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

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2010

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, 2010 (the "Year") together with comparative figures in 2009, as follows.

* *For identification purposes only.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2010

	NOTES	**2010** **HK$'000**	2009 HK$'000
Revenue	*3*	1,560,713	1,377,179
Cost of sales		(1,204,824)	(1,133,789)
Gross profit		355,889	243,390
Other income		20,306	12,976
Other gains and losses		(17,635)	(10,599)
Increase in fair value of investment properties		569	795
Distribution and selling costs		(61,392)	(56,150)
Administrative expenses		(142,277)	(113,713)
Research and development costs		(52,195)	(35,888)
Finance costs		(5,935)	(9,013)
Profit before taxation		97,330	31,798
Income tax expense	*4*	(6,345)	(1,148)
Profit for the year	*5*	90,985	30,650
Other comprehensive income			
Exchange difference arising from translation of foreign operations		(11,115)	(13,373)
Total comprehensive income for the year		79,870	17,277
Profit for the year attributable to:			
Owners of the Company		91,698	32,191
Non-controlling interests		(713)	(1,541)
		90,985	30,650

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended June 30, 2010

	NOTE	**2010** **HK$'000**	2009 *HK$'000*
Total comprehensive income attributable to:			
Owners of the Company		80,662	18,809
Non-controlling interests		(792)	(1,532)
		79,870	17,277
Earnings per share	*7*		
Basic		14.9 HK cents	5.8 HK cents
Diluted		14.8 HK cents	5.8 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2010

	NOTES	**2010** **HK$'000**	2009 *HK$'000*
Non-current assets			
Property, plant and equipment		**163,145**	180,733
Prepaid lease payments		**22,510**	22,899
Investment properties		**31,981**	31,083
Goodwill		**66,392**	84,681
Intangible assets		**2,980**	6,234
Deferred tax assets		**12,624**	8,723
		299,632	334,353
Current assets			
Inventories		**278,791**	227,496
Trade and other receivables	*8*	**276,268**	191,046
Prepaid lease payments		**547**	543
Derivative financial instruments		**51**	299
Pledged bank deposits		**1,405**	1,275
Bank balances and cash		**477,150**	173,305
		1,034,212	593,964
Current liabilities			
Trade and other payables	*9*	**392,223**	236,310
Tax liabilities		**14,658**	9,028
Bank borrowings – due within one year		**66,395**	84,955
Obligations under finance leases – due within one year		**291**	35
		473,567	330,328
Net current assets		**560,645**	263,636
		860,277	597,989

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At June 30, 2010

	2010	2009
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**66,478**	55,672
Reserves	**757,666**	508,494
Equity attributable to owners of the Company	**824,144**	564,166
Non-controlling interests	**9,433**	10,225
Total equity	**833,577**	574,391
Non-current liabilities		
Bank borrowings – due after one year	**16,157**	16,184
Deferred tax liabilities	**10,006**	7,414
Obligations under finance leases – due after one year	**537**	–
	26,700	23,598
	860,277	597,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[1]

[1] *Amendments that are effective for annual periods begining on or after July 1, 2009*

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk.

New and revised HKFRSs affecting the reported results and/or financial positions

HKFRS 3 (Revised) affects the Group's accounting for business combination for which the acquisition date is on or after July 1, 2009. HKAS 27 (Revised) affects the accounting treatment for changes in the Group's ownership interest in a subsidiary. These changes have no impact on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] *Amendments that are effective for annual periods beginning on or after January 1, 2010*

[2] *Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate*

[3] *Effective for annual periods beginning on or after January 1, 2010*

[4] *Effective for annual periods beginning on or after February 1, 2010*

[5] *Effective for annual periods beginning on or after July 1, 2010*

[6] *Effective for annual periods beginning on or after January 1, 2011*

[7] *Effective for annual periods beginning on or after January 1, 2013*

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 is likely to affect the classification and measurement of the Group's financial assets. The impact can not yet be or reasonably estimated.

