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 2019

FINANCIAL HIGHLIGHTS

- Group revenue from continuing operations was HK$1,070.5 million
- Loss for the year was HK$355.3 million
- Loss attributable to owners of the Company was HK$315.5 million
- Basic loss per share from continuing and discontinued operations was HK9.6 cents

* *For identification purposes only*

CHAIRMAN'S LETTER TO SHAREHOLDERS

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

On behalf of the board (the "**Board**") of the directors (the "**Directors**") of Sandmartin International Holdings Limited (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2019.

The year of 2019 was a year of turmoil. Large demonstrations across the world were not uncommon as people demanded overhaul of political systems and imminent actions on climate change. The China-United States trade war continues plunged the economies of both countries and changed the landscape of supply chain in the rest of the world. Notwithstanding the negative impacts from the macroeconomy and global unrest, the Group's continuing businesses are improving, thanks for the efforts on the streamlining and outsourcing of manufacturing segments of the Group in the past few years. The completion of the disposal of My HD Media FZ-LLC ("**MyHD**") in June 2019 relieved the Group from the heavy financial burden in maintaining the daily operations of MyHD, although the Group had to recognize a significant one-off provision on the loan receivables due from MyHD for the year ended 31 December 2019. In response to the China-United States trade war, the Group mitigates the impact by strengthening its supply chain management to produce components and accessories in Vietnam and India, serving the purpose of avoiding the tariffs imposed by the United States (the "**US**") on products from the People's Republic of China (the "**PRC**"). For the Company's 47.12% owned associate, Dish Media Network Limited ("**Dish Media**", the largest satellite pay television operator in Nepal), it secured a customer base exceeding one million subscribers in Nepal and has been profitable in consecutive years since 2015.

In response to the impact of the trade conflict between the PRC and the US, which could definitely jeopardize the Group's export to the US by means of excessive duties and tariffs, the Group strengthened its supply chain management by encouraging our suppliers to establish new production facilities in Vietnam to cope with the production orders of parts and accessories of our products, serving the purpose of avoiding the tariffs imposed by the US on products from the PRC. In anticipation of the booming and progressive digitalization of the pay television market in India and to diversify our capacities and market coverage, we also strived to relocate certain manufacturing workflows to India by establishing local production facilities and securing a foothold in the Indian market.

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

The outbreak of Novel Coronavirus ("**Novel Coronavirus**") epidemic since January 2020 has impact on the business and operations of the Group, as the Group has certain factories located in the PRC and extensive operations in the US. The Group is closely monitoring and evaluating the impact from the global development of Novel Coronavirus epidemic and is taking steps to adjust its supply chain management and human resource allocation to reduce unfavourable impact arising from the Novel Coronavirus epidemic.

The impacts from Novel Coronavirus epidemic along with the disputes on international trade arising from protectionism are yet to be settled through negotiations, clouding the general economic landscape with uncertainties and financial risks. Given these volatilities and challenges, the Group will make every endeavour to identify business opportunities with promising potential in the manufacturing segment or even other sectors so as to diversify our income source to weather the possible adverse cycle. With the dedicated management and execution capabilities of our top management team, the Group remains confident in seizing the opportunities amidst the challenging landscape.

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

Lau Yau Cheung
Chairman

BUSINESS OVERVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHT AND BUSINESS OVERVIEW

The Group recorded a significant increase in gross profit ratio from continuing operations from 11.56% for the year ended 31 December 2018 to 16.83% for the year ended 31 December 2019 due to improvement in products profit margin of the Group's satellite TV equipment and antenna products segment.

The Group's earnings before finance costs, income tax expense and one-off provision on expected credit loss on loan receivables due from former subsidiaries was HK$36,714,000 (2018: loss of HK$32,249,000).

MEDIA ENTERTAINMENT PLATFORM RELATED PRODUCTS

In 2019, the Group's media entertainment platform related products segment faced a fierce market competition from other set-top box manufacturers in the PRC. In response to the fierce market competition, the Group introduced more new products in this segment and continued to explore new business opportunities in other locations, such as South Asia. Due to the tightening of credit terms granted to customers, the revenue of this segment was significantly decreased by 46.67% as compared with the year ended 31 December 2018.

— Segment revenue of media entertainment platform related products was approximately HK$182,237,000 (2018: HK$341,714,000).

— Segment results from operations were approximately HK$13,052,000 (2018: HK$22,476,000).

— Segment margin was 7.16% as compared with segment margin of 6.58% in 2018.

Outlook

The market competition is fierce due to the direct competition from other set-top box manufacturers in the PRC, and the surge in raw material prices which reduced the profit margin of the products. The Group is introducing new products for this segment and is continuing to explore new market opportunities in South Asia and continue to leverage its existing distribution channels for the cross-selling of licensed products in India. The China-United States trade war is not expected to have material adverse impact on this segment as the Group does not have set-top box customers in the US.

OTHER MULTIMEDIA PRODUCTS

In 2019, the Group's other multimedia products segment was able to maintain its profitability, thanks for its diversification of suppliers and broadening of its product portfolio. Major products of this segment included cables, multimedia accessories, external batteries and wireless mobile phone chargers for vehicles. Segment results slightly decreased by 1.78% 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$235,505,000 (2018: HK$293,067,000).

— Segment results from operations were approximately HK$31,749,000 (2018: HK$32,323,000).

— Segment margin was 13.48% as compared with the segment margin of 11.03% in 2018.

