December 31, 2014.

The Group recorded an unsatisfactory performance for the six months ended December 31, 2014 due to certain one-off impairment losses. The losses were mainly brought by (i) impairment losses on its customers' receivables, (ii) operational and restructuring losses from the business of E-Passing Co., Ltd., (iii) impairment on bond receivables; and (iv) impairment loss on available-for-sale financial assets.

Despite the recent substantial increase in orders from various departments, the production value and the output were affected by the labour shortage and high labour turnover rate in the coastal areas of China. The Group has been actively seeking solutions and alternatives with the aims of securing output in order to meet customers' demand in the near future.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended December 31, 2014 was HK$785.1 million (twelve months ended June 30, 2014: HK$1,664.1 million).

Gross profit

Gross profit for the six months ended December 31, 2014 amounted to HK$94.0 million (twelve months ended June 30, 2014: HK$173.3 million). Gross profit margin for the six months ended December 31, 2014 was 12.0%, representing an increase of 1.6 percentage points from 10.4% for the twelve months ended June 30, 2014.

Administrative and other expenses

The Group's administrative and other expenses for the six months ended December 31, 2014 was HK$100.0 million (twelve months ended June 30, 2014: HK$166.9 million).

Segment information

The Group's turnover is derived from the sale 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 the sale of media entertainment platform related products for the six months ended December 31, 2014 amounted to HK$146.2 million (twelve months ended June 30, 2014: HK$325.4 million). The turnover generated from the sale of other multimedia products for the six months ended December 31, 2014 amounted to HK$189.9 million (twelve months ended June 30, 2014: HK$349.6 million).

The turnover generated from the sale of satellite TV equipment and antenna products for the six months ended December 31, 2014 amounted to HK$416.6 million (twelve months ended June 30, 2014: HK$925.8 million).

The turnover generated from integration of signal system and traffic communication network for the six months ended December 31, 2014 amounted to HK$32.3 million (twelve months ended June 30, 2014: HK$63.2 million).

Revenue by geographic markets

	Middle East	Europe	North America	Africa	South America	Asia	Other regions	Total
Revenue for the period (HK$m)	62.7	113.9	392.3	52.2	60.9	101.5	1.6	785.1
% of Group's revenue	8.0	14.5	50.0	6.6	7.8	12.9	0.2	100.0

Net loss for the period

Net loss for the six months ended December 31, 2014 amounted to HK$270.6 million (twelve months ended June 30, 2014: HK$101.6 million). The increased in net loss margins from 6.1% for last year to 34.5% for the current period was mainly a result of impairment loss on trade and loan receivables of HK$95.8 million and the provision for the restructure of E-passing Co., Ltd. of HK$59.4 million.

Working capital efficiency

The average inventory turnover days for the six months ended December 31, 2014 and the twelve months ended June 30, 2014 were 67 days and 65 days respectively.

The average trade receivables turnover days for the six months ended December 31, 2014 and the twelve months ended June 30, 2014 were 75 days and 89 days respectively.

The average trade payables turnover days for the six months ended December 31, 2014 and the twelve months ended June 30, 2014 were 95 days and 84 days respectively.

Liquidity and financial resources

At December 31, 2014, an overall cash and cash equivalent was HK$55.9 million (June 30, 2014: HK$74.6 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 1.0 at December 31, 2014 (June 30, 2014: 1.3).

As at December 31, 2014, the Group's total borrowings were HK$321.6 million (June 30, 2014: HK$368.9 million). The gearing ratio (total borrowings over total assets of the Group) slightly decreased from 23.6% at June 30, 2014 to 22.9% at December 31, 2014.

Charges on assets

As at December 31, 2014, the Group's general banking facilities including bank loans were secured by the following assets of the Group: (i) bank deposits of HK$117.3 million, (ii) leasehold land and buildings with a carrying value of HK$57.8 million, and (iii) investment properties of HK$84.7 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, management continuously assesses the foreign exchange risks, with an aim to minimise the impact of foreign exchange fluctuations on business operations.

Contingent liabilities

The Group did not have any significant contingent liabilities at December 31, 2014 (June 30, 2014: Nil).

SIGNIFICANT ACQUISITIONS, DISPOSAL AND TRANSACTION

Acquisition of 49% Equity Interest in Weblink Technology Limited

On November 12, 2014, Top Dragon Development Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company entered into an agreement with the Sodium Zone Limited (the "First Vendor") and Mr. Lin Shi Chi (the "Second Vendor"), pursuant to which, the Purchaser had agreed to acquire and the First Vendor and the Second Vendor had agreed to dispose of 49% equity interest in Weblink Technology Limited ("Weblink"), an indirect non-wholly owned subsidiary of the Company at a consideration of HK$8,329,000 and to be settled by the issue of consideration shares of the Company. On November 16, 2014, a supplemental agreement was entered into among the Purchaser, the First Vendor and the Second Vendor, pursuant to which, the payment method of the consideration was changed from the issue of consideration shares to the payment wholly in cash.

The principal activity of Weblink and its subsidiaries is the manufacturing and trading of optical fibre products. The acquisition of 49% equity interest in Weblink will strengthen the Group's control over the operations in Weblink, including but not limited to the acquisition and disposal of assets in Weblink. The Group is in the process to integrate the current operations of Weblink with other subsidiaries of the Group in the PRC so as to reduce the operation costs of Weblink.

The Directors consider that the terms and conditions of the acquisition of 49% equity interest in Weblink, including the basis of determining consideration, are fair and reasonable and are in the interests of the Company and the Company's shareholders as a whole.

The acquisition of 49% equity interest in Weblink was completed on December 15, 2014.

Formation of Pro Brand Technology, Inc. and Acquisition of Sksteck Inc.

On December 2, 2013, the Company entered into the joint venture agreement ("JV Agreement") with Wha Yu Industrial Co., Ltd. ("Whayu"), pursuant to which the Company and Whayu had agreed to establish Pro Brand Technology, Inc., 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 subscribed for shares in the JV Company (the "Subscription") by the injection of their respective 100% equity interest in PBI and SKS. Upon the completion of the Subscription, the Company holds 59.1% equity interest of the JV Company, and the JV Company is a non-wholly owned subsidiary of the Company; and PBI and SKS are wholly owned subsidiaries of the JV Company and indirect non-wholly owned subsidiaries of the Company. PBI continues to be accounted for as a subsidiary of the Company.

The consideration for the Company to obtain the majority shareholding of the JV Company is 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 (i) unaudited net asset value of SKS and PBI as at October 31, 2013 plus their respective premiums; and (ii) market approach estimation, which was based on price-to-book multiples of comparable companies. Based on the preliminary unaudited net asset values of PBI (US$4,715,000, approximately HK$36,555,000) and SKS (NT$254,603,000, approximately HK$66,197,000) as at October 31, 2013, the estimated considerations of PBI and SKS were HK$114,555,000 and HK$71,818,000 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 formation of the JV Company will build up an efficient supply chain that covers the design, manufacture and distribution of low noise blocks ("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 as a result of lower production costs of LNB products by SKS which can be achieved by the economy of scale of production and increase in the utilization rate of production capacity of SKS, i.e. lower fixed overhead cost per unit of product. With the integration of research and development functions of SKS and PBI, both companies will be equipped 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 Subscription, including the basis of determining consideration, are fair and reasonable and are in the interests of the Company and the Company's shareholders as a whole.

The Subscription was completed on May 28, 2014.

Subscription of Additional Shares in DMN

On May 10, 2013, the Company and Dish Media Network Private Ltd. ("DMN") 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 DMN 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 DMN upon completion of the subscription. Upon completion of the Share Subscription, the Company's interest in DMN will increase from 47% to 60% and DMN will become a non-wholly owned subsidiary of the Company.

DMN 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 DMN 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 DMN, 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 DMN.

PROSPECTS

1. The Group is exposed to intense price competition in the retail market of set-top boxes. The Group has been actively seeking potential partners, while research and develop higher-end, more complete and more price competitive products, thereby continuing its market share in the Middle East and North African markets, while opening up new markets in South America, Asia and so on.

2. By the end of the second half of last year, Nepal satellite TV has nearly 500,000 subscribers, and more than 2,000 local dealers and agents distributed in every corner, to provide subscribers with the opening and stored value re-charging services. The Group has enjoyed a certain local reputation, and well-respected by the local people. Nepalese authorities are also working together to accelerate the digital home entertainment technology, and related policy implementation. By the end of this year, subscribers may further increase dramatically. Moreover, with the increase of the market share, and it is the sole owner of Nepal's local legal broadcast satellite operators license, DMN is also planning to charge the price for its value-added services and richer channel content, and raise the monthly subscription fees in the near future, to continue to demonstrate the success of its transformation.

3. New high-tech products, such as OTT Hybrid will join the retail and pay-TV market, service to the open internet video, the terminal can be a TV, computer, set-top boxes, PAD, smart phones, etc. That is the internet to provide services through the internet transmission of video programming, such as the content of PPS, UUSEE or other platforms transmitted to the display screen (including TV).

4. The Group will focus on outdoor satellite transmission equipment, continue to lock the professional and advanced supplier position for one of the world's largest DTH customers, improve automation processes to increase productivity and ensure quality. At present, the order in 2016 has been guarantee.

5. The Group will continue in brand services for its spare parts products, being a professional purchasing agent of the world-renowned brand, provide and manufacture spare parts for global manufacturers. It is expected to manufacture components for one of the world's largest professional DTH customers this year.

DIVIDEND

The Directors do not recommend the payment of final dividend for the six months ended December 31, 2014 (twelve months ended June 30, 2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The transfer of books and register of shareholders will be closed from Friday, May 8, 2015 to Monday, May 11, 2015, 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, May 7, 2015.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended December 31, 2014, in conjunction with the Company's independent auditors.

EMPLOYEES

As at December 31, 2014, the Group employed a total of 3,230 (June 30, 2014: 3,100) full-time employees. Employees are remunerated accordingly to their performance and responsibilities and the total employee benefit expenses, excluding directors, for the six months ended December 31, 2014 amounted to HK$81.8 million (twelve months ended June 30, 2014: HK$187.9 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 the Corporate Governance Code and Corporate Governance Report (taking effect from April 1, 2012) (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the Period, the Company has complied the Code Provisions set out in the Code, except for Code Provision A.6.7 in relation to the Directors attending the general meetings of the Company. Mr. Wu Chia Ming and Mr. Han Chien Shan, the independent non-executive directors were unable to attend the AGM of the Company held on December 8, 2014 due to their respective overseas engagements.

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 Period.

BOARD OF DIRECTORS

The Board meets regularly during the Period 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. Lee Chien Kuo
Mr. Han Chien Shan
Mr. Wu Chia Ming

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 Period, the Company held four 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 Period are as follows:

Name of Directors	Board	Attendance rate	Audit Committee	Attendance rate	Nomination Committee	Attendance rate	Remuneration Committee	Attendance rate	General meetings
	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)*	4/0	100%	N/A	N/A	2/0	100%	2/0	100%	1
Chen Mei Huei *(Chief Executive Officer)*	4/0	100%	N/A	N/A	N/A	N/A	N/A	N/A	0
Liao Wen I	2/0	50%	N/A	N/A	N/A	N/A	N/A	N/A	0
Frank Karl-Heinz Fischer	1/0	25%	N/A	N/A	N/A	N/A	N/A	N/A	0
Mu Yean Tung	4/0	100%	N/A	N/A	N/A	N/A	N/A	N/A	0
Shou Philip Ming-Yung	2/0	50%	N/A	N/A	N/A	N/A	N/A	N/A	0
INEDs									
Hsu Chun Yi (resigned on December 1, 2014)	1/0 (Note 1)	33%	0/0	0%	0/0	0%	0/0	0%	N/A
Lee Chien Kuo	4/0	100%	1/0	100%	N/A	N/A	2/0	100%	1
Han Chien Shan	4/0	100%	1/0	100%	2/0	100%	2/0	100%	0
Wu Chia Ming (appointed on December 1, 2014)	1/0 (Note 2)	100%	N/A (Note 3)	N/A	N/A (Note 4)	N/A	N/A (Note 5)	N/A	0

Note 1: Three Board meetings were held during the period from July 1, 2014 to December 1, 2014.

