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 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Group revenue was HK$1,544.8 million
- Loss for the year was HK$175.8 million
- Loss attributable to shareholders was HK$105.8 million
- Basic loss per share was HK 4.5 cents

* *For identification purposes only*

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the board of the directors (the "Board") of Sandmartin International Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2017.

For the Group, the year of 2017 was a challenging one as the financial performance of the Group had underperformed due to several internal and external factors. Internally, the Group has been restructuring its manufacturing segments to improve staff utilization and to terminate production lines with low efficiency. In anticipation of the booming and progressive digitalization of the pay television market in India, some of the production lines of the Group are moving to India. Further, the reallocation of funding for the development of the satellite TV broadcasting business adversely impacted the business performance of other segments of the Group. Externally, the Group has been struggling with the changes in product mix to cater to the latest market appetites and the ongoing competition from other original equipment manufacturers, especially those from the People's Republic of China ("PRC").

During the year, the Group has continued to invest in the satellite TV broadcasting business which is correlated to our manufacturing and trading of electronic products business. The Group's 51%-owned subsidiary, MyHD Media FZ-LLC ("MyHD") launched the GOBX Project with Middle East Broadcasting Center ("MBC"), a renowned broadcaster in Middle East since October 2016. The satellite TV broadcasting business is still in the development stage to build up customer bases by purchasing high quality and highly demand television contents and promoting them to new subscribers. It incurred substantial amounts of programming costs including payment for content fees, renting satellite transponders, purchase of set-top boxes and payment for dealer's commission for marketing and promotion. As this satellite TV broadcasting business is a long-term investment project and the high running costs-per-subscriber before the subscription revenue achieved break-even, the Group recorded segment loss of HK$147,971,000 from the satellite TV broadcasting segment for the year ended 31 December 2017. The Group expects that the customer base will continue to grow in the coming years.

Meanwhile, the Group is looking for other potential business partners or investors to cooperate with the Group in the satellite TV broadcasting business. In particular, the Group entered into a strategic cooperation agreement with TongFang Global Limited in December 2017 for the distribution of television sets and SmartHome equipment in the Middle East and North Africa region by leveraging the existing distribution network of MyHD. In response to the "One Belt One Road Initiative", MyHD also entered into a cooperation agreement with China Educational Channels in October 2017 for the broadcasting of channels operating by China Educational Channels in the Middle East, Mediterranean and Africa ("MEMA") region via the satellite broadcasting channels supplied by MyHD.

After nearly thirty years of development, the Group has become a trustworthy brand which distributes quality products and offers professional integration services for the pay television industry. We will continue to strengthen our brand through various brand management strategies.

Lau Yau Cheung
Chairman

BUSINESS OVERVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHT AND BUSINESS OVERVIEW

The Group recorded a significant decrease in gross profit from 10.17% for the year ended 31 December 2016 to 4.97% for the year ended 31 December 2017 due to the subscription revenue of the satellite TV broadcasting segment not being able to cover the substantial amount of the programming costs incurred for the satellite TV broadcasting business. Programming costs included payment for content fees, renting satellite channels and transponders and purchase of set-top boxes. The gross profit margin of the Group excluding the satellite TV broadcasting segment decreased from 14.24% for the year ended 31 December 2016 to 13.29% for the year ended 31 December 2017.

MEDIA ENTERTAINMENT PLATFORM RELATED PRODUCTS

In 2017, the Group's media entertainment platform related products segment faced fierce market competition from other set-top box manufacturers in the PRC and lost some of its purchase orders due to the shortage of funding from the Group before the completion of the open offer ("Open Offer") of the Company, which led to a 37.52% decrease in revenue as compared with the year ended 31 December 2016. Other reasons for the significant decline in segment revenue were as follows:

(i) The Group stopped shipment of goods to certain customers in Morocco due to the increase in their credit risk;

(ii) The delay in phase 3 and phase 4 digitalisation of pay TV in India, which reduced the revenue from this new emerging market;

(iii) Starting from the fourth quarter in 2017, the prices of raw materials such as central processing units ("CPU"), integrated circuits ("IC") and random access memory ("RAM") increased substantially due to the shortage of wafers, a crucial material for the production of CPU and IC.

- Segment revenue of media entertainment platform related products was approximately HK$237,214,000 (2016: HK$379,652,000).

- Segment results from operations were approximately HK$30,868,000 (2016: HK$12,325,000), which included reversal of impairment loss on trade and other receivables of HK$23,405,000 for the year ended 31 December 2017.

- Segment margin was 13.01% which increased by 9.76% as compared with the segment margin of 3.25% for the year ended 31 December 2016.

Outlook

The market competition is even more fierce than before due to the direct competition from other set-top box manufacturers in the PRC, and the substantial increase in prices of raw materials consequently reduced the profit margin of our products. Therefore, we are exploring new markets for our future development, for example television digitalization in India which would create a great opportunity for us to sell our television set-top-boxes, one of our main products in this segment.

