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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)

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015

**Financial Highlights**

- Group turnover were HK$1,627.9 million
- Loss for the year were HK$108.9 million
- Loss attributable to shareholders were HK$103.2 million
- Basic loss per share were 10.8 HK cents

# CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

During 2015, it was a challenging year for Sandmartin International Holdings Limited ("SMT" or our "Group"), the overall market remained sluggish in its recovery as the general economy was uncertain, especially in European market and MEMA (Middle East, Mediterranean, and Africa) markets, the Group could not be immune from this macro business environment. Despite this short-term depression in those markets, I am confident in North American market as its economy is being recovered.

Although the total revenue of the Group is increasing due to the economic recovery of North America, especially from one of our major customer, DirecTV, however, as the overall market remained sluggish, our management continues our three strategies during the year for our future growth, which are bottom of pyramid strategy, value chain strategy and Brand Strategy.

We see other opportunities in the value chain of the digital entertainment business and we have completed the necessary preparations to acquire suitable businesses which have significant growth potential for the Group. We shall target businesses which are correlated to our digital entertainment value chain business.

In terms of brand development which is to secure our long-term value in the midstream business and profit margin, our *Dish Home* has recorded substantial growth during the period through expanding our distribution networks. We are investing further to broaden our product range and extend sales channel penetration for our house brand products.

Besides, relaunch of MyHD in December 2015 is a milestone for SMT, this is the first and the only budget satellite television services in MEMA, a strategic partnership with the largest broadcaster in Middle East as well as the ArabSat, a renowned satellite service in the region, will become a star in the future.

SMT has established itself as a trustworthy brand which distributes quality products and offers professional services for over 28 years. We will continue to build the reputable SMT brand through enhanced brand management strategies, and become the owner of super brands in Nepal, India and MEMA region.

The Board is pleased to recognize our team of talented colleagues for their dedication and hard work. We look forward to the further growth of SMT under their leadership.

**Hung Tsung Chin**
*Chairman*

# CHIEF EXECUTIVE OFFICER REPORT

## REVIEW OF OPERATIONS

Thanks with our frontline colleagues, the Group amidst achieving a satisfactory results in sales, total revenue of our Group for the year ended December 31, 2015 was amounted to HK$1,627.9 million, for North American market, the revenue for the year ended December 31, 2015 was amounted to HK$953.6 million. However due to sluggish market environment and fierce competition, gross profit margin of the Group decreased to 10.98% from 11.98% for six month ended December 31, 2014.

Therefore we have developed three strategies for our future growth, which are bottom of pyramid strategy, value chain strategy and brand strategy as mentioned by our Chairman in the previous section, and I will elaborate later.

## RESULTS

### Segment information

The Group’s turnover is derived from the sale of media entertainment platform related products, satellite TV equipment and antenna products, other multimedia products and revenue from provision of integration of signal system and traffic communication network.

The turnover generated from the sale of media entertainment platform related products for the year ended December 31, 2015 amounted to HK$322.0 million (six months ended December 31, 2014: HK$146.2 million).

The turnover generated from the sale of other multimedia products for the year ended December 31, 2015 amounted to HK$285.7 million (six months ended December 31, 2014: HK$189.9 million).

The turnover generated from the sale of satellite TV equipment and antenna products for the year ended December 31, 2015 amounted to HK$1,018.0 million (six months ended December 31, 2014: HK$416.6 million).

The turnover generated from integration of signal system and traffic communication network for the year ended December 31, 2015 amounted to HK$2.3 million (six months ended December 31, 2014: HK$32.3 million).

I will select two business units – Pro Brand Technology, Inc. (“Pro Brand”) and Dish Media Network Pvt. Ltd. (“Dish Home”) as examples to illustrate the business of SMT.

**PRO BRAND**

As the economy of North America is being recovered, the additional production capacity completed recently is able to meet the increasing demand of the products. Coupled with our state-of-the-art technology development and research in our laboratories in the United States of America and the United Kingdom, we can capture more market potential.

