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, 2013 AND APPOINTMENT OF CHIEF FINANCIAL OFFICER

The Board of Directors (the "Board") 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, 2013 (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, 2013

		Six months ended December 31,	
		2013	2012
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Continuing operations			
Revenue	*3*	**916,371**	533,529
Cost of sales		**(817,418)**	(435,080)
Gross profit		**98,953**	98,449
Other income		**19,672**	15,341
Other gains and losses		**(1,862)**	(2,019)
Loss on financial instruments		**–**	(5,224)
Distribution and selling costs		**(17,533)**	(30,357)
Administrative and other expenses		**(109,690)**	(81,001)
Impairment loss on trade receivables		**(340)**	(3,658)
Research and development costs		**(16,562)**	(11,441)
Share of results of an associate		**–**	(1,904)
Finance costs		**(3,622)**	(3,028)
Loss before taxation	*4*	**(30,984)**	(24,842)
Taxation	*5*	**(6,444)**	(13,905)
Loss for the period from continuing operations		**(37,428)**	(38,747)
Discontinued operation			
Loss for the period from discontinued operation		**–**	(82,136)
Loss for the period		**(37,428)**	(120,883)
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**57,054**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of foreign operations		**1,240**	8,933
Reclassification upon maturity of available-for-sale investments		**–**	3,002
		58,294	11,935
Total comprehensive income (expense) for the period		**20,866**	(108,948)

	NOTE	Six months ended December 31, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Loss for the period attributable to owners of the Company:			
– from continuing operations		**(36,719)**	(39,257)
– from discontinued operation		**–**	(52,802)
		(36,719)	(92,059)
Loss for the period attributable to non-controlling interests:			
– from continuing operations		**(709)**	510
– from discontinued operation		**–**	(29,334)
		(709)	(28,824)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**21,767**	(80,048)
Non-controlling interests		**(901)**	(28,900)
		20,866	(108,948)
Loss per share from continuing and discontinued operations	*7*		
Basic *(HK cents)*		**(4.41)**	(12.43)
Diluted *(HK cents)*		**(4.41)**	(12.43)
Loss per share from continuing operations	*7*		
Basic *(HK cents)*		**(4.41)**	(5.30)
Diluted *(HK cents)*		**(4.41)**	(5.30)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2013

	NOTES	**December 31, 2013** **HK$'000** **(unaudited)**	June 30, 2013 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**144,945**	173,304
Deposit paid for acquisition of a subsidiary		**10,961**	10,961
Prepaid lease payments		**11,199**	15,195
Investment properties		**130,160**	38,413
Goodwill		**26,714**	25,771
Intangible assets		**40,953**	46,234
Interest in an associate		**–**	–
Loan to an associate		**23,269**	23,269
Amount due from an associate		**14,170**	14,170
Deferred tax assets		**10,533**	10,537
Loan receivable		**10,238**	10,238
Bond receivables		**–**	95,699
		423,142	463,791
Current assets			
Inventories		**300,047**	259,403
Trade, bills and other receivables	*8*	**526,545**	550,564
Prepaid lease payments		**382**	414
Loan receivable		**3,326**	4,203
Amount due from an associate		**54,790**	33,737
Available-for-sale investments		**821**	816
Bond receivables		**97,069**	–
Pledged bank deposits		**32,299**	26,324
Bank balances and cash		**164,867**	236,621
		1,180,146	1,112,082
Current liabilities			
Trade, bills and other payables	*9*	**505,805**	454,131
Tax liabilities		**39,104**	38,467
Bank and other borrowings – due within one year		**306,655**	353,764
Obligations under finance leases		**1,811**	1,804
		853,375	848,166
Net current assets		**326,771**	263,916
		749,913	727,707

	December 31, 2013 *HK$'000* (unaudited)	June 30, 2013 *HK$'000* (audited)
Capital and reserves		
Share capital	**83,223**	83,223
Reserves	**622,841**	600,945
Equity attributable to owners of the Company	**706,064**	684,168
Non-controlling interests	**(3,790)**	(2,889)
Total equity	**702,274**	681,279
Non-current liabilities		
Bank and other borrowings		
– due after one year	**5,949**	5,696
Deferred tax liabilities	**26,984**	25,114
Obligations under finance leases	**14,706**	15,618
	47,639	46,428
	749,913	727,707

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2013

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, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended June 30, 2013, except for the accounting policy for property transferred from owner-occupied property to investment property carried at fair value which are disclosed below.