Outlook

We are enhancing our product portfolio and developing new businesses. New products, such as ultraviolet light smartphone sanitizers have been launched to the market during the year. The China-United States trade war has some impact on this segment as some of the customers are in the US. We are trying to minimize the impact by sourcing from suppliers outside the PRC, such as India and Vietnam.

SATELLITE TV EQUIPMENT AND ANTENNA PRODUCTS

The Group's satellite TV equipment and antenna products segment resumed the delivery of the preceding model of low noise blocking down converters ("**LNBs**") to one of the major customers in North America. The revenue of the Group's satellite TV equipment and antenna products segment showed a 1.50% increase compared with the year ended 31 December 2018.

— Segment revenue of satellite TV equipment and antenna products was approximately HK$652,785,000 (2018: HK$643,167,000).

— Segment results from operations were approximately HK$102,731,000 (2018: HK$48,132,000).

— Segment margin was 15.74%, increased by 8.26 percentage-point as compared with the segment margin of 7.48% for the year ended 31 December 2018.

Outlook

LNBs are receiving devices mounted on satellite dishes used for reception, which collect microwaves from the satellite dishes and facilitate the transmission of satellite television signals. Apart from the sales of LNBs to the customers in North America, we are exploring business opportunities in other areas such as cross-selling LNBs to other existing customers of the Group in South Asia. The research and development team of the Group endeavours to develop new products for next generation radio and antenna communications. The China-United States trade war has some impact on this segment as some of the customers are in the US. We are trying to minimize the impact by relocating some productions to India and sourcing from suppliers outside the PRC.

SATELLITE TV BROADCASTING

Following the disposal of MyHD, the business of satellite TV broadcasting segment of the Group had been discontinued. The significant loss from operations in this segment was due to the high running costs-per-subscriber before subscription revenue reached break-even. The satellite TV broadcasting business had to build up customer bases by purchasing high quality and highly demanded television content and promoting them to new subscribers. It incurred substantial amount of programming costs including payment for content fees, renting satellite transponders, purchase of set-top boxes and payment for dealers' commission for marketing and promotion.

GEOGRAPHICAL RESULTS

AFRICA

— Segment revenue of Africa for the year ended 31 December 2019 was approximately HK$3,220,000, compared with the year ended 31 December 2018 which was approximately HK$6,659,000.

— 51.64% decrease in segment revenue compared with the year ended 31 December 2018.

— Africa shares 0.30% total revenue from continuing operations of the Group for the year ended 31 December 2019 (2018: 0.52%).

ASIA

— Segment revenue of Asia for the year ended 31 December 2019 was approximately HK$275,181,000, compared with the year ended 31 December 2018 which was approximately HK$347,074,000.

— 20.71% decrease in segment revenue compared with the year ended 31 December 2018.

— Asia shares 25.71% total revenue from continuing operations of the Group for the year ended 31 December 2019 (2018: 27.16%).

EUROPE

— Segment revenue of Europe for the year ended 31 December 2019 was approximately HK$108,510,000, compared with the year ended 31 December 2018 which was approximately HK$200,402,000.

— 45.85% decrease in segment revenue compared with the year ended 31 December 2018.

— Europe shares 10.14% total revenue from continuing operations of the Group for the year ended 31 December 2019 (2018: 15.68%).

MIDDLE EAST

— Segment revenue of Middle East from continuing operations of the Group for the year ended 31 December 2019 was approximately HK$35,714,000, compared with the year ended 31 December 2018 which was approximately HK$25,820,000.

— 38.32% growth in segment revenue compared with the year ended 31 December 2018.

— Middle East shares 3.34% total revenue from continuing operations of the Group for the year ended 31 December 2019 (2018: 2.02%).

NORTH AMERICA

— Segment revenue of North America for the year ended 31 December 2019 was approximately HK$622,613,000, compared with the year ended 31 December 2018 which was approximately HK$679,903,000.

— 8.43% drop in segment revenue compared with the year ended 31 December 2018.

— North America shares 58.16% total revenue from continuing operations of the Group for the year ended 31 December 2019 (2018: 53.20%).

SOUTH AMERICA

— Segment revenue of South America for the year ended 31 December 2019 was approximately HK$23,461,000, compared with the year ended 31 December 2018 which was approximately HK$15,108,000.

— 55.29% growth in segment revenue compared with the year ended 31 December 2018.

— South America shares 2.19% total revenue from continuing operations of the Group for the year ended 31 December 2019 (2018: 1.18%).

Outlook

As our businesses in Europe, North America and Asia continue to attain good performance and share majority of our Group's revenue, therefore we shall focus on these regions in future.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations			
Revenue	4	**1,070,527**	1,277,948
Cost of sales		**(890,325)**	(1,130,272)
Gross profit		**180,202**	147,676
Other income, gains and losses		**40,636**	18,589
Decrease in fair value of investment properties		**(3,142)**	(1,526)
Distribution and selling costs		**(32,670)**	(44,745)
Administrative and other expenses		**(132,267)**	(134,599)
Research and development costs		**(35,156)**	(31,530)
Share of profit of an associate		**10,320**	14,107
Provision for expected credit loss on loan receivables due from former subsidiaries		**(429,410)**	–
Reversal of/(provision for) expected credit losses on other financial assets		**8,791**	(221)
Finance costs		**(36,894)**	(32,436)
Loss before income tax expense		**(429,590)**	(64,685)
Income tax expense	5	**(5,546)**	(3,706)
Loss for the year from continuing operations		**(435,136)**	(68,391)
Discontinued operation	6		
Profit/(loss) for the year from discontinued operation		**79,788**	(234,439)
Loss for the year	7	**(355,348)**	(302,830)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
— Re-measurement gain on defined benefit plan		**83**	18
— Gain on revaluation of properties upon transfer of property, plant and equipment to investment properties		**2,230**	44,208
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of foreign operations		**(10,226)**	(7,468)
Other comprehensive income for the year		**(7,913)**	36,758
Total comprehensive income for the year		**(363,261)**	(266,072)