**DISH HOME**

As a well-known brand in Nepal, *Dish Home* registered customer base in Nepal increased over 34% with over 150,000 new subscribers during the year.

**Chen Mei Huei**
*Chief Executive Officer*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

| | NOTES | (Twelve months) 1.1.2015 to 12.31.2015 HK$'000 | (Six months) 7.1.2014 to 12.31.2014 HK$'000 |
|---|---|---|---|
| Revenue | 4 | 1,627,889 | 785,081 |
| Cost of sales | | (1,449,177) | (691,037) |
| Gross profit | | 178,712 | 94,044 |
| Other income, gains and losses | | (7,551) | (202,944) |
| (Decrease)/Increase in fair value of investment properties | | (2,447) | 4,441 |
| Distribution and selling costs | | (38,414) | (21,862) |
| Administrative and other expenses | | (172,665) | (99,980) |
| Research and development costs | | (46,135) | (25,209) |
| Finance costs | | (9,436) | (4,893) |
| Loss before income tax expense | | (97,936) | (256,403) |
| Income tax expense | 5 | (10,976) | (14,191) |
| Loss for the year/period | 6 | (108,912) | (270,594) |
| **Other comprehensive income** | | | |
| *Item that will not be reclassified subsequently to profit or loss:* | | | |
| Gain on revaluation of properties | | 22,523 | - |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Release of exchange reserve upon disposal of subsidiaries | | 4,462 | - |
| Exchange differences on translation of foreign operations | | (14,370) | (25,922) |
| Other comprehensive income for the year/period | | 12,615 | (25,922) |
| Total comprehensive income for the year/period | | (96,297) | (296,516) |
| Loss for the year/period attributable to: | | | |
| - Owners of the Company | | (103,162) | (264,543) |
| - Non-controlling interests | | (5,750) | (6,051) |
| | | (108,912) | (270,594) |

| | NOTE | (Twelve months) 1.1.2015 to 12.31.2015 HK$'000 | (Six months) 7.1.2014 to 12.31.2014 HK$'000 |
|---|---|---|---|
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | (89,670) | (290,419) |
| Non-controlling interests | | (6,627) | (6,097) |
| | | (96,297) | (296,516) |
| | | HK cents | HK cents |
| Loss per share | 8 | | |
| Basic | | (10.8) | (31.8) |
| Diluted | | (10.8) | (31.8) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2015

| | NOTES | 12.31.2015<br>HK$'000 | 12.31.2014<br>HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 157,046 | 184,787 |
| Deposit paid for acquisition of a subsidiary | | 46,306 | 37,005 |
| Prepaid lease payments | | 5,350 | 8,592 |
| Investment properties | | 124,241 | 105,446 |
| Goodwill | | 8,523 | 25,053 |
| Intangible assets | | 26,469 | 31,488 |
| Interest in an associate | | - | - |
| Available-for-sale investments | | - | - |
| Loan to an associate | | 23,269 | 23,269 |
| Amount due from an associate | | 14,685 | 16,194 |
| Loan receivables | | 56,423 | 27,959 |
| Deferred tax assets | | 2,263 | 1,669 |
| Total non-current assets | | 464,575 | 461,462 |
| Current assets | | | |
| Inventories | | 284,778 | 230,243 |
| Trade, bills and other receivables | 9 | 308,912 | 369,760 |
| Prepaid lease payments | | 162 | 243 |
| Amount due from an associate | | 53,201 | 52,905 |
| Bond receivables | | 59,971 | 75,242 |
| Pledged bank deposits | | 18,022 | 117,264 |
| Bank balances and cash | | 93,236 | 55,883 |
| | | 818,282 | 901,540 |
| Assets classified as held for sale | | - | 39,279 |
| | | 818,282 | 940,819 |
| Current liabilities | | | |
| Trade, bills and other payables | 10 | 483,438 | 612,442 |
| Tax liabilities | | 13,402 | 23,055 |
| Bank and other borrowings | | 348,739 | 299,064 |
| Convertible bonds | | - | - |
| Obligations under finance leases | | 1,840 | 1,826 |
| Total current liabilities | | 847,419 | 936,387 |
| Net current (liabilities)/assets | | (29,137) | 4,432 |
| Total assets less current liabilities | | 435,438 | 465,894 |

