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**Sandmartin International Holdings Limited**

**聖馬丁國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 482)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**FINANCIAL HIGHLIGHTS**

- Group revenue from continuing operations was HK\$863.6 million
- The Group’s earnings before finance costs, income tax expense, depreciation, amortisation and release of prepaid lease payments was HK\$33.7 million
- Loss for the year was HK\$23.8 million
- Loss for the year attributable to owners of the Company was HK\$12.6 million
- Basic loss per share from continuing and discontinued operations was HK0.4 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 directors (the “**Directors**”) of Sandmartin International Holdings Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”), I hereby present the annual results of the Group for the year ended 31 December 2020.

The outbreak of novel coronavirus 2019 (the “**COVID-19**”) pandemic (the “**Pandemic**”) since January 2020 has dramatically changed the lifestyle of people, with “social distancing”, “work from home” and “furlough” are now common practice almost throughout the year. The Pandemic has impact on the business and operations of the Group, as the Group has certain factories located in the People’s Republic of China (the “**PRC**” or “**China**”) and extensive operations in the United States (the “**US**”). The Group’s factories in the PRC were temporarily suspended from operations in February 2020 and gradually resumed production in early March 2020. For our operations in the US, due to the severity of the Pandemic, some cities were under lockdown and the global freight capacity was also reduced massively, which led to the reduction of shipment of products to our customers in the US. The Group has been closely monitoring the impact from the global development of the Pandemic, and taking measures including but not limited to adjustments of its supply chain management and reallocation of human resources to reduce the unfavourable impact arising from the Pandemic.

In response to the China-US trade war, the Group mitigates the impact by strengthening its supply chain management to produce components and accessories in Vietnam and India, including encouraging our suppliers to establish new production facilities in Vietnam to cope with the production orders of parts. The Group also established production facilities in India and relocated certain manufacturing workflows to local production, serving the purpose of avoiding the tariffs imposed by the US on products from the PRC.

For the Company’s 47.12% owned associate, Dish Media Network Limited (“**Dish Media**”, the largest satellite pay television operator in Nepal), has secured a customer base exceeding one million subscribers in Nepal and generated stable subscription revenue in the year of 2020 amidst the outbreak of the Pandemic.

The impacts from the Pandemic along with the escalation of geo-political and geo-economic tensions, 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.

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

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

**Lau Yau Cheung**  
*Chairman*

## **BUSINESS OVERVIEW AND MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL HIGHLIGHT AND BUSINESS OVERVIEW**

The Group recorded a decrease in gross profit ratio from continuing operations from 16.83% for the year ended 31 December 2019 to 13.77% for the year ended 31 December 2020 due to outbreak of the Pandemic and the lockdown of certain cities in the North America and South Asia, which postponed the delivery of the products of the Group to its customers.

The Group's earnings before finance costs, income tax expense, depreciation, amortisation and release of prepaid lease payments was HK\$33,689,000 (2019: loss of HK\$285,768,000).

### **MEDIA ENTERTAINMENT PLATFORM RELATED PRODUCTS**

In 2020, the Group's media entertainment platform related products segment faced a challenging economic environment and a decline in demand of its products due to the outbreak of the Pandemic. In response to the challenging economic environment, the Group continued to explore new business opportunities such as trading of small home appliances. The revenue of this segment was decreased by 31.80% as compared with the year ended 31 December 2019, while the segment results were decreased by 84.38% due to the outbreak of the Pandemic.

- Segment revenue of media entertainment platform related products was approximately HK\$124,293,000 (2019: HK\$182,237,000).
- Segment results from operations were approximately HK\$2,039,000 (2019: HK\$13,052,000).
- Segment margin was 1.64% as compared with segment margin of 7.16% in 2019.

### **Outlook**

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

## **OTHER MULTIMEDIA PRODUCTS**

Despite the outbreak of the Pandemic, which affected the products demand of the Group's other multimedia products segment and the challenging economic environment, the Group's other multimedia products segment was able to maintain its profitability. Major products of this segment included cables, multimedia accessories, external batteries, wireless mobile phone chargers for vehicles and ultraviolet light smartphone sanitizers. The revenue of this segment was increased by 16.23%, thanks to the high demand of ultraviolet light smartphone sanitizers. Segment results decreased by 48.24% due to the increase in material costs after the outbreak of the Pandemic.