	Note	2019 HK$'000	2018 HK$'000 (Re-presented)
(Loss)/profit for the year attributable to owners of the Company:			
— from continuing operations		**(441,458)**	(55,405)
— from discontinued operation		**125,997**	(132,030)
		(315,461)	(187,435)
Profit/(loss) for the year attributable to non-controlling interests:			
— from continuing operations		**6,322**	(12,986)
— from discontinued operation		**(46,209)**	(102,409)
		(39,887)	(115,395)
Total comprehensive income attributable to:			
— Owners of the Company		**(323,376)**	(150,362)
— Non-controlling interests		**(39,885)**	(115,710)
		(363,261)	(266,072)
Loss per share from continuing and discontinued operations	*9*	***HK cents***	*HK cents*
— Basic		**(9.6)**	(5.7)
— Diluted		**(9.6)**	(5.7)
Loss per share from continuing operations	*9*		
— Basic		**(13.5)**	(1.7)
— Diluted		**(13.5)**	(1.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**83,619**	99,432
Prepaid lease payments		**935**	1,261
Investment properties		**147,622**	149,738
Goodwill		**9,272**	10,208
Intangible assets		**8,704**	13,165
Interest in an associate		**76,600**	67,800
Loan to an associate	*10*	**22,130**	22,137
Deferred tax assets		**3,346**	3,147
Total non-current assets		**352,228**	366,888
Current assets			
Inventories		**221,049**	143,308
Trade, bills and other receivables	*11*	**326,800**	389,259
Prepaid lease payments		**57**	65
Loan receivables		**–**	8,794
Amount due from an associate	*10*	**61,729**	113,702
Pledged bank deposits		**3,973**	1,643
Bank balances and cash		**66,840**	72,695
Total current assets		**680,448**	729,466
Current liabilities			
Trade, bills and other payables	*12*	**391,750**	505,222
Contract liabilities		**23,509**	23,614
Tax liabilities		**11,534**	13,371
Bank and other borrowings		**441,045**	454,343
Provision for financial guarantee		**27,332**	–
Lease liabilities		**4,545**	–
Obligations under finance leases		**–**	1,897
Total current liabilities		**899,715**	998,447
Net current liabilities		**(219,267)**	(268,981)
Total assets less current liabilities		**132,961**	97,907

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Bank and other borrowings	**11,568**	4,728
Deferred tax liabilities	**51,351**	53,448
Defined benefit obligation	**33**	136
Lease liabilities	**7,714**	–
Obligations under finance leases	**–**	5,481
Total non-current liabilities	**70,666**	63,793
Net assets	**62,295**	34,114
Capital and reserves attributable to owners of the Company		
Share capital	**327,882**	327,882
Reserves	**(323,310)**	66
Equity attributable to owners of the Company	**4,572**	327,948
Non-controlling interests	**57,723**	(293,834)
Total equity	**62,295**	34,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange.

The Group engages in manufacturing and trading of satellite TV equipment products and other electronic goods and satellite TV broadcasting.

During the year, the Group has disposed of the subsidiaries operating the business of satellite TV broadcasting. This business segment is presented as discontinued operation in accordance with Hong Kong Financial Reporting Standard 5, *Non-current Assets Held for Sale and Discontinued Operations* ("**HKFRS 5**"), issued by the Hong Kong Institute of Certified Public Accountants. Certain comparatives on the consolidated financial statements and the related notes have been re-presented as a result of the retrospective application of HKFRS 5. Details of the discontinued operation are set out in note 6.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
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

Except the impact of the adoption of HKFRS 16 *Leases* ("**HKFRS 16**") which have been summarised in below, the other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 *Leases* ("**HKAS 17**"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("**HK(IFRIC)-Int 4**"), HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, refer to Notes (ii) to (v) below.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on the Group's statement of financial position as of 31 December 2018 to that as of 1 January 2019 as follows:

	1 January 2019
	HK$'000
Right-of-use assets presented in "Property, plant and equipment"*	7,361
Lease liabilities	7,378

* At 31 December 2018, the net book value of a building held under finance leases of the Group amounted to approximately HK$7,361,000 was classified as right-of-use assets upon the adoption of HKFRS 16.

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	1 January 2019
	HK$'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	3,202
Discounted using the incremental borrowing rate at 1 January 2019	3,103
Obligation under finance lease recognised as at 31 December 2018	7,378
— Recognition exemption for leases of low-value assets	(89)
— Recognition exemption for leases with less than 12 months of lease term at transition	(3,014)
Lease liabilities recognised at 1 January 2019	7,378

The weight average lessee's incremental borrowing rate of 4% was applied to the Group's lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019.

