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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, 2012

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, 2012 (the "Year") together with comparative figures in 2011, as follows.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue		**1,343,650**	1,604,087
Cost of sales		**(1,081,937)**	(1,256,049)
Gross profit		**261,713**	348,038
Other income		**32,492**	25,022
Other gains and losses		**(29,901)**	(27,712)
Loss on fair value change of derivatives embedded in convertible bonds		**(15,184)**	(11,053)
Gain on deemed disposal of interest in a subsidiary		**5,584**	–
Gain on bargain purchase		**3,233**	6,871
Loss on deemed disposal of interest in an associate		**(9,790)**	–
Share of results of associates		**(26,918)**	–
Increase in fair value of investment properties		**735**	1,170
Distribution and selling costs		**(57,009)**	(53,221)
Administrative expenses		**(180,304)**	(161,609)
Research and development costs		**(40,820)**	(38,857)
Finance costs		**(4,614)**	(2,194)
(Loss) profit before taxation		**(60,783)**	86,455
Taxation	*4*	**2,908**	3,726
(Loss) profit for the year	*5*	**(57,875)**	90,181
Other comprehensive (expense) income			
Exchange difference arising from translation of foreign operations		**(14,674)**	42,406
Fair value change of available-for-sale investments		**(2,292)**	(713)
Total comprehensive (expense) income for the year		**(74,841)**	131,874

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended June 30, 2012

	NOTE	2012 HK$'000	2011 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(53,241)**	90,441
Non-controlling interests		**(4,634)**	(260)
		(57,875)	90,181
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(70,013)**	132,550
Non-controlling interests		**(4,828)**	(676)
		(74,841)	131,874
			(restated)
(Loss) earnings per share	*7*		
Basic		**(7.2) HK cents**	12.3 HK cents
Diluted		**(7.2) HK cents**	12.2 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2012

	NOTE	**2012** ***HK$'000***	2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**165,182**	168,886
Prepaid lease payments		**15,253**	15,350
Investment properties		**36,187**	34,752
Goodwill		**47,847**	51,111
Intangible assets		**67,460**	65,759
Interests in associates		**31,975**	–
Available-for-sale investments		**–**	179,426
Derivatives embedded in convertible bonds		**–**	15,184
Deferred tax assets		**34,839**	29,404
Deposit paid for acquisition of an associate		**–**	–
Loan receivable		**12,953**	–
		411,696	559,872
Current assets			
Inventories		**198,932**	198,890
Trade, bills and other receivables	*8*	**401,923**	341,810
Prepaid lease payments		**405**	437
Loan receivable		**1,053**	–
Loan to an associate		**15,513**	–
Amount due from an associate		**22,842**	–
Available-for-sale investments		**191,367**	765
Derivative financial instruments		**–**	511
Pledged bank deposits		**48,346**	13,363
Bank balances and cash		**146,016**	276,264
		1,026,397	832,040
Current liabilities			
Trade, bills and other payables	*9*	**303,812**	269,562
Tax liabilities		**17,643**	17,706
Bank and other borrowings			
– due within one year		**158,337**	73,804
Derivative financial instruments		**–**	35
		479,792	361,107
Net current assets		**546,605**	470,933
		958,301	1,030,805

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At June 30, 2012

	2012	2011
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**74,065**	67,287
Reserves	**818,341**	893,216
Equity attributable to owners of the Company	**892,406**	960,503
Non-controlling interests	**28,595**	51,354
Total equity	**921,001**	1,011,857
Non-current liabilities		
Bank and other borrowings – due after one year	**17,888**	5,472
Deferred tax liabilities	**19,412**	13,476
	37,300	18,948
	958,301	1,030,805

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"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2. Application of new and revised HKFRSs

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA are mandatorily effective for the Group's financial year beginning July 1, 2011, as follows:

Amendments to HKFRSs	Improvements to HKFRSs 2010[1]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

[1] *Amendments effective for annual periods beginning on or after January 1, 2011*

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
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 (Revised in 2011)	Employee Benefits[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[1]
HKAS 28 (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 June 30, 2012, in the opinion of directors, the application of the new standard will affect the classification and measurement of the Group's available-for-sale investments. The Group's interest in convertible bonds will be classified and measured at fair value through profit or 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").