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from January 1, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 is likely to affect the classification and measurement of the Group's leasehold land. The impact can not yet be or reasonably estimated.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. Revenue and segment information

The Group has adopted HKFRS 8 "Operating Segments" with effect from July 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group's executive directors, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard, HKAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was organised into two operating division – media entertainment platform related products and other multimedia products. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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

Year ended June 30, 2010

	Media entertainment platform related products	**Other multimedia products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
REVENUE			
External sales	**1,116,837**	**443,876**	**1,560,713**
RESULTS			
Segment results	**230,203**	**45,445**	**275,648**
Other income			**20,306**
Other gains and losses			**1,214**
Increase in fair value of investment properties			**569**
Research and development costs			**(52,195)**
Administrative expenses			**(142,277)**
Finance costs			**(5,935)**
Profit before taxation			**97,330**

Year ended June 30, 2009

	Media entertainment platform related products *HK$'000*	Other multimedia products *HK$'000*	Total *HK$'000*
REVENUE			
External sales	883,764	493,415	1,377,179
RESULTS			
Segment results	116,289	66,644	182,933
Other income			12,976
Other gains and losses			(6,292)
Increase in fair value of investment properties			795
Research and development costs			(35,888)
Administrative expenses			(113,713)
Finance costs			(9,013)
Profit before taxation			31,798

Segment profit represents the profit earned by each segment without allocation of administrative expenses, research and development costs, other income, other gains and losses (except impairment loss on goodwill), and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Geographical information

The Group's operations are mainly located in the PRC (country of domicile), Taiwan, Europe, North America, Middle East, Africa and South America.

The Group's revenue from external customers, based on location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets** *(note)*	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia				
– PRC (country of domicile)	**–**	–	**185,226**	201,258
– Taiwan	**134,888**	23,837	**3,128**	3,220
– Others	**30,321**	31,450	**9,560**	9,834
Europe				
– Germany	**36,944**	58,219	**16,726**	20,029
– Spain	**232,079**	232,580	**72,368**	91,280
– Others	**71,457**	102,982	**–**	–
North America				
– United States of America	**169,907**	192,681	**–**	9
– Others	**44,135**	55,025	**–**	–
Middle East				
– United Arab Emirates	**495,320**	447,503	**–**	–
– Others	**148,283**	45,405	**–**	–
Africa	**69,571**	106,923	**–**	–
South America				
– Chile	**33,158**	40,216	**–**	–
– Uruguay	**52,126**	–	**–**	–
– Others	**40,756**	37,545	**–**	–
Other regions	**1,768**	2,813	**–**	–
	1,560,713	1,377,179	**287,008**	325,630

note: Non-current assets exclude deferred tax assets.

4. Income tax expense

	2010	2009
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
PRC	**5,514**	4,607
Jurisdictions other than the PRC and Hong Kong	**7,782**	4,397
Under(over)provision in prior years	**1,756**	(2,666)
Tax refunded in respect of research and development activities in other jurisdiction	**(5,504)**	(2,994)
	9,548	3,344
Deferred taxation:		
Current year	**(6,077)**	(3,954)
Provision for withholding tax	**2,874**	2,664
Attributable to a change in tax rate	**–**	(906)
	(3,203)	(2,196)
	6,345	1,148

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

Other subsidiaries operating in other jurisdictions are subject to applicable tax rates in the relevant jurisdictions.

5. Profit for the year

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**6,412**	8,690
Other staff costs	**171,022**	144,881
Retirement benefit scheme contributions, excluding directors	**18,947**	11,512
Share-based payment expense, excluding directors	**1,431**	1,644
Total employee benefit expenses	**197,812**	166,727
Auditor's remuneration	**2,876**	2,015
Depreciation of property, plant and equipment	**23,195**	26,869
Amortisation of intangible assets (included in cost of sales)	**3,150**	3,339
Release of prepaid lease payments	**544**	544
Impairment loss on goodwill (included in other gains and losses)	**14,055**	3,055
Impairment loss on inventories (included in cost of sales)	**12,700**	8,182
Impairment loss on trade receivables (included in other gains and losses)	**4,794**	1,250
Foreign exchange loss (included in other gains and losses)	**2,539**	6,225
and after crediting:		
Bank interest income	**990**	994
Foreign exchange gain (included in other gains and losses)	**3,702**	1,586
Gain on disposal of property, plant and equipment	**129**	65
Property rental income with negligible outgoings	**2,377**	2,719
Scrap and sample sales (included in other income)	**10,785**	2,102
Increase in fair value of derivative financial instruments (included in other gains and losses)	**51**	299

Included in the total employee benefit expenses is an aggregate amount of HK$18,992,000 (2009: HK$11,567,000) in respect of contributions of retirement benefits schemes made by the Group.