Apart from the above, leasehold land outside Hong Kong of the Group which is held for own use amounted to approximately HK$3,432,000 was classified as right-of-use assets upon the adoption of HKFRS 16. It would continue to be accounted for under HKAS 16 *Property, Plant and Equipment* ("**HKAS 16**") and carried at cost.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from the use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases (lease term of 12 months or less) and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the leasehold land and buildings of the Group that are held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 *Investment Property* ("**HKAS 40**") and carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and carried at cost less accumulated depreciation. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40 to account for all of its investment properties as at 31 December 2018. These investment properties continue to be carried at fair value.

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use assets arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities on 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 "*Impairment of Assets*" at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application at 1 January 2019 and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases; and (v) relied on its assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to perform an impairment review.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased certain buildings which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-to-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and obligation under finance lease under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

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

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

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 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 3 — Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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 above new/revised HKFRSs that have been issued but not yet effective are unlikely to have material impact on the Group's consolidated results and consolidated financial statements upon application.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the **"Hong Kong Financial Reporting Standards")** 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, 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$315,461,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK$219,267,000. The Group had bank loans and other loans of HK$211,342,000 and HK$241,271,000 at 31 December 2019 respectively, which would request consents from various banks and financial institutions on the annual renewal of relevant facilities in the coming twelve months. The Group is dependent on the renewal of relevant facilities from the banks and financial institutions to meet its financial obligations. There is no certainty that bank loans and other loans of the Group will be renewed in the future. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the Directors have 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 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 of New Taiwan Dollar 30,000,000 (equivalent to approximately HK$7,782,000) and US$13,000,000 (equivalent to approximately HK$101,206,000) after 31 December 2019 upon their expiry;

(2) Subsequent to the end of the reporting period, the Group has agreed with the lender to renew its other loans of US$30,000,000 (equivalent to approximately HK$233,553,000) and extended the repayment date to 20 April 2021, subject to the completion of supplemental agreement;

(3) As of 31 December 2019, the Group has unutilised bank loan facilities totalling HK$224,110,000 available to finance its future operations and financial obligations.

In the opinion of the Directors, after taking into account of 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 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 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.

(c) Functional and presentation currency

The functional currency of the Company is United States dollars ("**US$**"), while the consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). As the Company is listed on the Main Board of the Stock Exchange, the Directors consider that it will be more appropriate to adopt HK$ 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, the chief operating decision maker, for the purposes of resources 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:

Continuing operations

(i) Media entertainment platform related products

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

(ii) Other multimedia products

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

(iii) Satellite TV equipment and antenna products

Trading and manufacturing of satellite TV equipment and antenna products.

Discontinued operation

(i) Satellite TV broadcasting

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

The following summary describes the operations in each of the Group's reportable segments:

Revenue from contracts with customers within the scope of HKFRS 15:

	2019	2018
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Media entertainment platform related products	**182,237**	341,714
Other multimedia products	**235,505**	293,067
Satellite TV equipment and antenna products	**652,785**	643,167
	1,070,527	1,277,948
Discontinued operation		
Satellite TV broadcasting	**18,990**	22,410
	1,089,517	1,300,358

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 2019

	Continuing operations				Discontinued operation	
	Media entertainment platform related products *HK$'000*	Other multimedia products *HK$'000*	Satellite TV equipment and antenna products *HK$'000*	Sub-total *HK$'000*	Satellite TV broadcasting *HK$'000*	Total *HK$'000*
Revenue						
External sales	182,237	235,505	652,785	1,070,527	18,990	1,089,517
Results						
Segment results	13,052	31,749	102,731	147,532	(54,391)	93,141
Provision for expected credit loss on loan receivables due from former subsidiaries				(429,410)	–	(429,410)
Reversal of expected credit loss on loan receivables				8,794	–	8,794
Provision for expected credit loss on loan to an associate				(7)	–	(7)
Reversal of expected credit loss on the amount due from an associate				5,836	–	5,836
(Provision for)/reversal of expected credit loss on trade receivables				(5,832)	1,140	(4,692)
Other income, gains and losses				40,636	–	40,636
Research and development costs				(35,156)	–	(35,156)
Administrative and other expenses				(132,267)	(16,909)	(149,176)
Share of profit of an associate				10,320	–	10,320
Finance costs				(36,894)	–	(36,894)
Gain on disposal of discontinued operation				–	149,948	149,948
Decrease in fair value of investment properties				(3,142)	–	(3,142)
Loss before income tax expense				(429,590)	79,788	(349,802)

Year ended 31 December 2018

	Continuing operations				Discontinued operation	
	Media entertainment platform related products *HK$'000* (Re-presented)	Other multimedia products *HK$'000* (Re-presented)	Satellite TV equipment and antenna products *HK$'000* (Re-presented)	Sub-total *HK$'000* (Re-presented)	Satellite TV broadcasting *HK$'000* (Re-presented)	Total *HK$'000* (Re-presented)
Revenue						
External sales	341,714	293,067	643,167	1,277,948	22,410	1,300,358
Results						
Segment results	22,476	32,323	48,132	102,931	(229,551)	(126,620)
Reversal of expected credit loss on loan to an associate				69	–	69
Expected credit loss on the amount due from an associate				(8,100)	–	(8,100)
Reversal of expected credit loss on trade receivables				7,810	1,205	9,015
Other income, gain and losses				18,589	30,466	49,055
Decrease in fair value of investment properties				(1,526)	–	(1,526)
Research and development costs				(31,530)	–	(31,530)
Administrative and other expenses				(134,599)	(36,559)	(171,158)
Share of profit of an associate				14,107	–	14,107
Finance costs				(32,436)	–	(32,436)
Loss before income tax expense				(64,685)	(234,439)	(299,124)

