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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 2022**

**FINANCIAL HIGHLIGHTS**

- Group revenue for the year was HK\$746.0 million
- The Group’s losses before finance costs, income tax expense, depreciation, amortisation and release of prepaid lease payments for the year was HK\$23.1 million
- Loss for the year was HK\$80.5 million
- Loss for the year attributable to owners of the Company was HK\$77.5 million
- Basic loss per share for the year was HK15.76 cents

\* For identification purpose only

## CHAIRMAN’S LETTER TO SHAREHOLDERS

Dear shareholders of the Company (the “**Shareholders**”),

On behalf of the board (the “**Board**”) of the directors (the “**Directors**”) of Sandmartin International Holdings Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”), I hereby present the annual results of the Group for the year ended 31 December 2022.

The financial performance of the Group was not satisfactory for the year ended 31 December 2022. The 2019 novel coronavirus pandemic (the “**Pandemic**”) continued to have negative impacts on the business and operations of the Group. During the year, the outbreak of variants of novel coronavirus in the People’s Republic of China (the “**PRC**” or “**China**”) as well as the related epidemic prevention measures, inevitably affected the productions of the Group and led to the delay in shipment of products to the Group’s customers in the North America. With the global shortage of microchips and integrated circuits, and the increases in material costs, such as copper, aluminum and plastic materials, the profit margins of the Group’s products have declined when compared with the same corresponding period in 2021. The Group has taken some measures to reduce the unfavourable impacts arising from the Pandemic, including but not limited to sourcing from different suppliers and adjusting the logistics structures.

The outbreak of the Pandemic also had adverse impact on the revival of tourism sector and economic sentiment in Nepal which led to the decrease in number of subscribers of Dish Media Network Limited (“**Dish Media**”, the Company’s associate and the largest satellite pay television operator in Nepal).

The ongoing China-US trade war still has some negative impacts on the operations of the Group and the Group mitigates the impacts by sourcing from suppliers in Southeast Asia, serving the purpose of avoiding the excessive tariffs imposed by the United States (the “**US**”) on products from China.

Although the global economy is gradually recovering from the Pandemic, the geo-political and geo-economic tensions are yet to be resolved. Given these volatilities and challenges, the Group will continue to adopt a prudent approach in managing its cash flows position and will make every endeavour to identify business opportunities with promising potential in the manufacturing segments in emerging markets or even other sectors so as to diversify our income source to weather adverse economic cycle.

Besides, the Group has gradually outsourced its production to suppliers in Vietnam since 2018, hence the Group has been exploring opportunities to increase the investment return of the production plants located on an industrial land in Zhongshan; therefore, the Group entered into a cooperation agreement with Guangdong Huasuan International Industrial Park Investment Development Co., Ltd.\* (廣東省華算國際產業園投資發展有限公司) (“**Huasuan**”) in July 2021.

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 opportunities, 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.

To strengthen the financial position and improve the liquidity of the Group, on 27 March 2023, the Company proposed rights issue on the basis of three rights shares for every two adjusted shares in issue on the record date.

On behalf of the Board, I would like to take this opportunity to express our gratitude to our invaluable business partners, Shareholders, and management and employees for their continuous support and contribution to the Group. We look forward to sharing the rewards ahead with you.

**Kuo Jen Hao**

*Chairman*

\* *For identification purpose only*

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

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

The Group recorded a decrease in gross profit ratio from 13.08% for the year ended 31 December 2021 to 10.68% for the year ended 31 December 2022 due to the increase in material costs, global shortage of chips and integrated circuits as a result of the Pandemic.

The Group's loss before finance costs, income tax expense, depreciation, amortisation and release of prepaid lease payments was HK\$23,070,000 (2021: earnings of HK\$30,554,000).

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

In 2022, 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 continued impact of the Pandemic. The revenue of this segment was decreased by 20.97% as compared with the year ended 31 December 2021, while the segment results were decreased by 124.59%.

- Segment revenue of media entertainment platform related products was approximately HK\$92,890,000 (2021: HK\$117,545,000).
- Segment loss from operations were approximately HK\$1,388,000 (2021: profit of HK\$5,645,000).
- Segment loss margin was 1.49% as compared with segment margin of 4.80% in 2021.

### **Outlook**

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

## **OTHER MULTIMEDIA PRODUCTS**

Due to the increase in material costs and freight charges, the profitability of the Group's other multimedia products segment was lower than expected. Major products of this segment included cables, multimedia accessories and wireless mobile phone chargers for vehicles. The revenue of this segment was decreased by 50.97%. Segment results decreased by 67.91% due to the increase in material costs after the outbreak of the Pandemic.

- Segment revenue of other multimedia products was approximately HK\$133,311,000 (2021: HK\$271,886,000).
- Segment results from operations were approximately HK\$4,910,000 (2021: HK\$15,301,000).
- Segment margin was 3.68% as compared with the segment margin of 5.63% in 2021.