6. Dividends

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2009 Final – HK1.6 cents per share (2009: nil)	**8,908**	–
2010 Interim – HK2.5 cents (2009: interim dividend HK0.6 cents) per share	**16,619**	3,340
	25,527	3,340

The final dividend of HK3.0 cents (2009: HK1.6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

7. Earnings per share

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

	2010	2009
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to owners of the Company	**91,698**	32,191

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**614,749,000**	556,722,000
Effect of dilutive potential ordinary shares in respect of share options	**2,852,000**	1,413,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**617,601,000**	558,135,000

8. Trade and other receivables

The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting periods:

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**119,748**	96,371
31 – 60 days	**63,497**	33,487
61 – 90 days	**41,932**	19,522
91 – 180 days	**11,052**	14,662
More than 180 days	**–**	557
	236,229	164,599
Other receivables	**40,039**	26,447
Total trade and other receivables	**276,268**	191,046

9. Trade and other payables

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

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**151,276**	102,884
31 – 60 days	**102,782**	50,231
61 – 90 days	**49,380**	28,782
91 – 180 days	**23,895**	13,246
181 – 365 days	**1,891**	324
	329,224	195,467
Other payables	**62,999**	40,843
Total trade and other payables	**392,223**	236,310

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Looking back at the year ended June 30, 2010, under the adverse global economic environment, the Group encountered both competition and challenges from its relevant industries globally. Not only was the Group not being affected, however, we were able to grasp the global momentum and opportunities and diverted into new business arena successfully, expanded the Group's global business presence and established our long-term and reliable strategic partnership. The main reasons for the Group's success to achieve such remarkable achievements are as follows:

1. ***Stable and diversified product supply chain***

   The Group provides comprehensive product chain and relevant services to our customers. We provide different types of media entertainment platform relevant products with comprehensive specifications, ranges from low price basic types to high-end luxury ones. We also provide customized services to meet any requirements of our customers. Apart from the media entertainment platform relevant products, the Group also provides various CATV/SATV products related to television, such as LNBs, Amplifiers, Splitters, Taps, Modulators, Outlet boxes and a full series of cables and connectors. With our all-round and comprehensive products and services, complimented with our stringent quality testing and inspection, the reputation and creditability of the Group have completely earned the trust of our customers and established a positive corporate image in our expansion into potential markets.

2. ***Trend analysis of global digitalization***

   With limited spectrum resources and increasing demand for higher video quality, digitalization of television system has become an irreversible trend. Although the retreating schedule of analog channels for every country is different, it is clear to state that analog television will become a name in world history by not later than 2015. With the issuance of channel licences in different countries, all the governments are striving to promote and subsidize broadcasting system. Also, to ensure in maintaining existing markets and customers, operators have no choice but to implement digitalized system upgrade. Therefore, as the Group can provide comprehensive product support and customer services and is able to replace in full the television receptor of broadcasting system and ancillaries, with the continuous increase in global demand and sales of television receptors at a rate of 5% to 10% per annum, the operating policies of the Group are fully in line with global trend and market demand.

3. Research and development and technology integration

Our professional research and development team is equipped with high capability in hardware integration and software development. Hardware products include integrated master chip, circuit design and testing, new module development and switching power supply design, etc. Software products include control and design of low-mode BIOS, firmware module development, middleware design and etc. Our outstanding hardware and software design teams provide tremendous flexibility for our customers, able to satisfy their needs, and keep on upgrading the functions of new products. For existing products, our aims are to reduce costs and shorten production time. For example, development of new integrated circuit board, reduction in size of circuit board and number of laminas could reduce power dissipation and lower the cost of circuit board. We even try to utilize the laminas of circuit board to achieve ensuring data transmission reliability.