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 provision for/reversal of expected credit losses, administrative and other expenses, research and development costs, other income, gains and losses, changes in fair value of investment properties, share of profit of an associate, finance costs and gain on disposal of discontinued operation. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

5. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
The tax charge comprises:		
Current tax:		
— PRC	**957**	1,323
— Jurisdictions other than the PRC and Hong Kong	**7,255**	776
	8,212	2,099
(Over)/under-provision in prior years:		
— PRC	**(5)**	–
— Jurisdictions other than the PRC and Hong Kong	**(321)**	4
	(326)	4
Deferred taxation:		
— Current year	**(2,340)**	1,603
	5,546	3,706

The tax rates applicable to the Group's principal operating subsidiaries for the years ended 31 December 2019 and 2018 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

The Group's subsidiaries in US are subject to United States Federal Income Tax at 21% (2018: 22%) and States Income Tax at 6% (2018: 5%).

(iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 25% to 30% (2018: 21% to 35%)

(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. DISCONTINUED OPERATION

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

The results of the discontinued operation for the period from 1 January 2019 to 25 June 2019 (the date of disposal) and the year ended 31 December 2018 were as follows:

	Period from 1 January 2019 to 25 June 2019 *HK$'000*	Year ended 31 December 2018 *HK$'000*
Revenue	**18,990**	22,410
Cost of sales	**(71,965)**	(154,142)
	(52,975)	(131,732)
Other income, gains and losses	**–**	30,466
Distribution and selling costs	**(1,416)**	(176)
Administrative and other expenses	**(16,909)**	(36,559)
Reversal of expected credit loss on trade receivables	**1,140**	1,205
Impairment loss on goodwill	**–**	(97,643)
Gain on disposal of discontinued operation	**149,948**	–
Profit/(loss) before taxation	**79,788**	(234,439)
Taxation	**–**	–
Profit/(loss) for the period/year from discontinued operation	**79,788**	(234,439)

7. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Loss for the year has been arrived at after charging/(crediting):		
Directors' emoluments	**2,805**	2,596
Other staff costs	**114,424**	117,892
Contributions to defined contribution plans, excluding directors	**4,577**	5,598
Defined benefit obligation expenses	**41**	61
Total employee benefit expenses	**121,847**	126,147
Carrying amount of inventories sold	**891,951**	1,151,123
Write-down of inventories *(note i)*	**958**	351
Reversal of inventory provision *(note i)*	**(2,584)**	(21,202)
Cost of inventories recognised as expenses	**890,325**	1,130,272
Provision for expected credit loss on loan receivables due from former subsidiaries	**429,410**	–
Reversal of expected credit loss on loan receivables	**(8,794)**	–
Provision for/(reversal of) expected credit loss on loan to an associate	**7**	(69)
(Reversal of)/provision for expected credit loss on amount due from an associate	**(5,836)**	8,100
Provision for/(reversal of) expected credit loss on trade receivables	**5,832**	(7,810)
(Reversal of)/provision for expected credit loss on other financial assets	**(8,791)**	221
Auditor's remuneration	**2,064**	2,160
Depreciation of property, plant and equipment	**19,190**	25,425
Depreciation of right-of-use assets	**3,365**	–
Amortisation of intangible assets *(note i)*	**4,521**	4,524
Release of prepaid lease payments	**64**	163
Government subsidy	**(273)**	(955)
Loss on disposal of property, plant and equipment *(note ii)*	**2,293**	2,346
Impairment loss on property, plant and equipment *(note ii)*	**–**	1,723
Loss on written-off of intangible assets *(note ii)*	**28**	–
Loss on disposal on subsidiaries *(note ii)*	**940**	2,247
Interest income *(note ii)*	**(3,583)**	(5,500)
Interest income from an associate *(note ii)*	**(1,013)**	(1,013)
Rental expenses on operating leases	**–**	5,293
Rental expenses on short-term leases	**2,695**	–
Property rental income *(note ii)*	**(16,148)**	(10,891)
Scrap and sample sales *(note ii)*	**(15)**	(1,027)
Net foreign exchange (gain)/loss *(note ii)*	**(2,362)**	4,076
Written-off of interest receivable from an associate	**–**	1,770
Discontinued operation		
Depreciation of property, plant and equipment	**323**	625
Other staff costs	**8,341**	16,310
Impairment loss on goodwill	**–**	97,643
Reversal of expected credit loss on trade receivables	**(1,140)**	(1,205)
Rental expenses on short-term leases	**907**	–

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$4,589,000 (2018: HK$5,611,000) in respect of contributions to defined contribution plans, including directors.

8. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

9. LOSS PER SHARE

Continuing and discontinued operations

The calculation of basic loss per share is based on the consolidated loss attributable to the owners of the Company of HK$315,461,000 (2018: HK$187,435,000) and on the weighted average number of 3,278,825,335 (2018: 3,278,825,335) ordinary shares in issue during the year.

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. Diluted loss per share for each of the two years ended 31 December 2019 respectively is the same as the basic loss per share as there were no dilutive potential ordinary shares during both years.

Continuing operations

The calculation of basic loss per share from continuing operations is based on the loss for the year attributable to the owners of the Company from continuing operations of HK$441,458,000 (2018: HK$55,405,000) and the denominators detailed above for basic loss per share.

