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 FINAL RESULTS FOR THE YEAR ENDED JUNE 30, 2007 AND RESUMPTION OF TRADING

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, 2007 (the "Year"), together with the comparative figures, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Revenue	*3*	**1,315,998**	1,090,342
Cost of sales		**(1,123,560)**	(893,880)
Gross profit		**192,438**	196,462
Other income		**27,055**	23,835
Increase in fair value of investment properties		**5,016**	2,891
Distribution and selling costs		**(51,638)**	(64,073)
Administrative expenses		**(150,248)**	(103,356)
Other expenses		**(11,666)**	(14,093)
Reversal of allowance for loans to an associate		**–**	6,169
Share of results of an associate		**512**	1,225
Finance costs		**(18,313)**	(14,339)
(Loss) profit before taxation		**(6,844)**	34,721
Income tax expense	*4*	**(8,251)**	(1,202)
(Loss) profit for the year	*5*	**(15,095)**	33,519
Attributable to:			
Equity holders of the Company		**(14,039)**	33,378
Minority interests		**(1,056)**	141
		(15,095)	33,519
Dividend		**–**	35,099
(Loss) earnings per share	*6*		
Basic		**(2.8) HK cents**	6.6 HK cents
Diluted		**(2.8) HK cents**	6.6 HK cents

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET

	Notes	2007 *HK$'000*	2006 *HK$'000*
Non-current assets			
Property, plant and equipment		**201,710**	186,614
Prepaid lease payments		**22,503**	21,139
Investment properties		**24,785**	20,074
Deposit paid for acquisition of property, plant and equipment		**779**	–
Goodwill		**70,294**	64,180
Intangible assets		**8,909**	1,090
Interest in an associate		**–**	3,987
Available-for-sale investments		**1,711**	1,624
Deferred tax assets		**1,019**	622
		331,710	299,330
Current assets			
Inventories		**382,128**	273,307
Trade and other receivables	*7*	**323,197**	295,075
Prepaid lease payments		**508**	480
Amount due from an associate		**–**	1,705
Derivative financial instruments		**215**	336
Pledged bank deposits		**10,725**	21,859
Bank balances and cash		**114,111**	92,179
		830,884	684,941
Current liabilities			
Trade and other payables	*8*	**463,960**	277,224
Tax liabilities		**10,315**	13,329
Bank and other borrowings – due within one year		**212,138**	194,291
Obligations under finance leases – due within one year		**683**	2,248
		687,096	487,092
Net current assets		**143,788**	197,849
		475,498	497,179

	Notes	**2007** **HK$'000**	2006 HK$'000
Capital and reserves			
Share capital		**50,868**	50,868
Reserves		**362,034**	363,967
Equity attributable to equity holders of the Company		**412,902**	414,835
Minority interests		**12,039**	13,248
Total equity		**424,941**	428,083
Non-current liabilities			
Other long-term payable		**1,596**	28,143
Bank and other borrowings – due after one year		**48,839**	39,688
Obligations under finance leases – due after one year		**122**	775
Deferred tax liabilities		**–**	490
		50,557	69,096
		475,498	497,179

Notes:

1. Basis of preparation

The 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "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 (the "Rule") on The Stock Exchange of Hong Kong Limited (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, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning July 1, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[3]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[4]
HK(IFRIC) – Int 12	Service Concession Arrangements[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interation[5]

[1] *Effective for annual periods beginning on or after January 1, 2007*
[2] *Effective for annual periods beginning on or after January 1, 2009*
[3] *Effective for annual periods beginning on or after November 1, 2006*
[4] *Effective for annual periods beginning on or after March 1, 2007*
[5] *Effective for annual periods beginning on or after January 1, 2008*
[6] *Effective for annual periods beginning on or after July 1, 2008*

3. Segment information

Business segments

For management purposes, the Group is currently organised into three operating divisions – digital television reception products, connectors and cables, and communication related products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Digital television reception products	–	manufacture and trading of digital television reception products
Connectors and cables	–	manufacture and trading of connectors and cables
Communication related products	–	manufacture and trading of assorted electronic accessories

