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

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2011

The board of directors (the "Directors") of Sandmartin International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended June 30, 2011 (the "Year") together with comparative figures in 2010, as follows.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue		**1,604,087**	1,560,713
Cost of sales		**(1,256,049)**	(1,204,824)
Gross profit		**348,038**	355,889
Other income		**25,022**	20,306
Other gains and losses		**(27,712)**	(17,635)
Loss on fair value change of derivatives embedded in convertible bonds		**(11,053)**	–
Gain on bargain purchase		**6,871**	–
Increase in fair value of investment properties		**1,170**	569
Distribution and selling costs		**(53,221)**	(61,392)
Administrative expenses		**(161,609)**	(142,277)
Research and development costs		**(38,857)**	(52,195)
Finance costs		**(2,194)**	(5,935)
Profit before taxation		**86,455**	97,330
Taxation	4	**3,726**	(6,345)
Profit for the year	5	**90,181**	90,985
Other comprehensive income			
Exchange difference arising from translation of foreign operations		**42,406**	(11,115)
Fair value change of available-for-sale investments		**(713)**	–
Total comprehensive income for the year		**131,874**	79,870
Profit for the year attributable to:			
Owners of the Company		**90,441**	91,698
Non-controlling interests		**(260)**	(713)
		90,181	90,985

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended June 30, 2011

	NOTE	**2011** **HK$'000**	2010 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		**132,550**	80,662
Non-controlling interests		**(676)**	(792)
		131,874	79,870
Earnings per share	*7*		
Basic		**13.5 HK cents**	14.9 HK cents
Diluted		**13.4 HK cents**	14.8 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2011

	NOTES	6.30.2011 HK$'000	6.30.2010 HK$'000 (Restated)	7.1.2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**168,886**	170,814	188,571
Prepaid lease payments		**15,350**	15,010	15,230
Investment properties		**34,752**	31,981	31,083
Goodwill		**51,111**	66,392	84,681
Intangible assets		**65,759**	2,980	6,234
Available-for-sale investments		**179,426**	–	–
Derivatives embedded in convertible bonds		**15,184**	–	–
Deferred tax assets		**29,404**	12,624	8,723
		559,872	299,801	334,522
Current assets				
Inventories		**198,890**	278,791	227,496
Trade and other receivables	*8*	**341,810**	276,268	191,046
Prepaid lease payments		**437**	378	374
Available-for-sale investments		**765**	–	–
Derivative financial instruments		**511**	51	299
Pledged bank deposits		**13,363**	1,405	1,275
Bank balances and cash		**276,264**	477,150	173,305
		832,040	1,034,043	593,795
Current liabilities				
Trade and other payables	*9*	**269,562**	392,223	236,310
Tax liabilities		**17,706**	14,658	9,028
Bank borrowings – due within one year		**73,804**	66,395	84,955
Obligations under finance leases – due within one year		**–**	291	35
Derivative financial instruments		**35**	–	–
		361,107	473,567	330,328
Net current assets		**470,933**	560,476	263,467
		1,030,805	860,277	597,989

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At June 30, 2011

	6.30.2011	6.30.2010	7.1.2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Capital and reserves			
Share capital	**67,287**	66,478	55,672
Reserves	**893,216**	757,666	508,494
Equity attributable to owners of the Company	**960,503**	824,144	564,166
Non-controlling interests	**51,354**	9,433	10,225
Total equity	**1,011,857**	833,577	574,391
Non-current liabilities			
Bank borrowings			
– due after one year	**5,472**	16,157	16,184
Deferred tax liabilities	**13,476**	10,006	7,414
Obligations under finance leases			
– due after one year	**–**	537	–
	18,948	26,700	23,598
	1,030,805	860,277	597,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA and are mandatorily effective for the Group's financial year beginning July 1, 2010, as follows:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

[1] *Except for the amendments that are effective for annual periods beginning on or after January 1, 2011.*

Except as described below, the adoption of the above new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 17 "Leases"

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendment is effective from July 1, 2010 for the Group. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at July 1, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. This resulted in a reclassification from prepaid lease payments with the carrying amounts of HK$7,838,000 and HK$7,669,000 as at July 1, 2009 and June 30, 2010 respectively to property, plant and equipment.