Other than disclosed above, the directors of the Company anticipate that the application of other 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 was acquired during the year.

Segment Revenue and Results

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

Year ended June 30, 2012

	Media entertainment platform related products *HK$'000*	**Other multimedia products** *HK$'000*	**Provision of integration system services for public programs** *HK$'000*	**Children apparels** *HK$'000*	**Total** *HK$'000*
REVENUE					
External sales	**827,576**	**486,071**	**29,303**	**700**	**1,343,650**
RESULTS					
Segment results	**160,324**	**42,339**	**(250)**	**(5,393)**	**197,020**
Other income					**32,492**
Other gains and losses					**(22,217)**
Loss on fair value change of derivatives embedded in convertible bonds					**(15,184)**
Gain on bargain purchase					**3,233**
Loss on deemed disposal of interest in an associate					**(9,790)**
Gain on deemed disposal of interest in a subsidiary					**5,584**
Share of results of associates					**(26,918)**
Increase in fair value of investment properties					**735**
Research and development costs					**(40,820)**
Administrative expenses					**(180,304)**
Finance costs					**(4,614)**
Loss before taxation					**(60,783)**

Year ended June 30, 2011

	Media entertainment platform related products *HK$'000*	Other multimedia products *HK$'000*	Provision of integration system services for public programs *HK$'000*	Children apparels *HK$'000*	Total *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

The accounting policies of the operating segments are the same as the accounting policies of the Group. 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 and trade receivables), loss on fair value change of derivatives embedded in convertible bonds, gain on bargain purchase, share of results of associates, loss on deemed disposal of interest in an associate, gain on deemed disposal of interest in a subsidiary, increase in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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)*	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia				
– Taiwan	**57,755**	12,682	**19,887**	4,954
– Nepal	**22,915**	–	**–**	–
– PRC (country of domicile)	**938**	78,263	**192,779**	183,469
– Others	**25,169**	26,074	**56,867**	73,424
Europe				
– Germany	**157,397**	89,665	**15,779**	19,213
– Italy	**53,090**	56,552	**–**	–
– Spain	**52,772**	56,640	**44,794**	54,798
– Ukaine	**28,342**	41,795	**–**	–
– Portugal	**20,883**	9,641	**–**	–
– France	**13,628**	25,082	**–**	–
– Others	**35,231**	40,353	**–**	–
North America				
– United States of America	**212,946**	175,575	**–**	–
– Canada	**56,589**	55,798	**–**	–
– Mexico	**51,211**	39,493	**–**	–
– Others	**670**	621	**–**	–
Middle East				
– United Arab Emirates	**254,109**	547,958	**1,823**	–
– Others	**22,504**	32,069	**–**	–
Africa				
– Algeria	**101,180**	36,773	**–**	–
– Morocco	**73,278**	125,808	**–**	–
– Others	**13,877**	13,288	**–**	–
South America				
– Brazil	**33,764**	24,790	**–**	–
– Chile	**28,748**	47,565	**–**	–
– Argentina	**14,904**	61,237	**–**	–
– Others	**8,986**	3,051	**–**	–
Other regions	**2,764**	3,314	**–**	–
	1,343,650	1,604,087	**331,929**	335,858

Note: Non-current assets exclude interests in associates, deferred tax assets and financial instruments.