Diluted loss per share from continuing operations for each of the two years ended 31 December 2019 respectively is the same as the basic loss per share as there were no dilutive potential ordinary shares during both years.

Discontinued operation

For the year ended 31 December 2019, basic earnings per share for the discontinued operation attributable to the owners of the Company is HK3.8 cents (2018: basic loss per share of HK4.0 cents), based on the profit for the year ended 31 December 2019 from the discontinued operation of HK$125,997,000 (2018: loss of HK$132,030,000) and the denominators detailed above for basic loss per share.

Diluted earnings/(loss) per share from discontinued operation for each of the two years ended 31 December 2019 respectively is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares during both years.

10. AMOUNT DUE FROM/LOAN TO AN ASSOCIATE

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current asset			
Loan receivables	*(i)*	**22,130**	22,137
Current assets			
Trade receivables	*(ii)*	**56,934**	109,674
Interest receivables on loan receivables		**4,795**	4,028
Amount due from an associate		**61,729**	113,702

Notes:

(i) The amount is unsecured and bears interest at a fixed rate of 4.75% (2018: 4.75%) per annum. The loan receivables mature on 31 December 2022.

(ii) Amount being unsecured and interest-free. The Group allows a credit period of 360 days.

The following is an ageing analysis of trade receivables due from an associate, presented based on the invoice date, at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
0–30 days	–	24,884
31–90 days	–	26,800
91–360 days	–	17,409
More than 360 days	**56,934**	40,581
	56,934	109,674

Based on the Group's assessment, the Group recognised the reversal of expected credit loss on trade receivables due from an associate of HK$5,836,000 (2018: provision for expected credit loss of HK$8,100,000) and provision for expected credit loss on loan to an associate of HK$7,000 (2018: reversal of expected credit loss of HK$69,000) during the year.

11. TRADE, BILLS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade and bills receivables	**207,495**	287,022
Other receivables	**119,305**	102,237
Total trade, bills and other receivables	**326,800**	389,259

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an ageing analysis of trade and bills receivables presented based on the invoice date at the end of the year:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**93,837**	151,524
31–90 days	**63,794**	110,797
91–180 days	**36,489**	36,432
More than 180 days	**146,351**	128,103
	340,471	426,856
Less: Loss allowance	**(132,976)**	(139,834)
	207,495	287,022

The other classes within trade, bills and other receivables do not contain impaired assets. Based on the Group's assessment, the Group recognised provision of expected credit loss on trade receivables of HK$4,692,000 (2018: Reversal of HK$9,015,000) during the year.

12. TRADE, BILLS AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**301,571**	383,805
Bills payables	**477**	2,099
Other payables and accruals *(note)*	**89,702**	119,318
	391,750	505,222

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**235,388**	277,967
31–90 days	**23,212**	48,595
91–360 days	**31,153**	33,499
More than 360 days	**12,295**	25,843
	302,048	385,904

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

Note: An amount due to a Director of HK$5,328,000 (2018: HK$5,447,000) which was 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 2019, an overall cash and cash equivalent of the Group was HK$66.8 million (2018: HK$72.7 million). The Group managed its capital structure and liquidity to finance its operations by using bank and other borrowings and funds generated from operations.

The Group's current ratio (ratio of current assets to current liabilities) was 0.76 at 31 December 2019 (2018: 0.73).

As at 31 December 2019, the Group's total borrowings were approximately HK$464.9 million (2018: HK$466.5 million). The gearing ratio (total borrowings over total assets of the Group) increased from 42.55% at 31 December 2018 to 45.02% at 31 December 2019.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, the Group's general banking facilities included bank loans and other borrowings which were secured by the following assets of the Group: (i) bank deposits of HK$4.0 million; (ii) property, plant and equipment with a carrying value of HK$26.8 million; (iii) investment properties of HK$147.6 million; (iv) trade receivables of HK$192.8 million; (v) inventory of HK$202.4 million; and (vi) pledge of the Company's interests in Pro Brand Technology, Inc.

FOREIGN EXCHANGE EXPOSURE

The Group's sales and purchases were denominated mainly in US$ and Renminbi ("**RMB**"). The Group was exposed to certain foreign currency exchange risks but it does not expect future currency fluctuations to cause material operation difficulties on the ground that the recent pressure from appreciation of RMB is 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 2019 (2018: Nil).

SUBSEQUENT EVENTS

The outbreak of Novel Coronavirus (Coronavirus COVID-19) since January 2020 has impact on the business and operations of the Group as the Group has certain factories located in the PRC. As required by the local government offices in which the Group's factory is located, factories located in the area were not allowed to resume operations until 17 February 2020. The Group's factory resumed its operations on 17 February 2020. As at the date of these consolidated financial statements, the Coronavirus COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of Coronavirus COVID-19 subsequent to the date of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements.

LITIGATIONS

(a) HCMP 1044/2017

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

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

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

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

(iii) The Summons Plaintiff and his authorised agent be authorised to inspect and make copies of the documents in relation to the two open offers respectively announced by the Company on 24 October 2016 and 20 March 2017.

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 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 (the "**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 the Notice of Appeal and applied to the Court of Appeal of Hong Kong (the "**Court of Appeal**") for a stay of execution of the Order dated 17 October 2017 pending final determination of the appeal (the "**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.