As at June 30, 2011, leasehold land that qualifies for finance lease classification with the carrying amount of HK$7,500,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK-Int 5")

HK-Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-Int 5 for the first time in the current year. HK-Int 5 requires retrospective application.

In order to comply with the requirements set out in HK-Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK-Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at June 30, 2011, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$13,029,000 (July 1, 2009 and June 30, 2010: nil) have been classified as current liabilities.

The application of HK-Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

The change in accounting policies described above has had no effect on the Group's basic and diluted earnings per share for the current and prior years.

The effect of the above change in accounting policy on the financial positions of the Group as at July 1, 2009 and June 30, 2010 is as follows:

	As at 7.1.2009 (originally stated)	Adjustments	As at 7.1.2009 (restated)	As at 6.30.2010 (originally stated)	Adjustments	As at 6.30.2010 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Property, plant and equipment	180,733	7,838	188,571	163,145	7,669	170,814
Prepaid lease payment – non-current	22,899	(7,669)	15,230	22,510	(7,500)	15,010
Prepaid lease payment – current	543	(169)	374	547	(169)	378
	204,175	–	204,175	186,202	–	186,202

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised 2008), HKAS 1 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (Revised in 2011)	Employee Benefits[4]
HKAS 24 (Revised in 2009)	Related Party Disclosures[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[4]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

[1] *Effective for annual periods beginning on or after January 1, 2011.*

[2] *Effective for annual periods beginning on or after July 1, 2011.*

[3] *Effective for annual periods beginning on or after July 1, 2012.*

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

[5] *Effective for annual periods beginning on or after January 1, 2012.*

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The directors anticipate that application of HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending June 30, 2014 and application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the PRC that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

The directors anticipate that the applications of other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

3. Segment information

The segment information reported externally was analysed on the basis of their goods and services delivered or provided by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products. During the current year, the Group expanded its operations through the acquisition of subsidiaries, which were reported under two new operating segments provision of integration system services for public programs and trading of children wear.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

1. Media entertainment platform related products
2. Other multimedia products
3. Public system for providing service of integration system of public program
4. Children wear

Segment Revenue and Results

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

Year ended June 30, 2011

	Media entertainment platform related products	Other multimedia products	Provision of integration system services for public programs	Children wear	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	1,167,445	435,109	1,533	–	1,604,087
RESULTS					
Segment results	228,984	39,999	877	–	269,860
Other income					25,022
Other gains and losses					(2,755)
Loss on fair value change of derivatives embedded in convertible bonds					(11,053)
Gain on bargain purchase					6,871
Increase in fair value of investment properties					1,170
Research and development costs					(38,857)
Administrative expenses					(161,609)
Finance costs					(2,194)
Profit before taxation					86,455

Year ended June 30, 2010

	Media entertainment platform related products	Other multimedia products	Provision of integration system services for public programs	Children wear	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	1,116,837	443,876	–	–	1,560,713
RESULTS					
Segment results	230,203	45,445	–	–	275,648
Other income					20,306
Other gains and losses					1,214
Increase in fair value of investment properties					569
Research and development costs					(52,195)
Administrative expenses					(142,277)
Finance costs					(5,935)
Profit before taxation					97,330

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment profit represents the profit earned by each segment without allocation of administrative expenses, research and development costs, other income, other gains and losses (except impairment loss on goodwill and trade receivables) and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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)*	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Asia				
– PRC (country of domicile)	**78,263**	–	**183,469**	185,226
– Taiwan	**12,682**	134,888	**4,954**	3,128
– Others	**26,074**	30,321	**73,424**	9,729
Europe				
– Germany	**89,665**	36,944	**19,213**	16,726
– Spain	**56,640**	232,079	**54,798**	72,368
– Italy	**56,552**	4,709	**–**	–
– Ukaine	**41,795**	–	**–**	–
– France	**25,082**	5,141	**–**	–
– Others	**49,994**	61,606	**–**	–
North America				
– United States of America	**175,575**	169,907	**–**	–
– Canada	**55,798**	17,714	**–**	–
– Mexico	**39,493**	24,295	**–**	–
– Others	**621**	2,125	**–**	–
Middle East				
– United Arab Emirates	**547,958**	495,320	**–**	–
– Others	**32,069**	148,283	**–**	–
Africa				
– Morocco	**125,808**	32,292	**–**	–
– Others	**50,061**	37,281	**–**	–
South America				
– Chile	**47,565**	33,158	**–**	–
– Uruguay	**–**	52,126	**–**	–
– Argentina	**61,237**	9,998	**–**	–
– Brazil	**24,790**	28,568	**–**	–
– Others	**3,051**	2,190	**–**	–
Other regions	**3,314**	1,768	**–**	–
	1,604,087	1,560,713	**335,858**	287,177