Property, plant and equipment

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Moreover, in the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements;
HKFRS 11	Joint Arrangements;
HKFRS 12	Disclosure of Interests in Other Entities;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;
HKFRS 13	Fair Value Measurement;
HKAS 19 (as revised in 2011)	Employee Benefits;
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures;
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities;
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle; and
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine.

Impact of the application of HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The adoption of HKFRS 10 has no impact on the consolidation of investments held by the Group.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 34 "Interim Financial Reporting" (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total assets and total liabilities information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed 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 and services.

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

1. **Media entertainment platform related products**

   Trading and manufacturing of media entertainment platform related products

   – 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. **Integration of signal system and traffic communication network**

   Integration of signal system and traffic communication network

   – Provide installation and integration of signal system and traffic communication network.

4. **Satellite TV equipment and antenna**

   Trading of satellite TV equipment and antenna.

Segment revenue 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, 2013

	Media entertainment platform related products *HK$'000*	Other multimedia products *HK$'000*	Integration of signal system and traffic communication network *HK$'000*	Satellite TV equipment and antenna *HK$'000*	Total *HK$'000*
REVENUE					
External sales	209,348	185,018	27,692	494,313	916,371
RESULTS					
Segment results	24,321	19,660	470	36,629	81,080
Other income					19,672
Other gains and losses					(1,862)
Research and development costs					(16,562)
Administrative and other expenses					(109,690)
Finance costs					(3,622)
Loss before taxation (continuing operations)					(30,984)

Six months ended December 31, 2012

	Media entertainment platform related products *HK$'000*	Other multimedia products *HK$'000*	Integration of signal system and traffic communication network *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 and other expenses				(81,001)
Loss on financial instruments				(5,224)
Share of results of an associate				(1,904)
Finance costs				(3,028)
Loss before taxation (continuing operations)				(24,842)

Segment results represent the profit (loss) earned or incurred by each segment without allocation of administrative and other expenses, research and development costs, other income, other gains and losses, loss on financial instruments, share of results of an associate 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 BEFORE TAXATION

	Six months ended December 31, **2013** *HK$'000*	2012 *HK$'000*
Continuing operations		
Loss before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	**5,333**	3,122
Release of prepaid lease payments	**205**	407
Depreciation of property, plant and equipment	**9,364**	10,797
Impairment loss on trade receivables	**340**	3,658
Write-down of inventories (included in cost of sales)	**5,500**	–
Interest income	**(3,002)**	(1,647)
Effective interest income on bond receivables	**(4,370)**	–
Effective interest income on convertible bonds	**–**	(6,439)
Loss on financial instruments	**–**	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

5. TAXATION

	Six months ended December 31, **2013** *HK$'000*	2012 *HK$'000*
Continuing operations		
The tax charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**1,520**	1,368
Other jurisdictions	**3,626**	49
Underprovision in prior years	**–**	3
Withholding tax	**2,113**	4,134
Deferred taxation:		
Current period	**(1,123)**	7,775
Provision for PRC dividend withholding tax	**308**	576
	6,444	13,905

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. 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.

The applicable PRC enterprise income tax rate of the PRC subsidiaries is 25% in accordance with the relevant income tax law and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, 珠海保税區虹揚電子科技有限公司 and 珠海保税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%.

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% ("Reduced Tax Rate"). In March 2013, 中山聖馬丁電子元件有限公司 received a notice from the relevant PRC tax authority that certain conditions under High and New Technology Enterprises Status have not been fulfilled and the tax rate resumed to 25% effective from January 2013 accordingly.

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

The Group's subsidiaries in United States of America are subjected to United States Federal Income Tax at 34% and States Income Tax at 6%.

The Group's European subsidiaries are subject to profit 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 PER SHARE

From continuing and discontinued operations

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

	Six months ended December 31,	
	2013	2012
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(36,719)**	(92,059)

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic loss per share	**832,228,862**	740,649,800
Effect of dilutive potential ordinary shares in respect of share options *(Note)*	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**832,228,862**	740,649,800

Note: The computation of diluted loss per share for the six months ended December 31, 2013 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 per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended December 31,	
	2013	2012
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(36,719)**	(39,257)

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 date, at the end of the reporting periods:

	December 31, 2013	June 30, 2013
	HK$'000	*HK$'000*
0 – 30 days	**192,031**	240,750
31 – 60 days	**43,697**	78,490
61 – 90 days	**41,009**	44,859
91 – 180 days	**38,002**	68,548
More than 180 days	**100,327**	25,730
	415,066	458,377
Prepayments and other receivables	**111,479**	92,187
Total trade, bills and other receivables	**526,545**	550,564