4. Taxation

	2012	2011
	HK$'000	*HK$'000*
The tax credit comprises:		
Current tax:		
Hong Kong	**410**	–
PRC	**4,436**	6,512
Jurisdictions other than the PRC and Hong Kong	**1,640**	6,083
Tax refunded in respect of research and development activities in other jurisdictions	**–**	(4,273)
Withholding tax	**4,899**	–
	11,385	8,322
Overprovision in prior years:		
Jurisdictions other than the PRC and Hong Kong	**(403)**	–
Deferred taxation:		
Current year	**(15,606)**	(15,038)
Provision for withholding tax	**1,716**	2,990
	(13,890)	(12,048)
	(2,908)	(3,726)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits. No tax is payable on the profit in prior 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. (Loss) profit for the year

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments	**6,891**	4,893
Other staff costs	**175,959**	165,085
Retirement benefit scheme contributions, excluding directors	**7,590**	6,695
Share-based payment expense, excluding directors	**339**	939
Total employee benefit expenses	**190,779**	177,612
Auditor's remuneration	**2,902**	2,820
Depreciation of property, plant and equipment	**21,009**	21,743
Amortisation of intangible assets (included in cost of sales)	**5,661**	3,062
Release of prepaid lease payments	**404**	324
Impairment loss on goodwill (included in other gains and losses)	**–**	18,900
Impairment loss on deposit paid for acquisition of an associate (included in other gains and losses)	**19,467**	–
Write-down of inventories (included in cost of sales)	**13,515**	5,275
Impairment loss on trade receivables (included in other gains and losses)	**7,684**	6,057
Loss on disposal of property, plant and equipment	**258**	–
Net loss on fair value change of derivative financial instruments (included in other gains and losses)	**–**	1,202
Foreign exchange loss (included in other gains and losses)	**5,022**	2,561
and after crediting:		
Interest income	**2,077**	1,581
Interest income from an associate	**241**	–
Effective interest income on convertible bonds	**13,388**	6,376
Bad debts recovered	**–**	128
Foreign exchange gain (included in other gains and losses)	**1,962**	1,008
Gain on disposal of property, plant and equipment	**–**	33
Net gain on fair value change of derivative financial instruments (included in other gains and losses)	**310**	–
Property rental income with negligible outgoings	**3,035**	3,022
Scrap and sample sales (included in other income)	**3,371**	7,302

Included in the total employee benefit expenses is an aggregate amount of HK$7,610,000 (2011: HK$6,733,000) 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

	2012	2011
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2011 Final – nil (2010: HK3.0 cents per share)	**–**	19,943

The directors do not recommend the payment of a final dividend for the year ended June 30, 2012 (2011: nil).

7. (Loss) earnings per share

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

	2012	2011
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit attributable to owners of the Company	**(53,241)**	90,441

	Number of shares	
	2012	2011
		(restated)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**740,646,101**	736,063,236
Effect of dilutive potential ordinary shares in respect of share options *(Note)*	**–**	5,186,063
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**740,646,101**	741,249,299

The weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share for both of the year ended June 30, 2011 and 2012 had been adjusted for the bonus issue of shares on a ten-to-one basis on December 6, 2011.

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

8. Trade, bills and other receivables

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

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**116,645**	118,921
31 – 60 days	**86,044**	76,075
61 – 90 days	**53,361**	55,116
91 – 180 days	**66,839**	33,807
More than 180 days	**14,749**	10,076
	337,638	293,995
Other receivables	**64,285**	47,815
Total trade, bills and other receivables	**401,923**	341,810

9. Trade, bills and other payables

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

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**103,598**	86,869
31 – 60 days	**61,328**	60,032
61 – 90 days	**35,011**	35,469
91 – 180 days	**25,593**	20,532
181 – 365 days	**1,762**	3,725
	227,292	206,627
Other payables	**76,520**	62,935
Total trade, bills and other payables	**303,812**	269,562

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Looking back into the past year, the Group recorded an unsatisfactory performance due to the severe impact of global economic environment and international unrest 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 chaotic political situations and outbreaks of wars in Tunisia, Egypt and Libya and during the second half of year of 2011, the United States strengthened its economic sanction against Iran and the Arab league imposed economic sanction against Syria, 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 in the past year.