Note: Non-current assets exclude deferred tax assets and financial instruments.

4. Taxation

	2011	2010
	HK$'000	*HK$'000*
The tax (credit) charge comprises:		
Current tax:		
PRC	**6,512**	5,514
Jurisdictions other than the PRC and Hong Kong	**6,083**	7,782
Underprovision in prior years	**–**	1,756
Tax refunded in respect of research and development activities in other jurisdictions	**(4,273)**	(5,504)
	8,322	9,548
Deferred taxation:		
Current year	**(15,038)**	(6,077)
Provision for withholding tax	**2,990**	2,874
	(12,048)	(3,203)
	(3,726)	6,345

No tax is payable on the profit for the year arising in Hong Kong as the assessable profit is wholly absorbed by tax losses brought forward.

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

5. Profit for the year

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit for the year has been arrived at after charging:		
Directors' emoluments	**4,893**	6,412
Other staff costs	**165,085**	171,022
Retirement benefit scheme contributions, excluding directors	**21,361**	18,947
Share-based payment expense, excluding director	**939**	1,431
Total employee benefit expenses	**192,278**	197,812
Auditor's remuneration	**2,820**	2,876
Depreciation of property, plant and equipment	**21,743**	23,364
Amortisation of intangible assets (included in cost of sales)	**3,062**	3,150
Release of prepaid lease payments	**324**	375
Impairment loss on goodwill (included in other gains and losses)	**18,900**	14,055
Write-down of inventories (included in cost of sales)	**5,275**	12,700
Impairment loss on trade receivables (included in other gains and losses)	**6,057**	4,794
Loss (gain) on fair value change of derivative financial instruments (included in other gains and losses)	**1,202**	(51)
Foreign exchange loss (included in other gains and losses)	**2,561**	2,539
and after crediting:		
Bank interest income	**1,581**	990
Effective interest income on convertible bonds	**6,376**	–
Bad debts recovered	**128**	18
Foreign exchange gain (included in other gains and losses)	**1,008**	3,702
Gain on disposal of property, plant and equipment	**33**	129
Property rental income with negligible outgoings	**3,022**	2,377
Scrap and sample sales (included in other income)	**7,302**	10,785

Included in the total employee benefit expenses is an aggregate amount of HK$21,399,000 (2010: HK$18,992,000) in respect of contributions of retirement benefits schemes made by the Group.

Note: Cost of inventories recognised as an expense approximates cost of sales as shown in the consolidated statement of comprehensive income for both years.

6. Dividends

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2010 Final – HK3.0 cents (2009: HK1.6 cents) per share	**19,943**	8,908
2011 Interim – nil (2010: HK2.5 cents per share)	**–**	16,619
	19,943	25,527

The directors do not recommend the payment of a final dividend for the year ended June 30, 2011 (2010: HK3.0 cents per share).

7. Earnings per share

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

	2011	2010
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to owners of the Company	**90,441**	91,698

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**668,731,436**	614,749,000
Effect of dilutive potential ordinary shares in respect of share options	**5,186,063**	2,852,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**673,917,499**	617,601,000

8. Trade and other receivables

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

	6.30.2011	6.30.2010	7.1.2009
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	**118,921**	119,748	96,371
31 – 60 days	**76,075**	63,497	33,487
61 – 90 days	**55,116**	41,932	19,522
91 – 180 days	**33,807**	11,052	14,662
More than 180 days	**10,076**	–	557
	293,995	236,229	164,599
Other receivables	**47,815**	40,039	26,447
Total trade and other receivables	**341,810**	276,268	191,046