OTHER MULTIMEDIA PRODUCTS

In 2017, the market competition remained intense, however the Group's other multimedia products segment was able to deliver an increase in revenue by 8.74% as compared with the year ended 31 December 2016. Major products of this segment included high definition multimedia interface ("HDMI") cables, multimedia accessories, external batteries and retractable chargers. Segment results dropped by 23.52% due to the decrease in profit margin for the electronic products amidst the fierce competition in the industry.

- Segment revenue of other multimedia products was approximately HK$260,280,000 (2016: HK$239,353,000).

- Segment results from operations were approximately HK$18,335,000 (2016: HK$23,973,000).

- Segment margin was 7.04% which decreased by 2.98% as compared with the segment margin of 10.02% for the year ended 31 December 2016.

Outlook

We are enhancing our product portfolio and developing new businesses. One of our major projects is the business of original design manufacturing production and distribution arrangement with a multinational technology company of computer electronic equipments. We believe this project will achieve fruitful growth for this segment.

SATELLITE TV EQUIPMENT AND ANTENNA PRODUCTS

The launch of new models of satellite TV equipment in late 2016 and the optimization of product mix maintained the profitability of this segment, with a decrease of 16.18% in revenue but a slightly increase of 1.93% in segment results compared with the year ended 31 December 2016. Low noise blocking down converters ("LNB") remained one of the major products of this segment, and North America was our largest market for revenue contribution.

- Segment revenue of satellite TV equipment and antenna products was approximately HK$980,263,000 (2016: HK$1,169,525,000).

- Segment results from operations were approximately HK$106,425,000 (2016: HK$104,407,000).

- Segment margin was 10.86%, which increased by 1.93% as compared with the segment margin of 8.93% for the year ended 31 December 2016.

Outlook

For the year ended 31 December 2017, the profitability of this segment showed a slightly growth. LNBs are receiving devices mounted on satellite dishes used for reception, which collect radio waves from the satellite dishes and facilitate the transmission of satellite television signals. We believe this product will continue to grow gradually in this segment.

SATELLITE TV BROADCASTING

The significant loss from operations in this segment was due to the acquisition of MyHD, a limited liability company incorporated in Dubai, United Arab Emirates which had become a 51%-owned subsidiary of the Company since 5 July 2016. MyHD is headquartered in Dubai Media City. It is principally engaged in the business of provision of Direct-to-Home services for satellite television broadcasting in 22 countries in MEMA which has 60 million households. The satellite TV broadcasting business of MyHD is still in its development stage of building up its customer bases and MyHD incurred significant losses due to the high running costs per subscriber before subscription revenue achieved a break-even scale. Although the market for satellite TV broadcasting remained competitive during 2017, the segment was still successfully increased its market share which led to a 470.68% increase in revenue as compared with the year ended 31 December 2016.

– Segment revenue of satellite TV broadcasting was approximately HK$65,862,000 (2016: HK$11,541,000).

– Segment losses from operations were approximately HK$147,971,000 (2016: HK$69,670,000).

– Segment loss margin was 224.67% which decreased by 379% as compared with 603.67% for the year ended 31 December 2016.

Outlook

With the successful launch of GOBX in October 2016, GOBX will be a growth factor for the satellite pay television business of MyHD in the MEMA region. Based on past historical information of the number of subscribers, the number of subscribers of MyHD has been increasing after the launch of GOBX project in Saudi Arabia in collaboration with MBC, one of the largest television operators and content providers in the Middle East.

Based on the Company's investment experience in Dish Media Network Limited, a pay television operator in Nepal (which owned as to approximately 47.12% by the Company), and its market knowledge in MEMA, pay television operations is a capital intensive investment project, which requires large amounts of funding in its initial stage of investment and takes several years to develop localised content and subscriber base before it turns into a cash cow business. We believe that the subscribers of the satellite TV broadcasting business in MEMA will continue to grow.

GEOGRAPHICAL RESULTS

AFRICA

– Segment revenue for Africa for the year ended 31 December 2017 was approximately HK$12,973,000, as compared with the year ended 31 December 2016 which was approximately HK$71,794,000.

– 81.93% drop in segment revenue as compared with the year ended 31 December 2016.

– Africa's portion accounted for approximately 0.84% of the Group's total revenue for the year ended 31 December 2017 (2016: 3.99%).

ASIA

– Segment revenue for Asia for the year ended 31 December 2017 was approximately HK$176,252,000, as compared with the year ended 31 December 2016 which was approximately HK$268,484,000.

– 34.35% drop in segment revenue as compared with the year ended 31 December 2016.

– Asia's portion accounted for approximately 11.41% of the Group's total revenue for the year ended 31 December 2017 (2016: 14.90%).

EUROPE

– Segment revenue for Europe for the year ended 31 December 2017 was approximately HK$198,355,000, as compared with the year ended 31 December 2016 which was approximately HK$157,281,000.

– 26.12% growth in segment revenue as compared with the year ended 31 December 2016.