Year ended June 30, 2007

	Digital television reception products *HK$'000*	**Connectors and cables** *HK$'000*	**Communication related products** *HK$'000*	**Total** *HK$'000*
REVENUE				
External sales	**711,683**	**383,225**	**221,090**	**1,315,998**
RESULT				
Segment result	**48,854**	**67,460**	**(10,171)**	**106,143**
Other income				**27,055**
Increase in fair value of investment properties				**5,016**
Unallocated corporate expenses				**(127,257)**
Share of results of an associate	**512**	**–**	**–**	**512**
Finance costs				**(18,313)**
Loss before taxation				**(6,844)**
Income tax expense				**(8,251)**
Loss for the year				**(15,095)**

Year ended June 30, 2006

	Digital television reception products *HK$'000*	Connectors and cables *HK$'000*	Communication related products *HK$'000*	Total *HK$'000*
REVENUE				
External sales	524,619	353,693	212,030	1,090,342
RESULT				
Segment result	47,974	59,398	9,299	116,671
Other income				23,835
Increase in fair value of investment properties				2,891
Unallocated corporate expenses				(101,731)
Reversal of allowance for loans to an associate	–	–	6,169	6,169
Share of results of an associate	1,225	–	–	1,225
Finance costs				(14,339)
Profit before taxation				34,721
Income tax expense				(1,202)
Profit for the year				33,519

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2007	2006
	HK$'000	*HK$'000*
Europe	**437,994**	319,256
North America	**362,858**	314,729
Middle East	**333,305**	321,572
Asia	**69,836**	63,750
South America	**57,706**	66,967
Other regions	**54,299**	4,068
	1,315,998	1,090,342

4. Income tax expense

	2007	2006
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Taxation in other jurisdictions	**9,097**	4,969
The People's Republic of China (the "PRC") enterprise income tax refunded in respect of reinvestment of dividend declared	**–**	(3,282)
	9,097	1,687
Deferred taxation credit	**(846)**	(485)
	8,251	1,202

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The principal PRC subsidiary was qualified as an exported oriented enterprise for the year ended December 31, 2006 and continued to enjoy the reduced tax rate of 12%.

5. (Loss) profit for the year

	2007	2006
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**36,016**	31,761
Amortisation of intangible assets (included in cost of sales)	**1,860**	121
Release of prepaid lease payments	**485**	442
Decrease in fair value of derivative financial instruments	**121**	–
Loss on disposal of property, plant and equipment	**–**	698
Research and development expenses (included in other expenses)	**11,666**	14,093
Impairment loss on trade and other receivables	**34,657**	15,718
Bad and doubtful debts written off	**–**	473
Foreign exchange loss (included in administrative expenses)	**6,764**	6,995
Inventories written off	**18,416**	–
and crediting:		
Bank interest income	**1,304**	2,514
Foreign exchange gain (included in other income)	**13,631**	5,704
Increase in fair value of derivative financial instruments	**–**	336
Gain on disposal of property, plant and equipment	**51**	–

6. (Loss) earnings per share

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

	2007	2006
	HK$'000	*HK$'000*
(Loss) earnings for the purposes of basic and diluted earnings per share		
(Loss) profit attributable to equity holders of the Company	**(14,039)**	33,378

	Number of shares	
Number of ordinary shares outstanding during the year, for the purpose of basic (loss) earnings per share	**508,682,000**	508,682,000
Effect of dilutive potential ordinary shares in respect of share options	**–**	123,216
Number of ordinary shares for the purpose of diluted (loss) earnings per share	**508,682,000**	508,805,216

The computation of the diluted loss per share does not assume the exercise of the Company's share options as their exercise would decrease the loss per share for the year ended June 30, 2007.

7. Trade and other receivables

The Group allows an average credit period of 30 days to 180 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet dates:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**142,285**	64,392
31 – 60 days	**64,633**	44,208
61 – 90 days	**30,090**	26,640
91 – 180 days	**23,705**	18,128
More than 181 days	**36,443**	81,244
	297,156	234,612
Other receivables	**26,041**	60,463
Total trade and other receivables	**323,197**	295,075

8. Trade and other payables

The following is an aged analysis of trade payables at the balance sheet dates:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**171,637**	77,061
31 – 60 days	**99,959**	55,030
61 – 90 days	**74,432**	47,698
91 – 180 days	**45,411**	25,916
181 – 365 days	**1,476**	346
	392,915	206,051
Other payables	**71,045**	71,173
Total trade and other payables	**463,960**	277,224