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Non-current liabilities | | |
| Bank and other borrowings | 1,699 | 7,864 |
| Deferred tax liabilities | 40,998 | 32,823 |
| Obligations under finance leases | 11,036 | 12,884 |
| Total non-current liabilities | 53,733 | 53,571 |
| Total liabilities | 901,152 | 989,958 |
| Net assets | 381,705 | 412,323 |
| Capital and reserves attributable to owners of the Company | | |
| Share capital | 104,586 | 83,223 |
| Reserves | 242,044 | 289,091 |
| Equity attributable to owners of the Company | 346,630 | 372,314 |
| Non-controlling interests | 35,075 | 40,009 |
| Total equity | 381,705 | 412,323 |

## 1. GENERAL INFORMATION

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (hereafter referred to as the “Group”) principally engages in manufacturing and trading of satellite TV equipment products and other electronic goods.

The financial year end date of the Group was changed from June 30 to December 31 in financial period ended December 31, 2014 because the directors of the Company determined to bring the annual financial year end date of the Group in line with the major subsidiary incorporated in the United States of America. Such alignment facilitated the preparation and reporting of the Group’s consolidated financial statements. Accordingly, the current financial period covers a twelve-month period from January 1, 2015 to December 31, 2015. The comparative figures (which cover a period of a six-month period from July 1, 2014 to December 31, 2014) for the consolidated of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement cash flows and related notes are not entirely comparable with those of the current year.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new/revised HKFRSs – effective January 1, 2015

| | |
|---|---|
| HKFRSs (Amendments) | Annual improvements 2010-2012 Cycle |
| HKFRSs (Amendments) | Annual improvements 2011-2013 Cycle |
| Amendments to HKAS 19 (2011) | Defined Benefit Plans - Employee Contributions |

The adoption of these amendments has no material impact on the Group’s consolidated financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued

### (b) New/revised HKFRSs that have been issued but are not yet effective

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.

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements 2012-2014 Cycle[1] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[1] |
| HKFRS 9 (2014) | Financial Instruments[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities - Applying the Consolidation Exception[1] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |

[1] Effective for annual periods beginning on or after January 1, 2016
[2] Effective for annual periods beginning on or after January 1, 2018
[3] Effective for annual periods beginning on or after a date to be determined

**Annual Improvements 2012-2014 Cycle**

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

**Amendments to HKAS 1 "Disclosure initiative"**

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued

### (b) New/revised HKFRSs that have been issued but are not yet effective - Continued

**Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"**

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or
(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

**Amendments to HKAS 27 "Equity method in separate financial statements"**

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost
- in accordance with HKFRS 9 "Financial instruments" (or HKAS 39 "Financial instruments: Recognition and measurement" for entities that have not yet adopted HKFRS 9), or
- using the equity method as described in HKAS 28 "Investments in associates and joint ventures".

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued

### (b) New/revised HKFRSs that have been issued but are not yet effective - Continued

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 "Consolidated financial statements" and to HKFRS 1 "First-time adoption of Hong Kong Financial Reporting Standards".