Note 2: One Board meeting was held during the period from December 2, 2014 to December 31, 2014.

Note 3: No Audit Committee meeting was held during the period from December 2, 2014 to December 31, 2014.

Note 4: No Nomination Committee meeting was held during the period from December 2, 2014 to December 31, 2014.

Note 5: No Remuneration Committee meeting was held during the period from December 2, 2014 to December 31, 2014.

Code Provision A.6.7 requires the INEDs should attend the general meetings of the Company. Mr. Wu Chia Ming and Mr. Han Chien Shan, the INEDs, were unable to attend the AGM of the Company held on December 8, 2014 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, in respect of 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 and induction materials are provided to newly appointed Directors.

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 meeting held on March 30, 2015, the Directors were given a briefing and training on the recent amendments to the Listing Rules, new Hong Kong Companies Ordinance 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. Lee Chien Kuo, Mr. Han Chien Shan and Mr. Wu Chia Ming have entered into the letter of appointment with the Company and be appointed for a period of one year commencing from February 2, 2015, February 28, 2015 and December 1, 2014 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. Han Chien Shan and Mr. Wu Chia Ming and is chaired by Mr. Lee Chien Kuo. During the Period, the Remuneration Committee has convened two meetings. Details of Directors' emoluments are set out in Note 11 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, composition and diversity 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. Wu Chia Ming and is chaired by Mr. Han Chien Shan. During the Period, the Nomination Committee has convened two meetings.

The Company has board diversity policy and recognises the benefits of having a diverse Board and endeavours to ensure that the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. In determining the optimum composition of the Board, diversity of the Board members will be considered from a number of factors in order to maintain an appropriate balance of talents, skills, experience and knowledge on the Board and also taking into account of the Company's business model.

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. Lee Chien Kuo, Mr. Han Chien Shan and Mr. Wu Chia Ming and is chaired by Mr. Wu Chia Ming.

During the Period, the Audit Committee has convened one meeting and met the external auditors once to discuss any areas of concern during the annual audit. The Audit Committee reviewed the annual report 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 25 of this annual report.

AUDITORS' REMUNERATION

During the Period, the remuneration paid to the Company's external auditors, Deloitte Touche Tohmatsu, for their services rendered for the six months ended December 31, 2014 is set out as follows:

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Audit	**2,200**	2,690
Non-audit services		
– Interim review	**–**	310
– Others	**30**	438

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 Period 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 Period, 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 Units 04-05, 16th Floor, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong.

The Directors present their annual report and the audited consolidated financial statements of the Group for the six months ended December 31, 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the six months ended December 31, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 27.

The Directors do not recommend the payment of a final dividend for the six months ended December 31, 2014 (June 30, 2014: Nil).

FINANCIAL SUMMARY

A summary of results and assets and liabilities of the Group for the last five financial years is set out on page 124 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the period are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the period are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2014 were as follows:

	December 31, 2014 HK$'000	June 30, 2014 HK$'000
Contributed surplus	**181,788**	181,788
Accumulated losses	**(171,110)**	(153,191)
	10,678	28,597

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 47 to the consolidated financial statements.

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 listed securities of the Company during the six months ended December 31, 2014.

BORROWINGS

Details of the borrowings of the Group are set out in note 32 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the Period 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
Mr. Shou Philip Ming-Yung

Independent non-executive directors:

Mr. Lee Chien Kuo
Mr. Han Chien Shan
Mr. Wu Chia Ming (Appointed on December 1, 2014)
Mr. Hsu Chun Yi (Resigned on December 1, 2014)

In accordance with the Company's Bye-laws 87(1) and 87(2), Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Shou Philip Ming-Yung and Mr. Wu Chia Ming shall retire by rotation and, being eligible, offer 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. Lee Chien Kuo, Mr. Han Chien Shan and Mr. Wu Chia Ming, 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 February 2, 2015, February 28, 2015 and December 1, 2014, 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 December 31, 2014, 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 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	11,601,741		1.39%
	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 December 31, 2014, the number of shares in respect of which options under the Option Scheme had been granted and remained outstanding was 5,540,000, representing 0.67% of the shares of the Company in issue as at December 31, 2014.

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 period:

Type of grantee	Date of grant	Closing price per share immediately prior to the grant date	Exercise price	Number of share options: Outstanding at July 1, 2014	Exercised during the period	Lapsed during the period	Outstanding at December 31, 2014
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	2,340,000	–	–	2,340,000
	December 27, 2007	HK$1.76	HK$1.76	100,000	–	–	100,000
	April 1, 2009	HK$1.10	HK$1.114	100,000	–	–	100,000
Total				5,540,000	–	–	5,540,000

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, 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, 2014, 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 December 31, 2014, 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	100,087,500	12.03%
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.

Save as disclosed above, so far as is known to the directors, as at December 31, 2014, 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 INDEPENDENT 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 Period 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 Period or at any time during the Period.

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 39 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 Period, the aggregate sales attributable to the Group's five largest customers comprised approximately 78% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 41% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the Period were approximately 81% 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 Period.

AUDITOR

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

On behalf of the Board

Hung Tsung Chin
Chairman

Hong Kong, March 30, 2015

Deloitte.
德勤

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 27 to 122, which comprise the consolidated statement of financial position as at December 31, 2014, 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 six months from July 1, 2014 to December 31, 2014, 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 (Cap. 622) (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 December 31, 2014, and of the Group's loss and cash flows for the six months from July 1, 2014 to December 31, 2014 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
March 30, 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended December 31, 2014

	NOTES	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Revenue	6	**785,081**	1,664,111
Cost of sales		**(691,037)**	(1,490,820)
Gross profit		**94,044**	173,291
Other income		**22,004**	38,400
Other gains and losses		**(224,948)**	(23,444)
Increase in fair value of investment properties	17	**4,441**	10,959
Distribution and selling costs		**(21,862)**	(46,217)
Administrative and other expenses		**(99,980)**	(166,885)
Research and development costs		**(25,209)**	(65,598)
Finance costs	8	**(4,893)**	(7,616)
Loss before taxation		**(256,403)**	(87,110)
Taxation	9	**(14,191)**	(14,458)
Loss for the period/year	10	**(270,594)**	(101,568)
Other comprehensive income (expense)			
Item 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		**(25,922)**	13,445
Fair value change of available-for-sale investments		**–**	15
Total comprehensive expense for the period/year		**(296,516)**	(31,054)
Loss for the period/year attributable to:			
Owners of the Company		**(264,543)**	(101,432)
Non-controlling interests		**(6,051)**	(136)
		(270,594)	(101,568)
Total comprehensive expense attributable to:			
Owners of the Company		**(290,419)**	(30,862)
Non-controlling interests		**(6,097)**	(192)
		(296,516)	(31,054)
Loss per share	13		
Basic		**(31.8) HK cents**	(12.2) HK cents
Diluted		**(31.8) HK cents**	(12.2) HK cents

Consolidated Statement of Financial Position

At December 31, 2014

	NOTES	12.31.2014 HK$'000	6.30.2014 HK$'000
Non-current assets			
Property, plant and equipment	14	**184,787**	180,610
Deposit paid for acquisition of a subsidiary	15	**37,005**	26,980
Prepaid lease payments	16	**8,592**	11,115
Investment properties	17	**105,446**	100,731
Goodwill	18	**25,053**	26,506
Intangible assets	19	**31,488**	37,105
Interest in an associate	20	**–**	–
Available-for-sale investments	21	**–**	40,573
Loan to an associate	20	**23,269**	23,269
Amount due from an associate	22	**16,194**	15,658
Loan receivables	23	**27,959**	51,581
Deferred tax assets	24	**1,669**	2,807
		461,462	516,935
Current assets			
Inventories	25	**230,243**	273,790
Trade, bills and other receivables	26	**369,760**	436,429
Prepaid lease payments	16	**243**	310
Loan receivables	23	**–**	10,464
Amount due from an associate	22	**52,905**	59,151
Bond receivables	27	**75,242**	98,501
Pledged bank deposits	28	**117,264**	53,751
Bank balances and cash	29	**55,883**	74,562
		901,540	1,006,958
Assets classified as held for sale	30	**39,279**	39,683
		940,819	1,046,641
Current liabilities			
Trade, bills and other payables	31	**612,442**	426,113
Tax liabilities		**23,055**	23,818
Bank and other borrowings – due within one year	32	**299,064**	349,185
Obligations under finance leases	33	**1,826**	1,817
		936,387	800,933
Net current assets		**4,432**	245,708
		465,894	762,643

	NOTES	12.31.2014 HK$'000	6.30.2014 HK$'000
Capital and reserves			
Share capital	34	**83,223**	83,223
Reserves		**289,091**	580,372
Equity attributable to owners of the Company		**372,314**	663,595
Non-controlling interests		**40,009**	53,573
Total equity		**412,323**	717,168
Non-current liabilities			
Bank and other borrowings – due after one year	32	**7,864**	4,154
Deferred tax liabilities	24	**32,823**	27,532
Obligations under finance leases	33	**12,884**	13,789
		53,571	45,475
		465,894	762,643

The consolidated financial statements on pages 27 to 122 were approved and authorised for issue by the Board of Directors on March 30, 2015 and are signed on its behalf by:

Hung Tsung Chin	**Chen Mei Huei**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the six months ended December 31, 2014

	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 (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At July 1, 2013	83,223	349,246	7,830	29,220	79,878	(15)	–	46,234	88,552	684,168	(2,889)	681,279
Loss for the year	–	–	–	–	–	–	–	–	(101,432)	(101,432)	(136)	(101,568)
Revaluation of properties	–	–	–	–	–	–	57,054	–	–	57,054	–	57,054
Fair value change of available-for-sale investments	–	–	–	–	–	15	–	–	–	15	–	15
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	13,501	–	13,501	(56)	13,445
Total comprehensive expense for the year	–	–	–	–	–	15	57,054	13,501	(101,432)	(30,862)	(192)	(31,054)
Recognition of equity-settled share-based payments	–	–	130	–	–	–	–	–	–	130	–	130
Partial disposal of a subsidiary and acquisition of a subsidiary (note 44)	–	–	–	–	6,699	–	–	–	–	6,699	40,406	47,105
Contribution from non-controlling interests of subsidiary (note 44)	–	–	–	–	–	–	–	–	–	–	19,708	19,708
Acquisition of additional interest in a subsidiary by way of asset injection	–	–	–	–	3,460	–	–	–	–	3,460	(3,460)	–
Transfer	–	–	–	816	–	–	–	–	(816)	–	–	–
At June 30, 2014	83,223	349,246	7,960	30,036	90,037	–	57,054	59,735	(13,696)	663,595	53,573	717,168
Loss for the period	–	–	–	–	–	–	–	–	(264,543)	(264,543)	(6,051)	(270,594)
Exchange difference arising on the translation of foreign operations	–	–	–	–	–	–	–	(25,876)	–	(25,876)	(46)	(25,922)
Total comprehensive expense for the period	–	–	–	–	–	–	–	(25,876)	(264,543)	(290,419)	(6,097)	(296,516)
Acquisition of additional interest in a subsidiary (note 43)	–	–	–	–	(862)	–	–	–	–	(862)	(7,467)	(8,329)
Transfer	–	–	–	975	–	–	–	–	(975)	–	–	–
At December 31, 2014	83,223	349,246	7,960	31,011	89,175	–	57,054	33,859	(279,214)	372,314	40,009	412,323

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:

(i) 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;

(ii) the difference between the consideration for acquisition of a subsidiary satisfied by way of partial interest of a subsidiary without the overall gain or loss of control in the partial disposed subsidiary and the fair value of net asset acquired;

(iii) the acquisition of additional interest in a subsidiary without the overall gain or loss of control in that subsidiary; and

(iv) amount in current period represents the difference between the consideration paid for acquisition of additional interest in a subsidiary and the carrying amount of non-controlling interest being acquired of.