During the period, the directors reviewed the carrying amounts of certain long outstanding trade and bills receivables and identified an impairment loss of HK$340,000 (7.1.2012 to 12.31.2012: HK$3,658,000) 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, 2013	June 30, 2013
	HK$'000	*HK$'000*
0 – 30 days	**210,356**	224,019
31 – 60 days	**67,287**	81,386
61 – 90 days	**35,639**	28,763
91 – 180 days	**28,441**	21,187
181 – 365 days	**11,960**	7,832
More than 365 days	**245**	143
	353,928	363,330
Other payables	**151,877**	90,801
Total trade, bills and other payables	**505,805**	454,131

MANAGEMENT DISCUSSION AND ANALYSIS

Overall review

For the six months ended December 31, 2013, the Group has recorded a turnover of HK$916.4 million (7.1.2012 to 12.31.2012: HK$533.5 million) from continuing operations, representing an increase of 71.8%. The increase in revenue was primarily attributable to the the acquisition of a new company, Pro Brand International, Inc. ("PBI"), in March 2013.

Gross profit margin from continuing operations amounted to HK$99.0 million, (7.1.2012 to 12.31.2012: HK$98.4 million). Gross profit ratio from continuing operations reduced to 10.8% (7.1.2012 to 12.31.2012: 18.5%). The decrease in gross profit ratio was mainly due to the acquisition of PBI which contributed lower gross profit ratio.

During the current period, a significant amount of increase in fair value of investment properties of HK$57.1 million has been credited to the consolidated statement of profit or loss and other comprehensive income.

Segment information

The Group's turnover is derived from sales of media entertainment platform related products, satellite TV equipment and antenna products, other multimedia products and revenue from provision of integration of signal system and traffic communication network.

The turnover generated from sales of media entertainment platform related products for the period amounted to HK$209.3 million (7.1.2012 to 12.31.2012: HK$286.1 million), representing a decrease of 26.8% as compared to last year. The turnover generated from sales of other multimedia products for the period amounted to HK$185.0 million (7.1.2012 to 12.31.2012: HK$222.8 million), representing a decrease of 17.0% as compared to last year. Turnover from both segments decreased owing to the impact of the worsening of the European sovereign debt crisis which has depressed consumer spending sentiment.

The turnover generated from sales of satellite TV equipment and antenna products amounted to HK$494.3 million for the period (7.1.2012 to 12.31.2012: Nil), representing 53.9% of the Group's turnover. The turnover from this segment was wholly contributed by the new acquisition in March 2013.

The turnover generated from integration of signal system and traffic communication network for the period amounted to HK$27.7 million (7.1.2012 to 12.31.2012: HK$24.7 million). An increase in turnover from this segment gave a favourable contribution to the Group's turnover.

Business review

During the past six months, despite the lack of significant profit growth, the Group achieved brilliant results of operation with a marked drop in loss as compared with the corresponding period last year as well as a strong and healthy financial position. As a matter of fact, order ceilings have recently been reached by various segments of the Group. However, our output, in terms of both value and quantity, were adversely affected by the current labour shortage and high labour turnover rate in the PRC. The Group has been actively seeking solutions and alternatives with the aims of securing output and meeting customers' demand in the near future.

As the political turmoil in the Middle East and North Africa continued to stir, the penetration of the Group's mature and hi-tech products in these major markets required additional time. It is hoped that the popularity of such hi-tech products in these markets will rise and help boost customers' demand in the foreseeable future.

The outlook in Europe remained lacklustre and the Group's total operating revenue from this region fell into stagnation. Nonetheless, as compared with the corresponding period last year, signs of improvement and opportunities for growth have been noticed.

Summary of the half-year period

After two years of extensive efforts in, and enormous spending on, integration and expansion, the Group is now poised to reap its fruits. In the coming year, the Group will endeavour to achieve successful transformation through establishing a new branded business model based on multiple platforms in a step-by-step and technology-oriented manner in order to expand its channels, as well as internal integration and cost reduction.