9. Trade and other payables

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

	6.30.2011	6.30.2010	7.1.2009
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	**86,869**	151,276	102,884
31 – 60 days	**60,032**	102,782	50,231
61 – 90 days	**35,469**	49,380	28,782
91 – 180 days	**20,532**	23,895	13,246
181 – 365 days	**3,725**	1,891	324
	206,627	329,224	195,467
Other payables	**62,935**	62,999	40,843
Total trade and other payables	**269,562**	392,223	236,310

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Looking back into the past year, the global economic environment was really bad with U.S. economic recession, the debt crisis in Europe and the chaotic political situation in Middle East revolving around. But what needed to be proud of was that the total group profit margin stayed nearly in par with last year under the joint efforts of all staff and stakeholders of the Group. In such a tough market situation, why the Group was able to get over the impact and managed to maintain its group profit? We should attribute this tremendous success to the Group's senior management in grasping market trends accurately and the correct orientation for the business development of the Group.

1. Retailer market

(1) Middle East and North Africa ("MENA") Markets: Standard Definition ("SD") Set Top Box to High Definition ("HD") Set Top Box

Following the development trend of high-definition television ("HDTV"), the development of HD set top box becomes a necessity. HD set top box brings to the users a brand new audio-visual experience in higher resolution, clearer, exquisite high-quality images with lifelike sound effects. The various optional added-value functions in HD products provide users with more pleasant and convenient services.

With our first-class hardware and software research and development team, and the uninterrupted launching of strong and updated multi-platform high-tech products, the Group continued its leading position in the MENA markets. The high-quality guarantee of our products had established the renowned business reputation and market satisfaction for the Group. The MENA markets continued their excellent performance and contributed sound revenue for the Group.

(2) Europe Market: Transit from Entry Level Products to High-End Products

Closely keeping abreast with the market trends and the emergence of new technologies, the Group had launched multiple platforms of High-end set top boxes with different solutions to support a variety of additional extension functions, such as hard disk recording (PVR Ready), dual tuners (Dual Tuner/Combo), triple play, hybrid, serial hard disk interface (SATA interface), network television (IPTV) and broadband hybrid TV (HbbTV), etc., providing users with better quality life enjoyment.

High-end products come with hi-technology which contributes higher profits and revenue to the Group. Not only would our commitment to the research and development of new technology for high-end models bring economic benefits to the Group, but it had also laid a reliable foundation for the continuous development and innovation of the Group's product structure. Furthermore, it provided strong technical support for the Group's leading position in the industry and market.

2. Operator market

(1) MENA: ICHD, PayTV Operator

The Group invested successfully in the ICHD operator platform in MENA and has become one of the members of its operator solution.

The principal content provider of ICHD operator is Middle East Broadcasting Center ("MBC"). MBC is the largest television program channel in the Middle-east region and the second largest in North African region. It is the first private free of charge satellite broadcasting company in the Arab world and has currently grown to become a well-established media group that enriches people's lives through information, interaction and entertainment. MBC focuses on the broadcasting of high-definition television programs in which some of its content are produced and involved directly by MBC, part of the content is purchased directly from Hollywood studios.

The Group has received 50,000 units of HD trial orders from MBC. The Group will use their influence in those regions and plan to reach 1 million households in 3 years (MBC currently has 20,000,000 households SD-TV users where the Group had initially targeted 5% of households will change their platform).

(2) Nepal: DishHome, PayTV Operator

Currently, there are over 5 million household subscribers in Nepal. About 2 million cable TV subscribers are the biggest consumption group in Nepal. However, the reception quality is very poor as they are still using the analog signal. There were about 1 million terrestrial households, however, owing to the overall economic structure, most of these subscribers are very poor that they have neither no electricity nor television.

DishHome is the only satellite TV operator in Nepal, merged and integrated by "Dish Nepal" and "Home TV". Since its merger in March 2011, the number of subscribers has increased rapidly from 20,000 to 70,000. They are targeting at the 4 million potential households in future. As the reception quality is apparently outplayed cable TV, consumers are willing to switch to Direct To Home gradually.

Take India as an example, since India's development of Satellite TV that commenced 3 years ago, up to now, it has already occupied 10-20% share in India's domestic terrestrial cable TV market. The target of Dishhome is to achieve 20-30% share in cable TV market in Nepal.

