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, 2008

The Board of Directors (the "Directors") of Sandmartin International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended June 30, 2008 (the "Year") together with comparative figures in 2007. The Group's financial information for the Year in this announcement was prepared based on the consolidated financial statements which have been reviewed by the auditors. The Group has agreed with the auditors as to the contents of this results announcement.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

	NOTES	**2008**	2007
		HK$'000	*HK$'000*
Revenue	*3*	**1,725,083**	1,315,998
Cost of sales		**(1,394,062)**	(1,123,560)
Gross profit		**331,021**	192,438
Other income		**13,282**	13,424
Other gain and loss		**5,198**	6,746
Increase in fair value of investment properties		**2,828**	5,016
Distribution and selling costs		**(64,880)**	(51,638)
Administrative expenses		**(132,981)**	(108,706)
Research and development costs		**(39,263)**	(11,666)
Impairment loss on trade receivables		**(47,947)**	(34,657)
Gain on disposal of a subsidiary		**656**	–
Share of results of an associate		**–**	512
Finance costs		**(17,654)**	(18,313)
Profit (loss) before taxation	*4*	**50,260**	(6,844)
Income tax expense	*5*	**(7,818)**	(8,251)
Profit (loss) for the year		**42,442**	(15,095)
Attributable to:			
Equity holders of the Company		**42,300**	(14,039)
Minority interests		**142**	(1,056)
		42,442	(15,095)
Dividends	*6*	**–**	–
Earnings (loss) per share	*7*		
Basic		**7.7 HK cents**	(2.8) HK cents
Diluted		**7.7 HK cents**	(2.8) HK cents

CONSOLIDATED BALANCE SHEET

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**203,539**	201,710
Prepaid lease payments		**23,468**	22,503
Investment properties		**30,341**	24,785
Deposit paid for acquisition of property, plant and equipment		**661**	779
Goodwill		**90,725**	70,294
Intangible assets		**10,333**	8,909
Available-for-sale investments		**15**	1,711
Deferred tax assets		**4,241**	1,019
		363,323	331,710
Current assets			
Inventories		**322,772**	382,128
Trade and other receivables	*8*	**231,212**	323,197
Prepaid lease payments		**544**	508
Derivative financial instruments		**2,198**	215
Pledged bank deposits		**9,716**	10,725
Bank balances and cash		**170,330**	114,111
		736,772	830,884
Current liabilities			
Trade and other payables	*9*	**305,170**	463,960
Tax liabilities		**10,655**	10,315
Derivative financial instruments		**3,307**	–
Bank and other borrowings – due within one year		**188,946**	212,138
Obligations under finance leases – due within one year		**166**	683
		508,244	687,096
Net current assets		**228,528**	143,788
		591,851	475,498

	2008	2007
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**55,672**	50,868
Reserves	**491,376**	362,034
Equity attributable to equity holders of the Company	**547,048**	412,902
Minority interests	**11,757**	12,039
Total equity	**558,805**	424,941
Non-current liabilities		
Other long-term payable	**–**	1,596
Bank and other borrowings		
– due after one year	**28,121**	48,839
Deferred tax liabilities	**4,916**	–
Obligations under finance leases		
– due after one year	**9**	122
	33,046	50,557
	591,851	475,498

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 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 HKFRSs

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

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

Except for the changes in disclosures as set out below, the adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments 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]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets[4]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arranagements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] *Effective for annual periods beginning on or after January 1, 2009*
[2] *Effective for annual periods beginning on or after July 1, 2009*
[3] *Effective for annual periods beginning on or after January 1, 2008*
[4] *Effective for annual periods beginning on or after July 1, 2008*
[5] *Effective for annual periods beginning on or after October 1, 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. Revenue and segment information

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 years, the Group's operations were organised into three operating divisions, namely, digital television reception products, connectors and cables, and communication related products. During the year, management analysed 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 combining the connectors and cables, and communication related products and renamed them as other multimedia products. Comparative segment information has also been restated accordingly.

