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Sandmartin International Holdings Limited

聖馬丁國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2020, the unaudited revenue of the Group decreased to approximately HK\$476,697,000 representing a decrease of approximately 28.6% as compared to approximately HK\$667,624,000 for the corresponding period in last year.
- The loss attributable to owners of the Company for the six months ended 30 June 2020 was approximately HK\$1,241,000 (six months ended 30 June 2019: profit attributable to owners of the Company was approximately HK\$145,978,000).
- For the six months ended 30 June 2020, basic loss per share was approximately HK0.04 cents (six months ended 30 June 2019: basic earnings per share from continuing and discontinued operations was approximately HK4.45 cents).
- The Board has resolved not to declare dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

* For identification purpose only

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear shareholders of the Company (the "Shareholders"),

On behalf of the board (the "Board") of the directors (the "Directors") of Sandmartin International Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group"), I hereby present the interim results of the Group for the six months ended 30 June 2020.

The outbreak of the novel coronavirus epidemic (the "Epidemic") since January 2020 has impact on the business and operations of the Group, as the Group has certain factories located in the People's Republic of China (the "PRC" or "China") and extensive operations in the United States (the "US"). The Group has been closely monitoring the impact from the global development of the Epidemic, including but not limited to adjustments of its supply chain management and reallocation of human resources to reduce the unfavourable impact arising from the Epidemic.

In response to the China-US trade war, the Group mitigates the impact by strengthening its supply chain management to produce components and accessories in Vietnam and India, serving the purpose of avoiding the tariffs imposed by the US on products from the PRC.

For the Company's 47.12%-owned associate, Dish Media Network Limited ("Dish Media", the largest satellite pay television operator in Nepal), it secured a customer base exceeding a million subscribers in Nepal and generated stable subscription revenue in the first half of the year of 2020 amidst the outbreak of the Epidemic.

The impacts from the Epidemic along with the escalation of geo-political and geo-economic tensions, the general economic landscape is clouded with uncertainties and financial risks. Given these volatilities and challenges, the Group will adopt more prudent approach in managing its cash flows position and will make every endeavour to identify business opportunities with promising potential in the manufacturing segment or even other sectors so as to diversify our income source to weather the possible adverse economic cycle. With the dedicated management and execution capabilities of our top management team, the Group remains confident in seizing the opportunities amidst the challenging landscape.

Going forward, the Board believes that the growth of the Group will depend on business opportunities arising from new 5G peripherals, Internet of Things and related products. In anticipation of such business opportunity, the Group's research and development team is developing new 5G related products with reference to the market trend. New products under development include next generation radio frequency and antenna products. The Group's research and development team is working on these products in the research center in Hsinchu, Taiwan. Hopefully, the Group's new 5G related products will bring about more business opportunities as well as revenue and profits.

All in all, we are thankful for the patience and continuous support from our dedicated employees, the management, invaluable business partners, Shareholders and investors. We look forward to sharing the rewards ahead with you.

Lau Yau Cheung
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHT AND BUSINESS REVIEW

The Group recorded a slightly decrease of gross profit margin from 15.58% for the six months ended 30 June 2019 to 13.12% for the six months ended 30 June 2020 due to outbreak of the Epidemic and the lockdown of certain cities in the North America and South Asia, which postponed the delivery of the products of the Group to its customers.

MEDIA ENTERTAINMENT PLATFORM RELATED PRODUCTS

In the first half of the year of 2020, the Group's media entertainment platform related products segment faced a challenging economic environment and a decline in demand of its products due to the outbreak of the Epidemic. In response to the challenging economic environment, the Group continued to explore new business opportunities such as trading of small home appliances. The revenue of this segment was decreased by 37.8% as compared with the six months ended 30 June 2019.

- Segment revenue of media entertainment platform related products was approximately HK\$74.2 million (30 June 2019: HK\$119.1 million).
- Segment results from operations were approximately HK\$5.8 million (30 June 2019: HK\$20.9 million).
- Segment margin was 7.83%, which was decreased by 9.68 percentage-point as compared with the segment margin of 17.51% for the six months ended 30 June 2019 due to the low profit margin from trading of small home appliances.

Outlook

The Group is exploring new business opportunities for this segment such as trading of small home appliances. The China-US trade war is not expected to have material adverse impact on this segment as this segment does not have customers in the US.

OTHER MULTIMEDIA PRODUCTS

Despite the outbreak of the Epidemic, which affected the products demand of the Group's other multimedia products segment and the challenging economic environment, the Group's other multimedia products segment was able to maintain its profitability. Major products of this segment included cables, multimedia accessories, wireless mobile phone chargers for vehicles and ultraviolet light smartphone sanitizers. Segment revenue decreased by 17.1% due to the outbreak of the Epidemic.

- Segment revenue of other multimedia products was approximately HK\$109.4 million (30 June 2019: HK\$131.9 million).

- Segment results from operations were approximately HK\$10.1 million (30 June 2019: HK\$16.9 million).
- Segment margin was 9.20%, which decreased by 3.59 percentage-point as compared with the segment margin of 12.79% for the six months ended 30 June 2019.

Outlook

We are enhancing our product portfolio and developing new businesses. New products, such as ultraviolet light smartphone sterilizers received high demand in the first half of the year of 2020. The China-US trade war has some impact on this segment as some of the customers are in the US and the impact is reduced by sourcing from suppliers outside the PRC, such as Southeast Asia.

SATELLITE TV EQUIPMENT AND ANTENNA PRODUCTS

The revenue of the Group's satellite TV equipment and antenna products segment showed a decline as a result of the outbreak of the Epidemic in the North America.

- Segment revenue of satellite TV equipment and antenna products was approximately HK\$293.1 million (30 June 2019: HK\$416.5 million).
- Segment results from operations were approximately HK\$33.2 million (30 June 2019: HK\$54.0 million).
- Segment margin was 11.32%, which decreased by 1.65 percentage-point as compared with the segment margin of 12.97% for the six months ended 30 June 2019.