The Group has become one of the key members of DishHome operators and expected to develop the PayTV platform from an integrated device manufacturers, targeting at the 5 million potential households market in aggregate in Nepal.

(3) China

With the flourishing China economy, per capita income has surged from USD1,125 to USD4,283 in the past decade, solemnly become the second largest economies in the world. The Group plowed deeply into China since 1991. With the increasing demand in digital set-top box ("STB") market in China, the Group will adhere to its efforts in expanding the market share based on its professional experience and providing international group consulting services.

While supplying STBs to the operators in China market, the Group is able to act as system integrator to participate in supplying professional high-end equipments to the operators in China due to its diversified and internalized strong technical background, and becomes an equipment supplier to increase the revenue and income with higher margin for the Company, laying a good foundation of introducing more higher products of added values for the Company.

With the intervention and assistance of its strategic partner Heng Xin China Holdings Limited, the Group had successfully entered into the terrestrial digital TV market of China and obtained big orders, which represents an important proportion of the total required digital terrestrial STBs in China, and has become the largest supplier of digital terrestrial STBs in China. We will continue our efforts in developing China's cable TV market.

FINANCIAL REVIEW

Revenue

For the year ended June 30, 2011, the revenue of the Group amounted to HK$1,604.1 million (2010: HK$1,560.7 million), representing an increase of 2.8% as comparing with last year. The increase in revenue was mainly attributable to the successful open China market.

Gross profit and gross profit margin

The Group's gross profit decreased slightly by 2.2% to HK$348.0 million (2010: HK$355.9 million) and gross profit margin was maintained at 21.7%, similar with the level in the last year (2010: 22.8%).

Segment information

The Group's turnover is derived from sales of media entertainment platform related products, other multimedia products and revenue from the provision of integration system services for public programs.

The turnover generated from sales of media entertainment platform related products for the year amounted to HK$1,167.4 million (2010: HK$1,116.8 million) or 72.8% (2010: 71.6%) of the total turnover. Turnover from this segment increased as a proportion of the total turnover.

The turnover generated from sales of other multimedia products for the year maintained at HK$435.1 million (2010: HK$443.9 million) or 27.1% (2010: 28.4%) of the total turnover. The major products in this segment are cables and connectors, being components for audio and video electronic products.

The turnover generated from the provision of integration system services for public programs for the year amounted to HK$1.5 million or 0.1% of the total revenue.

Revenue by geographic markets

	Middle East	**Europe**	**North America**	**Africa**	**South America**	**Asia**	**Other regions**	**Total**
Revenue for the Year *(HK$'million)*	580.0	319.7	271.5	175.9	136.7	117.0	3.3	1,604.1
% of Group's revenue	36.2	19.9	16.9	11.0	8.5	7.3	0.2	100
% growth (decline) from last year	(9.9)	(6.1)	26.9	152.7	8.4	(29.2)	87.4	2.8

Operating results

The Group's profit for the year attributable to equity holders dropped slightly by 1.4% to approximately HK$90.4 million (2010: HK$91.7 million).

The Group's operating expenses amounted to HK$253.7 million for the year (2010: HK$255.9 million), representing a slight decrease of 0.9%.

– Distribution and selling costs represented 3.3% (2010: 3.9%) of the Group's revenue.

– Administrative expenses increased by 13.6% to approximately HK$161.6 million for the year (2010: HK$142.3 million).

– Research and development costs decreased by 25.5% to HK$38.9 million for the year (2010: HK$52.2 million).

Acquisition of a Company

(1) Agreement and Consideration

On December 17, 2010, the Company, Honstar Development Limited ("HDL"), the wholly-owned subsidiary of the Company, Sino Light Group Limited ("SLG"), Express Touch Limited, and Sino Light Enterprise Limited ("SLE") entered into an agreement that (a) HDL acquired from SLG the issued ordinary shares of SLE; and (b) HDL subscribed for new shares of SLE.

The consideration of acquisition is HK$20,000,000 that is satisfied partly by the allotment and issue of 7,936,000 consideration shares, at an issue price of HK$2.52 per share, of the Company and partly by cash at HK$1,280. The consideration of the subscription is HK$30,000,000 that is satisfied by cash. After completion of the acquisition, HDL holds 55% of the entire issued capital of SLE and SLE becomes an indirect non-wholly owned subsidiary of the Company.