(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, is developing into a "Debt Storm" which restricts the recovery of European economy and affects the global economic development. The continue deepening of the European debt crisis made the Europe confronting six major crises, which are prolonged market competitiveness crisis, financial crisis, European sovereign political crisis, European Union political crisis, banking crisis and short term market confidence crisis. The short term market confidence crisis is the resultants of the former five prolonged major crises. 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. At present, the Eurozone countries are making multilateral cooperation and joint efforts to resolve the crises and get rid of the difficult situations, but it is still far from recovery. 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 the Group's capital investments in China market.

(3) Transformation from integrated device manufacturer to platform owner

During the past year, 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.

FINANCIAL REVIEW

Revenue

For the year ended June 30, 2012, the revenue of the Group amounted to HK$1,343.7 million (2011: HK$1,604.1 million), representing a decrease of 16.2% as comparing with last year. The decrease in revenue was mainly attributable to the worsening of the European sovereign debt crisis and chaotic political situation in the Middle East.

Gross profit and gross profit margin

The Group's gross profit amounted to HK$261.7 million (2011: HK$348.0 million), representing an decrease of 24.8%. Gross profit margin reduced to 19.5% in 2012 (2011: 21.7%). The decrease in gross profit was mainly resulted from the increase in labour costs and other overhead costs of production.

Segment information

The Group's turnover is mainly derived from sales of media entertainment platform related products, other multimedia products and revenue from 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$827.6 million (2011: HK$1,167.4 million), representing a decrease of 29.1% as compared to last year. Turnover from this segment decreased owing to the impact of the worsening of the Europe's sovereign debt crisis, and the uncertainty in the global economy has depressed consumer spending sentiment.

The turnover generated from sales of other multimedia products for the year maintained at HK$486.1 million (2011: HK$435.1 million), representing an increase of 11.7%.

The turnover generated from road construction for the year amounted to HK$29.3 million (2011: HK$1.5 million). A steady increase in turnover from this segment gave a favourable contribution to the Group's turnover.

Revenue by geographic markets

	Middle East	**Europe**	**North America**	**Africa**	**South America**	**Asia**	**Other regions**	**Total**
Revenue for the year *(HK$m)*	276.6	361.4	321.4	188.3	86.4	106.8	2.8	1,343.7
% of Group's revenue	20.6	27.0	23.9	14.0	6.4	7.9	0.2	100
% growth (decline) from last year	(52.3)	13.0	18.4	7.0	(36.8)	(8.7)	(15.2)	(16.2)