Outlook

Low noise blocking down converters (“LNBs”) are receiving devices mounted on satellite dishes used for reception, which collect microwaves from the satellite dishes and facilitate the transmission of satellite television signals. Apart from the sales of LNBs to the customers in North America, we are exploring business opportunities in other areas such as cross-selling LNBs to other existing customers of the Group in South Asia. The research and development team of the Group endeavours to develop new products for next generation radio and antenna communications. The China-US trade war has some impact on this segment as some of the customers are in the US. Such impact is minimizing by sourcing from suppliers outside the PRC, such as Southeast Asia.

GEOGRAPHICAL RESULTS

Africa

- Segment revenue for Africa for the six months ended 30 June 2020 was approximately HK\$1.1 million, as compared with the six months ended 30 June 2019 of approximately HK\$1.8 million.
- 40.6% drop in segment revenue compared with the six months ended 30 June 2019.
- Africa's portion accounted for approximately 0.2% of the Group's total revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: 0.3%).

Asia

- Segment revenue for Asia for the six months ended 30 June 2020 was approximately HK\$69.0 million, as compared with the six months ended 30 June 2019 of approximately HK\$188.7 million.
- 63.4% drop in segment revenue compared with the six months ended 30 June 2019.
- Asia's portion accounted for approximately 14.5% of the Group's total revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: 28.3%).

Europe

- Segment revenue for Europe for the six months ended 30 June 2020 was approximately HK\$57.3 million, as compared with the six months ended 30 June 2019 of approximately HK\$63.6 million.
- 9.9% drop in segment revenue compared with the six months ended 30 June 2019.
- Europe's portion accounted for approximately 12.0% of the Group's total revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: 9.5%).

Middle East

- Segment revenue for Middle East for the six months ended 30 June 2020 was approximately HK\$47.6 million, as compared with the six months ended 30 June 2019 of approximately HK\$31.8 million.
- 49.7% increase in segment revenue compared with the six months ended 30 June 2019.
- Middle East's portion accounted for approximately 10.0% of the Group's total revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: 4.8%).

North America

- Segment revenue for North America for the six months ended 30 June 2020 was approximately HK\$276.4 million, as compared with the six months ended 30 June 2019 of approximately HK\$374.6 million.
- 26.2% drop in segment revenue compared with the six months ended 30 June 2019.
- North America's portion accounted for approximately 58.0% of the Group's total revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: 56.1%).

South America

- Segment revenue for South America for the six months ended 30 June 2020 was approximately HK\$24.4 million, as compared with the six months ended 30 June 2019 of approximately HK\$6.4 million.
- 282.0% increase in segment revenue compared with the six months ended 30 June 2019.
- South America's portion accounted for approximately 5.1% of the Group's total revenue for the six months ended 30 June 2020 (six months ended 30 June 2019: 1.0%).

Outlook

As our business in Asia, Europe and North America accounted for the majority of our Group's revenue, we shall focus in these regions in the future.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		For six months ended 30 June	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Continuing operations			
Revenue	5	476,697	667,624
Cost of sales		(414,172)	(563,602)
Gross profit		62,525	104,022
Other income, gains and losses	6	18,852	20,939
Distribution and selling costs		(13,485)	(12,249)
Administrative and other expenses		(52,000)	(67,512)
Research and development costs		(16,092)	(20,343)
Reversal of expected credit losses on financial assets		9,098	18,292
Finance costs		(16,830)	(18,519)
Share of profit of an associate		6,852	9,741
(Loss)/Profit before income tax expense		(1,080)	34,371
Income tax expense	7	(2,342)	(3,561)
(Loss)/Profit for the period from continuing operations		(3,422)	30,810
Discontinued operation			
Profit for the period from discontinued operation	8	–	79,788
(Loss)/Profit for the period	9	(3,422)	110,598
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of properties upon transfer from property, plant and equipment to investment properties		–	3,370
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		(8,028)	10,280
Other comprehensive income for the period		(8,028)	13,650
Total comprehensive income for the period		(11,450)	124,248

		For six months ended 30 June	
		2020	2019
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
(Loss)/Profit for the period attributable to owners of the Company:			
	— from continuing operations	(1,241)	19,981
	— from discontinued operation	—	125,997
		<u>(1,241)</u>	<u>145,978</u>
(Loss)/Profit for the period attributable to non-controlling interests:			
	— from continuing operations	(2,181)	10,829
	— from discontinued operation	—	(46,209)
		<u>(2,181)</u>	<u>(35,380)</u>
		<u>(3,422)</u>	<u>110,598</u>
Total comprehensive income attributable to:			
	— Owners of the Company	(9,072)	157,042
	— Non-controlling interests	(2,378)	(32,794)
		<u>(11,450)</u>	<u>124,248</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share from continuing and discontinued operations			
	Basic	<u>(0.04)</u>	<u>4.45</u>
	Diluted	<u>(0.04)</u>	<u>4.45</u>
(Loss)/Earnings per share from continuing operations			
	Basic	<u>(0.04)</u>	<u>0.61</u>
	Diluted	<u>(0.04)</u>	<u>0.61</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		80,417	83,619
Prepaid lease payments		886	935
Investment properties		148,916	147,622
Goodwill		8,826	9,272
Intangible assets		6,575	8,704
Interest in an associate		79,538	76,600
Loan to an associate	<i>14</i>	22,139	22,130
Deferred tax assets		3,320	3,346
Total non-current assets		350,617	352,228
Current assets			
Inventories		141,934	221,049
Loan receivables	<i>12</i>	–	–
Trade, bills and other receivables	<i>13</i>	285,197	326,800
Prepaid lease payments		56	57
Amount due from an associate	<i>14</i>	42,989	61,729
Pledged bank deposits		3,960	3,973
Bank balances and cash		128,856	66,840
Total current assets		602,992	680,448
Current liabilities			
Trade, bills and other payables	<i>15</i>	321,323	391,750
Contract liabilities		28,552	23,509
Tax liabilities		10,797	11,534
Bank and other borrowings		432,210	441,045
Provision for financial guarantee	<i>16</i>	27,332	27,332
Puttable Taiwan Depositary Receipts	<i>17</i>	7,124	–
Accruals for repurchase of Taiwan Depositary Receipts	<i>17</i>	5,999	–
Lease liabilities		4,390	4,545
Total current liabilities		837,727	899,715
Net current liabilities		(234,735)	(219,267)
Total assets less current liabilities		115,882	132,961

