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, 2008

The Board of Directors (the "Directors") of Sandmartin International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2008 (the "Period"), together with the comparative figures, as follows:

* *For identification purposes only.*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended December 31, 2008

		Six months ended December 31,	
		2008	2007
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**766,211**	938,422
Cost of sales		**(637,488)**	(762,308)
Gross profit		**128,723**	176,114
Other income		**13,604**	12,644
Distribution and selling costs		**(31,142)**	(32,000)
Administrative expenses		**(71,517)**	(69,740)
Impairment loss on trade receivables		**(29)**	(31,673)
Research and development costs		**(19,379)**	(13,868)
Finance costs		**(7,079)**	(10,469)
Profit before tax	*4*	**13,181**	31,008
Income tax expense	*5*	**(3,885)**	(232)
Profit for the period		**9,296**	30,776
Attributable to:			
Equity holders of the Company		**10,043**	30,432
Minority interests		**(747)**	344
		9,296	30,776
Earnings per share	*7*		
Basic *(HK cents)*		**1.8**	5.7
Diluted *(HK cents)*		**1.8**	5.7

CONDENSED CONSOLIDATED BALANCE SHEET

At December 31, 2008

	NOTES	December 31, 2008 HK$'000 (unaudited)	June 30, 2008 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**187,785**	203,539
Prepaid lease payments		**23,189**	23,468
Investment properties		**30,341**	30,341
Deposit paid for acquisition of property, plant and equipment		**–**	661
Goodwill		**84,700**	90,725
Intangible assets		**9,071**	10,333
Available-for-sale investments		**–**	15
Deferred tax assets		**4,840**	4,241
		339,926	363,323
Current assets			
Inventories		**273,630**	322,772
Trade and other receivables	*8*	**238,640**	231,212
Prepaid lease payments		**544**	544
Derivative financial instruments		**3,823**	2,198
Pledged bank deposits		**9,810**	9,716
Bank balances and cash		**139,701**	170,330
		666,148	736,772
Current liabilities			
Trade and other payables	*9*	**290,942**	305,170
Tax liabilities		**12,470**	10,655
Derivative financial instruments		**2,539**	3,307
Bank and other borrowings – due within one year		**115,800**	188,946
Obligations under finance leases – due within one year		**90**	166
		421,841	508,244
Net current assets		**244,307**	228,528
		584,233	591,851

	December 31, 2008 HK$'000 (unaudited)	June 30, 2008 HK$'000 (audited)
Capital and reserves		
Share capital	**55,672**	55,672
Reserves	**488,873**	491,376
Equity attributable to equity holders of the Company	**544,545**	547,048
Minority interests	**11,010**	11,757
Total equity	**555,555**	558,805
Non-current liabilities		
Bank and other borrowings		
– due after one year	**22,628**	28,121
Deferred tax liabilities	**6,050**	4,916
Obligations under finance leases		
– due after one year	**–**	9
	28,678	33,046
	584,233	591,851

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 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies 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, 2008.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretations issued by the HKICPA which are effective for the Group's financial year beginning on July 1, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above amendments and interpretations had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[5]

[1] *Effective for annual periods beginning on or after January 1, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009*

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

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

[4] *Effective for annual periods beginning on or after October 1, 2008*

[5] *Effective for transfers on or after July 1, 2009*

The application 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. 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 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 – media entertainment platform related products and other multimedia products. These divisions are the basis on which the Group reports its primary segment information.