4. Ensure customer profitability

Apart from advertising revenues, television system operators must also ensure that there is no illegal reception by subscribers. In order to ensure customer profitability, the Group has provided comprehensive services for the integration of CA system. We have already obtained user licenses and certificates from overseas renowned CA systems and in terms of copyright protection, the levels of security provided by the Group are well recognized by international organizations. Many of our CA systems are applicable to use in different countries under different broadcasting system standards. We also provide various decryption designs and services, allowing operators to provide more quality encrypted programs to their legally authorized subscribers, giving a win-win situation in all aspects.

5. Self-contained overseas production lines, highly automated mainland China factory

With the Group's continuous globalization development, in order to cater for the changing markets conditions and grasp the momentum of overseas local markets more precisely and swiftly, the Group actively plans to set up its overseas production lines in North Africa, East Africa and South America so as to adjust and improve our products according to local market demands in a timely manner. Overseas local product lines could shorten the transportation time of products, save transportation costs, lower import charge, and enhance product competitiveness and market shares. The Group co-operates strategically with overseas qualified famous brands, captures and leads the local markets by leveraging on their strong marketing channels. At the same time, with the international view and scientific view of the management of the Group, our outstanding development team and professional marketing team, the Group actively plans to establish its own brand to gain recognition and leading position in overseas local markets through applying brand strategy, leading industrial technology and high quality affordable products.

The factory in mainland China remains the foundation of the Group. The Group has all along been devoting itself to improve production automation and reduce the proportion in manual operation. We purchased large quantities of advanced production equipments and testing instruments of all kinds, such as high-tech SMT machine, automatic AI machine, wave welder, spectrum analyzer and network analyzer. The highly automated production mode for the production lines have effectively reduced our demand for labour, lowered our production costs, improved our production capacity and efficiency and minimized the pitfalls due to reliance on labour production, thereby ensuring our quality. Given the nationwide labour shortage in mainland China since the fourth quarter of 2009, however, the Group was nearly not affected.

6. System integration team

Our outstanding system integration team is led by our Senior Product Managers from Germany who are well conversant to the different broadcasting systems standards around the world. With this, we are able to customize comprehensive operation solution to fulfill the operating needs of different customers. The solution ranges from program signal origin, passing through the front-end receiving transmission system at different sectors, to reaching our end-users, and fulfills customer needs completely. The above includes the most advanced Terrestrial Broadcasting Television System II or the Simultaneous Encryption of Front-end Scrambling System, No-module Scrambling System and even the different added-value services like the Push Video-On-Demand System and Pay-Per-Time Receiving System.

In view of the above, the Group's excellent results during the year were not by chance. Our totally-equipped team is always ready to face different kinds of competition and challenges.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 13.3% from HK$1,377.2 million for the year ended June 30, 2009 to HK$1,560.7 million for the year ended June 30, 2010. The increase in turnover in current year was mainly driven by the steady growth of orders from the customers upon the recovery of the global economy.

Gross profit and gross profit margin

As a result of the increase in sales volume, the gross profit increased by HK$112.5 million or 46.2% to HK$355.9 million for the year ended June 30, 2010 (2009: HK$243.4 million).

Gross profit margin has been pushed up to 22.8% for the Year (2009: 17.7%). The increase in gross profit margin was mainly resulted from the growth of sales in high-definition products which generated higher gross profit margin and decrease in production costs by improving the production line automation.

Segment information

The growth of Group's turnover was primarily due to the rapid expansion of the Group's core business, sales of media entertainment platform related products, which grew to HK$1,116.8 million for the year ended June 30, 2010 (2009: HK$883.8 million).

The turnover of sales from other multimedia products for the Year maintained at HK$443.9 million (2009: HK$493.4 million). The major products in this segment are cables and connectors, being components for audio and video electronic products.