Analysis of results by business units

(HK$'000)	**Core business** *(Note 1)*	**FLT** *(Note 1)*	**Epassing** *(Note 1)*	**SLE** *(Note 1)*	**BCN** *(Note 1)*	**Unallocated**	**Total**
Revenue	1,099,482	37,908	34,324	700	171,236	–	1,343,650
Cost of sales	(891,431)	(27,365)	(35,619)	(3,453)	(124,069)	–	(1,081,937)
Gross profit/(loss)	208,051	10,543	(1,295)	(2,753)	47,167	–	261,713
Distribution and selling costs	(27,215)	(3,272)	(38)	(2,640)	(23,844)	–	(57,009)
Administrative expenses	(101,354)	(6,353)	(7,341)	(8,680)	(56,576)	–	(180,304)
Research and development costs	(39,534)	–	(1)	–	(1,285)	–	(40,820)
Profit/(loss) from operations	39,948	918	(8,675)	(14,073)	(34,538)	–	(16,420)
Finance costs	47	(85)	(33)	–	(4,543)	–	(4,614)
Other gains and losses	(9,658)	–	–	–	(776)	(19,467)	(29,901)
– Impairment loss on trade receivables	(6,908)	–	–	–	(776)	–	(7,684)
– Impairment loss on deposit paid for acquisition of an associate *(Note 2)*	–	–	–	–	–	(19,467)	(19,467)
– Others	(2,750)	–	–	–	–	–	(2,750)
Other income	6,816	1,067	692	1	10,528	13,388	32,492
– Effective interest income on convertible bonds	–	–	–	–	–	13,388	13,388
– Others	6,816	1,067	692	1	10,528	–	19,104
Increase in fair value of investment properties	735	–	–	–	–	–	735
Loss on fair value change of derivatives embedded in convertible bonds *(Note 3)*	–	–	–	–	–	(15,184)	(15,184)
Gain on bargain purchase	–	–	–	3,233	–	–	3,233
Loss on deemed disposal of interest in an associate	–	–	–	(9,790)	–	–	(9,790)
Gain on deemed disposal of interest in a subsidiary	–	–	–	5,584	–	–	5,584
Share of results of associates	–	–	–	(5,865)	–	(21,053)	(26,918)
Profit/(loss) before tax	37,888	1,900	(8,016)	(20,910)	(29,329)	(42,316)	(60,783)
Taxation							2,908
Loss for the year							(57,875)
Less: Non-controlling interests							(4,634)
Loss for the year attributable to Owners of the Company							(53,241)
Loss per share							(7.2) HK cents

Summary of other comprehensive expenses income

	HK$'000
Loss for the year	(57,875)
Other comprehensive expense	
Exchange difference arising from translation of foreign operations	(14,674)
Fair value change of available-for-sale investments	(2,292)
Total comprehensive expense for the year	(74,841)

Under HKFRS, the Group requires to present total comprehensive income (expense) for the year.

Other comprehensive income (expense) represented those items that are outside of profit or loss which have not been realized, including items such as unrealized holding gain or loss from available for sale investments and exchange difference arising on translating the financial statements of foreign operations.

Notes:

1. The principles activities for the business units

Core business	–	Trading and manufacturing of TV set top boxes and components of audio and video electronic products.
FLT	–	Trading and manufacturing of optical fibre products.
Epassing	–	Provision of integration system service for public programs.
SLE	–	Retailing and wholesaling of children apparels.
BCN	–	Research and development and trading of electronic goods in Spain.

2. **Impairment loss on deposit paid for acquisition of an associate**

One off impairment loss on deposits paid for acquisition of an associate was provided as at June 30, 2012. On September 29, 2011, the Group entered into a conditional sale and purchase agreement with an independent third party (the "Original Shareholder") to acquire 15% equity interest in Technosat Technology JLT FZE ("Technosat"), a company incorporated in Dubai and engaged in operating of digital TV and radio platform, pay TV channel and sales and supply of TV set top boxes, at a consideration of US$7,500,000 (equivalent to HK$58,170,000). As at 30 June 2012, a deposit of US$2,500,000 (equivalent to HK$19,467,000) has been paid and the transaction was not completed, due to the conditions precedent of the completion of acquisition of Technosat including the consent and approval of government authority in Dubai has not been fulfilled. Despite the Group's repeated request for information, there are no satisfactory response from the Original Shareholder of Technosat, regarding the current status and procurement of obtaining government approval from government authority in Dubai. Subsequent to June 30, 2012, the Group has engaged legal counsels to defend the Group and has commenced dispute resolution proceedings against the Original Shareholder and Technosat and as a result, an impairment loss of US$2,500,000 (equivalent to HK$19,467,000) had been made as at June 30, 2012.

3. **Loss on fair value change of derivatives embedded in convertible bonds**

In December 2010, the Group subscribed for the zero coupon convertible bonds ("Convertible Bonds") issued by Heng Xin China Holdings Limited ("Heng Xin") with principal amount of HK$200,000,000 and a conversion option at a cash consideration of HK$200,000,000. Heng Xin is a listed company with its shares listed on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited and the Convertible Bonds do not bear any interest and with maturity on December 27, 2012. The principal amount of the Convertible Bonds was designated as debt component while the conversion option was designated as derivatives component. Loss on fair value change of derivatives embedded in convertible bonds was attributable to the decrease in fair value of conversion option due to the decrease in share price of Heng Xin as at June 30, 2012.