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

**HKFRS 9 "Financial instruments"**

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued

### (b) New/revised HKFRSs that have been issued but are not yet effective - Continued

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

**Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued

### (b) New/revised HKFRSs that have been issued but are not yet effective - Continued

**Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: Applying the consolidation exception"**

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

**HKFRS 15 "Revenue from contracts with customers"**

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued

### (c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

### (b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

During the year, the Group incurred a net loss of HK$108,912,000 (Six months ended December 31, 2014: net loss of HK$270,594,000) at the end of reporting period and the Group had net current liabilities of approximately HK$29,137,000 (2014: net current assets HK$4,432,000). These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given consideration to 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 of the Company have considered the following measures: (1) As of December 31, 2015, the Group has unutilised bank loan facilities totalling HK$191,002,000 available to finance its future operations; and (2) subsequent to the end of reporting period, the Group received additional funding of HK$51,250,000 through placing of new shares arrangement to finance its operation.

## 3. BASIS OF PREPARATION - Continued

### (b) Basis of measurement and going concern assumption - Continued

In the opinion of the directors of the Company, the Group's forecast and projections, after taking into account of financial performance, operation as well as capital expenditure and available bank facilities and fund raising of the Group, the Group is expected to have sufficient liquidity to finance its operations for the next twelve months subsequent to end of reporting period. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated realisable values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

### (c) Functional and presentation currency

The functional currency of the Company is United States dollars ("USD"), while the consolidated financial statements are presented in Hong Kong dollars ("HKD"). As the Company is listed on the Main Board of The Stock Exchange, the directors consider that it will be more appropriate to adopt HKD as the Group's and the Company's presentation currency.

## 4. 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.

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

**(i) Media entertainment platform related products**

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

**(ii) Other multimedia products**

*Trading and manufacturing of other multimedia products*
- components of audio and video electronic products such as cable lines.

**(iii) Integration of signal system and traffic communication network**

*Integration of signal system and traffic communication network*
- provide installation and integration of signal system and traffic communication network.

**(iv) Satellite TV equipment and antenna**

Trading of satellite TV and antenna.

**Segment revenue and results**

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

Year ended December 31, 2015

| | Media entertainment platform related products HK$'000 | Other multimedia products HK$'000 | Integration of signal system and traffic communication network HK$'000 | Satellite TV equipment and antenna HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| External sales | 321,959 | 285,671 | 2,282 | 1,017,977 | 1,627,889 |
| RESULTS | | | | | |
| Segment results | 13,669 | 29,870 | 126 | 39,658 | 83,323 |
| Other income, gains and losses | | | | | 49,424 |
| Decrease in fair value of Investment properties | | | | | (2,447) |
| Research and development costs | | | | | (46,135) |
| Administrative and other expenses | | | | | (172,665) |
| Finance costs | | | | | (9,436) |
| Loss before income tax expense | | | | | (97,936) |

## 4. SEGMENT INFORMATION - continued

### Segment revenue and results - continued

Six months ended December 31, 2014

| | Media entertainment platform related products HK$'000 | Other multimedia products HK$'000 | Integration of signal system and traffic communication network HK$'000 | Satellite TV equipment and antenna HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| External sales | 146,205 | 189,935 | 32,320 | 416,621 | 785,081 |
| RESULTS | | | | | |
| Segment results | (7,058) | 12,015 | (63,517) | 30,182 | (28,378) |
| Other income, gains and losses | | | | | (102,384) |
| Increase in fair value of investment properties | | | | | 4,441 |
| Research and development costs | | | | | (25,209) |
| Administrative and other expenses | | | | | (99,980) |
| Finance costs | | | | | (4,893) |
| Loss before income tax expense | | | | | (256,403) |

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment results represent the profit earned by each segment without allocation of administrative and other expenses, research and development costs, other income, gains and losses (except impairment loss on trade and other receivables, impairment loss on goodwill and loss recognised on projects in respect of integration of signal system and traffic communication network business), changes in fair value of investment properties and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## 5. INCOME TAX EXPENSE

| | (Twelve months) 1.1.2015 to 12.31.2015 HK$'000 | (Six months) 7.1.2014 to 12.31.2014 HK$'000 |
|---|---|---|
| The tax charge comprises: | | |
| Current tax: | | |
| PRC | 1,774 | 1,919 |
| Jurisdictions other than the PRC and Hong Kong | 5,688 | 1,988 |
| | 7,462 | 3,907 |
| Underprovision in prior years: | | |
| PRC | 28 | - |
| Jurisdictions other than the PRC and Hong Kong | 112 | 3,880 |
| | 140 | 3,880 |
| Deferred taxation: | | |
| Current year/period | 2,962 | 5,943 |
| Provision for withholding tax | 412 | 461 |
| | 3,374 | 6,404 |
| | 10,976 | 14,191 |

The tax rates applicable to the Group's principal operating subsidiaries are as follows:

(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.