DIVIDEND

In view of the need of the Group's future development, the Directors have resolved not to declare any final dividend for the year ended June 30, 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group recorded turnover of HK$1,316.0 million for the Year, representing an increase of 20.7% as compared to the corresponding period last year (2006: HK$1,090.3 million). However, gross profit margin of the Group for the Year dropped to 14.6% (2006: 18.0%), or a decrease of 3.4% from last year. In addition, the decrease in distribution and selling costs was set off by the increase in administrative expenses and finance costs, mainly attributable to the Spanish subsidiary BCN Distribuciones, S.A. ("BCN") acquired in January 2006 (the "Acquisition"), and the payments of research and development ("R&D") costs, the Group recorded a loss for the Year amounted to HK$15.1 million (2006: profit of HK$33.5 million). Basic loss per share for the Year was 2.8 HK cents (2006: earnings per share of 6.6 HK cents). The outcome of the Year was disappointing but we believe that was a usual experience before the Group can fully benefit from the synergy of the Acquisition. The root of the trouble indeed was the worldwide digital television ("TV") market as a whole, from chip makers to TV operators, suffered delays in getting the product certified and launched. In response, we have taken a prudent approach and made substantial provisions against the debts and inventories, which caused a significant loss incurred in the second half of the Year and a decrease in gross profit margin.

Acquisition

On February 28, 2007, the Group completed the acquisition of the remaining 50% equity interest in FTE Maximal – Comercio de Antenas e Electronica, Lda., a limited company incorporated in Portugal, at a consideration of Euro 1 million (equivalent to approximately HK$10.2 million), which was an associate of the Group before. The goodwill arising from this acquisition amounted to HK$5.9 million.

Issue of new shares

As announced on September 6, 2007, the Company entered into the subscription agreement (the "Subscription") pursuant to which the Company has agreed to issue and the subscriber, CDIB Capital (Japan) Limited, has agreed to subscribe 48,000,000 new ordinary shares of nominal value of HK$0.10 each in the share capital of the Company (the "Share"). The aggregate nominal value of the Subscription Shares amounted to HK$4.8 million. The Subscription price of HK$1.45 per Share represents a discount of approximately 11.59% to the closing price of HK$1.64 per Share quoted on the Stock Exchange on September 5, 2007, being the last day of trading in the Shares on the Stock Exchange prior to the terms of the Subscription were fixed. In view of the positive conditions of the stock market, the Directors, including the independent non-executive Directors, consider that the Subscription represents an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company. The net proceeds from the Subscription is approximately HK$69.4 million, representing the net price raised per Share will be about HK$1.45 per Share, and will be used for general working capital of the Group.

Segmental information

As for the core business, sales of digital TV reception products amounted to HK$711.7 million (2006: HK$524.6 million) for the Year, or 54.1% of the Group's turnover. The increase of 35.7% in this segment was mostly contributed by the growth in the European market handled by BCN after the Acquisition. During the Year, the sales from the European market amounted to HK$438.0 million (2006: HK$319.3 million) or an increase of 37.2% from last year.

As for the non-core segments, sales from connectors and cables amounted to HK$383.2 million for the Year (2006: HK$353.7 million), representing 29.1% of the Group's turnover. Sales from communication related products amounted to HK$221.1 million for the Year (2006: HK$212.0 million), or 16.8% of the Group's turnover. The overall decrease in these segments is in line with the Group's strategy that new investments in R&D and production facilities are principally for core business only.

Prospects

After years of deferral in the global scale launch of digital TV broadcasting, we are in the midst of a significant phase of technology development, with worldwide consumers demand for high-definition ("HD") and personal video recorder ("PVR") products and services. Flat TV is evolving into high quality display device; however, it becomes clearer that there is little economic or technological logic for building advanced set-top box functionality into the TV due to the different rates of change between TV and set-top box technologies. In addition, there is strong competition between TV operators and new market entrants such as telephone operators providing video services over broadband. This adds to the demand on set-top boxes for HD and PVR services and other new advanced and specialist products, such as interactive digital services, as operators use the technology to differentiate their product offers to win and retain subscribers. For the meantime, it is clear that the Group is facing an unprecedented complex but energetic environment. Building on last year's investments in BCN which strengthens our distribution and R&D ability, the Group is working on next generation set-top boxes and well positioned to driving strong financial results.

