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, 2007

The Board of Directors (the "Directors") of Sandmartin International Holdings Limited (the "Company") is pleased to announce their unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2007 (the "Period"), together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED DECEMBER 31, 2007

	Notes	Six months ended December 31, 2007 HK$'000 (unaudited)	2006 HK$'000 (unaudited)
Revenue	3	**938,422**	590,128
Cost of sales		**(762,308)**	(491,667)
Gross profit		**176,114**	98,461
Other income		**12,644**	10,934
Distribution and selling costs		**(32,000)**	(22,498)
Administrative expenses		**(69,740)**	(49,279)
Impairment loss on trade receivables		**(31,673)**	(3,355)
Research and development costs		**(13,868)**	(6,147)
Share of results of an associate		**–**	250
Finance costs		**(10,469)**	(10,348)
Profit before taxation	4	**31,008**	18,018
Income tax expense	5	**(232)**	(3,391)
Profit for the period		**30,776**	14,627
Attributable to:			
Equity holders of the Company		**30,432**	14,956
Minority interests		**344**	(329)
		30,776	14,627
Earnings per share	6		
Basic *(HK cents)*		**5.7**	2.9
Diluted *(HK cents)*		**5.7**	2.9

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2007

	Notes	**December 31, 2007 HK$'000 (unaudited)**	June 30, 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**199,910**	201,710
Prepaid lease payments		**22,730**	22,503
Investment properties		**25,577**	24,785
Deposit paid for acquisition of property, plant and equipment		**–**	779
Goodwill		**70,765**	70,294
Intangible assets		**8,353**	8,909
Available-for-sale investments		**1,527**	1,711
Deferred tax assets		**486**	1,019
		329,348	331,710
Current assets			
Inventories		**362,689**	382,128
Trade and other receivables	*7*	**293,112**	323,197
Prepaid lease payments		**520**	508
Derivative financial instruments		**–**	215
Pledged bank deposits		**10,722**	10,725
Bank balances and cash		**242,889**	114,111
		909,932	830,884
Current liabilities			
Trade and other payables	*8*	**415,708**	463,960
Tax liabilities		**8,473**	10,315
Derivative financial instruments		**1,332**	–
Bank and other borrowings – due within one year		**229,512**	212,138
Obligations under finance leases – due within one year		**146**	683
		655,171	687,096
Net current assets		**254,761**	143,788
		584,109	475,498

	December 31, 2007 HK$'000 (unaudited)	June 30, 2007 HK$'000 (audited)
Capital and reserves		
Share capital	**55,668**	50,868
Share premium and reserves	**471,105**	362,034
Equity attributable to equity holders of the Company	**526,773**	412,902
Minority interests	**12,229**	12,039
Total equity	**539,002**	424,941
Non-current liabilities		
Other long-term payable	**–**	1,596
Bank and other borrowings – due after one year	**45,025**	48,839
Obligations under finance leases – due after one year	**82**	122
	45,107	50,557
	584,109	475,498

Notes:

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the 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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended June 30, 2007 except as described below.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning July 1, 2007.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[2]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]

[1] *Effective for annual periods beginning on or after January 1, 2007*
[2] *Effective for annual periods beginning on or after November 1, 2006*
[3] *Effective for annual periods beginning on or after March 1, 2007*

The adoption of these new HKFRSs has had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] *Effective for annual periods beginning on or after January 1, 2009*

[2] *Effective for annual periods beginning on or after January 1, 2008*

[3] *Effective for annual periods beginning on or after July 1, 2008*

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

Business segments

For management purposes, the Group is currently organised into two operating divisions – digital television reception products and other multimedia products. These divisions are the basis on which the Group reports its primary segment information.

In the previous period, the Group's operations were organised into three operating divisions namely digital television reception products, connectors and cables, and communication related products. During the period, management considered that most of the customers ordered both connectors and cables, and communication related products and these products are subject to similar risk and returns. Accordingly, management has reorganised the operating divisions by grouping the connectors and cables, and communication related products and renamed it as other multimedia products. Comparative segment information has been restated accordingly.

