Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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, 2012

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, 2012 (the "Period"), together with the comparative figures, as follows:

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended December 31, 2012

	NOTES	Six months ended December 31, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Continuing operations			
Revenue	*3*	**533,529**	634,040
Cost of sales		**(435,080)**	(501,811)
Gross profit		**98,449**	132,229
Other income		**15,341**	17,873
Other gains and losses		**(2,019)**	431
Loss on available-for-sale investments		**(5,224)**	–
Loss on fair value change of derivatives embedded in convertible bonds		**–**	(14,089)
Distribution and selling costs		**(30,357)**	(28,210)
Administrative expenses		**(81,001)**	(91,990)
(Impairment loss) reversal of impairment loss on trade receivables		**(3,658)**	256
Research and development costs		**(11,441)**	(15,624)
Share of results of an associate		**(1,904)**	–
Gain on deemed disposal of interest in a subsidiary		**–**	5,584
Finance costs		**(3,028)**	(1,812)
(Loss) profit before taxation	*4*	**(24,842)**	4,648
Taxation	*5*	**(13,905)**	1,584
(Loss) profit for the period from continuing operations		**(38,747)**	6,232
Discontinued operation			
Loss for the period from discontinued operation		**(82,136)**	(5,506)
(Loss) profit for the period		**(120,883)**	726
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of foreign operations		**8,933**	(12,009)
Fair value change of available-for-sale investments		**–**	(8,301)
Reclassification upon maturity of available-for-sale investments		**3,002**	–
		11,935	(20,310)
Total comprehensive expense for the period		**(108,948)**	(19,584)

	NOTES	Six months ended December 31, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
(Loss) profit for the period attributable to owners of the Company:			
– from continuing operations		**(39,257)**	4,979
– from discontinued operations		**(52,802)**	(4,399)
		(92,059)	580
(Loss) profit for the period attributable to non-controlling interests:			
– from continuing operations		**510**	1,253
– from discontinued operations		**(29,334)**	(1,107)
		(28,824)	146
Total comprehensive expense attributable to:			
Owners of the Company		**(80,048)**	(19,418)
Non-controlling interests		**(28,900)**	(166)
		(108,948)	(19,584)
(Loss) earnings per share from continuing and discontinued operations	*7*		
Basic *(HK cents)*		**(12.43)**	0.08
Diluted *(HK cents)*		**(12.43)**	0.08
(Loss) earnings per share from continuing operations	*7*		
Basic *(HK cents)*		**(5.30)**	0.67
Diluted *(HK cents)*		**(5.30)**	0.67

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2012

	NOTES	**December 31, 2012** ***HK$'000*** **(unaudited)**	June 30, 2012 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**154,894**	165,182
Prepaid lease payments		**15,287**	15,253
Investment properties		**36,379**	36,187
Goodwill		**49,075**	47,847
Intangible assets		**13,061**	67,460
Interest in an associate		**30,071**	31,975
Deferred tax assets		**23,017**	34,839
Loan receivables		**12,953**	12,953
Bond receivables		**94,776**	–
		429,513	411,696
Current assets			
Inventories		**202,608**	198,932
Trade, bills and other receivables	*8*	**430,364**	401,923
Prepaid lease payments		**407**	405
Loan receivables		**1,053**	1,053
Loan to an associate		**26,921**	15,513
Amount due from an associate		**34,919**	22,842
Available-for-sale investments		**853**	191,367
Pledged bank deposits		**48,693**	48,346
Bank balances and cash		**250,986**	146,016
		996,804	1,026,397
Current liabilities			
Trade, bills and other payables	*9*	**325,350**	303,812
Tax liabilities		**22,070**	17,643
Bank and other borrowings – due within one year		**254,416**	158,337
		601,836	479,792
Net current assets		**394,968**	546,605
		824,481	958,301

	December 31, 2012 HK$'000 (unaudited)	June 30, 2012 HK$'000 (audited)
Capital and reserves		
Share capital	**74,065**	74,065
Reserves	**738,697**	818,341
Equity attributable to owners of the Company	**812,762**	892,406
Non-controlling interests	**(305)**	28,595
Total equity	**812,457**	921,001
Non-current liabilities		
Bank and other borrowings – due after one year	**5,778**	17,888
Deferred tax liabilities	**6,246**	19,412
	12,024	37,300
	824,481	958,301

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2012

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended December 31, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended June 30, 2012.

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, 2012.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income;
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current period. 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 entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is rebutted.

The Group continues to recognise deferred tax on changes in fair value of the investment properties, thus the application of the amendments to HKAS 12 has no material effect on the consolidated financial statements.