- Segment revenue of other multimedia products was approximately HK\$273,735,000 (2019: HK\$235,505,000).
- Segment results from operations were approximately HK\$16,434,000 (2019: HK\$31,749,000).
- Segment margin was 6.00% as compared with the segment margin of 13.48% in 2019.

### **Outlook**

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

## **SATELLITE TV EQUIPMENT AND ANTENNA PRODUCTS**

The revenue of the Group's satellite TV equipment and antenna products segment showed a decline of 28.67%, while the segment results were decreased by 37.80% as a result of the outbreak of the Pandemic and lockdown of certain cities in the North America during the year.

- Segment revenue of satellite TV equipment and antenna products was approximately HK\$465,601,000 (2019: HK\$652,785,000).
- Segment results from operations were approximately HK\$63,897,000 (2019: HK\$102,731,000).
- Segment margin was 13.72%, decreased by 2.02 percentage-point as compared with the segment margin of 15.74% for the year ended 31 December 2019.

## **Outlook**

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

## **GEOGRAPHICAL RESULTS**

### **ASIA**

- Segment revenue of Asia for the year ended 31 December 2020 was approximately HK\$99,362,000, compared with the year ended 31 December 2019 which was approximately HK\$275,181,000.
- 63.89% decrease in segment revenue compared with the year ended 31 December 2019.
- Asia shares 11.51% total revenue from continuing operations of the Group for the year ended 31 December 2020 (2019: 25.71%).

### **EUROPE**

- Segment revenue of Europe for the year ended 31 December 2020 was approximately HK\$99,389,000, compared with the year ended 31 December 2019 which was approximately HK\$108,510,000.
- 8.41% decrease in segment revenue compared with the year ended 31 December 2019.
- Europe shares 11.51% total revenue from continuing operations of the Group for the year ended 31 December 2020 (2019: 10.14%).

### **MIDDLE EAST**

- Segment revenue of Middle East from continuing operations of the Group for the year ended 31 December 2020 was approximately HK\$56,843,000, compared with the year ended 31 December 2019 which was approximately HK\$35,714,000.
- 59.16% growth in segment revenue compared with the year ended 31 December 2019.
- Middle East shares 6.58% total revenue from continuing operations of the Group for the year ended 31 December 2020 (2019: 3.34%).

## **NORTH AMERICA**

- Segment revenue of North America for the year ended 31 December 2020 was approximately HK\$567,365,000, compared with the year ended 31 December 2019 which was approximately HK\$622,613,000.
- 8.87% drop in segment revenue compared with the year ended 31 December 2019.
- North America shares 65.70% total revenue from continuing operations of the Group for the year ended 31 December 2020 (2019: 58.16%).

## **SOUTH AMERICA**

- Segment revenue of South America for the year ended 31 December 2020 was approximately HK\$38,420,000, compared with the year ended 31 December 2019 which was approximately HK\$23,461,000.
- 63.76% growth in segment revenue compared with the year ended 31 December 2019.
- South America shares 4.45% total revenue from continuing operations of the Group for the year ended 31 December 2020 (2019: 2.19%).

## **Outlook**

As our businesses in Europe, North America and Asia continued to share majority of the Group's revenue, therefore we shall focus and explore new business opportunities on these regions in future.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	4	<b>863,629</b>	1,070,527
Cost of sales		<b>(744,716)</b>	(890,325)
Gross profit		<b>118,913</b>	180,202
Other income, gains and losses		<b>44,875</b>	40,636
Increase/(decrease) in fair value of investment properties		<b>7,052</b>	(3,142)
Distribution and selling costs		<b>(36,543)</b>	(32,670)
Administrative and other expenses		<b>(107,229)</b>	(132,267)
Research and development costs		<b>(32,276)</b>	(35,156)
Share of profit of an associate		<b>16,277</b>	10,320
Provision for expected credit loss on loan receivables due from former subsidiaries		–	(429,410)
(Provision for)/reversal of expected credit losses on other financial assets		<b>(1,916)</b>	8,791
Finance costs		<b>(29,839)</b>	(36,894)
<b>Loss before income tax expense</b>		<b>(20,686)</b>	(429,590)
Income tax expense	5	<b>(3,141)</b>	(5,546)
<b>Loss for the year from continuing operations</b>		<b>(23,827)</b>	(435,136)
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	6	–	79,788
<b>Loss for the year</b>	7	<b>(23,827)</b>	(355,348)
<b>Other comprehensive income, net of tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
— Re-measurement gain on defined benefit plan		–	83
— Gain on revaluation of properties upon transfer of property, plant and equipment to investment properties		<b>25,573</b>	2,230
<i>Item that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translation of foreign operations		<b>(4,925)</b>	(10,226)
<b>Other comprehensive income for the year</b>		<b>20,648</b>	(7,913)
<b>Total comprehensive income for the year</b>		<b>(3,179)</b>	(363,261)