Six months ended December 31, 2007

	Digital television reception products *HK$'000*	Other multimedia products *HK$'000*	Total *HK$'000*
REVENUE			
External sales	641,437	296,985	938,422
RESULTS			
Segment results	62,979	49,461	112,440
Other income			12,644
Unallocated corporate expenses			(83,607)
Finance costs			(10,469)
Profit before taxation			31,008
Income tax expense			(232)
Profit for the period			30,776

Six months ended December 31, 2006

	Digital television reception products HK$'000	Other multimedia products HK$'000	Total HK$'000
REVENUE			
External sales	292,914	297,214	590,128
RESULTS			
Segment results	29,391	46,572	75,963
Other income			10,934
Unallocated corporate expenses			(58,781)
Share of results of an associate	250	–	250
Finance costs			(10,348)
Profit before taxation			18,018
Income tax expense			(3,391)
Profit for the period			14,627

4. Profit before taxation

	Six months ended December 31, **2007** *HK$'000*	2006 *HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	**964**	555
Release of prepaid lease payments	**256**	235
Depreciation of property, plant and equipment	**17,882**	17,510
Fair value change of derivative financial instruments *(Note)*	**1,600**	813
and after crediting:		
Bank interest income	**1,379**	848

Note: The amount represent fair value change for foreign currency exchange contracts, certain of which are outstanding at the balance sheet date.

5. Income tax expense

	Six months ended December 31, 2007 HK$'000	2006 HK$'000
The tax charge comprises:		
Current period		
PRC Enterprise Income Tax	**3,024**	1,509
Taxation in other jurisdictions	**3,030**	1,904
PRC Enterprise Income Tax refunded in respect of reinvestment of dividend declared	**(6,402)**	–
Deferred tax charge (credit)	**580**	(22)
	232	3,391

No tax is payable on the profit for both periods arising in Hong Kong since the assessable profit of the subsidiary operating in Hong Kong was wholly absorbed by tax losses brought forward. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. Earnings per share

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

	Six months ended December 31, 2007 HK$'000	2006 HK$'000
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to equity holders of the Company	**30,432**	14,956
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**536,073,304**	508,682,000
Effect of dilutive potential ordinary shares in respect of share options	**2,315,274**	2,275,658
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**538,388,578**	510,957,658

7. Trade and other receivables

The Group allows an average credit period of 30 days to 120 days to its trade customers.

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

	December 31, 2007	June 30, 2007
	HK$'000	*HK$'000*
0 – 30 days	**130,268**	142,285
31 – 60 days	**73,780**	64,633
61 – 90 days	**28,439**	30,090
91 – 180 days	**25,311**	23,705
More than 180 days	**2,906**	36,443
	260,704	297,156

8. Trade and other payables

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

	December 31, 2007	June 30, 2007
	HK$'000	*HK$'000*
0 – 30 days	**126,718**	171,637
31 – 60 days	**92,814**	99,959
61 – 90 days	**58,944**	74,432
91 – 180 days	**68,341**	45,411
181 – 365 days	**7,134**	1,476
	353,951	392,915

INTERIM DIVIDEND

In view of the need of the Group's future development, the Directors have resolved not to declare any interim dividend for the six months ended December 31, 2007 (7.1.2006 to 12.31.2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded revenue of HK$938.4 million for the Period, representing a substantial increase of 59.0% as compared to the corresponding period last year (7.1.2006 to 12.31.2006: HK$590.1 million). Gross profit margin of the Group for the Period also increased to 18.8% (7.1.2006 to 12.31.2006: 16.7%). The Group's profit for the Period attributable to equity holders amounted to HK$30.4 million, or rose by 103.5% (7.1.2006 to 12.31.2006: HK$15.0 million). Basic and diluted earnings per share for the Period were 5.7 HK cents (7.1.2006 to 12.31.2006: 2.9 HK cents). Though the Group's profit for the Period has been adversely affected by the impairment loss on trade receivables amounted to HK$31.7 million, mainly related to a Middle East customer, the Directors have sustained the prudent approach and tightened its overall credit control to address the issue, and believe that through the diversification of markets and customers the credit risk can be mitigated. The Group would continue its investment in research and development ("R&D") and the R&D costs for the Period amounted to HK$13.9 million, increased by 125.6% (7.1.2006 to 12.31.2006: HK$6.1 million). Also, in January 2008, the Directors approved the acquisition of the entire interest in Intelligent Digital Services GmbH ("IDS"), a company incorporated in Germany for a consideration of EUR1,800,000 (equivalent to approximately HK$21.1 million), in order to further strengthen the R&D capability of the Group especially in the markets of Europe and Americas.

Segmental information

The revenue attributable to the core business, sales of digital television ("DTV") reception products, amounted to HK$641.4 million (7.1.2006 to 12.31.2006: HK$292.9 million), or 68.4% of the Group's revenue. The increase of 119.0% in this segment was mainly attributable to the growth in DTV set-top boxes, both in output units and the percentage of high value products. The continuing growth in the European market was also a key factor to boost up the revenue and gross margin simultaneously.

As for the non-core segment, sales from other multimedia products maintained at HK$297.0 million for the Period (7.1.2006 to 12.31.2006: HK$297.2 million), representing 31.6% (7.1.2006 to 12.31.2006: 50.1%) of the Group's revenue.