Operating results

The Group's loss for the year attributable to Owner of the Company was amounted to HK$53.2 million, as compared to last year's profit attributable to Owner of the Company of HK$90.4 million. A significant amount of share of loss of associates amounted to HK$26.9 million (2011: Nil) has been charged to the consolidated statement of comprehensive income during the year.

The Group's operating expenses increased by 9.6% to HK$278.1 million for the year (2011: HK$253.7 million).

– Distribution and selling costs represented 4.2% (2011: 3.3%) of the Group's revenue.

– Administrative expenses increased by 11.6% to approximately HK$180.3 million for the year (2011: HK$161.6 million).

– Research and development costs increased by 5.1% to HK$40.8 million for the year (2011: HK$38.9 million).

Finance costs

Finance costs were amounted to HK$4.6 million, representing an increase of HK$2.4 million from HK$2.2 million last year. The increase of finance costs was primarily attributable to the increase in the volume of borrowings.

Deemed disposal of SLE and subsequent acquisition of further interest 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 ("TEIL"), an indirect wholly-owned subsidiary of Imagi International Holdings Limited and Sino Light Enterprise Limited ("SLE"), entered into a subscription and option agreement ("Subscription Agreement") in respect of the subscription ("Subscription") of certain shares in SLE by TEIL for an aggregate consideration of HK$36,400,000 of which (i) HK$9,100,000 was satisfied in cash by TEIL and (ii) HK$27,300,000 was satisfied by way of the provision of certain management services procured by Toon Express Hong Kong Limited ("TEHKL"). Pursuant to the Subscription Agreement, SLE also granted a share option to TEIL to further subscribe for additional shares in SLE on the terms of the Subscription Agreement.

Before Subscription, Honstar and ETL held 55% and 45% of the issued share capital of SLE respectively. Upon Subscription, SLE ceased to be a subsidiary of the Company and Honstar, ETL and TEIL held approximately 43.65%, 35.71% and 20.64% respectively of the issued share capital of SLE as enlarged by the Subscription, before the exercise of the share option by TEIL. Assuming the exercise of the share option in full immediately after the completion of Subscription at the initial subscription price, TEIL would hold up to approximately 29.58% equity interest of SLE as enlarged by the issue of such shares.

The Subscription was completed on August 29, 2011, and on the same date, 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, TEIL had a right but not an obligation ("Put Option") to require Honstar and ETL to purchase all or a portion of the shares in SLE then held by the TEIL at its sole discretion.

To focus on its core business, TEIL decided to dispose all its equity interest in SLE. On March 14, 2012, Honstar further acquired 20.64% equity interest of SLE from TEIL at a cash consideration of HK$9.1 million. The share option under the Subscription Agreement was cancelled and TEHKL was released by SLE from the provision of management service under the Subscription Agreement. Since then, SLE has become the subsidiary of the Company.

Acquisition of 47% of issued share capital in Dish Media

As part of the Group's strategy to transform from an integrated device manufacturer to a multimedia platform owner, the Group is actively exploring business opportunities in developing countries with potential subscribers of PayTV platform. On September 26, 2011, the Company entered into an agreement with Dish Media Network Private Limited ("Dish Media"). Pursuant to the agreement, 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 provides 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.

Working capital efficiency

The average inventory turnover days for the year ended June 30, 2012 and 2011 were 67 days and 69 days respectively.

The average trade receivables turnover days for the year ended June 30, 2012 and 2011 were 86 days and 60 days respectively.

The average trade payables turnover days for the year ended June 30, 2012 and 2011 were 73 days and 78 days respectively.