	30 June 2020 <i>HK\$'000</i> (unaudited)	31 December 2019 <i>HK\$'000</i> (audited)
Non-current liabilities		
Bank and other borrowings	21,139	11,568
Deferred tax liabilities	51,205	51,351
Defined benefit obligation	31	33
Lease liabilities	5,785	7,714
	<hr/>	<hr/>
Total non-current liabilities	78,160	70,666
	<hr/>	<hr/>
NET ASSETS	37,722	62,295
	<hr/>	<hr/>
Capital and reserves attributable to owners of the Company		
Share capital	309,358	327,882
Reserves	(326,981)	(323,310)
	<hr/>	<hr/>
(Capital deficiency)/Equity attributable to owners of the Company	(17,623)	4,572
Non-controlling interests	55,345	57,723
	<hr/>	<hr/>
TOTAL EQUITY	37,722	62,295
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION

The Company is incorporated in Bermuda with limited liability and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and its principal place of business is located at Units 04–05, 16th Floor, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong. The Group principally engages in manufacturing and trading of satellite TV equipment products and other electronic goods.

2. 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 (the “Listing Rules”) and compliance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. Except as described below, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2019.

Basis of measurement and going concern assumption

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

At the end of reporting period, the Group had net current liabilities of approximately HK\$234,735,000. The Group is dependent upon the financial support from the banks and financial institutions to meet its financial obligations. There is no certainty that bank loans and other loans of the Group will be renewed in the future. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the Directors have considered the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In particular, the Directors have considered the following: (1) the Group maintains good relationship with major banks and financial institutions providing finance or facilities to the Group and the Group had successfully renewed its banking facilities based on past experience; and (2) as of 30 June 2020, the Group has unutilised bank loan facilities totalling HK\$210,005,000 available to finance its future operations and financial obligations.

In the opinion of the Directors, after considering the financial performance, operation, capital expenditure and the above financing arrangements of the Group, the Group is expected to have sufficient liquidity to finance its operations for the next twelve months subsequent to the end of the reporting period.

Therefore, the condensed consolidated financial statements of the Group have been prepared on a going concern basis.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

In the current period, the Group has applied for the first time the following new or revised HKFRSs that are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the above new or revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendment to HKFRS 16	COVID-19 Related Rent Concessions ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Annual improvements to HKFRS standards 2018–2020	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standard, Amendment to HKFRS 9, Financial instruments, Amendment to illustrative examples accompanying HKFRS 16, Leases, Amendment to HKAS 41 Agriculture ³
Amendment to HKAS 1	Classification of Liabilities as Current and Non-current ⁴

¹ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted

² Effective for annual periods beginning on or after 1 June 2020

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements.

5. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of their goods and services delivered or provided by the Group’s operating divisions which is consistent with the internal information that are regularly reviewed by the executive Directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around different products and services.

5. SEGMENT INFORMATION (CONTINUED)

Specifically, the Group's operating segments under HKFRS 8 are as follows:

Continuing operations

(i) Media entertainment platform related products

Trading and manufacturing of media entertainment platform related products, which are mainly used for satellite products equipment.

(ii) Other multimedia products

Trading and manufacturing of components of audio and video electronic products such as cable lines.

(iii) Satellite TV equipment and antenna products

Trading and manufacturing of satellite TV equipment and antenna products.

Discontinued operation

(iv) Satellite TV broadcasting

Provision of Direct-to-Home services for satellite TV broadcasting in the areas of Middle East, Mediterranean and Africa.

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2020

	Continuing operations				Discontinued operation	
	Media entertainment platform related products HK\$'000 (unaudited)	Other multimedia products HK\$'000 (unaudited)	Satellite TV equipment and antenna products HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Satellite TV broadcasting HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE						
External sales	74,159	109,412	293,126	476,697	–	476,697
Timing of revenue recognition						
At a point in time	74,159	109,412	293,126	476,697	–	476,697
RESULTS						
Segment results	5,806	10,064	33,170	49,040	–	49,040
Other income, gains and losses				18,852	–	18,852
Administrative and other expenses				(52,000)	–	(52,000)
Research and development costs				(16,092)	–	(16,092)
Reversal of expected credit losses on trade receivables				6,952	–	6,952
Reversal of expected credit losses on loan to an associate				9	–	9
Reversal of expected credit losses on amount due from an associate				2,137	–	2,137
Finance costs				(16,830)	–	(16,830)
Share of profit of an associate				6,852	–	6,852
Loss before income tax expense				(1,080)	–	(1,080)

5. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2019

	Continuing operations				Discontinued operation	
	Media entertainment platform related products HK\$'000 (unaudited)	Other multimedia products HK\$'000 (unaudited)	Satellite TV equipment and antenna products HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Satellite TV broadcasting HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
REVENUE						
External sales	119,145	131,935	416,544	667,624	18,990	686,614
Timing of revenue recognition						
At a point in time	119,145	131,935	416,544	667,624	–	667,624
Over time	–	–	–	–	18,990	18,990
	119,145	131,935	416,544	667,624	18,990	686,614
RESULTS						
Segment results	20,868	16,872	54,033	91,773	(54,391)	37,382
Other income, gains and losses				20,939	–	20,939
Administrative and other expenses				(67,512)	(16,909)	(84,421)
Research and development costs				(20,343)	–	(20,343)
Reversal of expected credit losses on trade receivables				8,825	1,140	9,965
Reversal of expected credit losses on loan receivables				4,255	–	4,255
Provision for expected credit losses on loan to an associate				(21)	–	(21)
Reversal of expected credit losses on amount due from an associate				5,233	–	5,233
Finance costs				(18,519)	–	(18,519)
Share of profit of an associate				9,741	–	9,741
Gain on disposal of discontinued operation				–	149,948	149,948
Profit before income tax expense				34,371	79,788	114,159

Segment results represent profit earned/loss suffered by each segment without allocation of other income, gains and losses, administrative and other expenses, research and development costs, provision for/ reversal of expected credit losses, finance costs, share of profit of an associate and gain on disposal of discontinued operation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