The directors of the Group anticipate that the application of other new and revised HKFRSs in the current period has had no material effect 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, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around different products.

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.

An operating segment regarding the retailing and wholesaling of children apparels was discontinued in the current interim period.

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, 2012

	Media entertainment platform related products *HK$'000*	**Other multimedia products** *HK$'000*	**Provision of integration system service for public programs** *HK$'000*	**Total** *HK$'000*
Continuing operations				
REVENUE				
External sales	**286,054**	**222,796**	**24,679**	**533,529**
RESULTS				
Segment results	**43,243**	**21,143**	**48**	**64,434**
Other income				**15,341**
Other gains and losses				**(2,019)**
Research and development costs				**(11,441)**
Administrative expenses				**(81,001)**
Loss on available-for-sale investments				**(5,224)**
Share of results of an associate				**(1,904)**
Finance costs				**(3,028)**
Loss before taxation (continuing operations)				**(24,842)**

Six months ended December 31, 2011

	Media entertainment platform related products	Other multimedia products	Provision of integration system service for public programs	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
REVENUE				
External sales	365,188	266,271	2,581	634,040
RESULTS				
Segment results	75,583	27,309	1,383	104,275
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)
Finance costs				(1,812)
Gain on deemed disposal of interest in a subsidiary				5,584
Profit before taxation (continuing operations)				4,648

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, loss on fair value change of derivatives embedded in convertible bonds, loss on available-for-sale investments, 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, **2012** *HK$'000*	2011 *HK$'000*
Continuing operations		
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	**3,122**	1,224
Release of prepaid lease payments	**407**	92
Depreciation of property, plant and equipment	**10,797**	12,006
Write-down of inventories (included in cost of sales)	**–**	465
Interest income	**(1,647)**	(1,882)
Effective interest income on convertible bonds	**(6,439)**	(6,610)
Net loss on fair value change of derivative financial instruments *(Note)*	**–**	476
Loss on fair value change of derivatives embedded in convertible bonds	**–**	14,089
Loss on available-for-sale investments	**5,224**	–
Discontinued operation		
Amortisation of intangible assets (included in cost of sales)	**5,665**	–
Impairment of intangible assets	**49,100**	–
Depreciation of property, plant and equipment	**332**	–
Write-down of inventories (included in cost of sales)	**5,728**	–

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

5. **TAXATION**

	Six months ended December 31, **2012** *HK$'000*	2011 *HK$'000*
Continuing operations		
The tax charge (credit) comprises:		
Current tax:		
PRC Enterprise Income Tax	**1,368**	1,391
Other jurisdictions	**49**	43
Underprovision in prior years	**3**	3
Withholding tax	**4,134**	–
Deferred taxation:		
Current period	**7,775**	(3,907)
Provision for PRC dividend withholding tax	**576**	886
	13,905	(1,584)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No tax is payable on the profit arising in Hong Kong for both periods 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 increase progressively to 25%.

As for 中山聖馬丁電子元件有限公司, it successfully renewed for High and New Technology Enterprises Status, so the applicable tax rate has been reduced to 15% from January 1, 2011 to December 31, 2013.

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 a range of 26.3% to 30%.

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

6. **DIVIDENDS**

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

7. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended December 31,	
	2012	2011
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	**(92,059)**	580
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**740,649,800**	740,642,463
Effect of dilutive potential ordinary shares in respect of share options *(Note)*	**–**	4,481,926
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**740,649,800**	745,124,389

Note: The computation of diluted loss per share for the six months ended December 31, 2012 does not include share options as the assumed exercise of those share options has an anti-dilutive effect.

From continuing operations

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

	Six months ended December 31, 2012 HK$'000	2011 HK$'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	**(39,257)**	4,979

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

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, which approximated the respective revenue recognition dates, at the end of the reporting periods:

	December 31, 2012 ***HK$'000***	June 30, 2012 *HK$'000*
0 – 30 days	**144,372**	116,645
31 – 60 days	**59,398**	86,044
61 – 90 days	**52,596**	53,361
91 – 180 days	**32,638**	66,839
More than 180 days	**42,660**	14,749
	331,664	337,638
Other receivables	**98,700**	64,285
Total trade, bills and other receivables	**430,364**	401,923

During the period, the directors reviewed the carrying amounts of certain long outstanding trade and bills receivables and identified an impairment loss of HK$3,658,000 (7.1.2011 to 12.31.2011: reversal of impairment loss of HK$256,000) which has been recognised in profit or loss.