– Europe's portion accounted for approximately 12.84% of the Group's total revenue for the year ended 31 December 2017 (2016: 8.73%).

MIDDLE EAST

- Segment revenue for Middle East for the year ended 31 December 2017 was approximately HK$96,091,000, as compared with the year ended 31 December 2016 which was approximately HK$62,522,000.

- 53.69% growth in segment revenue as compared with the year ended 31 December 2016.

- Middle East's portion accounted for approximately 6.22% of the Group's total revenue for the year ended 31 December 2017 (2016: 3.47%).

NORTH AMERICA

- Segment revenue for North America for the year ended 31 December 2017 was approximately HK$1,000,050,000, as compared with the year ended 31 December 2016 which was approximately HK$1,148,707,000.

- 12.94% drop in segment revenue as compared with the year ended 31 December 2016.

- North America's portion accounted for approximately 64.73% of the Group's total revenue for the year ended 31 December 2017 (2016: 63.76%).

SOUTH AMERICA

- Segment revenue for South America for the year ended 31 December 2017 was approximately HK$59,491,000, as compared with the year ended 31 December 2016 which was approximately HK$90,364,000.

- 34.17% drop in segment revenue as compared with the year ended 31 December 2016.

- South America's portion accounted for approximately 3.85% of the Group's total revenue for the year ended 31 December 2017 (2016: 5.02%).

Outlook

As our business in Europe, North America and Middle East have continued to attain good performance and share more of our Group's revenue, we shall focus in these regions in future.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*4*	**1,544,838**	1,801,501
Cost of sales		**(1,468,119)**	(1,618,296)
Gross profit		**76,719**	183,205
Other income, gains and losses		**42,704**	(50,408)
Increase in fair value of investment properties		**19,580**	26,906
Impairment loss on goodwill		**(28,000)**	–
Distribution and selling costs		**(44,113)**	(45,709)
Administrative and other expenses		**(177,582)**	(155,417)
Research and development costs		**(37,206)**	(41,595)
Share of profit of an associate		**8,088**	4,931
Finance costs		**(27,223)**	(14,653)
Loss before income tax expense		**(167,033)**	(92,740)
Income tax expense	*5*	**(8,758)**	(14,618)
Loss for the year	*6*	**(175,791)**	(107,358)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
– Re-measurement gain on defined benefit plan		**23**	–
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(10,699)**	(6,624)
Other comprehensive income for the year		**(10,676)**	(6,624)
Total comprehensive income for the year		**(186,467)**	(113,982)

	Notes	**2017** HK$'000	2016 HK$'000
Loss for the year attributable to:			
– Owners of the Company		**(105,798)**	(77,655)
– Non-controlling interests		**(69,993)**	(29,703)
		(175,791)	(107,358)
Total comprehensive income attributable to:			
– Owners of the Company		**(115,848)**	(84,503)
– Non-controlling interests		**(70,619)**	(29,479)
		(186,467)	(113,982)
			(restated)
Loss per share	*8*	***HK cents***	*HK cents*
– Basic		**(4.5)**	(5.3)
– Diluted		**(4.5)**	(5.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**149,844**	142,554
Deposit paid to an associate		**–**	46,306
Prepaid lease payments		**5,037**	4,859
Investment properties		**73,681**	146,648
Goodwill		**108,297**	134,874
Intangible assets		**17,368**	21,698
Interest in an associate		**59,325**	4,931
Loan to an associate		**–**	25,309
Loan receivables		**8,794**	–
Deferred tax assets		**6,438**	9,134
Total non-current assets		**428,784**	536,313
Current assets			
Inventories		**258,428**	267,095
Trade, bills and other receivables	*9*	**299,126**	349,892
Prepaid lease payments		**163**	152
Amount due from an associate	*10*	**71,444**	78,256
Pledged bank deposits		**66**	14,925
Bank balances and cash		**132,418**	76,065
		761,645	786,385
Assets classified as held for sale		**97,396**	–
Total current assets		**859,041**	786,385
Current liabilities			
Trade, bills and other payables	*11*	**510,401**	575,591
Tax liabilities		**16,973**	18,071
Bank and other borrowings		**392,022**	390,433
Obligations under finance leases		**1,886**	1,856
Total current liabilities		**921,282**	985,951
Net current liabilities		**(62,241)**	(199,566)
Total assets less current liabilities		**366,543**	336,747

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Bank and other borrowings	**1,131**	1,288
Deferred tax liabilities	**41,142**	44,155
Defined benefit obligation	**103**	–
Obligations under finance leases	**7,375**	9,186
Total non-current liabilities	**49,751**	54,629
Net assets	**316,792**	282,118
Capital and reserves attributable to owners of the Company		
Share capital	**327,882**	131,153
Reserves	**156,548**	245,435
Equity attributable to owners of the Company	**484,430**	376,588
Non-controlling interests	**(167,638)**	(94,470)
Total equity	**316,792**	282,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 and satellite TV broadcasting.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of at fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on the financial performance and the financial position of the Group as the amendments affect only disclosure. In addition there is no interests in other entities classified as held for sale or discontinued operations at the end of the reporting period.