No tax is payable on the profit arising in Hong Kong as the entity operating in Hong Kong incurred tax losses for the year/period.

(iii) United States of America

The Group's subsidiaries in USA are subjected to United States Federal Income Tax at 34% and States Income Tax at 6%.

(iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 21% to 33%.

## 5. INCOME TAX EXPENSE - continued

(v) Macau

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated October 18, 1999, the Macau subsidiary is exempted from Macao 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.

## 6. LOSS FOR THE YEAR/PERIOD

| | (Twelve months) 1.1.2015 to 12.31.2015 HK$'000 | (Six months) 7.1.2014 to 12.31.2014 HK$'000 |
|---|---|---|
| Loss for the year/period has been arrived at after charging/(crediting): | | |
| Director emoluments | 4,829 | 2,995 |
| Other staff costs | 209,227 | 78,092 |
| Retirement benefits scheme contribution, excluding directors | 7,701 | 3,751 |
| Total employee benefit expenses | 221,757 | 84,838 |
| Auditor's remuneration | 3,104 | 2,200 |
| Depreciation of property, plant and equipment | 29,118 | 12,271 |
| Amortisation of intangible assets (note i) | 6,371 | 5,505 |
| Release of prepaid lease payments | 219 | 190 |
| Carrying amount of inventories sold | 1,446,376 | 691,037 |
| Write-down of inventories (note i) | 2,801 | - |
| Cost of inventories recognised as expenses | 1,449,177 | 691,037 |
| (Gain)/loss on disposal of property, plant and equipment (note ii) | (2,042) | 3,460 |
| Impairment loss on trade and other receivables (note ii) | 39,063 | 41,159 |
| (Reversal of)/impairment loss on bond receivables (note ii) | (24,758) | 24,758 |
| Impairment loss on loan receivables (note ii) | 48,828 | 60,687 |
| Impairment loss on available-for-sales investments (note ii) | - | 40,573 |
| Impairment loss on goodwill (note ii) | 14,917 | - |
| Gain on disposal on subsidiaries (note ii) | (5,241) | - |
| (Reversal of)/loss recognised on projects in respect of integration of signal system and traffic communication network (note ii) | (1,787) | 59,401 |
| Interest income (note ii) | (5,146) | (3,569) |
| Interest income from an associate (note ii) | (2,136) | (505) |
| Effective interest income on bond receivables (note ii) | (7,992) | (4,499) |
| Property rental income (note ii) | (8,925) | (5,216) |
| Scrap and sample sales (note ii) | (1,460) | (32) |
| Net foreign exchange gain (note ii) | (2,997) | (5,090) |

Note i: Included in cost of sales
Note ii: Included in other income, gains and losses

## 7. DIVIDENDS

No dividend was paid, declared or proposed during the year. The directors have determined that no dividend will be paid in respect of the year.

## 8. LOSS PER SHARE

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

| | (Twelve months) 1.1.2015 to 12.31.2015 HK$'000 | (Six months) 7.1.2014 to 12.31.2014 HK$'000 |
|---|---|---|
| Loss for the purposes of basic and diluted loss per share | | |
| Loss for the year/period attributable to owners of the Company | (103,162) | (264,543) |

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Number of Shares | | |
| Weighted average number of ordinary shares | 951,475,865 | 832,228,862 |
| Effect of dilutive potential ordinary shares in respect of share options (Note i) | - | - |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | 951,475,865 | 832,228,862 |

(i) The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options and conversion of convertible bonds as the exercise price of those options is higher than the average market price for shares and conversion impact of convertible bonds has anti-dilutive impact.