Six months ended December 31, 2008

	Media entertainment platform related products *HK$'000*	**Other multimedia products** *HK$'000*	**Total** *HK$'000*
REVENUE			
External sales	503,661	262,550	766,211
RESULTS			
Segment results	53,894	40,615	94,509
Unallocated other income			13,592
Unallocated corporate expenses			(87,841)
Finance costs			(7,079)
Profit before tax			13,181
Income tax expense			(3,885)
Profit for the period			9,296

Six months ended December 31, 2007

	Media entertainment platform related 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
Unallocated other income			12,644
Unallocated corporate expenses			(83,607)
Finance costs			(10,469)
Profit before tax			31,008
Income tax expense			(232)
Profit for the period			30,776

4. PROFIT BEFORE TAX

	Six months ended December 31, 2008 HK$'000	2007 HK$'000
Profit before tax has been arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	**794**	964
Release of prepaid lease payments	**279**	256
Depreciation of property, plant and equipment	**15,576**	17,882
Fair value change of derivative financial instruments *(note)*	**–**	1,600
Impairment loss on goodwill (included in administrative expenses)	**3,055**	–
and after crediting:		
Bank interest income	**700**	1,379
Fair value change of derivative financial instruments *(note)*	**2,393**	–

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

5. INCOME TAX EXPENSE

	Six months ended December 31, 2008 HK$'000	2007 HK$'000
The tax charge comprises:		
Current tax		
PRC Enterprise Income Tax	**4,211**	3,024
Other jurisdictions	**–**	3,030
Over-provision in prior years	**(502)**	–
PRC Enterprise Income Tax refunded in respect of reinvestment of dividend declared	**–**	(6,402)
Deferred tax (credit) charge	**(1,088)**	580
Provision for PRC dividend withholding tax	**1,264**	–
	3,885	232

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.

6. DIVIDENDS

The directors have determined that an interim dividend of HK0.6 cents per share (2007: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on Friday, April 3, 2009.

7. 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,	
	2008	2007
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to equity holders of the Company	**10,043**	30,432
	Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**556,722,000**	536,073,304
Effect of dilutive potential ordinary shares in respect of share options	**1,146,943**	2,315,274
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**557,868,943**	538,388,578

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 date:

	December 31, 2008	June 30, 2008
	HK$'000	*HK$'000*
0 – 30 days	**116,785**	109,265
31 – 60 days	**47,749**	42,828
61 – 90 days	**30,864**	23,763
91 – 180 days	**12,097**	13,709
More than 180 days	**–**	2,914
	207,495	192,479
Other receivables	**31,145**	38,733
	238,640	231,212

9. TRADE AND OTHER PAYABLES

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

	December 31, 2008	June 30, 2008
	HK$'000	*HK$'000*
0 – 30 days	**108,198**	154,441
31 – 60 days	**76,391**	67,918
61 – 90 days	**42,193**	37,605
91 – 180 days	**21,153**	11,675
181 – 365 days	**2,005**	1,693
	249,940	273,332
Other payables	**41,002**	31,838
	290,942	305,170

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded revenue of HK$766.2 million for the six months ended December 31, 2008 (the "Period"), representing a decrease of 18.4% as compared to the corresponding period last year (7.1.2007 to 12.31.2007: HK$938.4 million). Gross profit margin of the Group for the Period also decreased to 16.8% (7.1.2007 to 12.31.2007: 18.8%). The Group's profit for the Period attributable to equity holders amounted to HK$10.0 million (7.1.2007 to 12.31.2007: HK$30.4 million). Basic and diluted earnings per share for the Period were 1.8 HK cents (7.1.2007 to 12.31.2007: 5.7 HK cents).

During the global recession, there is a significant decline in the economic activity spread across different countries and the market becomes difficult to predict. Our performance is largely relied on the performance of our customers and demand for higher priced electronic products will undoubtedly be tamped down by cautious consumers.

However, in the industry of the media entertainment platform related products, there are still two basic places growth can come from: territories with low penetration rate of digitalization or new services/devices that resonate with consumers. Because of the market diversification approach, our sales to Europe, North America and Middle East have consistently sustained the major part of the Group's revenue even during this tough period. Besides the developed markets, we have kept exploring the new opportunities from the emerging markets, like South America. A key element of our strategy is to gain competitive advantages by leveraging the technology and scale of our Europe business. Supported by our vertically integrated manufacturing plants in China, we are confident that we are investing in the right products and technologies to meet the demands of our growing customer base. The media operator market is still the area of opportunity we will continue to strive for success. As an original design manufacturer (or ODM), we aim at introducing advanced products and services ahead of our competitors and at a competitive cost.

