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

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

The Board of Directors (the "Directors") of Sandmartin International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2011 (the "Period"), together with the comparative figures, as follows:

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended December 31, 2011

		Six months ended December 31,	
		2011	2010
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**634,040**	833,651
Cost of sales		**(501,811)**	(654,847)
Gross profit		**132,229**	178,804
Other income		**17,873**	7,159
Other gains and losses		**431**	1,187
Loss on fair value change of derivatives embedded in convertible bonds		**(14,089)**	(1,541)
Distribution and selling costs		**(28,344)**	(25,119)
Administrative expenses		**(91,990)**	(75,659)
Impairment loss on goodwill		**–**	(12,500)
Reversal of (impairment loss) on trade receivables	*8*	**256**	(2,300)
Research and development costs		**(15,624)**	(20,303)
Share of results of an associate		**(5,372)**	–
Gain on deemed disposal of interest in a subsidiary		**5,584**	–
Finance costs		**(1,812)**	(1,222)
(Loss) profit before taxation	*4*	**(858)**	48,506
Taxation	*5*	**1,584**	(2,226)
Profit for the period		**726**	46,280
Other comprehensive (expense) income			
Exchange difference arising from translation of foreign operations		**(12,009)**	7,254
Fair value change of available-for-sale investments		**(8,301)**	478
Total comprehensive (expense) income for the period		**(19,584)**	54,012

		Six months ended December 31,	
		2011	2010
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		**580**	45,580
Non-controlling interests		**146**	700
		726	46,280
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(19,418)**	53,508
Non-controlling interests		**(166)**	504
		(19,584)	54,012
			(restated)
Earnings per share	*7*		
Basic *(HK cents)*		**0.08**	6.23
Diluted *(HK cents)*		**0.08**	6.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2011

	NOTES	**December 31, 2011** ***HK$'000*** **(unaudited)**	June 30, 2011 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**166,501**	168,886
Deposits paid for acquisition of associates		**56,556**	–
Prepaid lease payments		**15,691**	15,350
Investment properties		**35,648**	34,752
Goodwill		**48,689**	51,111
Intangible assets		**8,014**	65,759
Interest in an associate		**48,218**	–
Available-for-sale investments		**–**	179,426
Derivatives embedded in convertible bonds		**–**	15,184
Deferred tax assets		**27,994**	29,404
		407,311	559,872
Current assets			
Inventories		**205,540**	198,890
Trade and other receivables	*8*	**360,591**	341,810
Prepaid lease payments		**407**	437
Available-for-sale investments		**178,556**	765
Derivatives embedded in convertible bonds		**1,095**	–
Derivative financial instruments		**–**	511
Pledged bank deposits		**15,219**	13,363
Bank balances and cash		**204,713**	276,264
		966,121	832,040
Current liabilities			
Trade and other payables	*9*	**271,438**	269,562
Tax liabilities		**15,810**	17,706
Amount due to an associate		**5,730**	–
Bank borrowings – due within one year		**103,820**	73,804
Derivative financial instruments		**–**	35
		396,798	361,107
Net current assets		**569,323**	470,933
		976,634	1,030,805

	December 31, 2011	June 30, 2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and reserves		
Share capital	**74,065**	67,287
Reserves	**868,346**	893,216
Equity attributable to owners of the Company	**942,411**	960,503
Non-controlling interests	**11,960**	51,354
Total equity	**954,371**	1,011,857
Non-current liabilities		
Bank borrowings – due after one year	**7,748**	5,472
Deferred tax liabilities	**14,515**	13,476
	22,263	18,948
	976,634	1,030,805