6. OTHER INCOME, GAINS AND LOSSES

	For six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Increase in fair value of investment properties	3,135	–
Income from tenants for water and electricity payment	5,064	6,769
Interest income	1,810	2,006
Interest income from an associate	501	503
Rental income	6,361	6,252
Net foreign exchange loss	(1,702)	(2,515)
Others	3,683	7,924
	<u>18,852</u>	<u>20,939</u>

7. INCOME TAX EXPENSE

	For six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax charge comprises:		
Current tax:		
PRC	521	223
Jurisdictions other than the PRC and Hong Kong	<u>2,318</u>	<u>4,161</u>
	2,839	4,384
Under-provision in prior years:		
PRC	55	23
Deferred taxation:		
Current period	<u>(552)</u>	<u>(846)</u>
	<u>2,342</u>	<u>3,561</u>

(i) PRC

The applicable PRC enterprise income tax rate of the PRC subsidiaries is 25% in accordance with the relevant income tax law and regulations in the PRC.

(ii) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits, with the first HK\$2,000,000 of assessable profits calculated at 8.25%.

No tax is payable on the profit arising in Hong Kong as the entity operating in Hong Kong incurred tax losses for both periods.

(iii) United States

The Group's subsidiaries in United States of America are subjected to United States Federal Income Tax at 21% and States Income Tax at 6%.

7. INCOME TAX EXPENSE (CONTINUED)

(iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 25% to 30%.

(v) Macau

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Macau subsidiary is exempted from Macau Complementary Tax since its income is generated from business outside Macau.

(vi) Others

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

8. DISCONTINUED OPERATION

In 2019, the business of satellite TV broadcasting operated by the subsidiaries of the Company had been disposed of. This business segment is presented as discontinued operation in accordance with HKFRS 5 accordingly.

The results of the discontinued operation for the period from 1 January 2019 to 25 June 2019 (the date of disposal) was as follows:

	Period from 1 January 2019 to 25 June 2019 HK\$'000 (audited)
Revenue	18,990
Cost of sales	(71,965)
	(52,975)
Other income, gains and losses	–
Distribution and selling costs	(1,416)
Administrative and other expenses	(16,909)
Reversal of expected credit loss on trade receivables	1,140
Gain on disposal of discontinued operation	149,948
	79,788
Profit before taxation	79,788
Taxation	–
	79,788
Profit for the period from discontinued operation	79,788

The cash flows of the discontinued operation for the period from 1 January 2019 to 25 June 2019 (the date of disposal) was as follows:

	Period from 1 January 2019 to 25 June 2019 HK\$'000 (audited)
Operating cash flows	(26,902)
Financing cash flows	20,065
	(6,837)
Total cash flows	(6,837)

9. (LOSS)/PROFIT FOR THE PERIOD

	For six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
(Loss)/Profit for the period has been arrived at after charging/(crediting):		
Directors' emoluments	1,484	1,718
Other staff costs	39,229	59,731
Retirement benefits scheme contribution, excluding Directors	338	1,019
Total employee benefit expenses	41,051	62,468
Reversal of expected credit losses on trade receivables	(6,952)	(8,825)
Reversal of expected credit losses on loan receivables	–	(4,255)
(Reversal of)/ Provision for expected credit losses on loan to an associate	(9)	21
Reversal of expected credit losses on amount due from an associate	(2,137)	(5,233)
Reversal of expected credit losses on financial assets	(9,098)	(18,292)
Depreciation of property, plant and equipment	9,072	13,502
Depreciation of right-of-use assets presented in property, plant and equipment	1,682	941
Amortisation of intangible assets (<i>Note i</i>)	2,094	2,205
Release of prepaid lease payments	31	78
Loss on disposal of subsidiaries (<i>Note ii</i>)	–	940
(Gain)/Loss on disposal of property, plant and equipment (<i>Note ii</i>)	(147)	381
Discontinued operation		
Other staff costs	–	8,341
Gain on disposal of discontinued operation	–	(149,948)
Reversal of expected credit losses on financial assets	–	(1,140)

Notes:

- (i) Included in cost of sales
- (ii) Included in other income, gains and losses

10. DIVIDENDS

No dividend was paid or declared during the interim period. The Board has resolved not to declare an interim dividend for the period.

11. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

	For six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted (loss)/earnings per share	<u>(1,241)</u>	<u>145,978</u>
Number of shares		
Weighted average number of ordinary shares at 30 June	<u>3,263,473,622</u>	<u>3,278,825,335</u>

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

From continuing operations

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

	For six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted (loss)/earnings per share	<u>(1,241)</u>	<u>19,981</u>

The denominators used are the same as those for continuing and discontinued operations.

From discontinued operation

Both basic and diluted loss per share for the discontinued operation attributable to the owners of the Company is nil for the period (earnings per share for the six months ended 30 June 2019: HK3.84 cents per share). The basic and diluted earnings for the discontinued operation attributable to the owners of the Company for the six months ended 30 June 2019 was based on the profit for the period attributable to owners of the Company from the discontinued operation of HK\$125,997,000 and the denominators detailed above for both basic and diluted earnings per share.

12. LOAN RECEIVABLES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Loans receivables (<i>Note i</i>)	12,989	12,989
Loans receivables due from former subsidiaries (<i>Note ii</i>)	648,512	646,366
	661,501	659,355
Less: allowance for doubtful debts (<i>Note iv</i>)	(661,501)	(659,355)
	–	–

Notes:

- (i) As at 30 June 2020 and 31 December 2019, the Group had loan receivable amounting to HK\$12,989,000 granted to a third party. The amount was unsecured and bore interest at 1.2% (31 December 2019: 1.2%) per annum. This loan receivable was fully impaired as at 30 June 2020 and 31 December 2019.
- (ii) During the year ended 31 December 2019, the Group disposed of the entire equity interest in Speed Connection Group Limited (the “Disposal”), and since then, the loan receivables from Speed Connection Group Limited and its subsidiary, MyHD Media FZ LLC (“MyHD”) were classified as loan receivables due from former subsidiaries.