Principal activities are as follows:

Digital television reception products	–	manufacture and trading of digital television reception products
Other multimedia products	–	manufacture and trading of connectors, cables and assorted electronic accessories

Year ended June 30, 2008

	Digital television reception products *HK$'000*	**Other multimedia products** *HK$'000*	**Total** *HK$'000*
REVENUE			
External sales	**1,213,900**	**511,183**	**1,725,083**
RESULTS			
Segment results	**156,127**	**62,067**	**218,194**
Other income			**13,282**
Other gain and loss			**5,198**
Increase in fair value of investment properties			**2,828**
Gain on disposal of a subsidiary			**656**
Unallocated corporate expenses			**(172,244)**
Finance costs			**(17,654)**
Profit before taxation			**50,260**
Income tax expense			**(7,818)**
Profit for the year			**42,442**

Year ended June 30, 2007

	Digital television reception products *HK$'000*	Other multimedia products *HK$'000*	Total *HK$'000*
REVENUE			
External sales	711,683	604,315	1,315,998
RESULTS			
Segment results	48,854	57,289	106,143
Other income			13,424
Other gain and loss			6,746
Increase in fair value of investment properties			5,016
Unallocated corporate expenses			(120,372)
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)

Geographical segments

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

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
Middle East	**698,853**	333,305
Europe	**539,420**	437,994
North America	**265,035**	362,858
Africa	**83,709**	32,959
South America	**78,337**	57,706
Asia	**45,633**	69,836
Other regions	**14,096**	21,340
	1,725,083	1,315,998

4. Profit (loss) before taxation

	2008	2007
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**39,009**	36,016
Amortisation of intangible assets (included in cost of sales)	**3,245**	1,860
Release of prepaid lease payments	**501**	485
Net decrease in fair value of derivative financial instruments (included in other gain and loss)	**233**	121
Foreign exchange loss (included in other gain and loss)	**14,488**	6,764
Inventories written off	**4,069**	18,416
and after crediting:		
Bank interest income	**2,792**	1,304
Foreign exchange gain (included in other gain and loss)	**19,919**	13,631
Gain on disposal of property, plant and equipment	**1,131**	51
Property rental with negligible outgoings	**2,232**	2,577

5. Income tax expense

	2008	2007
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
PRC	**7,987**	4,039
Jurisdictions other than the PRC and Hong Kong	**5,360**	5,058
Underprovision in prior years	**204**	–
PRC enterprise income tax refunded in respect of reinvestment of dividends	**(6,537)**	–
	7,014	9,097
Deferred taxation:		
Current year	**(370)**	(846)
Provision for dividend withholding tax	**1,397**	–
Attributable to a change in tax rate	**(223)**	–
	804	(846)
	7,818	8,251

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.

6. Dividends

No dividend is declared or proposed by the Directors for each of the two years ended June 30, 2008.

7. Earnings (loss) per share

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

	2008	2007
	HK$'000	*HK$'000*
Earnings (loss) for the purposes of basic and diluted earnings per share		
Profit (loss) attributable to equity holders of the Company	**42,300**	(14,039)
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**546,323,000**	508,682,000
Effect of dilutive potential ordinary shares in respect of share options	**2,248,000**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**548,571,000**	508,682,000

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

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 at the balance sheet dates:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**109,265**	142,285
31 – 60 days	**42,828**	64,633
61 – 90 days	**23,763**	30,090
91 – 180 days	**13,709**	23,705
More than 180 days	**2,914**	36,443
	192,479	297,156
Other receivables	**38,733**	26,041
Total trade and other receivables	**231,212**	323,197

9. Trade and other payables

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

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**154,441**	171,637
31 – 60 days	**67,918**	99,959
61 – 90 days	**37,605**	74,432
91 – 180 days	**11,675**	45,411
181 – 365 days	**1,693**	1,476
	273,332	392,915
Other payables	**31,838**	71,045
Total trade and other payables	**305,170**	463,960

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

It was an encouraging year since our acquisition of BCN Distribuciones, S.A. and its subsidiaries ("BCN") in Europe from January 2006. The Group's improvement in market competitiveness, by means of enhanced research and development ("R&D") and sales teams, positioned it to take advantage of a rising digital television ("DTV") set-top box market. We delivered a solid year across almost all geographies. We believe that the newly integrated Group has found remarkable success, as evidenced by a 31.1% increase in the Group's turnover and a turnaround from loss to profit for the 2007/08 fiscal year. We understand that the stability in the management team of BCN before and after the acquisition acts a significant role in this achievement.