Liquidity and financial resources

The Group generally finances its operations with internal generated cash flow and bank facilities. At June 30, 2012, it had cash and cash equivalent balances totaled HK$146.0 million (2011: HK$276.3 million). The net decrease of cash balance was mainly attributed by the cash outflow from operations and the acquisition of and loan to an associate offsetting by the cash inflow from the new bank loans raising.

The Group's current ratio (ratio of current assets to current liabilities) was 2.1 at June 30, 2012 (2011: 2.3).

As at June 30, 2012, the Group's total borrowings were HK$176.2 million (2011: HK$79.3 million). The gearing ratio (total borrowings over total assets of the Group) increased to 12.3% at June 30, 2012 from 5.7% at June 30, 2011.

Charges on assets

As at June 30, 2012, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$48.3 million, and (ii) buildings with a carrying value of HK$10.3 million.

Foreign exchange exposure

The Group's sales and purchases were denominated mainly in US dollars and Renminbi ("RMB"). The Group was exposed to certain foreign currency exchange risk but it does not expect future currency fluctuations to cause material operation difficulties on the ground that HK dollars are pegged to US dollars and the recent pressure from appreciation of RMB was manageable. However, the Group continuously monitors its foreign currency exchange risk exposure.

Contingent liabilities

The Group did not have any significant contingent liabilities at June 30, 2012 (2011: Nil).

PROSPECTS

(1) Geographical integration of research and development teams with third party technologies

With the continuous global development and expansion of the Group, the effective integration of the Group's research and development teams in different countries has become a crucial step for further development. The Group has merged its research and development teams in Germany and Spain and established the Europe research and development centre, which focuses on new technologies and new products development for the European market, so as to provide seamless technical support and service to the local market and eventually lead to the market development as a whole. The repositioning and integration of Europe research and development centre, secures the research and development centers in Taiwan and China to concentrate the development of operating platform for Middle East, North Africa and North America markets. It is expected that the substantial restructuring of the Group's research and development teams will quickly enhance the Group's overall research and development progress and capabilities, which will lead the markets better around the world and will provide technical supports for the better development of the Group.

Apart from the safeguard of the sustainable development of the Group's core technologies, the Group is actively working with third party laboratories for the technical alliance, which will enrich the Group's product portfolio and services and will accelerate the progress on the development of new technologies and new products. This will provide favourable conditions for the continuous growth of the Group's revenue.

(2) New opportunities under European debts crisis

With the continuous spreading of the European debt crisis, the Group is actively adjust and integrate its market-oriented product lines, and through the integration 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 for the fiscal year 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 also continued 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 subscribers, and sales of the set top boxes 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 equipment, transmission equipment, modulating equipment and terminal receiving equipment, but will also receive the program monthly subscription income, and thus formally enter into the system operator market. When the number of users 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.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended June 30, 2012 (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of shareholders will be closed from Thursday, November 8, 2012 to Friday, November 9, 2012, 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 Wednesday, November 7, 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended June 30, 2012, including the accounting principles and practices adopted by the Group, in conjunction with internal control.

EMPLOYEES

As at June 30, 2012, the Group employed a total of 2,739 (2011: 2,674) 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$183.9 million (2011: HK$172.7 million). Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Directors believe that good corporate governance provides a framework and platform that is essential for and advantageous to effective management and successful business growth.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Old CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Stock Exchange has made various amendments to the Old CG Code and it was revised and renamed as the Corporate Governance Code and Corporate Governance Report (the "New CG Code") with effect from April 1, 2012.

Throughout the year ended June 30, 2012, the Company was in compliance with all the code provisions of the Old CG Code. During the period from April 1, 2012 to June 30, 2012, the Company has complied with all code provisions set out in the New CG Code.

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 2012 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. Lee Chien Kuo and Mr. Mu Yean Tung 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, 2012