The loan receivables due from former subsidiaries were arising from the disposal of all interests in MyHD and the extension of the existing loans to MyHD. For details, please refer to the announcement of the Company dated 31 December 2018 and the circular of the Company dated 25 May 2019. The amounts were unsecured, interest-bearing at rates ranged from 3 months LIBOR plus 100 basis point per annum to 10% per annum and will be matured on 31 December 2020.

The principal amounts of these loan receivables at the date of the Disposal were US\$71,298,000 (equivalent to approximately HK\$556,907,000), in which amount of US\$9,554,000 (equivalent to approximately HK\$74,626,000) due from Speed Connection Group Limited, bore interest rate at 3 months LIBOR plus 100 basis points per annum; and amount of US\$51,244,000 (equivalent to approximately HK\$400,266,000) and amount of US\$10,500,000 (equivalent to approximately HK\$82,015,000) due from MyHD (the non-wholly owned subsidiary of Speed Connection Group Limited), bore interest rate at 10% per annum and at 3 months LIBOR plus 100 basis points per annum respectively, and the corresponding interest receivables were US\$11,728,000 (equivalent to approximately HK\$91,606,000). These loan receivables and the interest receivables, net of the provision of expected credit loss of HK\$219,103,000 as at the date of the Disposal, amounted to HK\$429,410,000 were recognised as loan receivables upon the Disposal.

In December 2019, management was given to understand that Speed Connection Group Limited and MyHD were in serious financial problem and ceased to operate in late 2019. As such, management considered these loan receivables were credit-impaired and recognised life time ECLs of the total net carrying amount of these loan receivables of HK\$429,410,000 at 31 December 2019.

The provision of expected credit loss was determined by the management of the Group based on the creditworthiness and the past collection history of the borrowers.

12. LOAN RECEIVABLES (CONTINUED)

Notes: (Continued)

- (iii) As at 31 December 2018, the Group had loan and trade receivables due from two customers (the “Debtors”) with gross amount of HK\$46,518,000 and HK\$39,273,000 respectively (the “Receivables”). The Debtors were engaged in the operation of cable television in Nepal.

The loan receivables borne interest at 5% per annum. Pursuant to an agreement dated 25 March 2016, the 80% equity interest in one of the Debtors was pledged for part of the loan receivables of HK\$43,803,000 (the “Share Pledge”). In the event that the Debtors fails or defaults to settle such loan, the Group shall have the right but not the obligation to possess the pledged share.

Provision of impairment loss was determined by the directors of the Company based on the credit worthiness and the past collection history of the Debtors. Also, the directors of the Company assessed that the value of the Share Pledge to be insignificant as at 31 December 2016.

On 29 December 2017, the Group entered into an agreement (the “Agreement”) with an independent third party (the “Purchaser”), pursuant to which the Group has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase and be assigned, the rights, titles and benefits of the Receivables and Share Pledge at a consideration of US\$4,000,000 (equivalent to approximately HK\$31,275,000) (the “Consideration”).

According to the Agreement, the Consideration shall be paid by the Purchaser by cash in the following manner as follows:

- (a) US\$200,000 shall be paid on or before 31 March 2018;
- (b) US\$300,000 shall be paid on or before 30 June 2018;
- (c) US\$750,000 shall be paid on or before 30 September 2018;
- (d) US\$750,000 shall be paid on or before 31 December 2018;
- (e) US\$500,000 shall be paid on or before 31 March 2019;
- (f) US\$500,000 shall be paid on or before 30 June 2019;
- (g) US\$500,000 shall be paid on or before 30 September 2019; and
- (h) US\$500,000 shall be paid on or before 31 December 2019.

As at 31 December 2019, the Group has received all instalments with total amount of US\$4,000,000 (equivalent to approximately HK\$31,351,000) from the Purchaser. Accordingly the date of completion of the Agreement is 31 December 2019.

At completion, the Group and the Purchaser had executed an assignment of the Receivables, relevant loan agreements and Share Pledge. Management has recognised a reversal of expected credit loss (“ECL”) amounted to HK\$8,794,000 in respect of the loan portion of the Receivables during the year ended 31 December 2019 and derecognised the gross carrying amount and ECL amount of the Receivables upon the completion.

12. LOAN RECEIVABLES (CONTINUED)

Notes: (Continued)

(iv) Allowances for doubtful debts

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At the beginning of period/year	659,355	50,713
Reversal of expected credit loss (<i>note (iii)</i>)	–	(8,794)
Written off (<i>note (iii)</i>)	–	(28,930)
Recognised upon the Disposal (<i>note (ii)</i>)	–	219,103
Provision of expected credit loss (<i>note (ii)</i>)	–	429,410
Exchange realignment	2,146	(2,147)
	<u>661,501</u>	<u>659,355</u>
At the end of period/year	<u>661,501</u>	<u>659,355</u>

13. TRADE, BILLS AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade and bills receivables	187,605	207,495
Other receivables	97,592	119,305
	<u>285,197</u>	<u>326,800</u>
Total trade, bills and other receivables	<u>285,197</u>	<u>326,800</u>

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximated the respective revenue recognition date, at the end of the reporting periods:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
0–30 days	107,650	93,837
31–90 days	52,981	63,794
91–180 days	18,489	36,489
More than 180 days	132,033	146,351
	<u>311,153</u>	340,471
Less: Loss allowance	<u>(123,548)</u>	(132,976)
	<u>187,605</u>	<u>207,495</u>

Based on the Group's assessment, the Group recognised reversal of expected credit losses on trade receivables of HK\$6,952,000 (six months ended 30 June 2019: HK\$8,825,000).

14. AMOUNT DUE FROM/LOAN TO AN ASSOCIATE

		30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Loan receivables	(i)	<u>22,139</u>	<u>22,130</u>
Current assets			
Trade receivables	(ii)	<u>37,715</u>	<u>56,934</u>
Interest receivable on loan receivables		<u>5,274</u>	<u>4,795</u>
Amount due from an associate		<u>42,989</u>	<u>61,729</u>

Notes:

- (i) The amount is unsecured and bears interest at a fixed rate of 4.75% (31 December 2019: 4.75%) per annum. The loan receivables mature on 31 December 2022.
- (ii) Amount being unsecured and interest-free. The Group allows a credit period of 360 days.