## 9. TRADE, BILLS AND OTHER RECEIVABLES

| | 12.31.2015<br>HK$'000 | 12.31.2014<br>HK$'000 |
|---|---|---|
| Trade receivables (i) | 351,223 | 438,315 |
| Bills receivables | - | 518 |
| Less: allowance for doubtful debts | (102,293) | (147,376) |
| | 248,930 | 291,457 |
| Other receivables | 59,982 | 78,303 |
| Total trade, bills and other receivables | 308,912 | 369,760 |

Note (i) Included an amount due from a non-controlling party of a subsidiary of HK$15,850,000 (2014: Nil).

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 at the end of the year/period:

| | 12.31.2015<br>HK$'000 | 12.31.2014<br>HK$'000 |
|---|---|---|
| 0 - 30 days | 124,420 | 185,894 |
| 31 - 90 days | 81,568 | 63,048 |
| 91 - 180 days | 22,793 | 18,340 |
| More than 180 days | 20,149 | 24,175 |
| | 248,930 | 291,457 |

## 10. TRADE, BILLS AND OTHER PAYABLES

| | 12.31.2015 HK$'000 | 12.31.2014 HK$'000 |
|---|---|---|
| Trade payables | 374,626 | 391,379 |
| Bills payables | 895 | 1,897 |
| Other payables | 107,917 | 219,166 |
| | 483,438 | 612,442 |

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

| | 12.31.2015 HK$'000 | 12.31.2014 HK$'000 |
|---|---|---|
| 0 - 30 days | 210,396 | 156,260 |
| 31 - 90 days | 116,450 | 130,533 |
| 91 - 360 days | 47,314 | 105,372 |
| More than 360 days | 1,361 | 1,111 |
| | 375,521 | 393,276 |

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

## REVIEW OF FINANCIAL POSITION

The Group continued to generate strong cash flow from operations and financing to cover our capital expenditures, new investment and working capital requirements. With our solid financial strength, SMT is well positioned to seize good opportunities in the market that are strategically aligned with our business.

### Liquidity and financial resources

At December 31, 2015, an overall cash and cash equivalent was HK$93.2 million (December 31, 2014: HK$55.9 million). The Group's major financial resources derived from cash generated from financing activities and internal generated cash flow.

The Group's current ratio (ratio of current assets to current liabilities) was 0.97 at December 31, 2015 (December 31, 2014: 1.00).

As at December 31, 2015, the Group's total borrowings were HK$363.3 million (December 31, 2014: HK$321.6 million). The gearing ratio (total borrowings over total assets of the Group) increased from 22.9% at December 31, 2014 to 28.3% at December 31, 2015.

### Placing of Shares

On May 7, 2015, the Group had completed placing of new shares. A total of 166,445,772 placing shares had been successfully placed at the placing price of HK$0.28 per share. Details of the Placing are set out in the announcement of the Company dated May 7, 2015.

The net proceeds from the Placing, after deducting relevant expenses incurred in relation to the Placing, amount to approximately HK$45.8 million which is used as general working capital of the Group.

### Placing of Convertible Bonds

On August 13, 2015, the Group had completed placing of Convertible Bonds. A total of HK$15,100,000 had been successfully placed at the placing price of HK$0.32 per share. Details of the Placing of Convertible Bonds are set out in the announcement of the Company dated August 13, 2015.

The net proceeds from the Placing of Convertible Bonds, after deducting relevant expenses incurred in relation to the Placing of Convertible Bonds, amount to approximately HK$14.3 million which is used as to (1) fund the Group's (a) capital expenditure requirements, (b) general corporate purposes, and (c) future expansions, and (2) repay the Group's existing debts.