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

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to: HKFRS 3, Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12, Income Taxes; and HKAS 23 Borrowing Costs[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *Effective for annual periods beginning on or after 1 January 2021*

4 *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.*

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported in the consolidated financial statements of the Group in the future, based on the existing business model of the Group as at 31 December 2017.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met – instead of at FVTPL.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2017, the Group's total future minimum lease payments under non-cancellable operating lease of HK$2,134,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

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.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as described above, the directors of the Company anticipate that the application of other new/revised HKFRSs will have no material impact on the Group's financial performance and financial position and/or the disclosures to the financial statements of the Group.

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 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.

During the year, the Group incurred a net loss of HK$105,798,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK$62,241,000. The Group had bank loans and other loans of HK$163,529,000 and HK$97,735,000 at 31 December 2017, which would require consents from various banks and financial institutions on the annual renewal of relevant facilities in the coming twelve months. 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 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: (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. The Group has successfully renewed its banking facilities and other loans of HK$15,600,000 and US$12,500,000 (equivalent to approximately HK$97,735,000), respectively in February 2018 upon their expiry; (2) as of 31 December 2017, the Group has unutilised bank loan facilities totalling HK$247,465,000 available to finance its future operations and financial obligations.

In the opinion of the directors of the Company, after taking into account the financial performance, operation as well as 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 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 net 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 are 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 and manufacturing of satellite TV equipment and antenna.

(v) Satellite TV broadcasting

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

Segment revenue and results

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

Year ended 31 December 2017

	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$'000*	Satellite TV broadcasting *HK$'000*	Total *HK$'000*
Revenue						
External sales	**237,214**	**260,280**	**1,219**	**980,263**	**65,862**	**1,544,838**
Results						
Segment results	**30,868**	**18,335**	**80**	**106,425**	**(147,971)**	**7,737**
Other income, gains and losses						**39,573**
Increase in fair value of investment properties						**19,580**
Research and development costs						**(37,206)**
Administrative and other expenses						**(177,582)**
Share of profit of an associate						**8,088**
Finance costs						**(27,223)**
Loss before income tax expense						**(167,033)**

Year ended 31 December 2016

	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$'000*	Satellite TV broadcasting *HK$'000*	Total *HK$'000*
Revenue						
External sales	379,652	239,353	1,430	1,169,525	11,541	1,801,501
Results						
Segment results	12,325	23,973	(162)	104,407	(69,670)	70,873
Other income, gains and losses						16,215
Increase in fair value of investment properties						26,906
Research and development costs						(41,595)
Administrative and other expenses						(155,417)
Share of profit of an associate						4,931
Finance costs						(14,653)
Loss before income tax expense						(92,740)

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment results represent the profit earned/loss suffered 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 and reversal of impairment loss on trade and other receivables), changes in fair value of investment properties, share of profit of an associate 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

	2017	2016
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
PRC	**1,240**	7,112
Jurisdictions other than the PRC and Hong Kong	**9,127**	10,995
	10,367	18,107
(Over)/Under-provision in prior years:		
PRC	**(77)**	62
Jurisdictions other than the PRC and Hong Kong	**3**	(850)
	(74)	(788)
Deferred taxation:		
Current year	**(1,535)**	(3,113)
Provision for withholding tax	**–**	412
	(1,535)	(2,701)
	8,758	14,618

The tax rates applicable to the Group's principal operating subsidiaries for the years ended 31 December 2017 and 2016 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 both years.

(iii) United States of America

The Group's subsidiaries in USA are subject 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%.

(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 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

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging/(crediting):		
Directors' emoluments	**4,206**	5,051
Other staff costs	**209,586**	193,558
Retirement benefit scheme contributions, excluding directors	**9,405**	9,086
Defined benefit obligation expenses	**123**	–
Total employee benefit expenses	**223,320**	207,695
Auditor's remuneration	**2,515**	2,673
Depreciation of property, plant and equipment	**29,154**	27,851
Amortisation of intangible assets *(note i)*	**4,719**	4,807
Release of prepaid lease payments	**156**	160
Carrying amount of inventories sold	**1,447,645**	1,613,131
Write-down of inventories *(note i)*	**20,474**	5,165
Cost of inventories recognised as expenses	**1,468,119**	1,618,296
(Gain)/Loss on disposal of property, plant and equipment *(note ii)*	**(1,225)**	2,103
Impairment loss on goodwill	**28,000**	–
Impairment loss on trade and other receivables *(note ii)*	**20,273**	43,901
Reversal of impairment loss on loan and trade receivables *(note ii)*	**(32,199)**	–
Impairment loss on loan receivables *(note ii)*	**–**	39,155
Loss on disposal on subsidiaries *(note ii)*	**(157)**	–
Interest income *(note ii)*	**(2,057)**	(1,946)
Interest income from an associate *(note ii)*	**(1,598)**	(2,185)
Effective interest income on bond receivables *(note ii)*	**–**	(1,282)
Property rental income *(note ii)*	**(11,621)**	(11,505)
Scrap and sample sales *(note ii)*	**(375)**	(498)
Net foreign exchange gain *(note ii)*	**(10,756)**	(3,761)

Note i: Included in cost of sales

Note ii: Included in other income, gain and losses

Included in the total employee benefit expenses is an aggregate amount of HK$9,432,000 (2016: HK$9,115,000) in respect of expense for defined contribution plans.

7. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

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:

	2017	2016
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**(105,798)**	(77,655)

		(restated)
	2017	2016
Number of Shares		
Weighted average number of ordinary shares	**2,352,317,330**	1,457,505,237
Effect of dilutive potential ordinary shares *(Note)*	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**2,352,317,330**	1,457,505,237

Note: The weighted average number of shares adopted in calculation of basic loss per share for the years ended 31 December 2016 (restated) and 2017 has been adjusted to reflect the impact of the Open Offer shares by issuing 1,967,295,201 ordinary shares at an offer price of HK$0.12 completed on 19 July 2017.

The computation of diluted loss 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.

9. TRADE, BILLS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables	**379,874**	442,790
Less: allowance for doubtful debts	**(147,778)**	(145,157)
	232,096	297,633
Other receivables	**67,030**	52,259
Total trade, bills and other receivables	**299,126**	349,892

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:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**157,804**	133,369
31 – 90 days	**45,542**	117,738
91 – 180 days	**21,171**	33,368
More than 180 days	**7,579**	13,158
	232,096	297,633

10. AMOUNT DUE FROM AN ASSOCIATE

	2017	2016
	HK$'000	*HK$'000*
Current	**71,444**	78,256

Amount due from an associate include:

(i) amount of HK$41,355,000 (2016: HK$63,419,000) being unsecured, interest-free and the Group allows a credit period of 360 days to its associate which is trade in nature;

(ii) amount of HK$25,304,000 (2016: HK$11,664,000) is unsecured, bearing fixed interest rate at 4.75% per annum; and

(iii) amount of HK$4,785,000 (2016: HK$3,173,000) of interest receivables from the loan to an associate.

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 year:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**–**	5,409
31 – 90 days	**–**	7,003
91 – 360 days	**5,640**	51,007
More than 360 days	**35,715**	–
	41,355	63,419

11. TRADE, BILLS AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**326,036**	424,264
Bills payables	**314**	11,089
Other payables and accruals *(note)*	**184,051**	140,238
	510,401	575,591

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

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**209,629**	239,087
31 – 90 days	**42,877**	67,798
91 – 360 days	**67,560**	121,082
More than 360 days	**6,284**	7,386
	326,350	435,353

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

Note: An amount due to a director of HK$13,308,000 (2016: HK$14,254,000) which included in other payables which term is unsecured, interest free and repayable on demand.

REVIEW OF FINANCIAL POSITION

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2017, the overall cash and cash equivalent of the Group was HK$132.4 million (2016: HK$76.1 million). The Group's major financial resources was 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 0.93 as at 31 December 2017 (2016: 0.80).

As at 31 December 2017, the Group's total borrowings were HK$402.4 million (2016: HK$402.8 million). The gearing ratio (total borrowings over total assets of the Group) increased from 30.45% as at 31 December 2016 to 31.25% as at 31 December 2017.

USE OF PROCEEDS FROM THE OPEN OFFER

As stated in the prospectus of the Company dated 28 June 2017 ("Prospectus"), the Company intended to apply the estimated net proceeds from the Open Offer of approximately HK$220.5 million from the Open Offer as to (i) HK$138.5 million for repayment of bank and other borrowings of the Group; (ii) HK$67 million for the development of the Direct-to-Home satellite television services in MEMA; and (iii) HK$15 million for general working capital of the Group.

On 19 July 2017, the Company received net proceeds from the Open offer in the sum of approximately HK$223.7 million after deduction of the relevant expenses.

As at 31 December 2017, an accumulated amount of approximately HK$222.2 million of the net proceeds from the Open Offer was utilized in accordance with the intended use as stated in the Prospectus, the Company used (i) approximately HK$136 million for repayment of bank and other borrowings of the Group; (ii) approximately HK$67.3 million for the development of the Direct-to-Home satellite television services in MEMA; and (iii) approximately HK$18.9 million for general working capital of the Group. As at 31 December 2017, the unutilized net proceeds from the Open Offer was approximately HK$1.5 million and will be used as general working capital of the Group.

CHARGES ON ASSETS

As at 31 December 2017, the Group's general banking facilities including bank loans and other borrowings were secured by the following assets of the Group: (i) bank deposits of HK$66,000, (ii) property, plant and equipment with a carrying value of HK$123.0 million, (iii) investment properties of HK$73.7 million, (iv) trade receivables of HK$131.6 million, (v) inventory of HK$206.4 million, (vi) assets classified as held for sale of HK$97.4 million and (vii) pledge of the Company's interest in Pro Brand Technology, Inc.