On January 3, 2011, the Company allotted and issued 7,936,000 consideration shares to SLG. The closing market price of the date is HK$2.78 per share.

The consideration for the subscription HK$30,000,000 which was, subject to satisfaction of the conditions of the agreement, satisfied by cash, on April 30, 2011.

(2) Principle Activities of SLE

SLE is a company incorporated in Hong Kong on November 8, 2010 and SLE has entered into a license agreement (as amended) ("License Agreement") with the world-wide master distributor of "Pleasant Goat and Big Big Wolf" (Chinese: 喜羊羊與灰太狼; Chinese pronunciation: Xǐ Yáng Yáng yǔ Huǐ Tái Láng ("XYY")) to manufacture and distribute, through establishing chain stores, children's wear for children from 0 to 14 years old under the brand of "Pleasant Goat and Big Big Wolf（喜羊羊與灰太狼）" (the "Products") for 3 years with an option to renew for another three years in mainland China. SLE will principally be engaged in the design, manufacture and/or sourcing, marketing and sales of the Products and the operation of a distribution and retail network for the sales of the Products in the PRC.

(3) Reasons for and Benefits of the Acquisition and Subscription

XYY is a cartoon series originally created by the Creative Power Entertaining（廣州原創動力）in Guangdong province of China. The cartoon series was first broadcasted in 2005 and since then more than 600 episodes have been broadcasted. Since the broadcasting of the XYY episodes, it has been recognized and honored by many awards. In 2008, XYY was the recipient of "The 4th Annual JinLong Prize for Original Cartoon Animation 2007" – "Mainland China, Hong-Kong, Macau and Taiwan The Best Creative Animation of the Year Award"; "14th Shanghai TV Festival Magnolia Award" – "Animation Silver Award"; and Guangdong channels' – "The 2007 Grand Prize for Outstanding Domestically Produced Animated Cartoon".

Owing to the fourth baby boom in China started in 2005, it is expected that this phenomenon will last for 10 to 15 years. By the end of 2008, the number of children in China aged between 0 to 14 has reached 250 million. With such a large population base of infants and children, it is expected that children's wear industry will continue to grow positively. Also, in the next ten years, the children's wear industry is expected to be able to attract those consumers who have the strongest purchasing power in Mainland China.

Apart from this, there are over 1,000 brands of children's wear in Mainland China with low concentration. Each famous brand has its own market pattern, segment, enterprise pattern, brand style and so on. As branded children's wear market continues to grow and develop, brand groups, marketing companies of professional brands, brand processors, brand retailers, exclusive retailers, professional purchasing agents, professional wholesalers, design companies and brand customization companies will put very much effort to differentiate their brands. It is estimated that the scale of the Chinese children's wear industry will grow significantly. Leverage from the already well-known XYY characters, the acquisition will enable the Group to benefit from the growing children's wear market in Mainland China.

For the above reasons, the Directors take the view that the Acquisition and the Subscription are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(4) New Investor of SLE

On July 13, 2011, the Company, Honstar Development Limited ("Honstar"), a wholly-owned subsidiary of the Company, Sino Light Group Limited ("SLG"), Express Touch Limited ("ETL"), a wholly-owned subsidiary of SLG, Toon Express International Limited (the "Subscriber"), an indirect wholly-owned subsidiary of Imagi International Holdings Limited (Imagi International Holdings Limited together with its subsidiaries, the "Imagi Group") and Sino Light Enterprise Limited ("SLE"), prior to the completion (the "Completion") of the Subscription, an indirect subsidiary of the Company, entered into a subscription and option agreement ("Subscription Agreement") in respect of the subscription ("Subscription") of certain shares in SLE by the Subscriber for an aggregate consideration of HK$36,400,000 of which (i) HK$9,100,000 will be satisfied in cash by the Subscriber and (ii) HK$27,300,000 will be satisfied by way of the provision of certain management services procured by the Subscriber. Pursuant to the Subscription Agreement, SLE has granted an option ("Option") to the Subscriber to further subscribe for additional shares (at the same price, on a per share basis, as the Subscription) in SLE on the terms of the Subscription Agreement.