NOTES:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended December 31, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended June 30, 2011. In addition, the Group has applied the following accounting policies for change in the Group's ownership interests in existing subsidiaries and interest in an associate.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Interest in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in an associate are initially recognised in the consolidated statement of financial position at deemed cost (representing the fair value of the Group's retained interest on the date the Group lost control over a subsidiary) 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 equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on July 1, 2011.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] *Effective for annual periods beginning on or after January 1, 2013.*
[2] *Effective for annual periods beginning on or after January 1, 2015.*
[3] *Effective for annual periods beginning on or after January 1, 2012.*
[4] *Effective for annual periods beginning on or after July 1, 2012.*
[5] *Effective for annual periods beginning on or after January 1, 2014.*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at December 31, 2011, in the opinion of directors, the application of the new standard will affect the classification and measurement of the Group's available-for-sales investments. The Group's interest in convertible bonds will be classified and measured at fair value through profit and loss in their entirety. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after January 1, 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale located in the People's Republic of China (the "PRC").

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.

Other than disclosed above, the directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of their goods and services delivered or provided by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products. Specifically, the Group's operating segments under HKFRS 8 are as follows:

1. Media entertainment platform related products

Trading and manufacturing of media entertainment platform related products

– TV set top boxes, which mainly for high definition and standard definition televisions.

2. Other multimedia products

Trading and manufacturing of other multimedia products

– Components of audio and video electronic products such as cable lines.

3. Provision of integration system service for public programs

Public system for providing service of integration system of public program

– Manufacturing of communication networks and signal system of the transportation systems.

4. **Children apparels**

Retailing and wholesaling of children apparels

– Retailing and wholesaling of children apparels is performed through a subsidiary, Sino Light Enterprise Limited ("SLE"), which acquired on January, 2011.

In August, 2011, the Group lost its control in SLE and retained it as an associate subsequent to a subscription of shares by a new investor. Retailing and wholesaling of children apparels is then continued through the Group's associate since August, 2011.

Segment revenues and results

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

Six months ended December 31, 2011

	Media entertainment platform related products *HK$'000*	Other multimedia products *HK$'000*	Provision of integration system service for public programs *HK$'000*	Children apparels *HK$'000*	Total *HK$'000*
REVENUE					
External sales	**365,188**	**266,271**	**2,581**	**–**	**634,040**
RESULTS					
Segment results	**75,583**	**27,309**	**1,383**	**(134)**	**104,141**
Other income					**17,873**
Other gains and losses					**431**
Loss on fair value change of derivatives embedded in convertible bonds					**(14,089)**
Research and development costs					**(15,624)**
Administrative expenses					**(91,990)**
Share of results of an associate					**(5,372)**
Finance costs					**(1,812)**
Gain on deemed disposal of interest in a subsidiary					**5,584**
Loss before taxation					**(858)**

Six months ended December 31, 2010

	Media entertainment platform related products *HK$'000*	Other multimedia products *HK$'000*	Provision of integration system service for public programs *HK$'000*	Children apparels *HK$'000*	Total *HK$'000*
REVENUE					
External sales	602,770	230,881	–	–	833,651
RESULTS					
Segment results	113,745	25,140	–	–	138,885
Other income					7,159
Other gains and losses					1,187
Loss on fair value change of derivative embedded in convertible bonds					(1,541)
Research and development costs					(20,303)
Administrative expenses					(75,659)
Finance costs					(1,222)
Profit before taxation					48,506

Segment results represent the profit (loss) earned or incurred by each segment without allocation of administrative expenses, research and development costs, other income, other gains and losses (except impairment loss on goodwill), loss on fair value change of derivatives embedded in convertible bonds, share of results of an associate, gain on deemed disposal of interest in a subsidiary and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended December 31, 2011 *HK$'000*	2010 *HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	**1,224**	1,362
Release of prepaid lease payments	**92**	194
Depreciation of property, plant and equipment	**12,006**	11,406
Write-down of inventories (included in cost of sales)	**465**	3,000
Bank interest income	**(1,882)**	(203)
Effective interest income on convertible bonds	**(6,610)**	–
Net loss on fair value change of derivative financial instruments *(Note)*	**476**	24
Net loss on fair value change of derivatives embedded in convertible bonds	**14,089**	1,541