Macro-economically, 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 some other industries. Conversely, simple production and processing industries, driven mainly by cheap labor and uncomplicated know-how, will be under pressure to upgrade their technology and labor productivity. The Group's manufacturing base, where located in the mainland China, inevitably to a certain extent would be affected by these new rules. The Group would take all necessary measures and develop proper strategies to optimize the domestic and global tax tactics. Furthermore, the Group's total employee benefit expenses for the year ended June 30, 2008 amounted to merely 12.0% (2007: 11.5%) of the Group's costs of sales. The Directors believe that the Group is well-positioned to face these new challenges and able to maintain its competitiveness.

Acquisition

In April 2008, we completed the acquisition of 100% equity interest in Intelligent Digital Services GmbH ("IDS"), a company registered in Germany, for a consideration of EUR1,800,000 (equivalent to approximately HK$22.2 million). A founder of IDS, Mr. Frank Fischer, also joined the Group as chief technical officer from January 2008, who has more than 20 years experience in hardware and software development for DTV products in Europe. The Directors believe that the addition of IDS can further enhance the R&D capability of the Group as a whole, especially in the development of innovative products and new markets.

FINANCIAL REVIEW

Revenue. During the Year, revenue of the Group grew 31.1% year-on-year to approximately HK$1,725.1 million (2007: HK$1,316.0 million), driven mainly by the increasing contribution from the European subsidiaries and regaining the Middle East market. The growth in the African markets was also significant.

Segmental information. The revenue attributable to the Group's core business, sales of DTV reception products, amounted to 1,213.9 million (2007: HK$711.7 million), or 70.4% of the Group's revenue. Compared with last year, an increase of 70.6% in this segment was mainly attributable to the growth in DTV set-top boxes, both in output units and the percentage of top value products. The continuing growth in the European market, where we are selling higher margin products, 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$511.2 million for the Year (2007: HK$604.3 million), representing 29.6% of the Group's revenue. The major products in this segment are cables and connectors, being components for audio and video electronic products.

Revenue by geographical markets:

	Middle East	**Europe**	**North America**	**Africa**	**South America**	**Other regions**	**Total**
Revenue for the Year *(HK$ m)*	698.9	539.4	265.0	83.7	78.3	59.8	1,725.1
% of Group's revenue	40.5	31.3	15.4	4.9	4.5	3.4	100
% growth (decline) from last year	109.7	23.2	(27.0)	153.6	35.7	(34.3)	31.1

Operating Results. The gross profit margin for the Year improved to 19.2% from last year's 14.6 %. The Group's profit for the Year attributable to equity holders amounted to HK$42.3 million (2007: loss of HK$14.0 million). The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) increased 122.3% to HK$110.7 million (2007: HK$49.8 million), primarily due to the gross profit generated from the higher margin markets like Europe and the strong unit shipment of DTV set-top boxes. Furthermore, merit to the capital expenditures in previous years, the production capacity of the Group has not reached its limit and the Group can continue to benefit from the economies of scale. In general, distribution and selling costs for the Year increased in line with the improved revenue. Meanwhile, the Group would continue its investment in R&D and the R&D costs for the Year amounted to HK$39.3 million, or 2.8% of the cost of sales (2007: HK$11.7 million and 1.0% respectively)

Though the Group's profit for the Year has been adversely affected by the impairment loss on trade receivables amounted to HK$47.9 million, mainly related to a former Middle East customer, the Directors have sustained the prudent approach and tightened the overall credit control to address the issue. We believe that through the diversification of markets and customers, the problem can be mitigated.

Income Tax Expense. We recognised income tax expense of HK$7.8 million for the Year compared to HK$8.3 million last year. The decrease in income tax expense was primarily attributable to the increase in profits being offset by the PRC Enterprise Income Tax refunded of HK$6.5 million regarding reinvestment of dividends of a subsidiary in the PRC during the Year.