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 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 31 December 2017 (2016: Nil).

LITIGATIONS

(1) HCA 2948/2016

On 29 November 2016, the Company was served a writ of summons ("Writ 1") taken out by Zhi, Charles, as the Plaintiff (the "Plaintiff") against (i) Mr. Hung Tsung Chin (an executive director), (ii) Ms. Chen Mei Huei, (iii) Mr. Liao Wen I, (iv) Mr. Akihiro Nagahara ("Mr. Nagahara"), (v) Mr. Sia Meow Leng, (vi) the Underwriter and (vii) the Company (collectively "Writ 1 All Parties") as the defendants under action number HCA 2948/2016 in the High Court of Hong Kong (the "Court"). Details of Writ 1 are set out in the announcement of the Company dated 29 November 2016.

On 17 May 2017, the Company's legal representative received a facsimile from the Official Receiver's Office informing the Company that the Plaintiff was adjudged bankrupt (the "Bankrupt") on 26 April 2017 in HCB No. 5395/2016 and the Official Receiver was appointed as the provisional trustee of the property of the Bankrupt. The Official Receiver stated that under section 12(1) and 58(1) of the Bankruptcy Ordinance (Cap 6), on the making of a bankruptcy order, all the property of a bankrupt including all things in action shall vest in the Official Receiver. The effect of the bankruptcy order is that the Bankrupt was divested of and ceased to have any interests in either his assets or his liabilities. The Bankrupt would have no locus to commence or proceed with the Proceedings unless the Official Receiver agreed to assign the right of action to him. The Official Receiver also stated that, after considering all of the relevant documents, it would not adopt the proceedings under action number HCA No. 2948/2016 in the Court.

At the hearing held on 19 May 2017, after considering the notice of discontinuance filed by the Bankrupt, the stance of the Official Receiver and the submissions of the Company's legal representatives, the Court dismissed the court action under action number HCA 2948/2016 against the Company, Hung Tsung Chin, Chen Mei Huei and Liao Wen I with costs to be paid by the Bankrupt.

(2) HCA 3346/2016

On 22 December 2016, the Company was served a writ of summons ("Writ 2") taken out by the Plaintiff against (i) Mr. Hung Tsung Chin, (ii) Ms. Chen Mei Huei, (iii) Mr. Liao Wen I, (iv) Mr. Frank Karl-Heinz Fischer, (v) Mr. Chen Wei Chun (an executive director), (vi) Yuming Investment Management Limited and (vii) the Company (collective "Writ 2 All Parties") as the defendants under action number HCA 3346/2016 in the Court. Details of Writ 2 are set out in the announcement of the Company dated 22 December 2016.

The Company has been notified by the Company's legal representative that on 20 September 2017, the Court made an order by consent that, among other things, the proceedings against the Company, Hung Tsung Chin, Chen Mei Huei and Liao Wen I be dismissed with costs of the proceedings be paid by the Plaintiff, to be taxed if not agreed.

(3) HCMP 284/2017

On 11 February 2017, the Company was served a writ of summons (“Writ 3”) taken out by the Plaintiff, Kim Sungho, Kim Kyungsoo, Lim Hang Young and Joung Jong Hyun as the plaintiffs (the “Writ 3 Plaintiffs”) against the Company, the executive directors of the Company, the auditor of the Company and other party as the defendants (the “Writ 3 Defendants”) under action number HCMP 284/2017 in the Court. Details of the Writ 3 are set out in the announcement of the Company dated 13 February 2017.

On 10 April 2017, the Company was served a summons under action number HCMP No.284/2017 taken out by the Writ 3 Plaintiffs against the Writ 3 Defendants (“Summons”). Details of the summons are set out in the announcement of the Company dated 11 April 2017.

At a Court hearing held on 13 April 2017, the application by Zhi Charles (“1st Plaintiff”) for an injunction order pursuant to Summons was dismissed by the Court with costs payable by the 1st Plaintiff to the Writ 3 Defendants, including the Company, who were present at the hearing.

(4) HCCW 90/2017

On 23 March 2017, the Company was served a winding-up petition (the “Petition”) dated 23 March 2017 filed by Zhi, Charles (“Petitioner”) against the Company, directors of the Company and other party (“Respondents”) in the proceedings in HCCW 90/2017. Details of the Petition are set out in the announcement of the Company dated 24 March 2017.

On 29 March 2017, a striking-out summons was filed by the Company to apply for an order to strike out the Petition in the Court. On 21 April 2017, the Petition was struck out and the proceedings therein was dismissed by the Court.

(5) HCMP 1044/2017

The Company was served an originating summons under section 740 of the Companies Ordinance (Cap.622) ("Summons 2") on 5 May 2017 filed by Fung Chuen as the plaintiff ("Summons 2 Plaintiff") against the Company as the defendant under action number HCMP No.1044/2017 in the Court. Details of Summons 2 are set out in the announcement of the Company dated 5 May 2017.