(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.

Consolidated Statement of Cash Flows

For the six months ended December 31, 2014

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Operating activities		
Loss before taxation	**(256,403)**	(87,110)
Adjustments for:		
Amortisation of intangible assets	**5,505**	10,660
Depreciation of property, plant and equipment	**12,271**	20,407
Effective interest income on bond receivables	**(4,499)**	(8,802)
Finance costs	**4,893**	7,616
Loss (gain) on disposal of property, plant and equipment	**3,460**	(684)
Impairment loss on trade and other receivables	**41,159**	25,666
Impairment loss on bond receivable	**24,758**	–
Impairment loss on loan receivables	**60,687**	–
Impairment loss on available-for-sale investments	**40,573**	–
Increase in fair value of investment properties	**(4,441)**	(10,959)
Interest income	**(3,569)**	(2,263)
Interest income from an associate	**(505)**	(1,003)
Release of prepaid lease payments	**190**	252
Share-based payment expense	**–**	130
Write-down of inventories	**–**	8,469
Operating cash flows before movements in working capital	**(75,921)**	(37,621)
Decrease in inventories	**37,044**	24,123
Decrease in trade, bills and other receivables	**16,330**	43,728
Increase in amount due from an associate	**(17,432)**	(25,899)
Increase (decrease) in trade, bills and other payables	**177,507**	(77,513)
Cash generated from (used in) operations	**137,528**	(73,182)
Taxation in other jurisdictions paid	**(2,167)**	(17,033)
Interest received	**5,069**	8,263
Interest paid	**(4,893)**	(7,616)
Net cash generated from (used in) operating activities	**135,537**	(89,568)

Consolidated Statement of Cash Flows

For the six months ended December 31, 2014

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Investing activities		
Placement of pledged bank deposits	**(63,513)**	(27,427)
(Addition to) repayment of loan receivables	**(26,796)**	1,007
Repayment from an associate	**23,647**	–
Purchase of property, plant and equipment	**(31,387)**	(16,068)
Deposit paid for acquisition of a subsidiary	**(9,521)**	(16,019)
Acquisition of additional interest in a subsidiary	**(8,329)**	–
Proceeds from disposal of assets held for sale	**2,807**	1,260
Proceeds from disposal of property, plant and equipment	**6,182**	997
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	**–**	17,885
Proceeds from disposal of available-for-sale investment	**–**	828
Expenditure on intangible assets	**–**	(8)
Net cash used in investing activities	**(106,910)**	(37,545)
Financing activities		
Repayment of bank and other loans	**(196,036)**	(217,066)
Repayment of obligations under finance leases	**(896)**	(1,816)
New bank and other loans raised	**151,285**	165,073
Contribution by non-controlling interests of subsidiaries	**–**	19,708
Net cash used in financing activities	**(45,647)**	(34,101)
Net decrease in cash and cash equivalents	**(17,020)**	(161,214)
Cash and cash equivalents at beginning of the period/year	**74,562**	236,621
Effect of foreign exchange rate changes	**(1,659)**	(845)
Cash and cash equivalents at end of the period/year, represented by bank balances and cash	**55,883**	74,562

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 ("HKD"). 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 HKD.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the current financial period, the financial year end date of the Group was changed from June 30 to December 31 because the directors of the Company determine to bring the annual financial year end date of the Group in line with that of the United States of America ("USA") subsidiary. Such alignment will facilitate the preparation and reporting of the Group's consolidated financial statements. Accordingly, the consolidated financial statements for the current period cover the six months ended December 31, 2014. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve-month period from July 1, 2013 to June 30, 2014, and therefore may not be comparable with amounts shown for the current period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

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

The application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current period and prior years 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.

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to HKAS 1	Disclosure initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[3]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[3]

1 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after July 1, 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions. Earlier application is permitted.

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

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

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

HKFRS 9 "Financial instruments" *(Continued)*

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

HKFRS 15 "Revenue from contracts with customers" *(Continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 "Accounting for acquisitions of interests in joint operations"

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 "Business combinations". Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 "Impairment of assets" regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 "Disclosure initiative"

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 "Agriculture: Bearer plants"

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 "Defined benefit plans: Employee contributions"

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

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

Amendments to HKAS 19 "Defined benefit plans: Employee contributions" *(Continued)*

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans with employee contributions.

Amendments to HKAS 27 "Equity method in separate financial statements"

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements.

- At cost;
- In accordance with HKFRS 9 "Financial instruments" (or HKAS 39 "Financial instruments: Recognition and measurement" for entities that have not yet adopted HKFRS 9); or
- Using the equity method as described in HKAS 28 "Investments in associates and joint ventures".

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 "Consolidated financial statements" and to HKFRS 1 "First-time adoption of Hong Kong Financial Reporting Standards".

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors or the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: Applying the consolidation exception"

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

Annual improvements to HKFRSs 2010 – 2012 cycle

The Annual improvements to HKFRSs 2010 – 2012 cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

Annual improvements to HKFRSs 2011 – 2013 cycle

The Annual improvements to HKFRSs 2011 – 2013 cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of a types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes a contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual improvements to HKFRSs 2012 – 2014 cycle

The Annual improvements to HKFRSs 2012 – 2014 cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-far-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 "Disclosure – Offsetting financial assets and financial liabilities" issued in December 2011 and effective for periods beginning on or after January 1, 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 "Interim financial reporting".

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

Annual improvements to HKFRSs 2012 – 2014 cycle *(Continued)*

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained profits at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

4. 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 (Cap. 32).

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 and services.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's amounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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.

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), or 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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in an associate

An associate is an entity over which the Group has significant influence. 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 associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is 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 associate. When the Group's share of losses of an associate 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 the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 of disposal) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in an associate *(Continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate 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 the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), 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.

Non-current assets held for sale

Non-current assets and disposal entity are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal entity) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal entity) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal entity) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 estimated customer returns, rebates, discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

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 (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction 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 each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

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 property (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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the foreign operation.

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, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. 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 of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary 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. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through 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 each reporting period. Exchange differences are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 expense when employees have rendered service entitling them to the contributions.

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 before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 an associate, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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 recognised 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 effect 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

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 acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised 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 debt instrument 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 debt instrument, 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 receivables, bond receivables, loan to an associate, amount due from an associate, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sales financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sales financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sales monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sales equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sales financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sales equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sales equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when 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.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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.

In respect of available-for-sales equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sales 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade, bills and other payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

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, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment 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.

Recoverable amount is the higher of fair value less costs of disposal 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.

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 immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties situated in the PRC with carrying amount of HK$44,546,000 as at December 31, 2014 (June 30, 2014: HK$40,731,000) 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 of the Company have determined that the presumption that the carrying amounts of such investment properties are recovered through sale is rebutted. As a result, the Group has not recognised any deferred taxes on land appreciation tax on changes in fair value of these investment properties but has only recognised deferred taxes on enterprise income tax.

The remaining investment properties located in Hong Kong with carrying amount of HK$60,900,000 as at December 31, 2014 (June 30, 2014: HK$60,000,000) are held under a business model whose objective is to recover entirely through sale, rather than to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on such investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment loss on bond receivables

The assessments of the impairment loss on bond receivables are based on the evaluation of collectability and on management's estimate. In determining whether impairment is required, the Group takes into consideration the creditworthiness, past collection history and the subsequent settlement from the bond issuer. Impairment loss on bond receivables is made if objective evidence of impairment exists and is recognised as the difference between the estimated future cash flow expected to receive discounted by using the effective interest rate and the carrying value. If the financial conditions of the bond issuer were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at December 31, 2014, the carrying value of bond receivable was HK$75,242,000, net of impairment loss recognised during the period of HK$24,758,000 (note 27).

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

Impairment loss on receivables and advances

The assessment of the impairment loss on trade receivables, loan receivables, 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, trade 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 December 31, 2014, the carrying value of trade receivables, loan receivables, loan to an associate and amount due from an associate were HK$290,939,000, HK$88,646,000, HK$23,269,000 and HK$69,099,000, respectively (June 30, 2014: HK$350,222,000, HK$62,045,000, HK$23,269,000 and HK$74,809,000, respectively) (net of allowance for doubtful trade receivables of HK$147,376,000 (June 30, 2014: HK$120,832,000) and impairment of loan receivables of HK$60,687,000 (June 30, 2014: nil)). Details of the movement of allowance for doubtful trade receivables are disclosed in note 26. No impairment loss has been recognised for loan to an associate and amount due from an associate in the period as the directors of the Company considered the carrying amounts still recoverable.

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

Determining whether goodwill, intangible assets and property, plant and equipment are impaired requires an estimation of the value in use of the CGU of the business of media entertainment platform related products conducted by Intelligent Digital Service GmbH ("IDS") and estimation of the value in use of the CGU of the business of satellite TV equipment and antenna conducted by Pro Brand Technology, Inc. ("PBT") 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 December 31, 2014, the carrying amount of goodwill was HK$25,053,000 (June 30, 2014: HK$26,506,000), net of accumulated impairment loss of HK$68,827,000 (June 30, 2014: HK$68,827,000) where no impairment loss is recognised during the period (twelve months ended June 30, 2014: nil), and the carrying amount of related intangible asset and property, plant and equipment for the CGU of the business of satellite TV equipment and antenna and for the CGU of the business of media entertainment platform related products were HK$111,251,000 (June 30, 2014: HK$103,816,000) and HK$81,000 (June 30, 2014: HK$104,000), respectively. Details of the recoverable amount calculation are disclosed in note 18.

5. 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 20.

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 December 31, 2014, the carrying amount of inventories was HK$230,243,000 (June 30, 2014: HK$273,790,000), and accumulated allowance of inventories of HK$37,746,000 (June 30, 2014: HK$37,746,000) was recognised as at December 31, 2014.

Income taxes

As at December 31, 2014, a deferred tax asset of HK$1,669,000 (June 30, 2014: HK$2,807,000) 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.

No reversal of deferred tax assets (twelve months ended June 30, 2014: reversal of HK$8,935,000) was recognised during the period.

6. 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 period/year. An analysis of the Group's revenue is as follows:

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Sales of goods	**752,761**	1,600,889
Service income	**32,320**	63,222
	785,081	1,664,111

7. 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

– which mainly used for satellite products equipment.

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 and antenna.

7. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results

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

Six months ended December 31, 2014

	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	146,205	189,935	32,320	416,621	785,081
RESULTS					
Segment results	(7,058)	12,015	(63,517)	30,182	(28,378)
Other income					22,004
Other gains and losses					(124,388)
Increase in fair value of investment properties					4,441
Research and development costs					(25,209)
Administrative and other expenses					(99,980)
Finance costs					(4,893)
Loss before taxation					(256,403)

7. SEGMENT INFORMATION *(Continued)*

Segment Revenue and Results *(Continued)*

Twelve months ended June 30, 2014

	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	325,433	349,613	63,222	925,843	1,664,111
RESULTS					
Segment results	6,350	31,530	1,205	62,323	101,408
Other income					38,400
Other gains and losses					2,222
Increase in fair value of investment properties					10,959
Research and development costs					(65,598)
Administrative and other expenses					(166,885)
Finance costs					(7,616)
Loss before taxation					(87,110)

The accounting policies of the operating segments are the same as the accounting policies of the Group described in note 4. Segment results represent the profit earned by each segment without allocation of administrative and other expenses, research and development costs, other income, other gains and losses (except impairment loss on trade and other receivables and loss recognised in respect of integration of signal system and traffic communication network business), 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.