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

5. TAXATION

	Six months ended December 31, 2011 *HK$'000*	2010 *HK$'000*
The tax (credit) charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**1,391**	2,851
Other jurisdictions	**43**	622
Underprovision in prior years	**3**	–
Deferred taxation:		
Current period	**(3,907)**	(2,905)
Provision for PRC dividend withholding tax	**886**	1,658
	(1,584)	2,226

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

Pursuant to the relevant laws and regulations in the PRC, 珠海保稅區虹揚電子科技有限公司 and 珠海保稅區隆宇光電科技有限公司 are subject to PRC enterprise income tax that provide for a transitional period of 5 years commencing January 1, 2008 for the tax rate to reach 25%. Tax rate for both companies are 22% and 24% for each of the six months periods ended December 31, 2010 and December 31, 2011, respectively.

As for 中山聖馬丁電子元件有限公司, in late 2008, it successfully applied for High and New Technology Enterprises Status, so the applicable tax rate has been reduced to 15% from January 1, 2008 to December 31, 2010. During the period, the application for renewal has been successed with expiry date extended to December 31, 2014.

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

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

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

6. DIVIDENDS

No dividend was paid during the six months ended December 31, 2011. During the six months ended December 31, 2010, a final dividend of HK3.0 cents per share, amounting to HK$19,943,000 was paid to the shareholders for the year ended June 30, 2010.

The directors do not recommend the payment of an interim dividend for the six months ended December 31, 2011.

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:

	Six months ended December 31,	
	2011	2010
	HK$'000	*HK$'000* (restated)
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**580**	45,580
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**740,642,463**	732,113,800
Effect of dilutive potential ordinary shares in respect of share options	**4,481,926**	4,451,926
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**745,124,389**	736,565,726

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share for the six months ended December 31, 2010 has been adjusted for the bonus issue of shares on a ten-to-one basis on December 6, 2011.

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:

	December 31, 2011	June 30, 2011
	HK$'000	*HK$'000*
0 – 30 days	**168,258**	118,921
31 – 60 days	**36,170**	76,075
61 – 90 days	**11,090**	55,116
91 – 180 days	**16,838**	33,807
More than 180 days	**66,243**	10,076
	298,599	293,995
Other receivables	**61,992**	47,815
Total trade and other receivables	**360,591**	341,810

During the period, the directors reviewed the carrying amounts of certain long outstanding trade receivables and identified a reversal of impairment loss of HK$256,000 (7.1.2010 to 12.31.2010: impairment loss of HK$2,300,000) which has been recognised in the statement of comprehensive income.

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:

	December 31, 2011	June 30, 2011
	HK$'000	*HK$'000*
0 – 30 days	**129,694**	86,869
31 – 60 days	**49,670**	60,032
61 – 90 days	**25,095**	35,469
91 – 180 days	**13,159**	20,532
181 – 365 days	**1,896**	3,725
	219,514	206,627
Other payables	**51,924**	62,935
Total trade and other payables	**271,438**	269,562

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

The second half year of 2011 was difficult but challenging so far for the Group because of European sovereign debt crisis and chaotic political situation in the Middle East and North Africa. The Group's turnover for the six months ended December 31, 2011 (the "Period"), was HK$634.0 million, representing a decrease of 23.9% when compared with the same period last year (7.1.2010 to 12.31.2010: HK$833.7 million). Gross profit of the Group during the Period was down 26.0% to HK$132.2 million (7.1.2010 to 12.31.2010: HK$178.8 million). Gross profit margin remained stable at 20.9% (7.1.2010 to 12.31.2010: 21.4%). Net profit of the Group during the Period dropped by 98.4% to HK$0.7 million (7.1.2010 to 12.31.2010: HK$46.3 million).