The following is an aged analysis of trade receivables from an associate, which is trade in nature, presented based on the invoice date at the end of the reporting periods:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
More than 360 days	<u>37,715</u>	<u>56,934</u>

15. TRADE, BILLS AND OTHER PAYABLES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Trade payables	243,291	301,571
Bills payables	344	477
Other payables and accruals (<i>note</i>)	<u>77,688</u>	<u>89,702</u>
Total trade, bills and other payables	<u>321,323</u>	<u>391,750</u>

15. TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
0–30 days	100,091	235,388
31–90 days	80,082	23,212
91–360 days	55,674	31,153
More than 360 days	7,788	12,295
	<u>243,635</u>	<u>302,048</u>

The average credit period for purchases of goods is 90 days.

Note: An amount due to a Director of HK\$6,320,000 (31 December 2019: HK\$5,328,000) which was included in other payables which term is unsecured, interest free and repayable on demand.

16. PROVISION FOR FINANCIAL GUARANTEE

The Company had pursuant to the guarantee (the “Guarantee”) given in favour of MyHD irrevocably guaranteed to pay all financial obligations of MyHD in relation to the third amendment agreement to the content supply agreement (the “Content Supply Agreement”) dated 3 October 2016 which was entered into between MyHD and MBC FZ LLC. The Guarantee does not expire and the maximum amount payable by the Company under the Guarantee should not exceed US\$3,500,000 (equivalent to approximately HK\$27,332,000).

The Guarantee does not contain any conditions which need to be fulfilled or any circumstances which must arise before MyHD can enforce the same and demand payment from the Company. Notwithstanding that MyHD failed to observe all its payment obligations under the third amendment agreement to the Content Supply Agreement, since the date of the Guarantee up to the reporting date, the Company has not received any demand for payment from MyHD under the Guarantee.

At 30 June 2020 and 31 December 2019, the Group had recognised the provision for financial guarantee amounting to US\$3,500,000 (equivalent to approximately HK\$27,332,000) in relation to the Guarantee.

17. DELISTING AND REPURCHASE OF TAIWAN DEPOSITARY RECEIPTS

Reference is made to the announcements of the Company dated 9 April 2020, 15 April 2020, 29 April 2020, 5 May 2020, 4 August 2020 and 10 August 2020 in relation to, among other things, the delisting of Taiwan Depositary Receipts (“TDRs”) of the Company as requested by the Taiwan Stock Exchange. The TDR delisting was effective from 15 June 2020 pursuant to the relevant rules of the Taiwan Stock Exchange. Within 50 days from and including the date of TDR delisting, a TDR holder may request the Company to repurchase their TDRs pursuant to the Taiwan Stock Exchange Corporation Procedures for Applications by Taiwan Stock Exchange Listed Companies for the Delisting of Securities at the repurchase price of NT\$0.271 (equivalent to approximately HK\$0.071). There are 185,244,632 units of TDRs outstanding at 15 June 2020 (the “Puttable TDRs”). The Puttable TDRs should be accounted for as financial liability and measured at fair value at initial recognition. Accordingly, the Puttable TDRs of NT\$50,201,000 (equivalent to approximately HK\$13,123,000), which is calculated by multiplying the total number of Puttable TDRs with the repurchase price, was recognised as current liabilities. The difference between the Puttable TDRs of HK\$13,123,000 and the carry amount of the relevant share capital of HK\$18,524,000 was recognised in the capital redemption reserve. As at 30 June 2020, there were 84,681,009 units of TDR that would be required to be repurchased by the Company, the corresponding portion of the Puttable TDRs was recognised as accruals for repurchase of TDRs and subsequently measured at amortised costs. The remaining 100,563,623 units Puttable TDRs, should be measured at fair value through profit or loss. The directors considered that the difference between the fair value of the remaining Puttable TDRs as at the end of the reporting period and their carrying amount was insignificant and not recognised.

As at 3 August 2020 (being the last date for TDR holders to submit their requests for the Company to repurchase their TDRs), there are total 97,748,625 units of TDR that were required to be repurchased by the Company. The TDRs so requested to be repurchased by the Company had been surrendered to the depositary agent for cancellation. The total amount involved to repurchase the TDRs is approximately NT\$26,490,000 (equivalent to approximately HK\$6,971,000) (which is calculated by multiplying the total number of TDRs required to be repurchased by the Company with the Repurchase Price of NT\$0.271) has already been paid by the Company to the depositary agent.

18. EVENT SUBSEQUENT TO THE REPORTING PERIOD

Pursuant to the subscription agreement entered into between the Company as issuer and the subscriber dated 6 August 2020, and the supplemental agreement dated 10 August 2020 entered into between the Company, the subscriber and the new subscriber, the Company has conditionally agreed to allot and issue, and the new subscriber has conditionally agreed to subscribe for 100,000,000 subscription shares. The subscription shares will be issued at the subscription price of HK\$0.10 per subscription share. These subscription shares rank pari passu among themselves and with the shares in issue on the date of allotment and issue of the subscription shares.

Details of the allotment and issue of these subscription shares are set out in the announcements of the Company dated 6 August 2020 and 10 August 2020. Given the completion of the subscription is subject to a number of conditions as set out in more details in the aforesaid announcements, the subscription may or may not proceed.

REVIEW OF FINANCIAL POSITION

The Group's loss attributable to the owners of the Company for the six months ended 30 June 2020 amounted to approximately HK\$1.2 million, as compared to the profit of approximately HK\$146.0 million in the same period of 2019. Basic loss per share was approximately HK0.04 cents (six months ended 30 June 2019: basic earnings per share was approximately HK4.45 cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the overall cash and cash equivalent of the Group was HK\$128.9 million (31 December 2019: HK\$66.8 million). The Group managed its capital structure and liquidity to finance its operations by using bank and other borrowings and funds generated from operations.

The Group's current ratio (ratio of current assets to current liabilities) was 0.72 as at 30 June 2020 (31 December 2019: 0.76).