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:

	December 31, 2012 *HK$'000*	June 30, 2012 *HK$'000*
0 – 30 days	**119,103**	103,598
31 – 60 days	**52,631**	61,328
61 – 90 days	**30,788**	35,011
91 – 180 days	**24,088**	25,593
181 – 365 days	**4,345**	1,762
	230,955	227,292
Other payables	**94,395**	76,520
Total trade, bills and other payables	**325,350**	303,812

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

For the six months ended December 31, 2012, the Group has recorded turnover of HK$533.5 million (7.1.2011 to 12.31.2011: HK$634.0 million) from continuing operations, representing a decreased of 15.9%. The decrease in revenue was primarily contributed by the decrease in sales to European, North American, and Middle East regions as a result of the European sovereign debt crisis.

Gross profit from continuing operations amounted to HK$98.4 million (7.1.2011 to 12.31.2011: HK$132.2 million), representing a decrease of 25.5%. Gross profit margin from continuing operations also reduced to 18.5% (7.1.2011 to 12.31.2011: 20.9%). The decrease in gross profit margin was due to the increase in labour cost mainly caused by the uplift of labour wages and the labour volatility in the PRC.

During the current period, a significant amount of impairment loss on intangible assets due to the termination of licensed children apparels business under the brand name of "Pleasant Goat and Big Big Wolf" of HK$49.1 million has been charged to the consolidated statement of profit or loss and other comprehensive income. Excluding such impairment loss on intangible assets and the discontinued operations of the distribution of children apparels, the Group's loss for the period was amounted to HK$38.7 million, as compared to last year's profit for the period of HK$6.2 million.

Segmental information

During the period, media entertainment platform related products remain as the major business segment and major revenue source, contributing to 53.6% of the Group's sales revenue (7.1.2011 to 12.31.2011: 57.6%), while other multimedia products contributed to 41.8% of the Group's sales revenue (7.1.2011 to 12.31.2011: 42.0%). 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.

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

Business Review

Looking back into the past six months, the Group's performance was unsatisfactory due to the severe impact of unrest around the world. The main factors are as follows:

(1) Middle East and North African markets

The Middle East and North African markets have all along been very important trading markets for the Group representing a considerable proportion of the Group's total operating revenue.

In 2012, the Middle East and North Africa remained the powder keg and hot spot of conflicts in the world featuring the Syrian civil war which has already lasted for 20 months, a series of border clashes between Syria and Turkey and Israel, respectively, as well as a one week long battle between Israel and the Palestine. Several Arabian countries also experienced internal social unrest which eventually brought about either a regime change or government reform.

After sweeping through the region swiftly and intensely in 2011, the so-called Arab Spring ground quickly to a halt and turned into an Arab Winter. There is now deep pessimism and growing concern across the Middle East about its deteriorating development. People are worrying about how long the Arab Winter will persist. The regional picture and future political development of the Middle East is expected to be further complicated and more uncertain, while instability in the region keeps worsening.

The turbulent situation seriously affected the economies and trades in these regions, and inevitably led to a significant reduction in the Group's sales and, hence, its total operating revenue for the period.

(2) European debt crisis

The European sovereign debt crisis, erupted in Greece at the end of 2009, has grown from a single-country trouble to a debt crisis spreading across the entire Eurozone, and is developing further into a "Debt Storm" which restrains and affects the recovery of Europe as well as the global economy. Such intensifying crisis has made Europe confront six major crises, namely prolonged market competitiveness crisis, financial crisis, political crises within the member states, crisis of the European political systems, banking crisis and short-term market confidence crisis. The last one is the result of the former five prolonged major crises. The European debt crisis has substantially affected both domestic and foreign trades of the European Union, and had an impact on the economic growth of its major trading partners through trade. The composite financial crisis resulting from the intertwined Eurozone sovereign debt crisis and banking risks has become a significant threat to the stability of the global financial market. At present, the Eurozone countries are giving multilateral cooperation and making joint efforts to resolve the crises and surmount the difficult situations, but they are still far from recovery. The European debt crisis is a long-term problem and cannot be fully resolved in the near future.

Due to the escalating European Debt Storm, the Group's trade with the European Union has been significantly hindered. The continuous European debt crisis has brought instability to the global economy and also affected the Group's capital investments in the Chinese market.

(3) Transformation from integrated device manufacturer to platform owner

During the past two years, the Group has been going through a period of transition from a designer and manufacturer to a platform owner. The enormous change in business model and vision will need time to flourish and require continuous investment and accumulation of manpower and resources.