Revenue by geographic markets

	Middle East	Europe	North America	Africa	South America	Asia	Other regions	Total
Revenue for the Year *(HK$m)*	643.6	340.5	214.0	69.6	126.0	165.2	1.8	1,560.7
% of Group's revenue	41.2	21.8	13.7	4.5	8.1	10.6	0.1	100
% growth (decline) from last year	30.6	(13.5)	(13.6)	(34.9)	62.0	198.8	(37.1)	13.3

Operating results

The Group's profit for the Year attributable to owners of the Company increased by 184.8% to HK$91.7 million (2009: HK$32.2 million).

The Group's operating expenses increased by 24.4% to HK$255.9 million for the Year (2009: 205.8 million).

Distribution and selling costs representing 3.9% (2009: 4.1%) of the Group's revenue increased in line with the improved revenue.

Administrative expenses increased by 25.1% to HK$142.3 million for the Year (2009: HK$113.7 million), mainly resulting from an increase in salaries as the salary level increased.

Research and development costs increased by 45.4% to HK$52.2 million for the Year (2009: HK$35.9 million) because of enhancement of research and development competence.

Income tax expense

During the Year, income tax expense of the Group amounted to HK$6.3 million (2009: HK$1.1 million) mainly because of the significant increase in net profit before tax.

Capital structure

On December 18, 2009, the Company was listed in Taiwan Stock Exchange for the issuance of Taiwan Depositary Receipts (the "TDR"). The ordinary shares of the Company are the underlying securities of the TDR. One ordinary share represents one unit of TDR. A total TDR of 148 million units was issued which included 108 million new shares at an aggregate nominal value of HK$10.8 million, which was allotted and issued by the Company under the general mandate granted to Directors at the annual general meeting of the Company held on December 3, 2009; and 40 million existing shares to be offered by three shareholders.

The issue structure of 148 million units of TDR comprised (a) an offer of 1,000 units of TDR for subscription by Securities and Futures Investors Protection Center pursuant to the applicable securities laws in Taiwan; (b) an offer of an aggregate of 18,250,000 units of TDR for subscription by the Underwriters; (c) an offer of an aggregate of 12,975,000 units of TDR for application for subscription by the public in Taiwan; and (d) an offer of an aggregate of 116,774,000 units of TDR for subscription by selected institutional and individual investors in Taiwan through book building process.

The offer price of TDR is NT$8.00 (equivalent to HK$1.92) per unit, representing a discount of approximately 9.86% to the closing price of HK$2.13 per share quoted on the Hong Kong Stock Exchange on December 10, 2009, being the day prior to signing of the Underwriting Agreement. In the view of the positive conditions of the stock market, the Directors, including the independent non-executive Directors, consider that the TDR issue represents an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company.

The net proceeds of TDR issue, after deduction of underwriting fees and expenses, amounted to approximately HK$203 million, which represents the net price raised per share approximately HK$1.88 per share. The Company intends to use these proceeds for the research and development of the integrated system, capital expenditure and general working capital.

In addition, the Group's sources of financing included bank borrowings which denominated in Euros at prevailing interest rates.

Working capital efficiency

The average inventory turnover days for the year ended June 30, 2010 and 2009 were 77 days and 89 days respectively.

The average trade receivables turnover days for the year ended June 30, 2010 and 2009 were 47 days and 47 days respectively.

The average trade payables turnover days for the year ended June 30, 2010 and 2009 were 79 days and 75 days respectively.

Liquidity and financial resources

At June 30, 2010, our cash and cash equivalent balances totaled HK$477.2 million compared with HK$173.3 million at June 30, 2009, of which 66.6% (2009: 67.3%) was denominated in US dollars, 15.1% (2009: 13.4%) in Euros, 14.6% (2009: 12.9%) in Renminbi, 2.8% (2009: 5.6%) in Hong Kong dollars, and 0.9% (2009: 0.8%) in other currencies.

The Group's current ratio (ratio of current assets to current liabilities) was 2.2 at June 30, 2010 and 1.8 at June 30, 2009.

As at June 30, 2010, the Group's total borrowings were HK$ 83.4 million (2009: HK$101.2 million) that denominated mainly in Euro at the prevailing interest rate. The Group has always pursued a prudent treasury management policy and maintains a strong liquidity position to ensure that it can cope with daily operations, capital expenditure needs and future business expansion.