Before Completion, Honstar and ETL hold 55% and 45% of the issued share capital of SLE respectively. Upon Completion, SLE will cease to be a subsidiary of the Company and Honstar, ETL and the Subscriber will hold approximately 43.65%, 35.71% and 20.63% respectively of the issued share capital of SLE as enlarged by the Subscription (before the exercise of the Option). Assuming the exercise of the Option in full immediately after Completion at the initial subscription price, the Subscriber will hold up to approximately 29.58% of SLE (as enlarged by the issue of such shares).

Upon Completion, the parties to the Subscription Agreement shall enter into a shareholders' agreement (the "Shareholders' Agreement") for the purposes of, inter alia, regulating the management of SLE. Under the Shareholders' Agreement, in the event of the expiry, termination or non-renewal of the License Agreement, the Subscriber shall have a right but not an obligation ("Put Option") to require Honstar and ETL to purchase all or a portion (such portion to be determined by the Subscriber at its sole discretion) of the shares in SLE then held by the Subscriber based on the then fair market value of such shares. Upon the exercise of the Put Option, the Company will comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Completion is made on August 29, 2011.

Subscription of Convertible Bonds

In December 2010, the Company has subscribed for the convertible bonds in the aggregate principal amount of HK$200,000,000 to be issued by Heng Xin China Holdings Limited ("Heng Xin"). The subscription price was satisfied in cash by the Company. The convertible bonds do not bear any interest. The term of the convertible bonds is two years after the date of issue of the convertible bonds. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK$2 per conversion share, a maximum of 100,000,000 conversion shares will be allotted and issued.

Heng Xin is an investment holding company and its subsidiaries are principally engaged in wireless digital terrestrial television network equipment integrated business, digital cable television two-way conversion business, research, design, development on and manufacturing of electronic message security products, integrated circuits, and the integrated circuit solutions and the related services. In accordance with the Company's corporate strategy to explore other industries with good business potential and growth prospects, the Directors consider that the Subscription provides an opportunity for the Company to participate in the market with strong earnings potential.

The Directors consider that the terms of the convertible bonds are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Issue of Taiwan Depository Receipt ("TDR")

On August 26, 2010, the Company issued TDR at Taiwan Stock Exchange. The ordinary shares of the Company are the underlying securities of the TDR. One ordinary share represents one unit of TDR. A total TDR of 80 million units was issued and all of which are existing shares to be offered by ten shareholders, including Success Power Investments Limited and Wellever Investments Limited, two substantial shareholders of the Company. The Company did not issue any new shares for this TDR issue. The offer price of TDR is NT$9.30 (equivalent to HK$2.26) per unit. The net proceeds of TDR issue, after deduction of underwriting fees and expenses, has been delivered to the shareholders who participated in this TDR issue after completion of issue.

Working capital efficiency

The average inventory turnover days for the year ended June 30, 2011 and 2010 were 69 days and 77 days respectively.

The average trade receivables turnover days for the year ended June 30, 2011 and 2010 were 60 days and 47 days respectively.

The average trade payables turnover days for the year ended June 30, 2011 and 2010 were 78 days and 79 days respectively.

Liquidity and financial resources

The Group generally finances its operations with internal generated cash flow and bank facilities. At June 30, 2011, it had cash and cash equivalent balances totaled HK$276.3 million (2010: HK$477.2 million). The decrease was mainly attributable to the acquisition of SLE and subscription of convertible bonds issued by Heng Xin. After those acquisition and subscription, the Group still has strong net cash position.

The Group's current ratio (ratio of current assets to current liabilities) was 2.3 at June 30, 2011 (2010: 2.2).

As at June 30, 2011, the Group's total borrowings were HK$79.3 million (2010: HK$83.4 million). The gearing ratio (total borrowings over total assets of the Group) was slightly reduced to 5.7% at June 30, 2011 from 6.3% at June 30, 2010.

Charges on assets

As at June 30, 2011, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$13.4 million, and (ii) leasehold land and buildings of HK$7.9 million.