	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>(Loss)/profit for the year attributable to owners of the Company:</b>			
— from continuing operations		<b>(12,594)</b>	(441,458)
— from discontinued operation		<u>—</u>	<u>125,997</u>
		<b><u>(12,594)</u></b>	<b><u>(315,461)</u></b>
<b>(Loss)/profit for the year attributable to non-controlling interest:</b>			
— from continuing operations		<b>(11,233)</b>	6,322
— from discontinued operation		<u>—</u>	<u>(46,209)</u>
		<b><u>(11,233)</u></b>	<b><u>(39,887)</u></b>
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		<b>7,921</b>	(323,376)
— Non-controlling interests		<b><u>(11,100)</u></b>	<b><u>(39,885)</u></b>
		<b><u>(3,179)</u></b>	<b><u>(363,261)</u></b>
<b>Loss per share from continuing and discontinued operations</b>			
	<i>9</i>	<i>HK cents</i>	<i>HK cents</i>
— Basic		<b><u>(0.4)</u></b>	<b><u>(9.6)</u></b>
— Diluted		<b><u>(0.4)</u></b>	<b><u>(9.6)</u></b>
<b>Loss per share from continuing operations</b>			
	<i>9</i>		
— Basic		<b><u>(0.4)</u></b>	<b><u>(13.5)</u></b>
— Diluted		<b><u>(0.4)</u></b>	<b><u>(13.5)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>66,704</b>	83,619
Prepaid lease payments		<b>58</b>	935
Investment properties		<b>205,442</b>	147,622
Goodwill		<b>10,140</b>	9,272
Intangible assets		<b>3,836</b>	8,704
Interest in an associate		<b>90,393</b>	76,600
Loan to an associate	<i>10</i>	<b>22,155</b>	22,130
Deferred tax assets		<b>4,212</b>	3,346
		<hr/>	<hr/>
Total non-current assets		<b>402,940</b>	352,228
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>156,633</b>	221,049
Trade, bills and other receivables	<i>11</i>	<b>207,704</b>	326,800
Prepaid lease payments		<b>28</b>	57
Loan receivables		<b>–</b>	–
Amount due from an associate	<i>10</i>	<b>36,356</b>	61,729
Pledged bank deposits		<b>3,957</b>	3,973
Bank balances and cash		<b>88,871</b>	66,840
		<hr/>	<hr/>
Total current assets		<b>493,549</b>	680,448
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade, bills and other payables	<i>12</i>	<b>289,524</b>	391,750
Contract liabilities		<b>30,407</b>	23,509
Tax liabilities		<b>12,083</b>	11,534
Bank and other borrowings		<b>383,144</b>	441,045
Provision for financial guarantee		<b>27,332</b>	27,332
Lease liabilities		<b>3,855</b>	4,545
		<hr/>	<hr/>
Total current liabilities		<b>746,345</b>	899,715
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(252,796)</b>	(219,267)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>150,144</b>	132,961
		<hr/>	<hr/>

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>29,840</b>	11,568
Deferred tax liabilities		<b>62,357</b>	51,351
Defined benefit obligation		<b>32</b>	33
Lease liabilities		<b>4,399</b>	7,714
		<hr/>	<hr/>
Total non-current liabilities		<b>96,628</b>	70,666
		<hr/>	<hr/>
<b>Net assets</b>		<b>53,516</b>	62,295
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		<b>328,108</b>	327,882
Reserves		<b>(313,676)</b>	(323,310)
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>14,432</b>	4,572
Non-controlling interests		<b>39,084</b>	57,723
		<hr/>	<hr/>
<b>Total equity</b>		<b>53,516</b>	62,295
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 1. GENERAL INFORMATION