Prospects

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

With the Group's continuous development and expansion of its geographical coverage across the globe, the effective integration of its research and development teams in different countries has become a crucial step. The Group has merged its research and development teams in Germany and Spain to establish the European research and development centre, which focuses on the research and development of new technologies and new products for the European market, so as to provide seamless technical support and services to the local markets and eventually boost market development as a whole. The repositioning and integration of the European research and development centre allows the research and development centres in Taiwan and China to concentrate on the development of operating platform for the development of Middle East, North African and North American 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 in turn strengthen its leadership in the markets around the world and ensure technical support for the smooth development of the Group.

Apart from safeguarding the sustainable development of core technologies, the Group is also actively working with third party laboratories to establish technological alliances which will enrich the Group's product portfolio and services and accelerate the progress of the development of new technologies and new products. This will provide favourable conditions for the continuous growth of the Group's total operating revenue.

(2) New opportunities brought by the European debts crisis

With the continuous deterioration of the European debt crisis, the Group is actively adjusting and integrating its product lines based on market demand. In addition to the continual research and development of, and investment in, new technologies and new products, the Group will also strengthen its control on product quality and costs as well as promote the development and production of lower-cost versions of its products as the near-term measures to increase the competitiveness of its products in the market and maintain its market share. Undeterred by the current market recession, the Group will closely monitor new developments in the market and look for new opportunities.

(3) New cooperation to be sought in the American market

The Group is conducting a major acquisition in the American market. The completion of this merger and acquisition will enrich and perfect the Group's product portfolio, boost its market share in the American market and expand its total operating revenue.

(4) Promise of high growth after strategic transformation

After over a year of active marketing and development efforts, the pay television system platform in Nepal has achieved initial success. Notwithstanding the unparalleled hardship in terms of physical environment, the pay television system platform in Nepal already attained a considerable amount of operating revenue in terms of monthly subscription income in the first half of the year 2012-2013. It is expected that its monthly subscription income will contribute a substantial portion of the platform's total operating revenue in five years' time.

Going with the tide of market shift from traditional free television services to pay television systems, the Group is also actively planning to rollout new digital pay television equipment and other new products in other major markets successively in order to enlarge its market share. Besides continually improving its internal research, development and production capacity, the Group is also strengthening and diversifying its product supply chain with the aim of accelerating product rollout and mitigating the rising problem of labor shortage.

After its transformation, the Group will not only be a designer and manufacturer of professional head-end equipment, transmission equipment, modulating equipment and terminal receiving equipment, but also the owner of a comprehensive platform. The system integration business of the Group has been extended to the provision of channel content, content subscription management systems and various value-added service systems. When the number of users reaches a considerable level, the monthly subscription income will become an important operating revenue source of the Group. Redoubling the efforts to consolidate its global operations, the Group is poised to take its business development to new heights.

Acquisition of Pro Brand International, Inc.

On October 31, 2012, the Company has entered into a share acquisition agreement ("the Agreement") with the majority of selling shareholders of Pro Brand International, Inc. ("Pro Brand") and Pro Brand, pursuant to which the Company has conditionally agreed to acquire and the majority of selling shareholders of Pro Brand has conditionally agreed to sell the entire issued share capital of Pro Brand for a consideration not exceeding US$33.5 million (approximately equivalent to HK$259.6 million). Upon closing, Pro Brand will become a wholly-owned subsidiary of the Company.

Pro Brand currently has a product portfolio covering more than 260 items in both antenna and LNB products and it has strong research and development ("R&D") capabilities and in-house facilities in the design and development of advanced satellite and radio frequency ("RF") related equipment as well as next generation new products and solutions for satellite Pay TV system.

Following the acquisition of Pro Brand and integration of its technologies and R&D capabilities, it will strengthen the Group's R&D capabilities and enhance the Group's technological competitiveness to meet customer demands for high-end satellite television and RF related equipment.

The long established customer relationships of Pro Brand in North America and Latin America will also strengthen the Group's presence in the North America and Latin America markets with Pro Brand acting as a stronghold for the distribution and marketing of the Group's other media entertainment platform related products and accessories as supplement to existing satellite Pay TV products and equipment. In return, the high-end satellite television and wireless communication products of Pro Brand will enrich the Group's product portfolios and enable the Group to reach potential customer in the rest of the world for high-end satellite television and wireless communication products.

With the Group's efficient and cost effective production facilities located in China, the Acquisition will position the Group to become one of the largest providers for satellite Pay TV system and equipment through the integration of Pro-Brand's existing long established customer relationships with its customers.