7. 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 December 31, 2014

	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	278,158	163,655	13,328	366,006	821,147
Bank balances and cash					55,883
Pledged bank deposits					117,264
Unallocated corporate assets					407,987
Consolidated assets					1,402,281
LIABILITIES					
Segment liabilities	185,736	133,360	18,853	172,482	510,431
Bank and other borrowings					306,928
Obligations under finance leases					14,710
Unallocated corporate liabilities					157,889
Consolidated liabilities					989,958

7. SEGMENT INFORMATION *(Continued)*

Segment Assets and Liabilities *(Continued)*

At June 30, 2014

	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	333,998	172,696	82,629	353,978	943,301
Bank balances and cash					74,562
Pledged bank deposits					53,751
Unallocated corporate assets					491,962
Consolidated assets					1,563,576
LIABILITIES					
Segment liabilities	185,044	65,494	10,179	133,526	394,243
Bank and other borrowings					353,339
Obligations under finance leases					15,606
Unallocated corporate liabilities					83,220
Consolidated liabilities					846,408

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, certain other receivables, bank balances and cash, pledged bank deposits and assets classified as held for sale; and

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

7. SEGMENT INFORMATION *(Continued)*

Other Segment Information

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

Six months ended December 31, 2014

	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	1,958	736	–	28,679	14	31,387
Depreciation and amortisation	5,253	1,214	200	4,010	7,099	17,776
Release of prepaid lease payments	156	34	–	–	–	190
Impairment loss on trade receivables	32,515	2,555	–	–	–	35,070
Impairment loss on other receivables	3,013	–	3,076	–	–	6,089
Loss recognised in respect of restructuring of integration of signal system and traffic communication network business	–	–	59,401	–	–	59,401

Twelve months ended June 30, 2014

	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	7,321	1,443	29	45,664	534	54,991
Depreciation and amortisation	16,547	2,214	453	10,847	1,006	31,067
Release of prepaid lease payments	185	67	–	–	–	252
Impairment loss on trade receivables	25,431	30	–	205	–	25,666
Write-down of inventories	5,044	779	–	2,646	–	8,469

7. 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)	
	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000	**12.31.2014 HK$'000**	6.30.2014 HK$'000
Asia				
– Taiwan	**48,469**	83,462	**4,444**	15,175
– Nepal	**22,133**	50,511	**–**	–
– PRC (country of domicile)	**10,233**	22,908	**221,126**	179,888
– Others	**20,621**	21,785	**60,951**	60,065
Europe				
– Germany	**29,313**	32,629	**14,998**	16,797
– Italy	**15,582**	36,069	**–**	–
– Spain	**40,026**	46,405	**14,255**	16,450
– Ukraine	**–**	15,025	**–**	–
– Portugal	**1,023**	4,503	**–**	–
– France	**3,947**	8,549	**–**	–
– Others	**24,042**	34,092	**–**	–
North America				
– United States of America ("USA")	**322,554**	823,259	**39,592**	67,692
– Canada	**33,418**	45,755	**–**	–
– Mexico	**31,883**	86,816	**–**	–
– Others	**4,452**	6,945	**–**	–
Middle East				
– United Arab Emirates ("UAE")	**56,370**	99,967	**–**	–
– Others	**6,376**	8,219	**–**	–
Africa				
– Algeria	**22,645**	19,026	**–**	–
– Morocco	**24,528**	61,740	**–**	–
– Others	**4,998**	6,579	**–**	–
South America				
– Brazil	**28,406**	53,670	**–**	–
– Chile	**3,958**	37,877	**–**	–
– Argentina	**4,694**	21,582	**–**	–
– Others	**23,814**	34,601	**–**	–
Other regions	**1,596**	2,137	**–**	–
	785,081	1,664,111	**355,366**	356,067

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

7. SEGMENT INFORMATION *(Continued)*

Information About Major Customers

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

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Customer A	**144,270**	554,444

Note: Revenue from the above customer is from the satellite TV equipment and antenna segment.

8. FINANCE COSTS

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Interest on:		
Bank and other borrowings		
– wholly repayable within five years	**4,876**	7,559
– not wholly repayable within five years	**9**	20
Finance leases	**8**	37
	4,893	7,616

9. TAXATION

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
The tax charge comprises:		
Current tax:		
PRC	**1,919**	3,153
Jurisdictions other than the PRC and Hong Kong	**1,988**	(609)
	3,907	2,544
Underprovision in prior years:		
PRC	**–**	2,325
Jurisdictions other than the PRC and Hong Kong	**3,880**	857
	3,880	3,182
Deferred taxation:		
Current year	**5,943**	7,873
Provision for withholding tax	**461**	859
	6,404	8,732
	14,191	14,458

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% (twelve months ended June 30, 2014: 25%) in accordance with the relevant income tax law and regulations in the PRC.

(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 period/year.

(iii) United States of America

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

9. TAXATION *(Continued)*

(iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 26.3% to 30% (twelve months ended June 30, 2014: 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.

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

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Loss before taxation	**(256,403)**	(87,110)
Tax at the applicable rate of 25% (twelve months ended June 30, 2014: 25%)	**(64,101)**	(21,778)
Tax effect of expenses not deductible for tax purpose	**58,307**	19,854
Tax effect of income not taxable for tax purpose	**(2,313)**	(4,727)
Tax effect of deductible temporary differences not recognised	**11,315**	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**3,547**	800
Tax effect of tax loss not recognised	**3,095**	7,333
Deferred taxation arising from dividend withholding tax	**461**	859
Underprovision in prior years	**3,880**	3,182
Tax effect of reversal of tax losses and deferred expenditure (note 24)	**–**	8,935
Tax charge for the period/year	**14,191**	14,458

Details of deferred taxation for the period/year are set out in note 24.

10. LOSS FOR THE PERIOD/YEAR

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Loss for the period/year has been arrived at after charging:		
Directors' emoluments (note 11)	**2,995**	6,930
Other staff costs	**78,092**	180,678
Retirement benefit scheme contributions, excluding directors	**3,751**	7,185
Share-based payment expense, excluding directors	**–**	22
Total employee benefit expenses	**84,838**	194,815
Auditor's remuneration	**2,200**	3,732
Depreciation of property, plant and equipment	**12,271**	20,407
Amortisation of intangible assets (included in cost of sales)	**5,505**	10,660
Release of prepaid lease payments	**190**	252
Write-down of inventories (included in cost of sales)	**–**	8,469
Loss on disposal of property, plant and equipment (included in other gains and losses)	**3,460**	–
Impairment loss on trade receivables (included in other gains and losses)	**35,070**	25,666
Impairment loss on other receivables (included in other gains and losses)	**6,089**	–
Impairment loss on bond receivables (included in other gains and losses)	**24,758**	–
Impairment loss on loan receivables (included in other gains and losses)	**60,687**	–
Impairment loss on available-for-sale investments (included in other gains and losses)	**40,573**	–
Loss recognised in respect of restructuring of integration of signal system and traffic communication network business (included in other gains and losses)	**59,401**	–
and after crediting:		
Interest income	**3,569**	2,263
Interest income from an associate	**505**	1,003
Effective interest income on bond receivables	**4,499**	8,802
Gain on disposal of property, plant and equipment (included in other gains and losses)	**–**	684
Property rental income with negligible outgoings	**5,216**	5,934
Scrap and sample sales (included in other income)	**32**	1,423
Net foreign exchange gain (included in other gains and losses)	**5,090**	1,538

10. LOSS FOR THE PERIOD/YEAR *(Continued)*

Included in the total employee benefit expenses is an aggregate amount of HK$3,766,000 (twelve months ended June 30, 2014: HK$7,215,000) 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 periods.

11. 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:

Six months ended December 31, 2014

	Directors									Chief Executive	
	Mr. Hung Tsung Chin HK$'000	Mr. Liao Wen I HK$'000	Mr. Frank Karl-Heinz Fischer HK$'000	Mr. Mu Yean Tung HK$'000	Mr. Shou Philip Ming-Yung HK$'000	Mr. Hsu Chun Yi HK$'000 (note i)	Mr. Lee Chien Kuo HK$'000	Mr. Han Chien Shan HK$'000	Mr. Wu Chia Ming HK$'000 (note ii)	Ms. Chen Mei Huei HK$'000	Total HK$'000
Fees	60	60	60	60	60	50	60	60	10	60	540
Other emoluments:											
– salaries and other benefits	616	14	664	–	537	–	–	–	–	609	2,440
– retirement benefit schemes contributions	6	4	–	–	–	–	–	–	–	5	15
Share-based payment expense	–	–	–	–	–	–	–	–	–	–	–
Total emoluments	682	78	724	60	597	50	60	60	10	674	2,995

Twelve months ended June 30, 2014

	Directors								Chief Executive	
	Mr. Hung Tsung Chin HK$'000	Mr. Liao Wen I HK$'000	Mr. Frank Karl-Heinz Fischer HK$'000	Mr. Mu Yean Tung HK$'000	Mr. Shou Philip Ming-Yung HK$'000	Mr. Hsu Chun Yi HK$'000	Mr. Lee Chien Kuo HK$'000	Mr. Han Chien Shan HK$'000	Ms. Chen Mei Huei HK$'000	Total HK$'000
Fees	120	120	120	120	120	120	120	120	120	1,080
Other emoluments:										
– salaries and other benefits	1,474	–	1,544	62	1,163	–	–	–	1,469	5,712
– retirement benefit schemes contributions	12	9	–	–	–	–	–	–	9	30
Share-based payment expense	–	–	22	–	–	–	–	–	86	108
Total emoluments	1,606	129	1,686	182	1,283	120	120	120	1,684	6,930

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

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

Notes:

(i) Mr. Hsu Chun Yi resigned as a director of the Company on December 1, 2014.

(ii) Mr. Wu Chia Ming was appointed as a director of the Company on December 1, 2014.

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, two (twelve months ended June 30, 2014: three) were directors and the chief executive of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining three (twelve months ended June 30, 2014: two) individuals are as follow:

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Salaries and other benefits	**2,844**	4,390
Retirement benefit schemes contributions	**99**	149
Total emoluments	**2,943**	4,539

The emoluments were within the following bands:

	(Six months) 7.1.2014 to 12.31.2014 No. of employees	(Twelve months) 7.1.2013 to 6.30.2014 No. of employees
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1

During each of the six months ended December 31, 2014 and twelve months ended June 30, 2014, 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 six months ended December 31, 2014 and twelve months ended June 30, 2014.

12. DIVIDENDS

The directors do not recommend the payment of a dividend for the six months ended December 31, 2014 (twelve months ended June 30, 2014: nil).

13. LOSS PER SHARE

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) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Loss for the purposes of basic and diluted loss per share		
Loss for the period/year attributable to owners of the Company	**(264,543)**	(101,432)

	Number of shares	
	12.31.2014	6.30.2014
Weighted average number of ordinary shares for the purpose of basic loss per share	**832,228,862**	832,228,862
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**	832,228,862

Note: The computation of diluted loss per share for the six months ended December 31, 2014 and twelve months ended June 30, 2014 does not include the share options as the assumed exercise of these share options has an anti-dilutive effect.