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

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

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

#### (a) Adoption of new/revised HKFRSs — effective on 1 January 2020

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

#### (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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>2</sup>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>4</sup>
Annual Improvements to HKFRSs 2018–2020	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, Amendment to HKFRS 9, Financial instruments, Amendment to illustrative examples accompanying HKFRS 16, Leases, Amendment to HKAS 41 Agriculture <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>6</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause <sup>6</sup>
HKFRS 17	Insurance Contracts <sup>6</sup>

<sup>1</sup> No mandatory effective date yet determined but available for adoption.

<sup>2</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>5</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2023.

The above new or revised HKFRSs that have been issued but not yet effective are not likely 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. 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\$12,594,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK\$252,796,000. The Group had bank loans and other loans of HK\$171,379,000 and HK\$241,605,000 at 31 December 2020 respectively. 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 the preparation of a cash flow forecast cover a 18-month period from the end of the reporting period for 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 has successfully renewed its banking facilities of US Dollar (“**US\$**”) 31,000,000 (equivalent to approximately HK\$240,315,000) subsequent to the end of the reporting period 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\$232,563,000) and extended the repayment date to 20 April 2022, subject to the completion of supplemental loan agreement;
- (3) As of the date of approval of the financial statements, the Group has unutilised bank loan facilities totalling HK\$316,030,000 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 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.

**(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**

*(iv) 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 customer within the scope of HKFRS 15:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Continuing operations</b>		
Media entertainment platform related products	124,293	182,237
Other multimedia products	273,735	235,505
Satellite TV equipment and antenna products	465,601	652,785
	<u>863,629</u>	<u>1,070,527</u>
<b>Discontinued operation</b>		
Satellite TV broadcasting	–	18,990
	<u>863,629</u>	<u>1,089,517</u>

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

**Year ended 31 December 2020**

	Media entertainment platform related products <i>HK\$'000</i>	Other multimedia products <i>HK\$'000</i>	Satellite TV equipment and antenna products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>				
External sales	<u>124,293</u>	<u>273,735</u>	<u>465,601</u>	<u>863,629</u>
<b>Results</b>				
Segment results	<u>2,039</u>	<u>16,434</u>	<u>63,897</u>	82,370
Reversal of expected credit loss on loan to an associate				25
Reversal of expected credit loss on the amount due from an associate				2,316
Provision for expected credit loss on trade receivables				(4,257)
Other income, gains and losses				44,875
Research and development costs				(32,276)
Administrative and other expenses				(107,229)
Share of profit of an associate				16,277
Finance costs				(29,839)
Increase in fair value of investment properties				<u>7,052</u>
Loss before income tax expense				<u>(20,686)</u>

Year ended 31 December 2019

	Continuing operations			Sub-total <i>HK\$'000</i>	Discontinued operation	Total <i>HK\$'000</i>
	Media entertainment platform related products <i>HK\$'000</i>	Other multimedia products <i>HK\$'000</i>	Satellite TV equipment and antenna products <i>HK\$'000</i>		Satellite TV broadcasting <i>HK\$'000</i>	
<b>Revenue</b>						
External sales	182,237	235,505	652,785	1,070,527	18,990	1,089,517
<b>Results</b>						
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)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Continuing operations</b>		
The tax charge comprises:		
Current tax:		
— the PRC	1,272	957
— Jurisdictions other than the PRC and Hong Kong	<u>2,496</u>	<u>7,255</u>
	3,768	8,212
(Over)/under-provision in prior years:		
— the PRC	(247)	(5)
— Jurisdictions other than the PRC and Hong Kong	<u>122</u>	<u>(321)</u>
	(125)	(326)
Deferred taxation:		
— Current year	<u>(502)</u>	<u>(2,340)</u>
	<u><u>3,141</u></u>	<u><u>5,546</u></u>

The tax rates applicable to the Group's principal operating subsidiaries for the years ended 31 December 2020 and 2019 are as follows:

### (i) the 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 the US are subject to United States Federal Income Tax at 21% (2019: 21%) and States Income Tax at 6% (2019: 6%).