At the hearing held on 17 April 2018, the appeal of the Stay Application under action number CACV 240 of 2017 by the Company was dismissed by the Court of Appeal and the costs of the Stay Application was awarded to the Summons Plaintiff. On 11 May 2018, the Company had complied with the Order and produced the documents as listed in the schedule of the Order dated 17 October 2017 to the Summons Plaintiff.

(b) HCCW 207/2017

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

Pursuant to the Winding-Up Petition, the 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) (the "**CWUMPO**") 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 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 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 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 CWUMPO (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 announced by the Company on 20 March 2017 and use of the proceeds from the aforesaid open offer by the Company. The Court has also ordered the Petitioner to pay the costs of the validation order to the Company, 2nd and 3rd Respondents (collectively the "**Respondents**").

On 30 August 2017, the Company applied for another validation order under section 182 of the CWUMPO, 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 (the "**Points of Defence**").

At the case management hearing held on 25 April 2018, the Court made an order that:

1. the Petitioner, the Respondents (collectively the "**Winding-Up Petition Parties**") do file and serve their respective list of documents within 42 days after the date hereof, with inspection to be conducted within 7 days thereafter;

2. the Winding-Up Petition Parties do file and exchange signed witness statements as to fact within 70 days thereafter, i.e. by 22 August 2018;

3. the Winding-Up Petition Parties do file and exchange such witness statements in reply (if any) within 28 days thereafter, i.e. by 19 September 2018;

4. the witness statements filed with the Court do stand as evidence-in-chief unless the trial judge directs otherwise;

5. the Winding-Up Petition Parties shall obtain counsel's advice (if necessary) by 28 November 2018; and all interlocutory applications if so advised, shall be taken out within 42 days thereafter;

6. the Winding-Up Petition Parties shall attend a case management hearing on a date to be fixed in consultation with counsel's diaries not earlier than September 2018 with 30 minutes reserved;

7. there be liberty to apply; and

8. costs be in the cause.

On 27 September 2018, the Winding-Up Petition Parties filed and exchanged the witness statements.

At the case management hearing held on 25 October 2018, the Court made an order that:

1. the time for the exchange of the witness statement in reply by the Petitioner be extended to 5:00 p.m. on 30 November 2018;

2. leave be given to the Winding-Up Petition Parties to set down the matter for trial, with an estimate of 2 days before a bilingual judge;

3. subject to the direction of the trial judge, witness statements of the Winding-Up Petition Parties are to stand as evidence-in-chief;

4. there be a pre-trial review 2 months before the trial is due to commence;

5. the Winding-Up Petition Parties are to agree on English translation, or obtain certified English translation of such documents in Chinese as may be necessary;

6. the Respondents are to lodge the trial bundles with the Court 2 weeks before the trial;

7. written opening submissions and list of authorities of the Petitioner be lodged and served on all the other Winding-Up Petition Parties 7 working days before the trial;

8. written opening submissions and lists of authorities of the Respondents be lodged and served on all the other Winding-Up Petition Parties 3 working days before the trial;

9. any application for time be made before 5:00 p.m. on 26 November 2018; and

10. costs be in the cause.

After an amicable negotiation with the Winding-up Petitioner, on 21 December 2018, the Winding-Up Petition Parties, without admission of any liability, entered into a settlement agreement (the "**Settlement Agreement**"). Pursuant to the Settlement Agreement, the Winding-Up Petition Parties have agreed to a full and final settlement of all the disputes of and in the relation to the proceedings in HCCW 207/2017, HCMP 1044/2017 and CACV 240/2017 (the "**Proceedings and Disputes**").

The principal terms of the Settlement Agreement are as follows:

1. The Company shall, within 7 days from 21 December 2018, pay the sum of HK$1,800,000 to the Winding-Up Petitioner in full and final settlement of all disputes, claims, or potential claims, in or arising out of or in connection with the Proceedings and Disputes;

2. The Winding-Up Petitioner shall execute a consent summons with the Company for the dismissal of the Winding-Up Petition with no order as to costs (the "**Consent Summons**"), and an undertaking not to take any action against the Company and/or the Company's existing or former directors in relation to the Proceedings and Disputes (the "**Undertaking**");

3. The Winding-Up Petition Parties agree and acknowledge that the payment of the Sum by the Company shall be in full and final settlement of all disputes, claims, actions, interests or costs among the Parties, including those in the Proceedings and Disputes, accrued before and/or after 21 December 2018. Each Winding-Up Petition Party shall bear his own legal costs of and incidental to the negotiation, preparation, execution and carrying into effect of the Settlement Agreement; and

4. Upon the performance of the Settlement Agreement, the Winding-Up Petition Parties irrevocably and unconditionally fully and forever release and discharge each other from and waive any and all claims, demands, actions, causes of actions, contracts, obligations, debts, costs or liability of any kind, whether direct or indirect, known or unknown, foreseen or unforeseen, prospective or contingent or actual, present or future, arising or capable of arising out of, or in any way connected with the Proceedings and Disputes, including those accrued before and/or after 21 December 2018.

As at 21 December 2018, the Petitioner had executed the Consent Summons and the Undertaking.

Upon the joint application of the Petitioner, the Winding-Up Petition Parties by way of consent summons dated 21 December 2018, the Court had granted an order on 7 January 2019 that:

1. the Winding-Up Petition presented on 5 July 2017 be dismissed;

2. the costs of the official receiver be deducted from the deposits and the balance be returned to the Petitioner; and

3. there be no order as to costs in the action, including the Consent Summons application.