Capital structure

In September 2007, upon the completion of the issue of 48,000,000 new shares under the general mandate granted to the Directors at the annual general meeting of the Company held on December 5, 2006 (the "Subscription"), the sum of share capital and share premium of the Company has been enlarged by HK$69.6 million to HK$148.8 million. In view of the positive conditions of the stock market, the Directors considered that the Subscription represented an opportunity to raise capital for the Company while broadening the shareholder base and the capital base of the Company, and the Company can have readily available resources to make investments as and when opportunities arise.

Liquidity and financial resources

The net gearing ratio, representing net borrowings over total equity of the Group, was significantly reduced to the single digit 4.0% at December 31, 2007 (6.30.2007: 32.2%). At December 31, 2007, the Group's general banking facilities amounted to approximately HK$399.1 million, of which bank and other borrowings of HK$274.5 million and obligations under finance leases of approximately HK$228,000 were utilised (6.30.2007: HK$261.0 million and HK$805,000, respectively) whereas HK$45.1 million were not repayable within one year.

The current ratio of the Group at December 31, 2007 was 1.4 (6.30.2007: 1.2). Because of the growth in revenue, the annualized trade receivable turnover and inventory turnover decreased to 50 days and 86 days respectively, (82 days and 124 days for the year ended June 30, 2007, respectively). The annualized trade payable turnover also reduced to 84 days (128 days for the year ended June 30, 2007).

During the Period, net cash generated from the Group's operating activities amounted to HK$60.4 million (7.1.2006 to 12.31.2006: used HK$2.6 million). Net cash used in investing activities amounted to HK$6.8 million (7.1.2006 to 12.31.2006: HK$7.7 million). Net cash generated from financing activities amounted to HK$70.5 million (7.1.2006 to 12.31.2006: used HK$0.9 million).

Prospects

The Group has delivered a strong performance during the Period, meeting its increased expectations, primarily supported by recent years' acquisitions and the associated enhancement in the R&D competence and the distribution network. The Directors believe the Group will continue to benefit from its European subsidiaries' contributions, as well as the wide-ranging growth of the global DTV set-top box market, not just geographically, but in different platforms namely terrestrial, satellite, cable and internet protocol TV, and products' diverse functionality such as high-definition, personal video recorder and interactive services.

The Directors have noticed the recent unification of tax laws, labor law reform, and the appreciation of RMB in China. It is generally expected that these changes will stimulate the development of high-tech, infrastructure, agriculture, and other industries. Meanwhile, simple production and processing industries, driven mainly by cheap labor, will be under pressure to upgrade their technology and labor productivity. The Group's manufacturing base is located in the mainland China, inevitably would be affected to a certain extent. The Group would take all necessary measures and develop strategies that optimize the domestic and global tax benefits. Particularly, the Group's principal subsidiary in China has been recognized as a "High and New Technology Enterprise" by the Department of Science and Technology of Guangdong Province in China since 2005, which potentially can enjoy the reduced tax rate under the new tax laws. Furthermore, the Group's total staff costs only amounted to 9.8% of the Group's revenue for the year ended June 30, 2007 and the Group will increase its subcontracting processes whenever beneficial to the Group. The Directors consider that the Group is well-positioned to face these new challenges and able to maintain its competitiveness.

Charges on assets

As at December 31, 2007, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$10.7 million, (ii) buildings with a carrying value of HK$37.0 million, (iii) prepaid lease payments of HK$14.5 million, (iv) freehold land of HK$2.4 million and (v) investment properties of HK$25.6 million.

Capital commitments

At December 31, 2007, capital expenditure of approximately HK$149,000 (6.30.2007: HK$443,000) has been contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment.

Employees

At December 31, 2007, the Group employed a total of 4,585 (6.30.2007: 4,717) 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.

Contingent liabilities

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

CORPORATE GOVERNANCE

The Company has complied with all the provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Listing Rules, and where appropriate, adopted the recommended best practices throughout the Period.

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") set out in Appendix 10 to the Listing Rules regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standards set out in the Model Code for the Period.

AUDIT COMMITTEE

The Audit Committee has reviewed and discussed the unaudited interim financial statements and the accounting principles and practices adopted by the Group for the Period with the management, and the external auditor has reviewed the interim financial statements in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the Company's website at www.sandmartin.com.hk. The 2007/2008 interim report will be dispatched to shareholders of the Company and published on the abovementioned websites in due course.

BOARD OF DIRECTORS

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.

By order of the Board
Hung Tsung Chin
Chairman

Hong Kong, March 13, 2008