### (iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 25% to 30% (2019: 25% to 30%).

### (v) Macau

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

### (vi) Others

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

## 6. DISCONTINUED OPERATION

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

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

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

## 7. LOSS FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Continuing operations</b>		
Loss for the year has been arrived at after charging/(crediting):		
Directors' emoluments	3,240	2,805
Other staff costs	89,583	114,424
Contributions to defined contribution plans, excluding Directors	873	4,577
Defined benefit obligation expenses	–	41
	<u>93,696</u>	<u>121,847</u>
Total employee benefit expenses		
Carrying amount of inventories sold	750,280	891,951
Write-down of inventories ( <i>note i</i> )	1,856	958
Reversal of inventory provision ( <i>note i</i> )*	(7,420)	(2,584)
	<u>744,716</u>	<u>890,325</u>
Cost of inventories recognised as expenses		
Provision for expected credit loss on loan receivables due from former subsidiaries	–	429,410
	<u>–</u>	<u>429,410</u>
Reversal of expected credit loss on loan receivables	–	(8,794)
(Reversal of)/provision for expected credit loss on loan to an associate	(25)	7
Reversal of expected credit loss on amount due from an associate	(2,316)	(5,836)
Provision for expected credit loss on trade receivables	4,257	5,832
	<u>4,257</u>	<u>5,832</u>
Provision for/(reversal of) expected credit loss on other financial assets	1,916	(8,791)
	<u>1,916</u>	<u>(8,791)</u>
Auditor's remuneration	2,550	2,064
Depreciation of property, plant and equipment	15,960	19,190
Write off of property, plant and equipment	1,349	–
Depreciation of right-of-use assets	3,162	3,365
Amortisation of intangible assets ( <i>note i</i> )	5,358	4,521
Release of prepaid lease payments	56	64
Government subsidy	(1,035)	(273)
Loss on disposal of property, plant and equipment ( <i>note ii</i> )	478	2,293
Loss on written off of intangible assets ( <i>note ii</i> )	–	28
Loss on disposal of subsidiaries ( <i>note ii</i> )	–	940
Loss on termination of a lease	59	–
Interest income ( <i>note ii</i> )	(785)	(3,583)
Interest income from an associate ( <i>note ii</i> )	(1,006)	(1,013)
Rental expenses on short-term leases	–	2,695
Property rental income ( <i>note ii</i> )	(16,778)	(16,148)
Net foreign exchange gain ( <i>note ii</i> )	(8,708)	(2,362)
	<u>(8,708)</u>	<u>(2,362)</u>
<b>Discontinued operation</b>		
Depreciation of property, plant and equipment	–	323
Other staff costs	–	8,341
Reversal of expected credit loss on trade receivables	–	(1,140)
Rental expenses on short-term leases	–	907
	<u>–</u>	<u>907</u>

*Note i:* Included in cost of sales

*Note ii:* Included in other income, gain and losses

\* The reversal of inventory provision mainly arose from inventories that were sold subsequently during the year

Included in the total employee benefit expenses is an aggregate amount of HK\$892,000 (2019: HK\$4,589,000) in respect of contributions to defined contribution plans, including Directors.

## **8. DIVIDENDS**

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

## **9. LOSS PER SHARE**

### **Basic 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\$12,594,000 (2019: HK\$315,461,000) and on the weighted average number of 3,294,556,472 (2019: 3,278,825,335) ordinary shares in issue during the year.

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\$12,594,000 (2019: HK\$441,458,000) and the denominators detailed above for basic loss per share.

Discontinued operation

For the year ended 31 December 2019, basic earnings per share for the discontinued operation attributable to the owners of the Company was HK3.8 cents, based on the profit for the year ended 31 December 2019 from the discontinued operation of HK\$125,997,000 and the denominators detailed above for basic loss per share.

### **Diluted loss per share**

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 2020 respectively is the same as the basic loss per share for both continuing and discontinued operations as there were no dilutive potential ordinary shares during both years.