14. 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	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST											
At July 1, 2013	–	9,405	3,399	155,268	15,955	229,840	27,361	5,063	22,742	–	469,033
Exchange adjustments	23	–	(3)	1,285	238	1,606	200	31	672	(2)	4,050
Acquisition of a subsidiary (note 44)	3,519	–	–	3,341	2,738	24,218	3,117	472	–	–	37,405
Transfer to investment properties (note 17)	–	(9,405)	–	(26,487)	–	–	–	–	–	–	(35,892)
Additions	–	–	–	–	119	5,655	3,382	623	3,789	2,500	16,068
Disposals	–	–	–	–	–	(10,509)	(1,544)	(665)	(1,103)	–	(13,821)
At June 30, 2014	3,542	–	3,396	133,407	19,050	250,810	32,516	5,524	26,100	2,498	476,843
Exchange adjustments	3	–	2	(3,398)	(555)	(903)	(760)	(28)	(141)	(22)	(5,802)
Additions	–	–	–	–	–	22,866	4,396	–	4,040	85	31,387
Reclassified as held for sale (note 30)	–	–	–	(8,627)	–	(2,183)	–	–	–	–	(10,810)
Disposals	–	–	–	–	(3,402)	(6,616)	(2,666)	(171)	(450)	(39)	(13,344)
At December 31, 2014	**3,545**	**–**	**3,398**	**121,382**	**15,093**	**263,974**	**33,486**	**5,325**	**29,549**	**2,522**	**478,274**
DEPRECIATION AND AMORTISATION											
At July 1, 2013	–	2,243	–	39,741	11,522	195,163	25,512	5,020	16,528	–	295,729
Exchange adjustments	–	–	–	547	230	612	158	58	537	–	2,142
Provided for the year	–	55	–	4,444	620	8,439	1,653	444	4,752	–	20,407
Eliminated on transfer to investment properties (note 17)	–	(2,298)	–	(6,239)	–	–	–	–	–	–	(8,537)
Eliminated on disposals	–	–	–	–	–	(10,415)	(1,467)	(559)	(1,067)	–	(13,508)
At June 30, 2014	–	–	–	38,493	12,372	193,799	25,856	4,963	20,750	–	296,233
Exchange adjustments	–	–	–	(2,576)	(531)	(424)	(704)	(23)	(99)	–	(4,357)
Provided for the period	–	–	–	2,923	192	4,543	2,967	105	1,541	–	12,271
Reclassified as held for sale (note 30)	–	–	–	(4,993)	–	(1,965)	–	–	–	–	(6,958)
Eliminated on disposals	–	–	–	–	(284)	(1,552)	(1,728)	(51)	(87)	–	(3,702)
At December 31, 2014	**–**	**–**	**–**	**33,847**	**11,749**	**194,401**	**26,391**	**4,994**	**22,105**	**–**	**293,487**
CARRYING VALUES											
At December 31, 2014	**3,545**	**–**	**3,398**	**87,535**	**3,344**	**69,573**	**7,095**	**331**	**7,444**	**2,522**	**184,787**
At June 30, 2014	3,542	–	3,396	94,914	6,678	57,011	6,660	561	5,350	2,498	180,610

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, except for construction in progress, 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% – $33^1/_3$%
Furniture, fixtures and equipment	20%
Motor vehicles	20% – $33^1/_3$%
Computer equipment	20% – $33^1/_3$%

At December 31, 2014, the carrying values of leasehold land outside Hong Kong and buildings include amounts of HK$3,398,000 and HK$9,375,000, respectively, in respect of assets held under finance leases. At June 30, 2014, the carrying values of leasehold land outside Hong Kong, buildings and leasehold improvements include amounts of HK$3,396,000, HK$12,013,000 and HK$483,000, respectively, in respect of assets held under finance leases.

15. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

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

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, 2014, a deposit of US$4,772,000 (equivalent to HK$37,005,000) (June 30, 2014: US$3,479,000 (equivalent to HK$26,980,000)) has been paid by the Group. 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.

16. PREPAID LEASE PAYMENTS

	HK$'000
At July 1, 2013	15,609
Exchange adjustment	64
Released to profit or loss	(252)
Transfer to investment property	(3,996)
At June 30, 2014 and July 1, 2014	11,425
Exchange adjustment	69
Released to profit or loss	(190)
Transfer to assets classified as held for sale (note 30)	(2,469)
At December 31, 2014	**8,835**

	12.31.2014	6.30.2014
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong		
Medium-term lease	**8,835**	11,425
Analysed for reporting purposes as:		
Current asset	**243**	310
Non-current asset	**8,592**	11,115
	8,835	11,425

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At July 1, 2013	38,413
Exchange adjustments	68
Transfer from prepaid lease payments and property, plant and equipment (Note)	90,974
Transfer to assets classified as held for sale (note 30)	(39,683)
Changes in fair value recognised in profit or loss	10,959
At June 30, 2014	100,731
Exchange adjustments	274
Changes in fair value recognised in profit or loss	4,441
At December 31, 2014	**105,446**

Note: Upon transfer of properties from property, plant and equipment to investment properties, the properties were revaluated to fair value and a revaluation surplus amounted to HK$57,054,000 was credited to property revaluation reserve.

The investment properties of the Group comprise land and buildings held under medium-term leases:

	12.31.2014 HK$'000	6.30.2014 HK$'000
In Hong Kong	**60,900**	60,000
In PRC	**44,546**	40,731
	105,446	100,731

The fair values of the Group's investment properties at December 31, 2014 have been arrived at on the basis of valuations carried out on that date by Valor Appraisal & Advisory Limited ("Valor") and 珠海中正土地房地產與資產評估有限公司 ("珠海中正"). Valor and 珠海中正 are independent qualified professional valuers not connected to the Group and possess appropriate qualifications and experience in the valuation of properties in the relevant locations. All of the Group's investment properties were valued by the valuers with reference to market evidence of transaction prices for similar properties in similar locations and conditions, or on the basis of income approach where appropriate.

In arriving at the valuation on the basis of income approach, the fair value is determined by capitalising the net rental income derived from the existing tenancies with due allowance or provision for the reversionary potential of the properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTIES *(Continued)*

Following are the key inputs used in valuing the investment properties as at December 31, 2014 and June 30, 2014:

Category	Fair value hierarchy	Fair value at December 31, 2014 HK$'000	Fair value at June 30, 2014 HK$'000	Valuation techniques	Key unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Office properties	Level 2	60,900	60,000	Comparison approach	Adjusted transaction price (to reflect location, size, age and maintenance)	N/A	N/A
Industrial properties	Level 3	19,308	17,270	Income approach	Reversionary yield (derived from monthly market rent)	6.0%	The higher the reversionary yield, the lower the fair value
	Level 3	4,447	3,868	Income approach	Reversionary yield (derived from monthly market rent)	6.0%	The higher the reversionary yield, the lower the fair value
	Level 3	20,791	19,593	Income approach	Reversionary yield (derived from monthly market rent)	6.0%	The higher the reversionary yield, the lower the fair value
		105,446	100,731				

There was no transfer amongst Levels during the period.

18. GOODWILL

	12.31.2014 HK$'000	6.30.2014 HK$'000
COST		
At beginning of the period/year	**95,333**	94,598
Exchange adjustments	**(1,453)**	735
At the end of the period/year	**93,880**	95,333
IMPAIRMENT		
At beginning and end of the period/year	**68,827**	68,827
CARRYING AMOUNTS		
At the end of the period/year	**25,053**	26,506

18. GOODWILL *(Continued)*

For the purposes of impairment testing, goodwill has been allocated to two (June 30, 2014: two) CGUs, including one subsidiary (June 30, 2014: one subsidiary) in media entertainment platform related products segment and one subsidiary (June 30, 2014: one subsidiary) in satellite TV equipment and antenna segment. The carrying amounts of goodwill allocated to these CGUs are as follows:

	12.31.2014	6.30.2014
	HK$'000	HK$'000
Media entertainment platform related products		
– IDS	**14,917**	16,693
Satellite TV equipment and antenna		
– PBT	**10,136**	9,813
	25,053	26,506

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 CGU engaged in media entertainment platform related products ("IDS CGU") and CGU engaged in satellite TV equipment and antenna ("PBT CGU"). As at December 31, 2014, the carrying amount of property, plant and equipment included in IDS CGU and PBT CGU were HK$81,000 and HK$81,796,000 (June 30, 2014: HK$98,000 and HK$71,156,000), respectively. As at December 31, 2014, the carrying amount of intangible assets included in PBT CGU was HK$29,455,000 (June 30, 2014: HK$32,660,000). No impairment loss is recognised for respective CGUs for the period/year as the recoverable amounts of IDS CGU and PBT CGU based on value in use calculations are higher than their carrying amounts.

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

The calculation for the CGU engaged in trading and manufacturing of media entertainment platform related products use cash flow projection covering a four-year period and adopted discount rate of 10% (June 30, 2014: 10%). Cash flow beyond the four-year period (June 30, 2014: four year period) is extrapolated with no growth. The cash flow projection is from the most recent financial budget that cover a four-year period approved by the 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.

18. GOODWILL *(Continued)*

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% (June 30, 2014: 17%). Cash flow beyond five-year period is extrapolated for with a constant growth rate of 2% (June 30, 2014: 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 the 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.

19. INTANGIBLE ASSETS

	Product technology	**Customer relationship**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
	(Note a)	(Note b)	(Note c)	
COST				
At July 1, 2013	28,174	35,244	5,703	69,121
Exchange adjustments	331	(22)	(1)	308
Acquisition of a subsidiary (note 44)	1,486	–	24	1,510
Additions	8	–	–	8
At June 30, 2014	29,999	35,222	5,726	70,947
Exchange adjustments	(1,158)	25	2	(1,131)
At December 31, 2014	**28,841**	**35,247**	**5,728**	**69,816**
AMORTISATION AND IMPAIRMENT				
At July 1, 2013	18,183	1,566	3,138	22,887
Exchange adjustments	297	(2)	–	295
Provided for the year	5,709	4,592	359	10,660
At June 30, 2014	24,189	6,156	3,497	33,842
Exchange adjustments	(1,032)	12	1	(1,019)
Provided for the period	2,304	3,103	98	5,505
At December 31, 2014	**25,461**	**9,271**	**3,596**	**38,328**
CARRYING VALUES				
At December 31, 2014	**3,380**	**25,976**	**2,132**	**31,488**
At June 30, 2014	5,810	29,066	2,229	37,105

19. INTANGIBLE ASSETS *(Continued)*

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) Customer relationship represents contracted and non-contracted customer relationship arising from the acquisition of PBI during the twelve months ended June 30, 2013. 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 18.

(c) Other represents the fair value of the research and development team of PBT, a subsidiary of the Group acquired during the twelve months ended June 30, 2013. 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.

20. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE

	12.31.2014 **HK$'000**	6.30.2014 HK$'000
Cost of unlisted investment in an associate	**40,530**	40,530
Share of post-acquisition loss and other comprehensive income	**(40,530)**	(40,530)
	–	–
Loan to an associate (Note)	**23,269**	23,269

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

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

As at December 31, 2014 and June 30, 2014, 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
					12.31.2014	6.30.2014	
Dish Media Network Private Limited	Limited company	Nepal	Nepal	Ordinary	**47.12%**	47.12%	Provision of Direct-To-Home service for satellite TV broadcasting

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate of the Group was principally engaged in provision of Direct-To-Home service for satellite TV broadcasting, which enable to the Group further diversify of its business from manufacturing and sales of TV set-top box, satellite TV equipment and antenna.

The associate is accounted for using the equity method in these consolidated financial statements.

	12.31.2014 HK$'000	6.30.2014 HK$'000
Current assets	**36,105**	50,270
Non-current assets	**178,486**	183,140
Current liabilities	**(259,569)**	(263,380)
Non-current liabilities	**(865)**	(3,696)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,975**	8,625
Current financial liabilities (excluding trade and other payables and provisions)	**180,291**	176,230
Non-current financial liabilities (excluding trade and other payables and provision)	**–**	217

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

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Revenue	**60,153**	80,085
Profit and total comprehensive income for the period/year	**7,419**	2,314

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	12.31.2014 HK$'000	6.30.2014 HK$'000
Net liabilities	**(45,843)**	(33,666)
Proportion of the Group's ownership interest	**47.12%**	47.12%
Carrying amount of the Group's interest in an associate	**–**	–

21. AVAILABLE-FOR-SALE INVESTMENTS

	12.31.2014 HK$'000	6.30.2014 HK$'000
Available-for-sale investments comprises:		
Unlisted securities:		
– equity securities in overseas – non-current (Note)	**–**	40,573

Note: During the twelve months ended June 30, 2014, the Group acquired unlisted equity securities at a consideration of HK$40,573,000 satisfied by transfer of trade receivable of the same amount. At initial recognition, the amount of the securities was measured at fair value with reference to a valuation carried out as of that date by an independent professional valuer not connected with the Group. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be reliably measured.