Having taken into account the above reasons and benefits, the management of the Company is of the view that the terms of the Agreement are fair and reasonable and the Acquisition is conducted under normal commercial terms and is in the interests of the Company and the Company's shareholders as a whole.

As at the date of this interim report, the Company and Pro Brand are still in the process to complete the Acquisition.

Subscription of Bond

On December 27, 2012, the Company and Heng Xin China Holdings Limited ("Heng Xin") entered into a subscription agreement in relation to the subscription of Bond (the "Subscription"), pursuant of which, the Company has conditionally agreed to subscribe for the Bond in the principal amount of HK$100,000,000 for a term of two years with coupon rate of 6% per annum, payable quarterly in arrears.

Reference is made to the convertible bonds which the Company subscribed for in December 2010 (the "2010 Convertible Bonds"). The 2010 Convertible Bonds were matured on December 27, 2012 and after arm's length discussions with Heng Xin, it was agreed that the Company and Heng Xin would enter into a subscription agreement to refinance half of the outstanding principal amount of the 2010 Convertible Bonds and Heng Xin would repay the remaining half of the outstanding principal amount of the 2010 Convertible Bonds. It has been one of the Group's corporate strategies to explore the market of digital television equipment in Mainland China with good business potential and growth prospects, which coincides with the business of Heng Xin. The Directors consider that the Subscription provides an opportunity for the Group to enhance its strategic position in the market of digital television equipment in Mainland China with a reasonable interest return from the Subscription. All the conditions precedent to the Subscription were fulfilled and the Subscription was completed on December 27, 2012.

Termination of the children apparels business

On February 5, 2013, Sino Light Enterprise Limited ("SLE"), an indirect non-wholly owned subsidiary of the Company, and Walt Disney Company (Asia Pacific) Limited (the "Master Distributor") entered into a termination agreement, pursuant to which SLE and the Master Distributor have agreed to early terminate the license agreement between SLE and the Master Distributor dated December 21, 2010 and as amended on May 26, 2011 for the sale of children apparels under the brand name of "Pleasant Goat and Big Big Wolf" in the PRC, excluding Hong Kong, Macau and Taiwan (the "License Agreement") will be early terminated with effect from February 15, 2013.

In accordance with the terms of the termination agreement, SLE has agreed to pay a termination payment of US$498,000 to the Master Distributor in respect of royalties arising from the sale of licensed products made before the Termination Date and any guarantees and advances that would have been due to the Master Distributor under the License Agreement and remain unpaid as at the Termination Date. SLE will cease the sales of the licensed children apparels under the brand names of "Pleasant Goat and Big Big Wolf" with effect from the Termination Date, and SLE will be released of its obligations to make the balance payment of license fees under the License Agreement.

The early termination of the License Agreement will cease the children apparel business of the Group. It is the Group's strategy to focus on its core business of design, manufacturing and trading of media entertainment platform related products and continue to invest resources in the transformation from an integrated device manufacturer to a platform owner.

Liquidity and financial resources

As at December 31, 2012, the Group's cash and bank balances amounted to HK$251.0 million (6.30.2012: HK$146.0 million). The net increase of cash and bank balances was mainly attributed by the receipts from the maturity of convertible bonds and the new bank loans raising. The Group's pledged bank deposits were HK$48.7 million (6.30.2012: HK$48.3 million).

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.7 at December 31, 2012 and 2.1 at June 30, 2012.

For the Period, the annualized average trade receivable turnover period, average inventory turnover period, and average trade payable turnover period were 114 days, 84 days, and 96 days respectively (For the year ended June 30, 2012: 86 days, 67 days, and 73 days respectively).

At December 31, 2012, the Group's total loans were HK$260.2 million (6.30.2012: HK$176.2 million). Certain of the borrowings were secured by the Group's leasehold land and buildings, pledged deposits, secured and guarantee from the Company and certain of its subsidiaries.

The gearing ratio (total borrowings over total assets of the Group) increased to 18.2% (6.30.2012: 12.3%).

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, 2012, 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$55.5 million, and (ii) bank deposits of HK$48.7 million.

Contingent liabilities

The Group did not have any significant contingent liabilities at December 31, 2012.

EMPLOYEES

At December 31, 2012, the Group employed a total of 2,447 (6.30.2012: 2,739) 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 do not recommend the payment of an interim dividend (7.1.2011 to 12.31.2011: Nil) for the six months ended December 31, 2012.

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

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

CORPORATE GOVERNANCE

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

The Company has adopted and complied with all the provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended December 31, 2012, 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. Lee Chien Kuo, 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, February 27, 2013