Profit attributable to owners of the Company during the Period was HK$0.6 million (7.1.2010 to 12.31.2010: HK$45.6 million). During the Period, basic and diluted earnings per share were HK0.08 cents and HK0.08 cents respectively (7.1.2010 to 12.31.2010: HK6.23 cents and HK6.19 cents respectively).

Segmental information

During the Period, media entertainment platform related products remained as the major business segment and major revenue source, contributing to 57.6% of the Group's sales revenue (7.1.2010 to 12.31.2010: 72.3%), while other multimedia products contributed to 42.0% of the Group's sales revenue (7.1.2010 to 12.31.2010: 27.7%). The decrease in revenue from media entertainment platform related products was primarily contributed by the decrease in sales to European, African and Middle East regions as a result of the European sovereign debt crisis and chaotic political situation in the Middle East and North Africa.

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

Business Review

Looking back into the past six months, the Group recorded an unsatisfactory performance due to the severe impact of international situation, in which the main factors are as follows:

(1) Middle East and North Africa Markets

The Middle East and North Africa markets have all along been very important trading markets for the Group, representing a considerable proportion over the total operating revenue of the Group. During the first half year of 2011, the series outbreaks of war in Tunisia, Egypt and Libya and their turbulent situations had seriously affected the economic and trading activities in those regions, which had, to a greater extent, also reduced the Group's turnover from July to November 2011.

(2) European Debt Crisis

The European sovereign debt crisis, erupted in Greece, spread out from a single country sovereign debt crisis to the entire Eurozone debt crisis, and thus affected the global economic activities, bringing serious uncertainties. In order to gain confidence from capital markets, members of the European Union have to improve their government financial condition as quickly as possible to demonstrate their determination to overcome the debt issues. After the outbreak of the crisis, these governments had adopted fiscal austerity policies as primary measures to cope with the crisis in reducing deficit and restoring fiscal balance as quickly as possible. Such measures had led to the increase of unemployment rate, reduction in welfare, shrinkage of effective demand and increasing pressure in credit. The European debt crisis had substantially affected both domestic and foreign trades of the European Union, and affected the economic growth of its major trade partners through the trade channels. The composite financial crisis intertwining by the Eurozone sovereign debt crisis and the banking risks has become a significant threat to the international financial stability. Under this intensifying European debt crisis, the Group's trade to the European Union had slowed down significantly. The continuous European debt crisis has brought instability to the global economy, and also affected on the Group's capital investments in China market.

(3) Transformation from Integrated Device Manufacturer to Platform Owner

During the past six months, the Group was at its transitional transformation period from a design manufacturer to a platform owner. The enormous change in business model and vision will need to experience a certain period to nurture, and it requires continuous contributions and investments in manpower and resources.

Prospects

(1) Letter of Major Co-operation Intent for Middle East and North Africa

As the war had just quelled, the Group entered into a letter of major cooperation intent with key clients in Middle East and North Africa in October 2011, with products continue to deliver in December 2011, January and February 2012, thereby achieved a twofold increase in operating revenue in December 2011 and a full order schedule in the first quarter of 2012. Albeit the Chinese New Year has just passed, the shortage of labour in the entire Guangdong Province is still severe but our staff will endeavour to strive for the punctual delivery of products.

(2) New Opportunities under European Debts Crisis

With the continuous spreading of the European debt crisis, the Group will actively adjust and integrate its market-oriented product lines, and through the expected successful acquisition of important distributors in Europe, the Group will proactively layout and prepare the further development in the European market. It is expected that the Group will overturn from loss to profit in the European market within two years from 2012 to 2013, and its operating revenue will also achieve a significant growth.

(3) Expectable High Growth under Strategic Transformation

While the Group is experiencing a nurturing period of six months in product and market, it will also continue to launch its own platform products in December 2011 and January 2012. Through active market strategies and agreements with distributors, it is expected that the pay television system operators in Middle East and the system operators in Nepal will be able to achieve a significant increase in users, and sales of the set top box will account for 10% of the operating revenue of the Group.