## 10. AMOUNT DUE FROM/LOAN TO AN ASSOCIATE

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Non-current assets			
Loan receivables	(i)	<u>22,155</u>	<u>22,130</u>
Current assets			
Trade receivables	(ii)	<b>36,116</b>	56,934
Interest receivable on loan receivables		<u>240</u>	<u>4,795</u>
Amount due from an associate		<u><b>36,356</b></u>	<u>61,729</u>

*Notes:*

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

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

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
More than 360 days	<u><b>36,116</b></u>	<u>56,934</u>

Based on the Group's assessment, the Group recognised the reversal of expected credit loss on trade receivables due from an associate of HK\$2,316,000 (2019: HK\$5,836,000) and reversal of expected credit loss on loan to an associate of HK\$25,000 (2019: provision for expected credit loss of HK\$7,000) during the year.

## 11. TRADE, BILLS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills receivables	122,505	207,495
Other receivables	85,199	119,305
	<u>207,704</u>	<u>326,800</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	80,637	93,837
31–90 days	15,727	63,794
91–180 days	14,140	36,489
More than 180 days	151,762	146,351
	<u>262,266</u>	<u>340,471</u>
Less: Loss allowance	(139,761)	(132,976)
	<u>122,505</u>	<u>207,495</u>

The other classes within trade, bills and other receivables do not contain impaired assets. Based on the Group's assessment, the Group recognised provision for expected credit loss on trade receivables of HK\$4,257,000 (2019: HK\$4,692,000) during the year.

## 12. TRADE, BILLS AND OTHER PAYABLES

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	<b>207,593</b>	301,571
Bills payables	<b>502</b>	477
Other payables and accruals ( <i>Note</i> )	<b>81,429</b>	89,702
	<b><u>289,524</u></b>	<u>391,750</u>

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

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0–30 days	<b>132,225</b>	235,388
31–90 days	<b>50,735</b>	23,212
91–360 days	<b>16,772</b>	31,153
More than 360 days	<b>8,363</b>	12,295
	<b><u>208,095</u></b>	<u>302,048</u>

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

*Note:* An amount due to a Director of HK\$6,859,000 (2019: HK\$5,328,000) which was included in other payables. It is unsecured, interest free and repayable on demand.

## **REVIEW OF FINANCIAL POSITION**

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, an overall cash and cash equivalent of the Group was HK\$88.9 million (2019: HK\$66.8 million). The Group managed its capital structure and liquidity to finance its operations by using bank and other borrowings and funds generated from operations.

The Group's current ratio (ratio of current assets to current liabilities) was 0.66 at 31 December 2020 (2019: 0.76).

As at 31 December 2020, the Group's total borrowings were approximately HK\$421.2 million (2019: HK\$464.9 million), out of which HK\$387.0 million (2019: HK\$445.6 million) were due within one year and the rest of HK\$34.2 million (2019: HK\$19.3 million) were due over one year. Approximately 86% of the Group's bank and other borrowings were in US dollars and the rest of them were in Renminbi ("RMB"), Euro and New Taiwan dollars. The effective interest rates on the Group's variable interest rate bank and other borrowings ranged from 0.81% to 10% per annum. The gearing ratio (total borrowings over total assets of the Group) increased from 45.02% at 31 December 2019 to 46.99% at 31 December 2020.

### **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2020, 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\$22.4 million; (iii) investment properties of HK\$205.4 million; (iv) trade receivables of HK\$45.8 million; (v) inventories of HK\$31.4 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 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 as at 31 December 2020 (2019: Nil).



## **SUBSEQUENT EVENTS**

The World Health Organisation declared the Pandemic a global health emergency on 30 January 2020. The Group's factories in the PRC were temporarily suspended from operations in February 2020 and gradually resumed production in early March 2020. For the operations in the US, due to the severity of the Pandemic, some cities were under lockdown and the global freight capacity was also reduced massively, which led to the reduction of shipment of products to customers located in the US. The Directors believe the business and operations of the Group will be recovered from the Pandemic eventually amid the expectation of vaccine will be available for extensive distribution later in 2021. However, there were new mutant cases of COVID-19 lately. The Group will be cautious and stay vigilant and react to the evolving situation.