Prospects

1. Digital Set Top Box Segment

a) In respect of the Middle East and North African markets, the Group will focus on pay television set top boxes. Many producers in these regions have rushed to produce and encrypt high-definition programmes while stopping further investments in standard-definition ones. Given these trends, the viewing habits of television audience in the regions will definitely alter. With the successful development of new products last year and set top box sales arrangements concluded with various channels, the Group is well-positioned to increase its total operating revenue and fortify its leadership when market demand increases.

b) The number of satellite television subscribers in Nepal has reached 320,000 thanks to a number of upcoming major global sports events in the year (such as an international cricket tournament featuring the first Nepalese national cricket team, as well as a global soccer event) that will take the sales of pay television services in this country to new heights. Dish Media Network Private Limited ("DMN") expects that the number of subscribers will rise further by 200,000 to 500,000 during the year and that it will be able to turn loss into gain. Being the only legally licensed local satellite television programmes broadcaster in Nepal, the market share of DMN has been on the rise. It is also planning to raise the price for its value-added services and the monthly subscription fees in the near future in order to demonstrate the success of its transformation as soon as possible.

c) The successful launch of a new multifunctional hi-tech set top box model at the end of 2013 has helped us to integrate two major new platforms (the Android operating system and the XBMC multimedia entertainment platform) with high-definition satellite television receiver. This model has strengthened the Group's ability and position in the hi-tech set top box market. Leveraging on the improving outlook in Europe, this high-end equipment will be marketed in various countries with a view to lifting the Group's profit.

2. Hi-tech satellite equipment

Following its ascension as a leading high-end satellite equipment supplier in Europe and the Americas subsequent to the acquisition of PBI in the United States in March 2013, the Group has further cooperated with Wha Yu Industrial Co., Ltd. ("Whayu") by merging with Sksteck Inc., a subsidiary of Whayu. This merger will help to secure resources of high technologies for the Group to provide high-end satellite equipment and satellite networks as well as other sophisticated integrated peripheral services targeting mainly at European and American customers.

3. Professional spare parts and components supplies and successful brand strategy

The Group's professional spare parts and components segment concentrates on providing sales and services to international brands and the sales of products from various famous manufacturers. The Group has made a giant leap in the professional spare parts and components trading business with the hope of achieving ground-breaking growth and outstanding total operating revenue in the coming year.

4. Opportunities and business in domestic market

With respect to the domestic market, the Group has expanded from the original receiver and pay television market into the emerging e-business channels, such as setting up an online store on a PRC online store platform to offer professional spare parts and components and distribution and original design manufacturing of branded 3C electronic products. This measure has swiftly boosted the sales volume and brought the Group into the domestic arena. The Group further plans to supply potential domestic customers and increase the importance of online sales to the Group.

5. Progressive internal integration and streamlining measures

In addition to expanding its customer network and business coverage, the Group is also implementing internal streamlining measures through internal integration and restructuring. Through rational streamlining, the Group anticipates that unnecessary costs can be trimmed and internal resource allocation can be enhanced, and that all segments can formulate profit-oriented operating strategies effectively.

Significant Acquisitions, Disposal and Transactions

Formation of Joint Venture Company and Acquisition of Sksteck Inc.

On December 2, 2013, the Company and Whayu have entered into the joint venture agreement ("JV Agreement"), pursuant to which the Company and Whayu will establish a joint venture company (the "JV Company") as an investment holding company to hold the 100% equity interests of Sksteck Inc. ("SKS") and Pro Brand International, Inc. ("PBI"), the wholly-owned subsidiaries of Whayu and the Company respectively.

After the establishment of the JV Company, each of the Company and Whayu will subscribe for shares in the JV Company (the "Subscription") by the injection of their respective 100% equity interest in PBI and SKS. It is expected that the JV Company will be majority owned by the Company and upon completion of the formation of the JV Company and the Subscription, the JV Company will be a non-wholly owned subsidiary of the Company; and PBI and SKS will become wholly owned subsidiaries of the JV Company and indirect non-wholly owned subsidiaries of the Company. PBI will continue to be accounted for as a subsidiary of the Company.

The Consideration for the Subscription was determined after arm's length negotiations between the parties with reference to the market multiples of price-to-book ratio of comparable companies of SKS. Based on the preliminary net asset values of PBI (US$4,715,000, approximately HK$36,555,000) and SKS (NT$254,603,000, approximately HK$67,215,000) as at 31 October 2013, the estimated considerations of PBI and SKS were HK$115,755,000 and HK$72,825,000 respectively.

The formation of JV Company is a strategic alliance between Whayu and the Company. With the efficient production facilities of SKS in the PRC and the long established distribution channels and customers' base of PBI in North America and Latin America, the proposed formation of the JV Company will build up an efficient supply chain that covers the design, manufacture and distribution of LNB products and other equipment to meet different customer demands for high-end satellite television and LNB products.

Following the successful integration of SKS and PBI, it is expected that the profit margin of both companies will be improved and this will equip both companies with the advance technologies capable of developing the next generation products in satellite television receiving system and LNB products.