In the Summons 2, the Summons 2 Plaintiff applied to the Court for, among others, the following orders (the "Application"):

(i) The Summons 2 Plaintiff and/or his authorized agent be authorized to inspect and make copies of the documents in relation to the investment in Dish Media and the Debtors;

(ii) The Summons 2 Plaintiff and/or his authorized agent be authorized to inspect and make copies of the documents in relation to the investment in MyHD; and

(iii) The Summons 2 Plaintiff and his authorized agent be authorized to inspect and make copies of the documents in relation to the open offer announced by the Company on 24 October 2016 and the Open Offer.

The Company was advised by its Hong Kong legal advisers in relation to the aforesaid litigation of the Group that if the Application is granted by the Court, the likely orders which would be made by the Court are that the Summons 2 Plaintiff and its authorised agent will be entitled to inspect and make copies of the requested documents (in full or in part), and that the Company shall pay costs of the Application to the Summons 2 Plaintiff (to be taxed if not agreed).

Pursuant to the order of the Court dated 17 October 2017 (the "Order dated 17 October 2017"), it was ordered that the Company shall produce to the Summons 2 Plaintiff those documents listed in the schedule of the Order dated 17 October 2017. On 27 October 2017, the Company filed a notice of appeal ("Notice of Appeal") to the Court for a stay of execution of the Order dated 17 October 2017 pending the final determination of the appeal.

On 15 December 2017, the Court held that the appeal had no reasonable prospect of success and ordered that the Company's application for stay be refused but that the time for the Company to comply with the Order dated 17 October 2017 be extended to 5 January 2018.

On 22 December 2017, the Company amended its Notice of Appeal and applied to the Court of Appeal of Hong Kong for a stay of execution of the Order dated 17 October 2017 pending final determination of the appeal ("Stay Application"). Pursuant to order dated 22 December 2017, an interim stay of the Order dated 17 October 2017 pending determination of the Stay Application was granted.

The Stay Application is now scheduled to be heard on 17 April 2018.

(6) HCCW 207/2017

On 6 July 2017, the Company was served a petition for winding-up dated 5 July 2017 ("Winding-Up Petition") filed by Fung Chuen ("Winding Up Petitioner") against the Company ("1st Winding-Up Respondent"), Mr. Hung Tsung Chin ("2nd Winding-Up Respondent") and Ms. Chen Mei Huei ("3rd Winding-Up Respondent") in the proceedings HCCW No.207/2017.

Pursuant to the Winding-Up Petition, the Winding Up Petitioner petitioned for (i) an order that the Company be wound up by the Court under section 327(3)(c) of the Companies (Winding-Up and Miscellaneous Provisions) Ordinance (Cap.32) of the Laws of Hong Kong; (ii) an order that a liquidator be appointed by the Court to investigate into the affairs of the Company upon the winding-up of the Company; (iii) an order that the 2nd and/or 3rd Winding-Up Respondents do account to the Company for such payments or dispositions which they had procured to be made for their own benefit and/or for the benefit of entities substantially owned or controlled by them and or other than for the Company's proper purpose and operation of its business; (iv) an order that costs of the Petitioner and the Company be paid by the 2nd and 3rd Winding-up Respondents and (v) such other order as the Court thinks fit and appropriate.

On 10 July 2017, a summons to apply for a validation order was issued by the Company, 2nd and 3rd Winding-Up Respondents. At the hearing held on 17 August 2017, a validation order was granted by the Court on the terms as follows: the following disposition of property and transfer of shares of the Company shall not be void by virtue of the provisions of section 182 of the Companies Ordinance (Cap 32) of Laws of Hong Kong: (a) payment made (or to be made) into and out of the Company's bank account in the ordinary course of business of the Company between the date of presentation of the Winding-Up Petition and the date of judgment on the Winding-Up Petition; (b) disposition of property of the Company made (or to be made) in the ordinary course of business for proper value between the date of presentation of the Winding-Up Petition and the date of judgment on the Winding-Up Petition; and (c) allotment and issuance of 1,967,295,201 shares of the Company pursuant to the Open Offer and use of the proceeds from the Open Offer by the Company. The Court has also ordered the Winding-Up Petitioner to pay the costs of the validation order to the 1st, 2nd and 3rd Winding-Up Respondents.

On 30 August 2017, the Company applied for another validation order under section 182 of the Companies Ordinance (Cap 32) of Laws of Hong Kong, which provides that any transfer of the shares of the Company shall not be void by virtue of the said section. The validation order was also granted by the Court on 25 October 2017. On 4 December 2017, the Company filed and served its points of defence ("Points of Defence") of the 1st Winding-Up Respondent. On 11 December 2017, the 2nd and 3rd Winding-Up Respondents filed and served the points of defence of the 2nd and 3rd Winding-Up Respondents. Pursuant to a consent order dated 31 January 2018, the Winding-Up Petitioner should file and serve his points of reply ("Points of Reply") to the Company's Points of Defence on 5 February 2018. As at the date of approval of the consolidated financial statements, the Winding-Up Petitioner has yet to file and serve his Points of Reply and has yet to apply for a time extension for the same to be filed out of time.