As at 30 June 2020, the Group's total borrowings were approximately HK\$463.5 million (31 December 2019: HK\$464.9 million), out of which HK\$436.6 million (31 December 2019: HK\$445.6 million) were due within one year and the rest of HK\$26.9 million (31 December 2019: HK\$19.3 million) were due over one year. Approximately 94% of the Group's bank and other borrowings were denominated in US dollars ("US\$") and the rest of them were denominated in Renminbi ("RMB"), Euro and New Taiwan dollars. The effective interest rates on the Group's variable interest rate bank and other borrowings ranged from 2.4% to 10%. The gearing ratio (total borrowings over total assets of the Group) increased from 45.02% as at 31 December 2019 to 48.61% as at 30 June 2020.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the Group's general banking facilities (included bank loans and other borrowings) were secured by the following assets of the Group: (i) bank deposits of HK\$4.0 million, (ii) property, plant and equipment with a carrying value of HK\$29.4 million, (iii) investment properties of HK\$148.9 million, (iv) trade receivables of HK\$60.3 million, (v) inventories of HK\$71.3 million, and (vi) pledge of the Company's interest in Pro Brand Technology, Inc.

FOREIGN EXCHANGE EXPOSURE

The Group's sales and purchases were mainly denominated in US\$ and RMB. The Group was exposed to certain foreign currency exchange risk but it does not expect future currency fluctuations to cause material operation difficulties because the recent pressure from appreciation of RMB was manageable and the Group purchased the raw materials from diversified sources. However, the management continuously assesses the foreign exchange risks, with an aim to minimise the impact of foreign exchange fluctuations on business operations.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil) .

DISPOSAL OF ALL INTERESTS IN MYHD AND CONTINUATION OF LOANS AND GUARANTEE

Reference is made to the announcement of the Company dated 31 December 2018 (the “Announcement”) and the circular of the Company dated 25 May 2019 (the “Circular”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement and in the Circular. On 31 December 2018 after trading hours of the Stock Exchange, the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company, at the nominal consideration of US\$1 with effect from the Transaction Date. The Target Company was a wholly-owned subsidiary of the Company and indirectly held 51% interests in MyHD.

The Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) notwithstanding Completion taking place.

As at 30 June 2020, there were Existing Loans in the aggregate amount of US\$88,788,000 comprising aggregate principal amount of US\$71,298,000 and aggregate accrued interest (calculated based on the terms of the Existing Loans) of US\$17,490,000 owing by the Target Company and/or MyHD to the Company and/or SMT (as the case may be), the particulars of which are as follows.

Lenders	Debtors	Prevailing interest rate	Maturity date	Principal amount outstanding as at 30 June 2020	Accrued interest as at 30 June 2020
SMT	Target Company	3 months LIBOR + 100 basis points ^(Note 1)	31.12.2020	US\$9,554,000 (approximately HK\$74,047,000)	US\$1,345,000 (approximately HK\$10,425,000)
SMT	MyHD	3 months LIBOR + 100 basis points ^(Note 1)	31.12.2020	US\$10,500,000 (approximately HK\$81,380,000)	US\$1,218,000 (approximately HK\$9,437,000)
SMT	MyHD	10% per annum	31.12.2020	US\$42,653,000 (approximately HK\$330,584,000)	US\$12,427,000 (approximately HK\$96,319,000)
the Company	MyHD	10% per annum	31.12.2020	US\$8,591,000 (approximately HK\$66,586,000)	US\$2,500,000 (approximately HK\$19,376,000)
Total				US\$71,298,000 (approximately HK\$552,597,000)	US\$17,490,000 (approximately HK\$135,557,000)

Note:

1. As a reference, 3 months London inter-bank offered rates (“LIBOR”) as applicable to these two loans during the period between 1 May 2012 to 30 June 2020 ranged between 0.22335% and 2.80763%.

DELISTING AND REPURCHASE OF TDRS

Reference is made to the announcements of the Company dated 9 April 2020, 15 April 2020, 29 April 2020, 5 May 2020, 4 August 2020 and 10 August 2020 (the “TDR Announcements”) in relation to, among other things, the delisting of TDRs of the Company as requested by the Taiwan Stock Exchange. Unless otherwise specified herein, capitalised terms used herein shall have the same meanings as those defined in the TDR Announcements.

As disclosed in the TDR Announcements, the Company received a notice from the Taiwan Stock Exchange on 5 May 2020, whereby the Taiwan Stock Exchange required the TDRs to be delisted with effect from 15 June 2020 pursuant to the relevant rules of the Taiwan Stock Exchange as the capital deficiency attributable to the owners of the Company fell below one-third of the sum of the share capital and the share premium of the Company as set out in the annual report of the Company for the year ended 31 December 2019 and its conversion report prepared under the IFRSs recognised by the FSC, which was determined pursuant to the relevant rules of the Taiwan Stock Exchange and published as an overseas regulatory announcement of the Company on 29 April 2020. As such, the last trading day of the TDRs had fallen on 12 June 2020.

As at 3 August 2020 (being the last date for TDR Holders to submit their requests for the Company to repurchase their TDRs), there were 97,748,625 units of TDR that were required to be repurchased by the Company, which constitute approximately 2.98% of the number of issued shares of the Company as at the date of this announcement. The TDRs so requested to be repurchased by the Company had been surrendered to the Depositary Agent for cancellation. The total amount involved to repurchase the TDRs is approximately NT\$26,490,000 (equivalent to approximately HK\$6,971,000) (which is calculated by multiplying the total number of TDRs required to be repurchased by the Company with the Repurchase Price of NT\$0.271) has already been paid by the Company to the Depositary Agent.

Other outstanding procedures in relation to the TDR Repurchase includes:

- the Depositary Agent to notify the Hong Kong custodian of the underlying Shares representing the repurchased TDRs and the Hong Kong custodian will transfer such Shares to the Company. This is expected to be completed in mid-September 2020; and
- upon receipt of the Shares surrendered by the Hong Kong custodian, the Company will instruct the Company's share registrar to arrange the Shares to be cancelled. The cancellation of the Shares surrendered is expected to be completed by the end of September 2020.