The Directors consider that the terms and conditions of the Transactions, including the basis of determining Consideration, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company, Whayu and the JV Company are still in the process to complete the Subscription.

Subscription of Additional Shares in Dish Media

On May 10, 2013, the Company and Dish Media Network Private Ltd. ("Dish Media") entered into the agreement, pursuant of which, the Company has conditionally agreed to subscribe for 6,195,652 new shares ("Subscription Shares") in the capital of Dish Media for an aggregate subscription price of US$7,289,002 (equivalent to HK$56,489,765) (the "Share Subscription"). The Subscription Shares represent 12.88% of the enlarged issued share capital of Dish Media upon completion of the subscription. Upon completion of the Share Subscription, the Company's interest in Dish Media will increase from 47% to 60% and Dish Media will become a non-wholly owned subsidiary of the Company.

Dish Media is the only satellite television operator in Nepal and currently it provides Direct-to-Home satellite television services to its subscribers under the brand name of Dish Home which offers over 50 channels to its subscribers covering the full spectrum of satellite television contents. As the reception quality of satellite television outplayed cable television services in Nepal and the satellite television broadcasting is still in its initial stage of development, the Directors consider that Nepal market present good business opportunities and growth potential for the Group's products. The Share Subscription will enable the Company to consolidate its control over Dish Media and provide the Group with a strategic platform to explore and develop the market of set top boxes and other digital media equipment in Nepal. It is the Group's strategy to continue investing resources for the transformation from an integrated device designer and manufacturer to a multimedia platform owner.

Completion of the Share Subscription is subject to the obtaining of the appropriate consents from the Department of Industries ("DOI") and the Ministry of Finance ("MOF") of Nepal as to the allotment of the Subscription Shares to the Company. In the event that the DOI or the MOF do not approve the contemplated transactions, all consideration paid under the Share Subscription shall be refunded by Dish Media, without interest, to the Company.

As at the date of this announcement, the Share Subscription is still in process and the appropriate consents from the DOI and MOF have not been obtained by the Company and Dish Media.

Liquidity and financial resources

As at December 31, 2013, the Group's cash and bank balances amounted to HK$164.9 million (6.30.2013: HK$236.6 million). The Group's pledged bank deposits were HK$32.3 million (6.30.2013: HK$26.3 million).

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.4 at December 31, 2013 and 1.3 at June 30, 2013.

For the Period, the annualized average trade receivable turnover period, average inventory turnover period, and average trade payable turnover period were 87 days, 62 days, and 80 days respectively (For the year ended June 30, 2013: 104 days, 67 days, and 87 days respectively).

At December 31, 2013, the Group's total loans were HK$329.1 million (6.30.2013: 376.9 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) decreased to 20.5% (6.30.2013: 23.9%).

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, 2013, 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$73.4 million, (ii) investment properties of HK$113.7 million and (iii) bank deposits of HK$32.3 million.

Contingent liabilities

The Group did not have any significant contingent liabilities at December 31, 2013.

EMPLOYEES

At December 31, 2013, the Group employed a total of 2,371 (6.30.2013: 2,358) 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 (7.1.2012 to 12.31.2012: Nil) for the six months ended December 31, 2013.

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 organization which is open and accountable to the Company's shareholders. The directors of the Company (the "Directors") believe that good corporate governance provides a framework and platform that is essential for and advantageous to effective management and successful business growth.

The Company has adopted and complied with the code provisions ("Code Provisions") set out in Appendix 14 the Corporate Governance Code and Corporate Governance Report (taking effect from April 1, 2012) (the "Code") 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, 2013, 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.

APPOINTMENT OF CHIEF FINANCIAL OFFICER

The Board of the Company announces that Ms. Sung Hsiang-Ling, Catherine ("Ms. Sung") is appointed as the chief financial officer of the Company with effect from 26 February 2014.

Ms. Sung graduated from University of Taipei with a bachelor degree in public finance. She is also the holder of master degree of business administration from Soochow University and international master degree of business administration from Reims Management School, Reims. Ms. Sung has more than 18 years of experience in financial accounting and tax. Prior to joining the Company, she was the Head of Finance, HTC China and Head of Global tax, HTC.

The Board would like to take this opportunity to welcome Ms. Sung on her appointment as the chief financial officer of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Liao Wen I, Mr. Frank Karl-Heinz Fischer, Mr. Mu Yean Tung and Mr. Shou Philip Ming Yung are the executive directors and Mr. Hsu Chun Yi, Mr. Lee Chien Kuo, Mr. Han Chien Shan 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 26, 2014