A sealed copy of the said order was received by the Company on 17 January 2019. As at the date of this announcement, there is no outstanding winding-up petition against the Company.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2019, the Group employed a total of 651 (2018: 777) full- time employees. Employees are remunerated according to their performance and responsibilities. Employees of the Group receive training depending on their scope of work, especially those training relating to workplace health and safety.

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

A share option scheme was adopted and approved by Shareholders on 17 March 2005 for the purpose of providing incentives or rewards to selected participants, including but not limited to directors or employees, for their contributions to the Group.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held as at 31 December 2019 nor were there other plans for material investments on capital assets as at the date of this announcement.

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

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

The Group has been experiencing heavy financial burden and has been obtaining borrowings from financial institutions for its daily operation. Given the uncertainty of the future profitability of the Target Group and if the Group intends to keep MyHD and to have sufficient funding for its operation, then the Group will need to provide further financial assistance to the Target Group before subscription revenue of the Target Group is expected to breakeven in 2020. As such, the Disposal will relieve the Group from the provision of further financial assistance to the Target Group. The Directors are of the view that the Disposal will relieve the financial burden of the Group.

The Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) under the existing arrangements notwithstanding Completion taking place. Such arrangement confers the right to the Company or SMT (as the case may be) to receive the payments for the Existing Loans from the Target Company and/or MyHD (as the case may be) when the financial positions of the Target Company and/or MyHD (as the case may be) improve and have sufficient cash to settle the Existing Loans. As at 31 December 2019, there were Existing Loans in the aggregate amount of US$83,026,000 comprising aggregate principal amount of US$71,298,000 and aggregate accrued interest of US$11,728,000 owing by the Target Company and/or MyHD to the Company and/or SMT (as the case may be), the particulars of which are as follows:

Lender	Debtor	Prevailing interest rate	Maturity date	Principal amount outstanding as at 31 December 2019	Accrued interest as at 31 December 2019
SMT	Target Company	3 months LIBOR + 100 basis points(Note 1)	31.12.2020	US$9,554,000 (approximately HK$74,378,000)	US$1,253,000 (approximately HK$9,756,000)
SMT	MyHD	3 months LIBOR + 100 basis points(Note 1)	31.12.2020	US$10,500,000 (approximately HK$81,744,000)	US$1,117,000 (approximately HK$8,692,000)
SMT	MyHD	10% per annum	31.12.2020	US$42,653,000 (approximately HK$332,060,000)	US$10,271,000 (approximately HK$79,961,000)
the Company	MyHD	10% per annum	31.12.2020	US$8,591,000 (approximately HK$66,883,000)	US$2,066,000 (approximately HK$16,082,000)
			Total	US$71,298,000 (approximately HK$553,065,000)	US$14,707,000 (approximately HK$114,491,000)

Note:

1. As a reference, 3 months London inter-bank offered rates ("**LIBOR**") as applicable to these two loans during the period between 1 May 2012 to 31 December 2019 ranged between 0.22335% and 2.80763%.

The Vendor had also agreed that the Guarantee given by the Company to MyHD shall continue for the time being after Completion. The maximum amount payable by the Company under the Guarantee would not exceed US$3,500,000 (equivalent to HK$27,332,000). Such arrangement would enable MyHD to secure continuing supply of television contents from MBC FZ LLC which is one of the foundations for the normal operation of MyHD and was essential for the Completion of the Disposal.

All the Conditions set out in the Agreement have been satisfied and the Disposal had completed on 25 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in the section headed "DISPOSAL OF ALL INTERESTS IN MYHD AND CONTINUATION OF LOANS AND GUARANTEE", the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, the Company has applied the principles and has complied with the code provisions ("**Code Provision(s)**") of the Corporate Governance Code ("**Corporate Governance Code**") 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.6.7, independent non-executive directors and other non-executive directors should attend general meetings.

   Messrs. Kuo Jen Hao, a non-executive Director, Li Chak Hung and Wu Chia Ming, both independent non-executive Directors, were unable to attend the annual general meeting ("**AGM**") held on 12 June 2019 and the special general meeting held on 19 July 2019 due to their other engagements.

2. 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 of the Listing Rules.

   During the year, the management had provided all members of the Board with updates giving a balanced and understandable assessment of the Company's performance, position and prospect on a quarterly basis and the management started to provide all members of the Board with monthly updates from October 2019 onward.

PURCHASE, SALE OR REDEMPTION OF SHARES

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 2019.

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 2019. No incident of non-compliance was noted by the Company for the year ended 31 December 2019.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2019, 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 2019.

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 2019, 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 2019, 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.

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$315,461,000 attributable to owners of the Company during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK$219,267,000. As stated in note 3(b), these conditions, along with other matter as set forth in note 3(b), 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 Shareholders' eligibility to attend, speak and vote at the 2020 AGM, the register of members of the Company ("**Register of Members**") will be closed as appropriate as set out below:

Latest time to lodge transfer documents for registration with the Branch Share Registrar	At 4:30 p.m. on Friday, 5 June 2020
Record Date	Friday, 5 June 2020
Closure of the Register of Members	Monday, 8 June 2020 to Friday, 12 June 2020 (both days inclusive)

For purpose mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Branch Share Registrar, 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 2019 annual report of the Company will be dispatched to the shareholders and will be made available on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 31 March 2020

As at the date of this announcement, the Directors 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