The table below sets out a summary of the shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately following completion of the TDR Repurchase (assuming there is no change in the number of issued Shares held by the shareholders of the Company described below immediately before completion of the TDR Repurchase):

Shareholders	As at the date of this announcement		Immediately after completion of TDR Repurchase	
	No. of Shares held	Approximate % of the total issued Shares	No. of Shares held	Approximate % of the total issued Shares
First Steamship Company Limited	950,859,347	29.00%	950,859,347	29.89%
Metroasset Investments Limited	(Note 1) 507,188,592	15.47%	507,188,592	15.94%
Public shareholders	(Note 2) 1,635,532,764	49.88%	1,635,532,764	51.42%
TDR Holders	185,244,632	5.65%	87,496,007	2.75%
Total	<u>3,278,825,335</u>	<u>100.00%</u>	<u>3,181,076,710</u>	<u>100.00%</u>

Notes:

1. First Steamship Company Limited is interested in 950,859,347 Shares through First Mariner Holding Limited, its wholly-owned subsidiary, which holds 833,000,000 Shares and Grand Citi Limited, its non-wholly owned subsidiary, which holds 117,859,347 Shares.
2. These Shares are held by Metroasset Investments Limited, 45.09% and 43.38% of the issued share capital of which are beneficially owned by Mr. Hung Tsung Chin (an executive Director of the Company) and Ms. Chen Mei Huei (spouse of Mr. Hung Tsung Chin) respectively.

EVENT SUBSEQUENT TO THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 6 August 2020 and 10 August 2020 (the “Subscription Announcements”). Pursuant to the Subscription Agreement entered into between the Company as issuer and the Subscriber dated 6 August 2020, and the Supplemental Agreement dated 10 August 2020 entered into between the Company, the Subscriber and the New Subscriber, the Company has conditionally agreed to allot and issue, and the New Subscriber has conditionally agreed to subscribe for 100,000,000 Subscription Shares. The Subscription Shares will be issued at the Subscription Price of HK\$0.10 per Subscription Share. Unless otherwise specified herein, capitalised terms used herein shall have the same meanings as those defined in the Subscription Announcements.

The total number of 100,000,000 Subscription Shares to be allotted and issued under the Subscription represent (i) approximately 3.05% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 2.96% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of the Subscription Agreement and up to the Completion). The Subscription Shares will be issued under the General Mandate and the issue of the Subscription Shares will not be subject to the approval by the Shareholders. The Subscription Shares, when allotted and issued, will rank *pari passu* among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

The gross proceeds of the Subscription will be HK\$10,000,000 and the net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$9,800,000, representing a net issue price of approximately HK\$0.098 per Subscription Share. Out of the net proceeds of approximately HK\$9,800,000, HK\$7,000,000 will be used to replenish liquidity of the Company and the rest of HK\$2,800,000 will be used as general working capital of the Group.

The New Subscriber, Mr. Tai Kwok Kei, a third party independent of the Company and its connected persons (as defined in the Listing Rules) is a resident of Hong Kong and is mainly engaged in investment business.

The Subscription Price of HK\$0.10 per Subscription Share represented:

- i. a premium of approximately 40.85% to the closing price of HK\$0.071 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the date of the Supplemental Agreement (i.e. 7 August 2020) (the “Last Trading Day”);
- ii. a premium of approximately 30.89% to the average closing price of approximately HK\$0.0764 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- iii. a premium of approximately 44.72% to the average of the closing prices of approximately HK\$0.0691 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Directors consider that the Subscription represents an opportunity to raise additional funding for the Company to replenish liquidity of the Company that was decreased due to its TDR Repurchase and will strengthen the Group's financial position, and enlarge shareholders' base of the Company which may in turn enhance the liquidity of the Shares, and provide working capital to the Group to meet any financial obligations of the Group without any interest burden, within a relatively shorter time frame and at lower costs when compared with other means of fundraising.

Application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares. Given that completion of the Subscription is subject to a number of conditions as set out in more details in the Subscription Announcements, the Subscription may or may not proceed. As at the date of this announcement, the listing of and permission to deal in the Subscription Shares has not been granted by the Listing Committee of the Stock Exchange.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 676 (31 December 2019: 651) full-time employees. Employees are remunerated according to their performance and responsibilities. Employees of the Group receive training depending on their scope of works, especially those training relating to workplace health and safety.

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The emoluments of the Directors are decided by the Board based on the recommendation of the remuneration committee, having regard to market competitiveness, individual performance and achievement. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Group continues to improve its corporate governance practices, emphasising the attainment and maintenance of a quality board, sound risk management and internal controls, and high transparency and accountability to the Shareholders. The Board and the management are committed to the principles of good corporate governance which are consistent with prudent management and enhancement of shareholder value. The Board believes that good corporate governance will bring long-term benefits to the Shareholders and the Group.

During the six months ended 30 June 2020, the Company has applied the principles and has complied with code provisions of the Corporate Governance Code (the "Code Provision(s)") as contained in Appendix 14 to the Listing Rules, except for the deviation with following reason.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings.

Mr. Kuo Jen Hao, a non-executive Director was unable to attend the annual general meeting of the Company held on 29 June 2020 due to his other personal engagements.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three members, Messrs. Li Chak Hung (chairman of the Audit Committee), Lau Yau Cheung and Wu Chia Ming, all of whom are independent non-executive Directors. The interim financial information for the six months ended 30 June 2020 have not been audited by the independent auditor of the Company. The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements and the interim report for the six months ended 30 June 2020 and held discussion with the management.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The unaudited interim results announcement is published on the websites of the Company (www.sandmartin.com.hk) and of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2020 will be dispatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all of the Shareholders for their support to the Company.

By order of the Board
Sandmartin International Holdings Limited
Lau Yau Cheung
Chairman

Hong Kong, 20 August 2020

As at the date of this announcement, the directors of the Company are:

Executive Directors

Mr. Hung Tsung Chin and Mr. Chen Wei Chun

Non-Executive Director

Mr. Kuo Jen Hao

Independent Non-Executive Directors

Mr. Lau Yau Cheung (Chairman), Mr. Li Chak Hung and Mr. Wu Chia Ming

* *For identification purpose only*