Capital structure

In September 2007, upon the completion of the issue of 48,000,000 new shares (the "Subscription") under the general mandate granted to the Directors at the annual general meeting of the Company held on December 5, 2006, the sum of share capital and share premium of the Company has been enlarged from HK$79.2 million to HK$148.8 million. The Directors considered that the Subscription represented an opportunity to raise capital for the Company while broadening the shareholder and 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

At June 30, 2008, our cash and cash equivalent balances totaled HK$170.3 million compared with HK$114.1 million at June 30, 2007, of which 52.6% (2007: 39.2%) was denominated in US dollars, 17.6% (2007: 39.1%) in Euros, 16.3% (2007: 18.3%) in Renminbi, 12.1% (2007: 1.9%) in Hong Kong dollars, and 1.4% (2007: 1.5%) in other currencies. The increase resulted primarily from net cash provided by operating activities of HK$91.9 million and the net proceeds of HK$69.6 million from issue of new shares in relation to the Subscription, partially offset by increased repayment of bank and other borrowings. We expect to fund our cash requirements and our existing business plan using our available cash balances, and cash provided by operations.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.4 at June 30, 2008 and 1.2 at June 30, 2007. Because of the rapid growth in revenue and costs of sales, together with our tightened credit sale terms and the improved operating efficiency, the trade receivable turnover period and inventory turnover period decreased to 41 days and 85 days respectively. (2007: 82 days and 124 days, respectively). The trade payable turnover period also reduced to 72 days (2007: 128 days).

At June 30, 2008, the Group had the ability to borrow up to HK$361 million under its existing credit facility. The Group is subject to restrictive covenants under its credit facility. These covenants limit the ability of the Company and its respective subsidiaries to, among other things, make restricted payments, including dividends, or loans. At June 30, 2008, we had HK$217.1 million in total outstanding borrowings. Our outstanding borrowings primarily consist of trust receipt loans of HK$57.0 million, bills discounted with recourse of HK$9.0 million, and other bank loans of HK$151.1 million whereas HK$28.1 million were not repayable within one year. The Group's borrowings as at June 30, 2008 were denominated in Euros, US dollars and Hong Kong dollars of 58.8%, 37.5% and 3.7% (2007: 57%, 29% and 14% respectively). The net gearing ratio (net borrowings over total equity of the Group) was significantly reduced to a single digit of 6.7% at June 30, 2008 from 32.2% at June 30, 2007.

At June 30, 2008, capital expenditure of approximately HK$2.5 million (2007: HK$443,000) has been authorised but not contracted in respect of the acquisition of property, plant and equipment.

Charges on assets

As at June 30, 2008, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$9.7 million, (ii) buildings with a carrying value of HK$9.1 million, (iii) prepaid lease payments of HK$13.2 million and (iv) investment properties of HK$30.3 million.

Contingent liabilities

The Group did not have any significant contingent liabilities at June 30, 2008.

PROSPECTS

The diversified growth of the global DTV set-top box market in different platforms namely terrestrial, satellite, cable and internet protocol TV, and products' various functionality such as high-definition, personal video recorder and interactive services, together with government-orchestrated plans around the world to phase-out analog TV transmissions over the next couple of years, have stimulated customer demand for DTV set-top boxes. These trends are driving the replacement rate and accelerating the adoption of the latest technologies. The Group has delivered a strong performance during the Year, primarily benefited from recent years' acquisitions to enhance the R&D competence and the world-wide distribution network. We will maintain our focus on our DTV reception products and we believe that the Group will continue to enjoy the contributions from our overseas markets. In view of the recent global financial crisis and credit crunch originated from the United States, the worldwide economy would inevitably be adversely affected to a certain extent. We shall maintain our conservative financial strategies and excellent liquidity to deal with the uncertainties and reduce any potential unfavorable influence.

During the Year, the Group has entered into agreements with a consulting firm of a well-known Enterprise Resource Planning system (ERP). The firm will assist our upgrading of both hardware and software infrastructure to enhance the information technology system of the Group. By streamlining the data flow between departments and allowing employees to view all of the information pertinent to manage their jobs, we believe that the operational efficiency can be improved and the internal control procedures can be implemented more effectively.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended June 30, 2008, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

EMPLOYEES

At June 30, 2008, the Group employed a total of 3,909 (2007: 4,717) 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$156.6 million (2007: HK$120.2 million). Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

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 Main Board 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 throughout the Year.

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

BOARD OF DIRECTORS

As at the date of this announcement, Mr. Hung Tsung Chin (Chairman), Ms. Chen Mei Huei (Chief Executive Officer), 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, October 22, 2008