During the six months ended December 31, 2014, an impairment loss of HK$40,573,000 (twelve months ended June 30, 2014: nil) was recognised in respect of the available-for-sale investments, being the higher of the present value of the estimated future cash flows discounted at the current market rate of return and fair value less costs to sell, determined by the management of the Group. The recoverable amount is determined by the Group's estimation of its share of the present value of the 20-year estimated future cash flows expected by the management to be generated by the investments, discounted by a discount rate of 22.1%.

22. AMOUNT DUE FROM AN ASSOCIATE

Amount due from an associate include:

(i) amount of HK$16,194,000 (June 30, 2014: HK$15,658,000) being unsecured, non-interest bearing, repayable on demand; and

(ii) amount of HK$52,905,000 (June 30, 2014: HK$59,151,000) being unsecured, interest-free and the Group allows a credit period of 360 days to its associate which is trade in nature.

During the six months ended December 31, 2014, amount of HK$16,194,000 (twelve months ended June 30, 2014: HK$15,658,000) due from an associate being classified as non-current as the management expected the repayment of amount due from an associate will be over one year from the end of the reporting period.

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

	12.31.2014 **HK$'000**	6.30.2014 HK$'000
0 – 30 days	**1,016**	7,594
31 – 60 days	**–**	7,432
61 – 90 days	**1,863**	2,596
91 – 180 days	**15,046**	6,560
181 – 360 days	**23,944**	26,858
More than 360 days	**11,036**	8,111
	52,905	59,151

Included in the Group's amount due from an associate balance is trade debt with an aggregate amount of HK$11,036,000 (June 30, 2014: HK$8,111,000) which was past due at the end of the reporting period but for which the Group has not provided for impairment loss because management is of the opinion that the amount is recoverable taking into account the repayments during the period and after the end of the reporting period.

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

	12.31.2014 **HK$'000**	6.30.2014 HK$'000
More than 360 days	**11,036**	8,111

23. LOAN RECEIVABLES

The loan receivables include loans granted to customers of the Group, which borne interest rates at 1.2% per annum, and are repayable by annual instalments up to year 2018. Balance of HK$25,243,000 (June 30, 2014: HK$51,581,000) is classified as non-current according to the expected repayment schedule. During the six months ended December 31, 2014, impairment loss of HK$60,687,000 (twelve months ended June 30, 2014: nil) was made which is determined by the management of the Group based on the creditworthiness and the past collection history of the customers.

During the six months ended December 31, 2014, the Group granted a loan amounting to HK$2,716,000 to a third party. The amount is unsecured and borne interest rate at 5% per annum, and is classified as non-current as the management expected the repayment of such amount will be over one year from the end of the reporting period.

24. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current period and prior years:

	Fair value adjustment on intangible asset	Tax losses	Revaluation of investment properties	Provision for PRC withholding tax	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 2)		(Note 1)		
At July 1, 2013	(14,497)	10,537	(4,931)	(4,366)	(1,320)	(14,577)
Exchange adjustments	–	–	29	(12)	–	17
Acquisition of a subsidiary (note 44)	(4)	1,205	–	–	–	1,201
Credit (charge) to profit or loss for the year	1,982	(8,935)	(2,240)	(859)	1,320	(8,732)
Charge to property revaluation reserve	–	–	(2,634)	–	–	(2,634)
At June 30, 2014	(12,519)	2,807	(9,776)	(5,237)	–	(24,725)
Exchange adjustments	–	–	(19)	(6)	–	(25)
Credit (charge) to profit or loss for the period	1,280	(1,138)	(6,085)	(461)	–	(6,404)
At December 31, 2014	**(11,239)**	**1,669**	**(15,880)**	**(5,704)**	**–**	**(31,154)**

Note 1: Movement during the period included HK$461,000 (twelve months ended June 30, 2014: HK$859,000) provision for PRC withholding tax.

Note 2: Movement for the twelve months ended June 30, 2014 represented reversal of deferred tax assets, arising from tax losses amounting to a total of HK$8,935,000 as the future taxable profit available for tax deduction was less than expected.

24. DEFERRED TAXATION *(Continued)*

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

	12.31.2014	6.30.2014
	HK$'000	HK$'000
Deferred tax assets	**1,669**	2,807
Deferred tax liabilities	**(32,823)**	(27,532)
	(31,154)	(24,725)

At December 31, 2014, the Group had unused tax losses of HK$241,853,000 (June 30, 2014: HK$218,562,000) available for offset against future profits and a deferred tax asset has been recognised in respect of HK$4,172,000 (June 30, 2014: HK$7,017,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$237,681,000 (June 30, 2014: HK$211,545,000) due to the unpredictability of future profit streams.

Included in the unrecognised tax losses are losses of HK$12,072,000 (June 30, 2014: HK$12,078,000) that will expire between 2031 and 2034 (June 30, 2014: expire between 2031 and 2033). 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 December 31, 2014, the Group had deductible temporary differences arising from allowances for bad and doubtful debts and inventories of HK$98,673,000 (June 30, 2014: HK$95,672,000). 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.

25. INVENTORIES

	12.31.2014	6.30.2014
	HK$'000	HK$'000
Raw materials	**92,331**	62,584
Work in progress	**95,061**	103,249
Finished goods	**42,851**	107,957
	230,243	273,790

26. TRADE, BILLS AND OTHER RECEIVABLES

	12.31.2014 HK$'000	6.30.2014 HK$'000
Trade receivables	**438,315**	471,054
Bills receivables	**518**	698
Less: allowance for doubtful debts	**(147,376)**	(120,832)
	291,457	350,920
Other receivables	**78,303**	85,509
Total trade, bills and other receivables	**369,760**	436,429

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:

	12.31.2014 HK$'000	6.30.2014 HK$'000
0 – 30 days	**185,894**	178,700
31 – 60 days	**34,661**	53,512
61 – 90 days	**28,387**	30,086
91 – 180 days	**18,340**	27,376
More than 180 days	**24,175**	61,246
	291,457	350,920

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. 85% (June 30, 2014: 75%) 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$42,515,000 (June 30, 2014: HK$88,622,000) 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.

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

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

	12.31.2014 HK$'000	6.30.2014 HK$'000
91 – 180 days	**18,340**	27,376
More than 180 days	**24,175**	61,246
	42,515	88,622

Movement in the allowance for doubtful debts:

	12.31.2014 HK$'000	6.30.2014 HK$'000
Balance at beginning of the period/year	**120,832**	87,763
Acquisition of a subsidiary	**–**	11,766
Impairment loss recognised on receivables	**35,070**	25,666
Amounts written off as uncollectable	**(8,897)**	(5,291)
Exchange realignment	**371**	928
Balance at the end of the period/year	**147,376**	120,832

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$147,376,000 (June 30, 2014: HK$120,832,000), 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 December 31, 2014	**34,951**
As at June 30, 2014	49,051

27. 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 ("2012 Bond") issued by HXCH with principal amount of HK$100,000,000.

The 2012 Bond is unsecured, bears a coupon rate of 6% per annum, coupon payable quarterly in arrears, with its maturity on December 29, 2014.

Fair value of the 2012 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 2012 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 2012 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 2012 Bond is set out below:

	HK$'000
As at July 1, 2013	95,699
Effective interest income credited to profit or loss	8,802
Coupon interest received	(6,000)
As at June 30, 2014	98,501
Effective interest income credited to profit or loss	4,499
Coupon interest received/receivable	(3,000)
Impairment loss recognised	(24,758)
As at December 31, 2014	**75,242**

27. BOND RECEIVABLES *(Continued)*

Subsequent to the maturity of the 2012 Bond on December 29, 2014, on January 12, 2015 the Group entered into several arrangements with HXCH and National United Resources Holdings Limited ("NUR"), a company with its shares listed on the Main Board of the Stock Exchange and the details illustrated below:

Arrangement with HXCH

Pursuant to an agreement entered into with HXCH on January 12, 2015, the Group has agreed to extend the repayment deadline of the 2012 Bond until June 30, 2015 and a repayment schedule has been agreed.

- The Group issued an executed payment instructions to direct HXCH to make a payment of HK$30,000,000 out of the HK$100,000,000 2012 Bond principal to NUR as the consideration to subscribe bond to be issued by NUR.

- For the HK$70,000,000 outstanding part of the 2012 Bonds, repayment schedule with HXCH was agreed. Five instalments of HK$10,000,000 each would be repaid to the Group ("first batch installments") during January to February 2015, and one instalment of HK$20,000,000 would be repaid on June 30, 2015 ("second batch installment"). Both batches of installments carry interest at 6% per annum.

Arrangement with NUR

- On January 12, 2015, the Group entered into bond subscription agreement with NUR. Pursuant to the subscription agreement, the Group conditionally agreed to subscribe for the bonds to be issued by NUR ("2015 Bond") in the principal amount of HK$80,000,000 for a term of one year with a coupon rate of 6% per annum, payable quarterly in arrears. The Group may, (i) on or after September 30, 2015 serving at least two days' prior written notice in writing to NUR, request NUR to redeem HK$20,000,000 of the 2015 Bond at 100% of its principal amount; and (ii) on or after January 11, 2016 serving at least four days' prior written notice in writing to NUR, request NUR to redeem HK$30,000,000 of the 2015 Bond at 100% of its principal amount. Unless previously redeemed or cancelled, NUR shall redeem the 2015 Bond at 100% of its principal amount together with any accrued interest and unpaid interest calculated up to (and including) the maturity date.

- The subscription price of the 2015 Bonds will be satisfied by the way of i) HK$30,000,000 receivable from HXCH by the payment instructions set out above; ii) the payment of a cash consideration of HK$50,000,000 to NUR by the Group.

27. BOND RECEIVABLES *(Continued)*

Arrangement with NUR *(Continued)*

The subscription of the 2015 Bonds is subject to following conditions:

- The Group having provided to NUR in respect of a payment instructions of HK$30,000,000;
- The Group having received from HXCH the first batch instalments in aggregate HK$50,000,000 in cash; and
- All necessary consents or approvals from regulatory authority, if any, in connection with the subscription of 2015 Bond is obtained.

Completion of the subscription of 2015 Bond with a principal amount of HK$30,000,000 has taken place immediately upon the signing of the subscription agreement on January 12, 2015. Up to the date of the approval of this report, the Group received part of the first batch installments amounting to HK$40,000,000 from HXCH. The Group has further subscribed for HK$40,000,000 for the 2015 Bond. In the opinion of directors, the remaining first batch installments will be received in April 2015 and the subscription of the residual 2015 Bond will be completed accordingly.

The directors of the Company performed a detailed analysis of the recoverability of the bond receivable at December 31, 2014. The directors take into consideration of the creditworthiness of the counter parties and the present value of the contractually determined/estimated stream of future cash flow of the 2015 Bonds discounted at the required yield which was determined with reference to the credit rating of the bond issuers and remaining time to maturity. The difference between the estimated recoverable amount and the carrying value at December 31, 2014 amounting to HK$24,758,000 was recognised in profit or loss during the six months ended December 31, 2014.

28. 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 0.30% to 2.60% (June 30, 2014: 0.20% to 3.25%) per annum. The pledged bank deposits will be released upon the settlement of short-term bank borrowings.

29. 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% (June 30, 2014: 0.01% to 3.25%) 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 December 31, 2014	**25,151**	**3,511**	**11,450**
As at June 30, 2014	824	1,141	550

30. ASSETS CLASSIFIED AS HELD FOR SALE

(a) On December 30, 2014, the Group entered into sales and purchase agreement in respect of disposal of its entire equity interest in a wholly owned subsidiary, namely Weblink Technology Limited ("Weblink"), in an aggregate cash consideration of HK$14,000,000.

The assets attribute to Weblink, which are expected to the sold within twelve months from the end of the reporting period, have been classified as "assets classified as held for sale" and are presented separately in the consolidated statement of financial position (see below).