Foreign exchange exposure

The Group's sales and purchases in various foreign currencies, mainly United States dollars ("USD") and Renminbi ("RMB"), that expose it to foreign currency risk arising from sales and purchases and the resulting receivables and the payables. The Group closely and continuously monitors the exposure. Since Hong Kong dollars are pegged to USD and the recent pressure from appreciation of RMB was manageable, so the foreign currency exposure arising from above transactions are minimal.

Contingent liabilities

The Group did not have any significant contingent liabilities at June 30, 2011 (2010: Nil).

PROSPECTS

From Integrated Device Manufacturer ("IDM") to Platform Provider

For existing retailer market, the Group will actively promote high-end products and products with high added-values, to further enhance and expand the Group's business coverage in each market territory, and to provide a solid revenue guarantee for the Group's rapid growth in operator business.

For the operator market, the Group will aggressively expand its market share in the Middle East, North Africa, Latin America, China, Taiwan and other Asia-Pacific emerging markets.

The Group is not only the designer and manufacturer of professional head-end equipments, transmission equipments, modulating equipments and terminal receiving equipments, it is a platform provider backed by strong technology to provide a comprehensive system integration services and leading Conditional Access Systems ("CAS") system technology. The Group will continue to work with technical partners, leading suppliers of CAS systems, platform providers and multi system operators to establish strategic alliances to expand the operator businesses in global markets, and target to transform the Company successfully from an IDM to platform provider, thereby extending its business scope to channel content, content subscription management systems and various value-added service systems, with the aim of bringing the business development of the Group into another new era!

DIVIDEND AND BONUS ISSUE

The Directors do not recommend the payment of a final dividend for the year ended June 30, 2011 (2010: HK3.0 cents per share).

The Directors recommend a bonus issue to the shareholders of the Company on the basis one bonus share (the "Bonus Share(s)") for every ten existing ordinary shares (the "Bonus Issue"). The Bonus Shares will be credited as fully paid by way of capitalisation of an amount in the share premium account of the Company. The Bonus Shares will rank pari passu in all respects with the ordinary shares of the Company.

The Bonus Issue is conditional upon:

(i) the approval of the Bonus Issue by the shareholders of the Company at the annual general meeting of the Company to be held;

(ii) the Listing Committee of the Stock Exchange granting the listings of, and permission to deal in, the Bonus Shares; and

(iii) compliance with the relevant legal procedures and requirements under the Rules Governing the Listing of Securities on The Stock Exchange, the Hong Kong Companies Ordinance and the Bye-laws of the Company to effect the Bonus Issue.

The necessary resolution will be proposed at the forthcoming annual general meeting of the Company. A circular containing, among other things, further details of the Bonus Issue will be dispatched to the shareholders of the Company as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

(1) Eligible for attending and voting at the annual general meeting

The transfer books and register of shareholders will be closed from Tuesday, November 8, 2011 to Wednesday, November 9, 2011, both days inclusive, during which period no share transfer will be registered. In order to be eligible for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, November 7, 2011.

(2) Entitle to Bonus Shares

The transfer books and register of shareholders will be closed from Monday, December 12, 2011 to Wednesday, December 14, 2011, both days inclusive, during which period no share transfer will be registered. In order to be entitled to the Bonus Shares, 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 Friday, December 9, 2011.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended June 30, 2011, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors and internal control.

EMPLOYEES

As at June 30, 2011, the Group employed a total of 2,674 (2010: 3,866) full-time employees. Employees are remunerated accordingly to their performance and responsibilities and the total employee benefit expenses, excluding directors, for the Year amounted to HK$187.4 million (2010: HK$191.4 million). Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the provisions set out in the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and where appropriate, adopted the recommended best practices of the CG Code throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the Company's website at www.sandmartin.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2011 Annual Report will be despatched to Shareholders and will be available at the Company's website and the Stock Exchange's website in due course.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Hung Tsung Chin (Chairman), Ms. Chen Mei Huei (Chief Executive Officer), Mr. Liao Wen I, Mr. Chen Chien An and Mr. Frank Karl-Heinz Fischer are the executive directors of the Company and Mr. Hsu Chun Yi, Mr. Tsan Wen Nan and Mr. Lee Chien Kuo are the independent non-executive directors of the Company.

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

Hong Kong, September 28, 2011