## **LITIGATION**

### **Lawsuit in India**

In October 2020, Aggressive Digital Systems Private Ltd. ("**AD**", a non-wholly owned subsidiary of the Company) received a summons to the National Company Law Tribunal ("**NCLT**") at Chandigarh in India that was filed by Aggressive Electronics Manufacturing Services Private Limited ("**AEMS**", a minority shareholder of AD) and Mr. Neeraj Bharara (collectively the "**Petitioners**") against Top Dragon Development Limited (a wholly owned subsidiary of the Company and the shareholder of AD), AD and certain directors of AD (collectively the "**Respondents**") alleging that the Respondents made undue acts either of oppression or mismanagement and claiming for losses caused to the Petitioners arising from such undue acts. The hearing is scheduled to be held on 17 May 2021 at NCLT.

After consulting the Company's legal counsel in India and taking into account the possible factors including, but not limited to, the possible amount involved in the case, the Board considered that it is not probable that the Group will incur any material losses resulting from this litigation. Accordingly, after discussion with the Company's auditors, no provision was made in the consolidated financial statements of the Group as at 31 December 2020.

## **FINAL DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2020, the Group employed a total of 646 (2019: 651) full-time employees. Employees are remunerated according to their performance and responsibilities. Employees of the Group receive training depending on their scope of 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 (the “**Share Option Scheme**”) 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. The Share Option Scheme has expired on 16 March 2015 and all outstanding share options were lapsed on 22 October 2020. The Company has not adopted a new option scheme during the year.

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

There were no significant investments held as at 31 December 2020 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, the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company, at the nominal consideration of US\$1 with effect from the Transaction Date. The Target Company was a wholly-owned subsidiary of the Company and indirectly held 51% interests in MyHD. All the Conditions set out in the Agreement had been satisfied and the Disposal was completed on 25 June 2019.

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 then existing arrangements notwithstanding the 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 2020, there were Existing Loans which have been past due in the aggregate amount of US\$91,534,000 comprising aggregate principal amount of US\$71,298,000 and aggregate accrued interest (calculated based on the terms of agreements of Existing Loans) of US\$20,236,000 owing by the Target Company and/or MyHD to the Company and/or SMT (as the case may be), the particulars of which are as follows:

Lenders	Debtors	Prevailing interest rate	Maturity date	Principal amount outstanding as at 31 December 2020	Accrued interest as at 31 December 2020
SMT	Target Company	3 months LIBOR + 100 basis points <sup>(Note 1)</sup>	31.12.2020	US\$9,554,000 (approximately HK\$74,062,000)	US\$1,405,000 (approximately HK\$10,895,000)
SMT	MyHD	3 months LIBOR + 100 basis points <sup>(Note 1)</sup>	31.12.2020	US\$10,500,000 (approximately HK\$81,397,000)	US\$1,284,000 (approximately HK\$9,952,000)
SMT	MyHD	10% per annum	31.12.2020	US\$42,653,000 (approximately HK\$330,652,000)	US\$14,608,000 (approximately HK\$113,239,000)
the Company	MyHD	10% per annum	31.12.2020	US\$8,591,000 (approximately HK\$66,600,000)	US\$2,939,000 (approximately HK\$22,784,000)
			Total	US\$71,298,000 (approximately HK\$552,711,000)	US\$20,236,000 (approximately HK\$156,870,000)

Note:

- 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 2020 ranged between 0.21575% and 2.80763%.

In December 2019, the Company was given to understand that the Target Company and MyHD were in serious financial problem and ceased to operate in late 2019. As such, the Company considered these loan receivables were credit impaired and full impairment in the amount of HK\$646,366,000 was provided as at 31 December 2019. No interest income was recognised on the outstanding loan principal for the year ended 31 December 2020 as the recoverability of such interest receivables is remote.

The Vendor had also agreed that the Guarantee given by the Company to MyHD shall continue for the time being after the 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.

Notwithstanding that MyHD ceased its operation in late 2019, the Company has not received any demand for payment from MyHD under the Guarantee. At 31 December 2019 and 2020, the Group had recognised the provision for financial guarantee in the amount of US\$3,500,000 (equivalent to HK\$27,332,000) in relation to the Guarantee.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

## **DELISTING AND REPURCHASE OF TDRS**

Reference is made to the announcements of the Company dated 9 April 2020, 15 April 2020, 29 April 2020, 5 May 2020, 4 August 2020, 10 August 2020 and 22 October 2020 (the “**TDR Announcements**”) in relation to, among other things, the delisting of TDRs of the Company as requested by the Taiwan Stock Exchange. Unless otherwise specified herein, capitalised terms used herein shall have the same meanings as those defined in the TDR Announcements.