At June 30, 2010, the Group's outstanding borrowings primarily consist of trust receipt loans of HK$7.4 million, finance leases of HK$0.8 million, and other bank loans of HK$75.2 million whereas HK$66.7 million were repayable within one year. The Group's borrowings as at June 30, 2010 were denominated in Euros and Renminbi of 99.0% and 1.0% respectively (2009: 99.2% and 0.8% respectively). The gearing ratio (total borrowings over total assets of the Group) was significantly reduced to 6.3% at June 30, 2010 from 10.9% at June 30, 2009.

Charges on assets

As at June 30, 2010, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$1.4 million, (ii) buildings with a carrying value of HK$2.0 million, and (iii) prepaid lease payments of HK$7.7 million.

Contingent liabilities

The Group did not have any significant contingent liabilities at June 30, 2010 (2009: Nil).

PROSPECTS

With digital television becoming more and more popular in PRC market, the PRC terrestrial digital broadcasting television business is growing rapidly with the huge market potential driving the whole digital broadcasting television related sector. Since the beginning of 2010, the Group began to formulate the layout of PRC market aggressively and develop the digitalized STB in accordance with the new standards of PRC terrestrial digital broadcasting television. By leveraging on its excellent signal source compression and signal demodulation technology and low-cost and high-efficiency research and development, the Group could provide the most cost-effective coordinated solutions and advanced and flexible high-security CA system technology for the whole system. Currently, the Group is co-operating with a well-known broadcasting system operator in PRC, and plans to establish its presence into the huge PRC market.

The Group is not only the designer and manufacturer of professional digital signal head-end equipments, transmission equipments, modulating equipments and terminal receiving equipments. In Latin America and Africa, the Group has obtained great success in co-operating with many local system operators to provide comprehensive system integration business and advanced CA system technology.

Being participated in the huge PRC market, the Group's strategy is to transform gradually from the designer and manufacturer role to become a digital broadcasting platform operator, content provider and system integration expert, so as to extend system integration business to content services.

The Group will focus on the establishment of its special and important presence in PRC market by its exclusive operation certification and local advantages, and promote the self researched and developed security CA system and technology in new markets to gain good reputation in building up its own brand.

The Group will form strategic alliances with technological co-operation partners, renowned CA system providers, platform operators, and multi-system operators.

Looking forward, with the successful operation in PRC market, the Group expects the total revenue from all the regions in China would become an important part of the Group's total revenue in next five years. Our business mode will be transformed from ODM manufacturer to system operator, content provider and system integration expert, to establish the media business and build up our own brand and so on, so as to maintain and strengthen the global competitiveness of the Group and to enhance our leading position.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK3.0 cents per share for the year ended June 30, 2010 (2009: HK1.6 cents). This dividend is subject to the approval of shareholders at the annual general meeting on December 6, 2010.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of shareholders will be closed from Monday, November 8, 2010 to Tuesday, November 9, 2010, both days inclusive, during which period no share transfer will be registered. In order to be entitled to the payment of dividend, and eligible for attending and voting at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, November 5, 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended June 30, 2010, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors and internal control.

EMPLOYEES

As at June 30, 2010, the Group employed a total of 3,866 (2009: 3,518) full-time employees. Employees are remunerated accordingly to their performance and responsibilities and the total employee benefit expenses, excluding directors, for the Year amounted to HK$191.4 million (2009: HK$158.0 million). Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the provisions set out in the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and where appropriate, adopted the recommended best practices of the CG Code throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This final results announcement is published on the Company's website at www.sandmartin.com.hk and the Stock Exchange's website at www.hkexnews.hk. The 2010 Annual Report will be despatched to Shareholders and will be available at the Company's website and the Stock Exchange's website in due course.

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Hung Tsung Chin (Chairman), Ms. Chen Mei Huei (Chief Executive Officer), Mr. Wang Yao Chu and Mr. Liao Wen I are the executive directors of the Company and Mr. Hsu Chun Yi, Mr. Tsan Wen Nan and Mr. Lee Chien Kuo are the independent non-executive directors of the Company.

By order of the Board
Sandmartin International Holdings Limited
Hung Tsung Chin
Chairman

Hong Kong, October 6, 2010