The major classes of assets of Weblink classified as held for sale are as follows:

	HK$'000
Property, plant and equipment (note 14)	3,852
Prepaid lease payment (note 16)	2,469
Assets classified as held for sale	6,321

(b) As disclosed in note 17, the Group entered into sales and purchase agreements during the twelve months ended June 30, 2014 to dispose of certain investment properties to independent third parties. The disposals were to be completed upon fulfillment of certain conditions precedent. The investment properties amount to RMB31,500,000 (equivalent to HK$39,683,000), which had been fair-valued with reference to the disposal considerations, were classified as assets held for sale and presented separately in the consolidated statement of financial position as at June 30, 2014. During the six months ended December 31, 2014, disposal of certain investment properties amounting to RMB5,500,000 (equivalent to HK$6,972,000) had been completed and a loss of disposal amounting to HK$2,905,000 was recognised during the period. The directors expected the disposal of the remaining investment properties will be completed within one year from the end of the reporting period.

31. TRADE, BILLS AND OTHER PAYABLES

	12.31.2014 HK$'000	6.30.2014 HK$'000
Trade payables	**391,379**	319,051
Bills payables	**1,897**	6,910
Other payables	**219,166**	100,152
	612,442	426,113

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

	12.31.2014 HK$'000	6.30.2014 HK$'000
0 – 30 days	**156,260**	114,135
31 – 60 days	**69,055**	82,026
61 – 90 days	**61,478**	42,043
91 – 180 days	**62,734**	45,007
181 – 365 days	**42,638**	42,740
More than 365 days	**1,111**	10
	393,276	325,961
Accrued expenses	**61,099**	41,149
Receipt in advance	**15,184**	12,529
Other payables (Note)	**142,883**	46,474
Total trade, bills and other payables	**612,442**	426,113

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

Note: Included in other payables an amount due to non-controlling interests amounting to HK$23,281,000 (June 30, 2014: nil), which bears interest rate at 2.3% per annum and is unsecured and repayable within one year.

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

	Hong Kong dollars HK$'000	**United States dollars** HK$'000	**Renminbi** HK$'000
As at December 31, 2014	**2,840**	**18,595**	**78,069**
As at June 30, 2014	93	21,599	80,367

32. BANK AND OTHER BORROWINGS

	12.31.2014 HK$'000	6.30.2014 HK$'000
Bank loans	**306,928**	338,657
Other loans	**–**	14,682
	306,928	353,339
Analysed as:		
Secured	**222,760**	253,837
Unsecured	**84,168**	99,502
	306,928	353,339
Carrying amount repayable:		
On demand or within one year	**172,483**	201,765
In more than one year but not more than two years	**5,514**	1,309
In more than two years but not more than three years	**387**	433
In more than three years but not more than four years	**387**	433
In more than four years but not more than five years	**387**	433
More than five years	**1,189**	1,546
	180,347	205,919
Carrying amount of bank loans that contain a repayment on demand clause		
Within one year	**126,581**	147,420
	306,928	353,339
Less: Amount due within one year shown under current liabilities	**(299,064)**	(349,185)
Amount due after one year	**7,864**	4,154

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

Including in the balance at June 30, 2014 an amount of HK$10,000,000 (December 31, 2014: nil) of other loans was non-interest bearing.

32. BANK AND OTHER BORROWINGS *(Continued)*

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

	12.31.2014	6.30.2014
Variable interest rate borrowings	**1.42% – 5.00%**	2.30% – 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 December 31, 2014	**228,189**
As at June 30, 2014	252,948

33. OBLIGATIONS UNDER FINANCE LEASES

	12.31.2014 **HK$'000**	6.30.2014 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**1,826**	1,817
Non-current liabilities	**12,884**	13,789
	14,710	15,606

It is the Group's policy to lease certain of its 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.

33. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

	Minimum lease payments		Present value of minimum lease payments	
	12.31.2014	6.30.2014	**12.31.2014**	6.30.2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**1,939**	1,938	**1,826**	1,817
In more than one year but not more than two years	**1,939**	1,938	**1,841**	1,832
In more than two years but not more than five years	**5,817**	5,813	**5,613**	5,587
In more than five years	**5,494**	6,459	**5,430**	6,370
	15,189	16,148	**14,710**	15,606
Less: future finance charges	**(479)**	(542)	**–**	–
Present value of lease obligations	**14,710**	15,606	**14,710**	15,606
Less: Amount due for settlement within one year (shown under current liabilities)			**(1,826)**	(1,817)
Amount due for settlement after one year			**12,884**	13,789

34. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At July 1, 2013, June 30, 2014 and December 31, 2014	1,000,000,000	100,000
Issued and fully paid:		
At July 1, 2013, June 30, 2014 and December 31, 2014	832,228,862	83,223

35. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the period/year:

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Premises	**3,909**	7,003

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:

	12.31.2014 HK$'000	6.30.2014 HK$'000
Within one year	**3,803**	4,198
In the second to fifth year inclusive	**5,712**	8,604
	9,515	12,802

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.

The Group as lessor

Property rental income earned during the period was HK$5,216,000 (twelve months ended June 30, 2014: HK$5,934,000) 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:

	12.31.2014 HK$'000	6.30.2014 HK$'000
Within one year	**1,829**	4,742
In the second to fifth year inclusive	**1,328**	3,371
Over five years	**1,093**	1,097
	4,250	9,210

36. CAPITAL AND OTHER COMMITMENTS

	12.31.2014 HK$'000	6.30.2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of a subsidiary	**19,485**	29,510

37. 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 32, 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.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	12.31.2014 HK$'000	6.30.2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**716,931**	751,999
Available-for-sale investments	**–**	40,573
Financial liabilities		
Amortised cost	**804,712**	718,215

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, loan receivables, 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**	
	12.31.2014	6.30.2014	**12.31.2014**	6.30.2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**1,088**	893	**78,070**	80,367
HKD	**76,940**	100,831	**3**	93
USD	**94,178**	104,121	**246,784**	274,548

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.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis *(Continued)*

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 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 period/year.

	Note	**12.31.2014 HK$'000**	6.30.2014 HK$'000
Increase in loss for the period/year:			
– RMB	(i)	**(2,887)**	(2,980)
– USD	(i)	**(5,723)**	(6,391)

Note:

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan to an associate, loan receivables, bond receivables, pledged bank deposits and bank deposits set out in notes 20, 23, 27, 28 and 29.

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 29 and 32 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.

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

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:

	12.31.2014	6.30.2014
	HK$'000	HK$'000
Liabilities	**306,928**	353,339

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 six months ended December 31, 2014 would increase or decrease by HK$1,151,000 (June 30, 2014: HK$1,325,000). The Group's sensitivity to interest rates has decreased during the period mainly due to decrease in bank and other borrowings.

38. 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 December 31, 2014 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 period, impairment losses of HK$35,070,000 (twelve months ended June 30, 2014: HK$25,666,000) 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 receivables. As at December 31, 2014, the loan receivables were mainly provided to two customers in Spain and UAE who have long-term trading relationship with the Group from the segment of media entertainment platform related products. During the period, impairment losses of HK$60,687,000 (twelve months ended June 30, 2014: nil) had been made for the loan receivables. 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 6% (June 30, 2014: 12%) and 31% (June 30, 2014: 26%) 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$75,242,000 (June 30, 2014: bonds receivable from HXCH amounts to principal of HK$100,000,000 with carrying amount of HK$98,501,000) as at December 31, 2014, expose the Group to concentration of credit risk on the counterparty. The Group assesses the credit risk by reviewing the financial performance and credit worthiness of HXCH. Other than that, the Group has no other significant concentration of credit risk.

38. 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$'000	Carrying amount at December 31, 2014 HK$'000
December 31, 2014							
Non-derivative financial liabilities							
Trade, bills and other payables	–	260,768	130,534	62,734	43,748	497,784	497,784
Bank and other borrowings	2.60	202,035	64,951	33,342	8,068	308,396	306,928
		462,803	195,485	96,076	51,816	806,180	804,712

	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$'000	Carrying amount at June 30, 2014 HK$'000
June 30, 2014							
Non-derivative financial liabilities							
Trade, bills and other payables	–	204,371	101,615	58,880	10	364,876	364,876
Bank and other borrowings	2.60	212,473	78,075	60,680	4,262	355,490	353,339
		416,844	179,690	119,560	4,272	720,366	718,215

38. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

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 December 31, 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK$126,581,000 (June 30, 2014: HK$147,420,000). 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$126,581,000 and HK$375,000 (June 30, 2014: HK$147,420,000 and HK$745,000) respectively.

(c) Fair value measurement of financial instruments

This note provides information about how the Group determine fair values of various financial assets and liabilities.

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

The fair values of the financial assets and liabilities recorded at amortised cost have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

39. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

(iii) the nominal value of the shares.

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

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

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

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

			Number of share options				
Type of grantee	**Date of grant** (Note 2)	**Exercise price** (Note 1)	**Outstanding at July 1, 2013**	**Lapsed during the year**	**Outstanding at June 30, 2014**	**Lapsed during the period**	**Outstanding at December 31, 2014**
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	2,400,000	(60,000)	2,340,000	–	2,340,000
Employees	December 16, 2006	HK$2.05	425,000	(425,000)	–	–	–
Employees	December 27, 2007	HK$1.76	900,000	(800,000)	100,000	–	100,000
Employees	April 1, 2009	HK$1.114	900,000	(800,000)	100,000	–	100,000
Employees	October 22, 2010	HK$2.05	500,000	(500,000)	–	–	–
Total			8,125,000	(2,585,000)	5,540,000	–	5,540,000
Exercisable at the end of the year/period			6,625,000		5,540,000		5,540,000
Weighted average exercise price			1.55	1.65	1.50	–	1.50

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$130,000 for the twelve months ended June 30, 2014 (six months ended December 31, 2014: nil) in relation to share options granted by the Company.

40. 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 those subsidiaries' contributions subject to the regulations of the relevant local authorities.

41. RELATED PARTY DISCLOSURES

(i) Transactions

The Group had the following related party transaction:

Relationship	Nature of transaction	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Associate	Sales of goods	**17,041**	50,511
	Interest income	**505**	1,003

(ii) Balances

Details of the Group's balances with related party are set out in the consolidated statement of financial position and in notes 20, 22 and 31.

(iii) Compensation of key management personnel

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

	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Short-term benefits	**5,824**	11,182
Post-employment benefits	**115**	179
Share-based payments	**–**	108
	5,939	11,469

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.

42. PLEDGE OF ASSETS

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

	12.31.2014	6.30.2014
	HK$'000	HK$'000
Bank deposits	117,264	53,751
Leasehold land and buildings	57,755	57,856
Investment properties	84,656	81,138

43. ACQUISITION OF ADDITIONAL INTEREST OF A SUBSIDIARY

On November 12, 2014, the Group entered into a sales and purchase agreement in respect of the acquisition of additional 49% equity interest in Weblink at a cash consideration of HK$8,329,000.

A loss of HK$862,000 had been recognised in reserve, which represents the difference between the consideration paid of HK$8,329,000 and the carrying amount of the 49% non-controlling interest being acquired at date of acquisition.

The transaction was completed during six months ended December 31, 2014 and Weblink becomes a wholly owned subsidiary of the Group thereafter.

44. ACQUISITION OF SUBSIDIARIES

Acquisition of PBT

On December 2, 2013, the Company and Wha Yu Industrial Co., Ltd. ("Whayu") entered into an agreement pursuant to which the parties agreed to establish a company, Pro Brand Technology, Inc. ("PBT") with the principal businesses of design, manufacture and distribute satellite TV equipment and antenna.

Pursuant to the agreement, the Group subscribed 61.4% equity interest in PBT in the consideration of 38.6% equity interest in PBI and Whayu subscribed 38.6% equity interest in PBT in the consideration of 61.4% equity interest in Sksteck Inc. ("SKS"). The completion date of the agreement was in May 2014, which is also the time when the Group obtained control in PBT. PBT became a non-wholly owned subsidiary of the Company thereafter and PBT held 100% equity interest in PBI and SKS.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of PBT *(Continued)*

The consideration was satisfied by way of the Group's 38.6% equity interest in PBI. The fair value of the total consideration at the acquisition date was US$2,865,000 (equivalent to HK$22,214,000).