Liquidity and financial resources

At June 30, 2007, the Group's general banking facilities amounted to approximately HK$311.1 million, of which bank and other borrowings of HK$261.0 million and obligations under finance leases of approximately HK$805,000 were utilised (2006: HK$234.0 million and HK$3.0 million, respectively) and amounted to HK$49.0 million were not repayable within one year. The net gearing ratio, representing net borrowings over total equity of the Group, was 32.2% (2006: 28.7%). The general increase in borrowings was in line with the growth in sales.

The current ratio of the Group at June 30, 2007 was 1.2 (2006: 1.4). The increased trade receivable turnover from 79 days to 82 days was mainly due to the increased sales near the year end. The inventory turnover also increased from 112 days to 124 days, which was mainly attributable to the expanding Europe market. The Group also arranged more finished goods for the increased sales immediately after year end.

During the Year, net cash generated from the Group's operating activities amounted to HK$65.7 million (2006: HK$48.1 million). Net cash used in the Group's investing activities for the Year amounted to HK$62.2 million (2006: generated HK$16.2 million), mainly for the purchase of property, plant and equipment. Net cash generated from the Group's financing activities amounted to HK$18.6 million (2006: used HK$57.4 million) for the Year, mainly because of new bank borrowings raised.

Capital structure

The Group continues to maintain a prudent treasury policy and manage currency and interest risks on a conservative basis. At June 30, 2007, the Group had cash and cash equivalents of HK$114.1 million (2006: HK$92.2 million), of which denominated in US$, Euro, RMB, HK$ and NT$ were 39.2%, 39.1%, 18.3%, 1.9% and 1.5% respectively. The Group's borrowings as at June 30, 2007 were denominated in Euro, US$ and HK$ of 57%, 29% and 13% and bear interest on a EURIBOR, LIBOR and HIBOR basis, respectively. At June 30, 2007 the Group had commitments in respect of outstanding currency forward contracts amounting to approximately US$21.0 million (equivalent to approximately HK$164.0 million), to hedge significant future transactions and cash flows denominated in US$ and RMB.

Charges on assets

As at June 30, 2007, the Group's general banking facilities were secured by the following assets of the Group: (i) freehold land of HK$2.4 million, (ii) prepaid lease payments of HK$19.3 million, (iii) buildings with a carrying value of HK$76.7 million, (iv) investment properties of HK$24.8 million and (v) bank deposits of HK$10.7 million.

Capital commitments

At June 30, 2007, the Group had capital expenditure amounting to approximately HK$443,000 in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

Employees

At June 30, 2007, the Group employed a total of 4,717 full-time employees (2006: 3,812). Employees are remunerated accordingly to their performance and responsibilities and the total employee benefit expenses for the Year amounted to HK$120.7 million (2006: HK$86.3 million), excluding Directors. Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

Contingent liabilities

The Group did not have any significant contingent liabilities at June 30, 2007.

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.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the Year.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters, including the review of the audited financial statements.

SUSPENSION AND RESUMPTION OF TRADING

The Company conducted a board meeting on October 26, 2007 to review the preliminary results of the Company for the year ended June 30, 2007. As the Company and the auditors were discussing the accounting treatment of certain items in the Company's consolidated financial statements, the Company had not approved the publication of the preliminary results announcement on the Stock Exchange's website in accordance with Rule 2.07C. The Company has requested for a suspension of trading of its shares on the Stock Exchange with effect from 9:30 a.m. on October 29, 2007 pending the issue of this announcement. Application has been made by the Company for the resumption of trading of its shares on the Stock Exchange with effect from 9:30 a.m. on November 1, 2007.

By order of the Board
Hung Tsung Chin
Chairman

Hong Kong, October 31, 2007

As at the date of this announcement, Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Wang Yao Chu, Mr. Liao Wen I and Mr. Yip Ho Chi are the executive directors and Mr. Hsu Chun Yi, Mr. Chen Chung Ho and Mr. Tsan Wen Nan are the independent non-executive directors of the Company.