### Charges on assets

As at December 31, 2015, the Group's general banking facilities including bank loans were secured by the following assets of the Group: (i) bank deposits of HK$18.0 million, (ii) leasehold land and buildings with a carrying value of HK$38.4 million, and (iii) investment properties of HK$124.2 million.

### Foreign exchange exposure

The Group's sales and purchases were denominated mainly in US dollars and Renminbi ("RMB"). The Group was exposed to certain foreign currency exchange risk but it does not expect future currency fluctuations to cause material operation difficulties on the ground that HK dollars are pegged to US dollars and the recent pressure from appreciation of RMB was manageable. However, 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 at December 31, 2015 (December 31, 2014: Nil).

## CORPORATE STRATEGY AND BUSINESS DEVELOPMENT

### Bottom of pyramid strategy

As mentioned by our Chairman, bottom of the pyramid strategy is that we target on a market for which a group over 3 billion population in, especially Southern Asia, for which their income is below US$2 per day, however, huge market potential is the selling point and we found a stepping stone in Nepal.

### Supply chain strategy (potential merger and acquisition)

In view of the vast market potential of global digital entertainment business, we would keep exploring the opportunities of acquiring service providers to expand our coverage in our value chain. We believe that the business has great potential for high growth and to make a good and stable contribution to the Group in the years to come.

### Brand strategy

As our cornerstone, *Dish Home* become a well-known brand in Nepal, it has registered subscriber base in Nepal increased by 34% with over 150,000 new subscribers during the year.

In terms of brand development which is to secure our long-term value in the midstream business and profit margin, as a stepping stone of our brand strategy, our *Dish Home* has recorded 10% growth of subscribers during the year through expanding our distribution networks. We are investing further to broaden our product range and extend sales channel penetration for our house brand products.

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend (six months ended December 31, 2014: Nil) for the year ended December 31, 2015.

## HUMAN RESOURCES

As at December 31, 2015, SMT employed a total of 3,446 (December 31, 2014: 3,230) full-time employees. Employees are remunerated accordingly to their performance and responsibilities.

SMT offers competitive compensation and benefits to attract and retain talents, for which annual review held in June for each year is conducted to maintain their market competitiveness, as well as to motivate employees to attain company goals and objectives.

Employee wellness also contributes to employee engagement. SMT continues our efforts in organizing various social, recreational activities for our colleagues and their family members, including corporate incentive tour to enrich their work and family lives.

SMT is also committed to employee safety and health. Regular safety reviews are performed in accordance with the statutory and industry requirements.

## CORPORATE GOVERNANCE

SMT is always to maintain high standards of corporate governance. Our Board believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. We establish various corporate policies, which together form the basis of our governance practices. We respect the laws, rules and regulations of each jurisdiction in which we operate, and we always ensure a healthy and safe working environment for our colleagues, which is our paramount concern. Besides a good development, we also contribute to the sustainable development of SMT, with particular focus on our accountability to shareholders and stakeholders.

SMT has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules on the Stock Exchange throughout the year ended December 31, 2015.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the year ended December 31, 2015.

## 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 year.

## REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended December 31, 2015, including the accounting principles and practices adopted by the Group.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2015.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Emphasis of matter

Without qualifying our opinion, we draw attention to note 3(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of HK$108,912,000 during the year ended December 31, 2015 and, as of that date, the Group's current liabilities exceeded its current assets by HK$29,137,000. These conditions, along with other matters as set forth in note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

A copy of this announcement will be found on SMT's website (www.sandmartin.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Annual Report 2015 will be made available on the respective websites of SMT and the Stock Exchange in due course.

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

Hong Kong, April 8, 2016

*As at the date of this announcement, the executive directors of the Company are Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Liao Wen I, Mr. Frank Karl-Heinz Fischer and Mr. Yip Chung Wai David and Mr. Chen Wei Chun; the independent non-executive directors of the Company are Mr. Lee Chien Kuo, Mr. Han Chien Shan and Mr. Wu Chia Ming.*

** For identification purpose only*