In March 2009, the Group's subsidiary Sandmartin (Zhong Shan) Electronic Co., Ltd. has successfully renewed its recognition as a High- and New-Technology Enterprise in China, which has been acknowledged since 2005. In addition to the tax incentives, such accreditation also signifies our efforts in research and development for past years.

Prospects

In the electronics industry, the media entertainment platform related product market has been one of the fastest growing market segments over the past decade. Demand is driven by increasing competition between service providers, new entrants, new content delivery systems in addition to analogue switch-off in many markets. The competitive environment is generating market excitement that is stimulating consumer demand and further market expansion. Although under the current economic environment, slow and steady development may be the best that can be realized, the abovementioned fundamental trends are expected to continue and lay the groundwork for incremental, rather than short term, growth.

Segmental information

The revenue attributable to the core business, sales of media entertainment platform related products, amounted to HK$503.7 million (7.1.2007 to 12.31.2007: HK$641.4 million), or 65.7% of the Group's revenue. The decrease of 21.5% in this segment was mainly attributable to both the decrease in the average selling prices and profit margin. Under the poor economy, we use aggressive pricing strategy to maintain the market share and the steady production schedule.

As for the non-core segment, sales from other multimedia products maintained at HK$262.6 million for the Period (7.1.2007 to 12.31.2007: HK$297.0 million), representing 34.3% of the Group's revenue. Many major customers in this segment have very good and lengthy relationship with us.

Liquidity and financial resources

During the Period, net cash generated from the Group's operating activities amounted to HK$41.7 million (7.1.2007 to 12.31.2007: HK$60.4 million). Net cash used in investing activities amounted to HK$3.6 million (7.1.2007 to 12.31.2007: HK$6.8 million). Net cash used in financing activities amounted to HK$67.0 million (7.1.2007 to 12.31.2007: generated HK$70.5 million), mainly for the repayment of bank borrowings.

As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.6 at December 31, 2008 and 1.4 at June 30, 2008. For the Period, the annualised trade receivable turnover period, inventory turnover period, and trade payable turnover period were 49 days, 78 days, and 72 days respectively (For the year ended June 30, 2008: 41 days, 85 days, and 72 days respectively).

At December 31, 2008, the Group has the ability to borrow up to approximately HK$301.5 million under its existing credit facilities. The Group was in a net cash position, total bank and cash exceeded total borrowings at December 31, 2008. The gearing ratio, expressed as a percentage of interest bearing borrowings of HK$138.5 million over total assets of HK$1,006.1 million, was 13.8% (6.30.2008: 19.7%).

At December 31, 2008, capital expenditure of approximately HK$667,000 (6.30.2008: HK$2.5 million) has been contracted but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment.

Charges on assets

As at December 31, 2008, the Group's general banking facilities were secured by the following assets of the Group: (i) bank deposits of HK$9.8 million, (ii) buildings with a carrying value of HK$39 million, and (iii) prepaid lease payments of HK$20 million.

Contingent liabilities

The Group did not have any significant contingent liabilities at December 31, 2008.

EMPLOYEES

At December 31, 2008, the Group employed a total of 3,836 (6.30.2008: 3,909) full-time employees. Employees are remunerated accordingly to their performance and responsibilities. Other employee benefits include, inter alias, share option scheme, provident fund, insurance and medical coverage.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK0.6 cents per share (7.1.2007 to 6.30.2008: nil) for the year ending June 30, 2009, amounting to a total of about HK$3.3 million.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members ("ROM") will be closed from Wednesday, April 1, 2009 to Friday, April 3, 2009, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, March 31, 2009. Dividend warrants will be despatched on or about Thursday, April 9, 2009 to the shareholders whose names are on the Company's ROM on April 3, 2009.

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 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 Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the six months ended December 31, 2008, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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. 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, March 16, 2009