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

As at 3 August 2020 (being the last date for TDR Holders to submit their requests for the Company to repurchase their TDRs), there were 97,748,625 units of TDR that were required to be repurchased by the Company, which constitute approximately 2.98% of the number of issued Shares as at the even date. The TDRs so requested to be repurchased by the Company had been surrendered to the Depositary Agent for cancellation. The total amount involved to repurchase the TDRs is approximately NT\$26,490,000 (equivalent to approximately HK\$6,996,000) (which is calculated by multiplying the total number of TDRs required to be repurchased by the Company with the Repurchase Price of NT\$0.271) has already been paid by the Company to the Depositary Agent.

The underlying Shares representing such 97,748,625 units of repurchased TDRs were transferred to the Company on 8 October 2020 by the Hong Kong custodian and they were cancelled accordingly by the Company's share registrar on 22 October 2020.

The table below sets out a summary of the shareholding structure of the Company (i) immediately before the completion of the TDR Repurchase, and (ii) immediately after the completion of the TDR Repurchase:

Shareholders	Immediately before the completion of TDR Repurchase		Immediately after the completion of TDR Repurchase	
	No. of Shares held	Approximate % of the total issued Shares	No. of Shares held	Approximate % of the total issued Shares
First Steamship Company Limited	950,859,347 <i>(Note 1)</i>	28.14%	950,859,347	28.98%
Metroasset Investments Limited	507,188,592 <i>(Note 2)</i>	15.01%	507,188,592	15.46%
Public shareholders	<u>1,920,777,396</u>	<u>56.85%</u>	<u>1,823,028,771</u>	<u>55.56%</u>
Total	<u><u>3,378,825,335</u></u>	<u><u>100.00%</u></u>	<u><u>3,281,076,710</u></u>	<u><u>100.00%</u></u>

*Notes:*

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

## **SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

Reference is made to the announcements of the Company dated 6 August 2020, 10 August 2020 and 31 August 2020 (the “**Subscription Announcements**”). Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those defined in the Subscription Announcements. Pursuant to the Subscription Agreement entered into between the Company as an issuer and the Subscriber dated 6 August 2020, and the Supplemental Agreement dated 10 August 2020 entered into between the Company, the Subscriber and the New Subscriber, the Company has conditionally agreed to allot and issue, and the New Subscriber has conditionally agreed to subscribe for 100,000,000 Subscription Shares.

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

The gross proceeds of the Subscription is HK\$10,000,000 and the net proceeds of the Subscription, after deduction of expenses, amounted to approximately HK\$9,800,000, of which HK\$7,000,000 was used to replenish liquidity of the Company and the rest of HK\$2,800,000 was used as general working capital of the Group.

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

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

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

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

All conditions precedent of the Subscription have been fulfilled and the Completion took place on 31 August 2020. 100,000,000 Subscription Shares were allotted and issued to the New Subscriber at the Subscription Price of HK\$0.1 pursuant to the Subscription Agreement and the Supplemental Agreement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the year ended 31 December 2020, 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 the deviation with following reason.

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

Mr. Kuo Jen Hao, a non-executive Director, was unable to attend the annual general meeting (“**AGM**”) held on 29 June 2020 due to his other engagements.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Save as the delisting and repurchase of TDRs, 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 2020.

## **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 2020. No incident of non-compliance was noted by the Company for the year ended 31 December 2020.

## **REVIEW OF ACCOUNTS**

The audit committee of the Company has reviewed the Group’s consolidated financial statements for the year ended 31 December 2020, 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 2020.

### **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 2020, 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 2020, 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\$12,594,000 attributable to owners of the Company during the year ended 31 December 2020 and, as of that date, the Group’s current liabilities exceeded its current assets by HK\$252,796,000. 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 2021 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 Hong Kong branch share registrar	At 4:30 p.m. on Friday, 28 May 2021
Record Date	Friday, 28 May 2021
Closure of the Register of Members	Monday, 31 May 2021 to Thursday, 3 June 2021 (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 Hong Kong branch share registrar, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than the aforementioned latest time.



## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the Company's website ([www.sandmartin.com.hk](http://www.sandmartin.com.hk)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2020 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, 24 March 2021

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