	HK$'000
Consideration transferred	
38.6% equity interest in PBI	22,214

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment (note 14)	37,405
Intangible assets (note 19)	1,510
Inventories	44,046
Trade and other receivables	44,047
Bank balances and cash	22,682
Trade and other payables	(59,956)
Tax recoverable	474
Bank and other borrowings	(44,304)
Deferred tax assets	1,205
Deferred tax liabilities	(4)
	47,105
Less: Non-controlling interest (38.6% in PBT)	(18,192)
	28,913

	HK$'000
Consideration transferred	22,214
Plus: non-controlling interests (38.6% in PBT)	18,192
Less: net assets acquired	(47,105)
Special reserve	(6,699)
Net cash inflow arising on transaction:	
Cash consideration paid	–
Less: bank balances and cash acquired	(22,682)
	(22,682)

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of PBT *(Continued)*

Included in the loss for the year ended June 30, 2014 was HK$2,288,000 attributable to the additional business generated by PBT. Revenue for the year includes HK$79,594,000 generated from PBT.

Had the acquisition been completed on July 1, 2013, total group revenue for the year ended June 30, 2014 would have been HK$1,757,573,000, and loss for the year would have been HK$103,808,000. 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, 2013, nor is it intended to be a projection of future results.

Subsequent to the capital injection by the Group and Whayu, certain employees of PBT subscribed equity interest in PBT for a total consideration of US$2,542,000 (equivalent to HK$19,708,000). Consequently, the equity interest of PBT held by the Group decreased from 61.4% to 55.4%.

In addition, the Group injected machinery amounted to US$2,340,000 (equivalent to HK$18,137,000) to a subsidiary of PBT in return for equity interest in PBT. The equity interest of PBT held by the Group increased from 55.4% to 59.1%.

45. MAJOR NON-CASH TRANSACTIONS

For the year ended June 30, 2014, the Group acquired 61.4% of the issued share capital of PBT satisfied by way of the Group's 38.6% equity interest in PBI. Further details are set out in note 44.

Subsequently, the Group further injected machinery amounted to US$2,340,000 (equivalent to HK$18,137,000) to a subsidiary of PBT in return for additional interest in PBT.

For the year ended June 30, 2014, the Group acquired unlisted equity securities of a customer at a consideration of HK$40,573,000 satisfied by transfer of trade receivable of the same amount. Furthermore, other receivables due from the customer amounted to HK$49,055,000 was transferred to loan receivables.

46. 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.

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. 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.

The Group's legal counsel had repeated request on the Original Shareholder and Technosat to commence the next step on mediation, but there were no satisfactory response from the legal counsel of the Original Shareholder and Technosat up to the deadline set by August 2014. At the date of approval of this report, the Group's legal counsel is in the process for arrangement to submit for the next step on an arbitration.

47. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at December 31, 2014 and June 30, 2014 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
				12.31.2014		6.30.2014		
				Directly	**Indirectly**	Directly	Indirectly	
Top Peaker Group Limited ("Top Peaker")	British Virgin Islands ("BVI")/Hong Kong	Ordinary	US$10,000	**100%**	**–**	100%	–	Investment holding
Sandmartin (Zhong Shan) Electronic Co., Ltd. (Note) 中山聖馬丁電子元件有限公司	PRC	Registered capital	US$19,500,000	**–**	**100%**	–	100%	Manufacture of electronic goods
SMT Hong Kong Limited	Hong Kong	Ordinary	HK$2	**–**	**100%**	–	100%	Trading of electronic goods
SMT Electronic Technology Limited	Cayman Islands/Taiwan	Ordinary	US$1	**–**	**100%**	–	100%	Trading of electronic goods
SMT (Macao Commercial Offshore) Limited	Macau	Quota capital	MOP100,000	**–**	**100%**	–	100%	Trading of electronic goods
TRT Business Network Solutions, Inc.	USA	Ordinary	US$100,000	**–**	**100%**	–	100%	Trading of electronic goods
PBT	Cayman Islands/USA	Ordinary/ Preference	US$20,000,000/ US$9,759,203	**59.1%**	**–**	59.1%	–	Investment holding and trading of Satellite TV equipment and antenna
PBI	USA	Ordinary	US$1	**–**	**59.1%**	–	59.1%	Trading of Satellite and trading of Satellite TV equipment and antenna
SKS	Taiwan	Ordinary	NTW225,000,000	**–**	**59.1%**	–	59.1%	Design, manufacture and trading of Satellite TV equipment and antenna
Weblink	BVI/Hong Kong	Ordinary	US$200	**–**	**100%** (Note 43)	–	51%	Investment holding
FLT Hong Kong Technology Limited	BVI/Hong Kong	Ordinary	US$450,000	**–**	**100%**	–	51%	Trading of optical fibre products

47. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

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
				12.31.2014		6.30.2014		
				Directly	Indirectly	Directly	Indirectly	
Fiberlink Technology Limited (Note) 珠海保税區隆宇光電科技有限公司	PRC	Registered capital	US$1,500,000	–	100%	–	51%	Manufacture of optical fibre products
BCN Distribuciones, S.A.	Spain	Ordinary	EUR412,102	–	100%	–	100%	Research and development and trading of electronic goods
IDS	Germany	Ordinary	EUR31,250	–	100%	–	100%	Design and manufacture of electronic goods
Sino Light Enterprise Limited	Hong Kong/PRC	Ordinary	HK$12,600	–	64%	–	64%	Inactive
E-passing Co., Ltd.	Taiwan	Ordinary	NTW100,000,000	–	100%	–	100%	Service of integration system of public program

Note: These companies are wholly foreign owned enterprises.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at any time of the period or at December 31, 2014.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of company	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interest		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		12.31.2014	6.30.2014	12.31.2014 HK$'000	6.30.2014 HK$'000	12.31.2014 HK$'000	6.30.2014 HK$'000
PBT	Cayman Islands/USA	40.9%	40.9%	(5,414)	797	52,037	57,451
Individually immaterial subsidiaries with non-controlling interests				(637)	(933)	(12,028)	(3,878)
Total				(6,051)	(136)	40,009	53,573

47. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Summarised financial information in respect of PBT that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	PBT (consolidated)	
	12.31.2014	6.30.2014
	HK$'000	HK$'000
Current assets	**281,754**	292,870
Non-current assets	**216,866**	212,494
Current liabilities	**(246,294)**	(239,223)
Non-current liabilities	**(30,243)**	(33,575)
Equity attributable to owners of the subsidiary	**222,083**	232,566
Non-controlling interests	**–**	–

Details of non-wholly owned subsidiaries that have material non-controlling interests

	(Six months)	(Twelve months)
	7.1.2014 to	7.1.2013 to
	12.31.2014	6.30.2014
	HK$'000	HK$'000
Revenue	**372,641**	79,594
(Loss) profit for the period/year	**(13,230)**	1,691
Other comprehensive income for the period/year	**–**	219
Total comprehensive (loss) income for the period/year	**(13,230)**	1,910

47. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

	PBT (consolidated)	
	(Six months) 7.1.2014 to 12.31.2014 HK$'000	(Twelve months) 7.1.2013 to 6.30.2014 HK$'000
Profit attributable to the non-controlling interests	**–**	–
Total comprehensive income attributable to the non-controlling interests	**–**	–
Dividends paid to non-controlling interest	**–**	–
Net cash (outflow) inflow from operating activities	**(25,239)**	3,599
Net cash outflow from investing activities	**(13,736)**	(2,392)
Net cash inflow (outflow) from financing activities	**25,440**	(823)
Net cash (outflow) inflow	**(13,535)**	384

48. EVENT AFTER THE REPORTING PERIOD

(a) On January 7, 2015, the Group entered into a conditional agreement in respect of the disposal of the entire equity interest in Moment Track Limited ("Moment Track") at an aggregated cash consideration of HK$20,630,000.

Details of the transaction are set out in the announcement of the Company dated January 7, 2015. Up to the date of approval of this report, the disposal has not yet been completed and the directors of the Company are still in process of assessing the financial effects of the transaction.

(b) On January 12, 2015, the Group entered into an agreement with HXCH in relation to the repayment arrangement of the bond receivables matured on December 29, 2014 with principal amount of HK$100,000,000. On the same date, the Group entered into a subscription agreement with NUR in respect of subscription for the bonds of NUR in the principal amount of HK$80,000,000. Details of the transactions are set out in the announcements of the Company dated January 12, 2015.

The Group has issued the executed payment instructions to direct HXCH to make payment of HK$30,000,000 to NUR on January 12, 2015 and on the same date, the Group subscribed HK$30,000,000 bonds issued by NUR. The Company has further received HK$40,000,000 from HXCH and subscribed for bonds of NUR amounting to HK$40,000,000 in March 2015. The details are set out in note 27 to the consolidated financial statements.

	Note	12.31.2014 HK$'000	6.30.2014 HK$'000
Investments in subsidiaries		**350,436**	350,436
Interest in an associate		**–**	–
Deposit paid for acquisition of a subsidiary		**37,005**	26,980
Bond receivables		**75,242**	98,501
Loan to an associate		**23,269**	23,269
Amounts due from subsidiaries		**154,104**	154,104
Other assets		**7,379**	2,679
Total assets		**647,435**	655,969
Other payables		**(984)**	(937)
Amount due to subsidiaries		**(120,699)**	(106,106)
Total liabilities		**(121,683)**	(107,043)
Net assets		**525,752**	548,926
Capital and reserves			
Share capital		**83,223**	83,223
Reserves	(a)	**442,529**	465,703
Equity attributable to owners of the Company		**525,752**	548,926

Note:

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At July 1, 2013	349,246	181,788	7,830	–	79,900	(172,969)	445,795
Profit and total comprehensive income for the year	–	–	–	–	–	19,778	19,778
Recognition of equity-settled share-based payments	–	–	130	–	–	–	130
At June 30, 2014	349,246	181,788	7,960	–	79,900	(153,191)	465,703
Loss and total comprehensive expense for the period	–	–	–	–	–	(23,174)	(23,174)
At December 31, 2014	**349,246**	**181,788**	**7,960**	**–**	**79,900**	**(176,365)**	**442,529**

The contributed surplus represents the difference between the consolidated shareholders' fund of 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.

Financial Summary

		Year ended June 30,			Six months ended December 31,
	2011	2012	2013	2014	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	1,604,087	1,342,950	1,398,548	1,664,111	**785,081**
Profit (loss) before taxation	86,455	(35,244)	(176,972)	(87,110)	**(256,403)**
Income tax credit (expense)	3,726	2,908	(43,454)	(14,458)	**(14,191)**
Profit (loss) for the year/period from continuing operations	90,181	(32,336)	(220,426)	(101,568)	**(270,594)**
Loss for the year/period from discontinued operation	–	(25,539)	(82,136)	–	**–**
Profit (loss) for the year/period	90,181	(57,875)	(302,562)	(101,568)	**(270,594)**
Attributable to:					
Owners of the Company	90,441	(53,241)	(271,424)	(101,432)	**(264,543)**
Non-controlling interests	(260)	(4,634)	(31,138)	(136)	**(6,051)**
	90,181	(57,875)	(302,562)	(101,568)	**(270,594)**

		At June 30,			At December 31,
	2011	2012	2013	2014	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,391,912	1,438,093	1,575,873	1,563,576	**1,402,281**
Total liabilities	(380,055)	(517,092)	(894,594)	(846,408)	**(989,958)**
	1,011,857	921,001	681,279	717,168	**412,323**
Equity attributable to owners of the Company	960,503	892,406	684,168	663,595	**372,314**
Non-controlling interests	51,354	28,595	(2,889)	53,573	**40,009**
	1,011,857	921,001	681,279	717,168	**412,323**