After its transformation, the Group will not only be the designer and manufacturer of professional head-end equipments, transmission equipments, modulating equipments and terminal receiving equipments, but will also receive the program monthly subscription income, and thus formally enter into the system operator market. When the number of user reaches a considerable level, the monthly subscription income will also become an important operating revenue source of the Group. The Group will extend its system integration business 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.

Segmental Information

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 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 was satisfied in cash by the Subscriber and (ii) HK$27,300,000 was satisfied by way of the provision of certain management services procured by the Subscriber. Pursuant to the Subscription Agreement, SLE has granted an option ("Option") to the Subscriber to further subscribe for additional shares 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 ceased to be a subsidiary of the Company and Honstar, ETL and the Subscriber held 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 entered 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 was made on August 29, 2011.

Acquisition of 47% of Issued Share Capital in Dish Media

On September 26, 2011, the Company entered into an agreement with Dish Media Network Private Limited ("Dish Media") that the Company agreed to subscribe for 4,010,870 new shares of Dish Media, which represented 47% of the issued share capital of Dish Media at a cash consideration of US$5,225,490 (equivalent to HK$40,759,000). The share subscription was completed on February 12, 2012.

Dish Media is the only satellite television operator in Nepal and currently it provides Direct-to-Home services to its subscribers under the brand name of Dish Home. 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 subscription and the Group's interest in Dish Media will provide the Group with a strategic platform to explore and develop the market of set top boxes and other digital media equipment in Nepal, the Directors consider that the subscription was conducted under normal commercial terms and is in the interest of the Company and the shareholders as a whole.

Liquidity and Financial Resources

As at December 31, 2011, the Group's cash and bank balances amounted to HK$204.7 million (6.30.2011: HK$276.3 million). The Group's pledged bank deposits were HK$15.2 million (6.30.2011: HK$13.4 million).

During the Period, the Group had net cash outflow from its operating activities and investing activities amounted to HK$24.0 million and HK$83.0 million respectively. Net cash inflow from financing activities amounted to HK$37.4 million.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 2.4 at December 31, 2011 and 2.3 at June 30, 2011. For the Period, the annualized average trade receivable turnover period, average inventory turnover period, and average trade payable turnover period were 85 days, 74 days, and 77 days respectively (For the year ended June 30, 2011: 60 days, 69 days, and 78 days respectively).

At December 31, 2011, the Group's total loans were HK$111.6 million (6.30.2011: HK$79.3 million). Certain of the borrowings were secured by the Group's leasehold land and buildings, pledged deposits, secured and guarantee from the Company and certain of its subsidiaries. The gearing ratio, expressed as a percentage of total bank borrowings of HK$111.6 million over total assets of HK$1,373.4 million, was 8.1% (6.30.2011: 5.7%).

Foreign Currency Exposure

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

Charges on Assets

As at December 31, 2011, the Group's general banking facilities were secured by the following assets of the Group: (i) leasehold land and buildings with a carrying value of HK$25.5 million, and (ii) bank deposits of HK$15.2 million.

Contingent Liabilities

The Group did not have any significant contingent liabilities at December 31, 2011.

EMPLOYEES

At December 31, 2011, the Group employed a total of 2,466 (6.30.2011: 2,674) full-time employees. Employees are remunerated accordingly to their performance and responsibilities. Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (7.1.2010 to 12.31.2010: Nil) for the six months ended December 31, 2011.

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

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

CORPORATE GOVERNANCE

The Company has complied with all the provisions set out in the Code on Corporate Governance Practices 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 throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended December 31, 2011, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's corporate website at www.sandmartin.com.hk and the HKExnews at www.hkexnews.hk. The Interim Report will be dispatched to Shareholders and will be available at the Company's corporate website in due course.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Liao Wen I, Mr. Chen Chien An and Mr. Frank Karl-Heinz Fischer are the executive directors 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, February 29, 2012