The case management hearing is now scheduled to be heard on 25 April 2018, during which the Court will set down the procedural timetable for the parties to comply with under the Winding-Up Petition. It is expected that it would take approximately 1-2 years (depending upon the Court's schedule) before the Winding-Up Petition would be set down for the substantive hearing.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

HUMAN RESOURCES

As at 31 December 2017, the Group employed a total of 1,526 (2016: 2,267) full-time employees. Employees are remunerated accordingly to their performance and responsibilities.

The Group 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. The Group 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.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, the Company has applied the principles and has complied with the code provisions of the Corporate Governance Code ("Code Provision(s)") as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

   During the year ended 31 December 2017, two regular board meetings had been held to review and approve the interim results and annual results of the Group at approximately half-yearly intervals. Going forward, the Board will strive to comply with this Code Provision and hold at least four times a year at approximately quarterly intervals.

2. Under Code Provision A.2.7, the chairman should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present.

   The Chairman of the Board did not hold a meeting with the non-executive director of the Company without the executive directors present. However, during the year, the chairman of the Board had board committee meetings with other independent non-executive directors without the executive directors present to discuss the questions which arose at such meetings.

3. Under Code Provision A.5.6, the nomination committee should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report.

   The nomination committee will take into account a number of factors, including but not limited to gender, age, educational background, or professional experience when identifying and making recommendations to the Board on the selection of individuals nominated for directorships. The Board will review from time to time the need for the policy to be in written form.

4. Under Code Provision A.6.6, each director should disclose to the issuer at the time of appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments.

   Each director has disclosed to the Company at the time of appointment the number and nature of offices held in public companies or organisations and other significant commitments and will inform the Company when any subsequent change arises.

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

   Mr. Wu Chia Ming, an independent non-executive Director, was unable to attend the special general meeting held on 24 April 2017 and the annual general meeting held on 12 June 2017 due to other engagements while Mr. Han Chien Shan and Mr. Li Chak Hung were unable to attend the special general meeting held on 24 April 2017, the annual general meeting held on 12 June 2017 and the special general meeting held on 15 June 2017 due to other engagements.

In view of their absence, Mr. Hung Tsung Chin had arranged for an other director and member of management, who were well-versed in the Company's business and affairs, to attend the general meetings and communicate with shareholders of the Company.

6. Under Code Provision A.7.1, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).

   For those board meetings which were held on ad hoc basis, an agenda and the relevant board papers were provided to the Board for consideration when they became available.

7. Under Code Provision C.1.2, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 3.08 and chapter 13.

   During the year, due to the changes of chief financial officers, management had provided all members of the Board with updates giving a balanced and understandable assessment of the Company's performance, position and prospects on a request basis.

8. Under Code Provision C.2.5, the issuer should have an internal audit function.

   Since the resignation of the internal audit manager in March 2017, the Company looked for a new replacement while the audit committee oversaw the internal audit function. Following the appointment of the new internal audit manager in February 2018, he has taken up the internal audit function.

9. Under Code Provision E.1.4, the board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.

   The Company considers that effective communication with shareholders of the Company is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. During the year, the Company endeavored to maintain an on-going dialog with shareholders of the Company and in particular, through annual general meeting and other general meetings. The Company will review the need for having a shareholders' communication policy on a regular basis.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out in the Model Code throughout the year ended 31 December 2017. No incident of non-compliance was noted by the Company for the year ended 31 December 2017.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017, 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 2017.

Opinion

We have audited the consolidated financial statements of Sandmartin International Holdings Limited (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to note 48 to the consolidated financial statements, which describes the details of litigations of the Company. Our opinion is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to note 3(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$105,798,000 attributable to owners of the Company during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by HK$62,241,000. As stated in note 3(b) in the consolidated financial statements, these conditions, along with other matter as set forth in note 3(b) in the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the shareholders of the Company to attend, speak and vote at the forthcoming annual general meeting ("2018 AGM"), the register of members of the Company ("Register of Members") will be closed as appropriate as set out below:

For determining the eligibility of the shareholders of the Company to attend, speak and vote at the 2018 AGM:

Latest time to lodge transfer documents for registration with the branch share registrar of the Company in Hong Kong	At 4:30 p.m. on Wednesday, 6 June 2018
Record Date	Wednesday, 6 June 2018
Closure of the Register of Members	Thursday, 7 June 2018 to Tuesday, 12 June 2018 (both days inclusive)

For the purpose mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the Company's website (www.sandmartin.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Annual Report 2017 will be made available on the respective websites of the Company and of the Stock Exchange in due course.

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

Hong Kong, 26 March 2018

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