## **Outlook**

We are enhancing our product portfolio and developing new businesses to cope with the new demand from customers. 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 and adjusting logistics structure.

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

The segment margin of the Group's satellite TV equipment and antenna products segment showed a decline notwithstanding the gradual recovery of economy from the Pandemic in the North America. The revenue of this segment was slightly decreased by 3.22% as compared with the year ended 31 December 2021, while the segment results were decreased by 26.72%.

- Segment revenue of satellite TV equipment and antenna products was approximately HK\$519,753,000 (2021: HK\$537,040,000).
- Segment results from operations were approximately HK\$53,023,000 (2021: HK\$72,354,000).
- Segment margin was 10.20% as compared with the segment margin of 13.47% for the year ended 31 December 2021.

## **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 most of the customers are located in the US. Such impact is mitigated by sourcing from suppliers outside the PRC, such as Southeast Asia.

## **GEOGRAPHICAL RESULTS**

### **ASIA**

- Revenue from Asia for the year ended 31 December 2022 was approximately HK\$172,297,000, compared with the year ended 31 December 2021 which was approximately HK\$116,297,000.
- 48.15% increase in revenue from Asia compared with the year ended 31 December 2021.
- Revenue from Asia shares 23.10% of the Group’s total revenue for the year ended 31 December 2022 (2021: 12.55%).

### **EUROPE**

- Revenue from Europe for the year ended 31 December 2022 was approximately HK\$65,982,000, compared with the year ended 31 December 2021 which was approximately HK\$125,236,000.
- 47.31% decrease in revenue from Europe compared with the year ended 31 December 2021.
- Revenue from Europe shares 8.85% of the Group’s total revenue for the year ended 31 December 2022 (2021: 13.52%).

## **MIDDLE EAST**

- Revenue from Middle East for the year ended 31 December 2022 was approximately HK\$11,289,000, compared with the year ended 31 December 2021 which was approximately HK\$16,234,000.
- 30.46% drop in revenue from Middle East compared with the year ended 31 December 2021.
- Revenue from Middle East shares 1.51% of the Group's total revenue for the year ended 31 December 2022 (2021: 1.75%).

## **NORTH AMERICA**

- Revenue from North America for the year ended 31 December 2022 was approximately HK\$447,901,000, compared with the year ended 31 December 2021 which was approximately HK\$626,389,000.
- 28.49% decrease in revenue from North America compared with the year ended 31 December 2021.
- Revenue from North America shares 60.04% of the Group's total revenue for the year ended 31 December 2022 (2021: 67.61%).

## **SOUTH AMERICA**

- Revenue from South America for the year ended 31 December 2022 was approximately HK\$46,827,000, compared with the year ended 31 December 2021 which was approximately HK\$40,922,000.
- 14.43% growth in revenue from South America compared with the year ended 31 December 2021.
- Revenue from South America shares 6.28% of the Group's total revenue for the year ended 31 December 2022 (2021: 4.42%).

## **Outlook**

As our businesses in Asia and South America continued to perform well, 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 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>745,954</b>	926,471
Cost of sales		<u>(666,262)</u>	<u>(805,276)</u>
Gross profit		<u><b>79,692</b></u>	<u>121,195</u>
Other income, gains and losses		<b>41,899</b>	47,469
Increase in fair value of investment properties		<b>34,974</b>	19,006
Write off of investment properties for re-development		<b>(21,051)</b>	–
Distribution and selling costs		<b>(23,147)</b>	(27,895)
Administrative and other expenses		<b>(92,967)</b>	(110,287)
Research and development costs		<b>(22,939)</b>	(27,382)
Share of (loss)/profit of an associate		<b>(45,427)</b>	4,487
Loss on changes in ownership interest in an associate		<b>(1,240)</b>	–
Reversal of/(provision for) expected credit losses on financial assets		<b>10,526</b>	(14,895)
Finance costs		<u><b>(28,161)</b></u>	<u>(28,140)</u>
<b>Loss before income tax expense</b>		<b>(67,841)</b>	(16,442)
Income tax expense	5	<u><b>(12,674)</b></u>	<u>(9,819)</u>
<b>Loss for the year</b>	6	<u><b>(80,515)</b></u>	<u>(26,261)</u>
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<b>(4,676)</b>	553
– Re-measurement loss on defined benefit plan		<b>(124)</b>	–
– Reclassification of currency translation reserve to profit or loss upon changes in ownership interest in an associate		<u><b>3,073</b></u>	–
<b>Other comprehensive income for the year</b>		<u><b>(1,727)</b></u>	<u>553</u>
<b>Total comprehensive income for the year</b>		<u><u><b>(82,242)</b></u></u>	<u><u>(25,708)</u></u>



	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
– Owners of the Company		<b>(77,548)</b>	(25,433)
– Non-controlling interests		<b>(2,967)</b>	(828)
		<u><b>(80,515)</b></u>	<u>(26,261)</u>
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<b>(81,052)</b>	(26,438)
– Non-controlling interests		<b>(1,190)</b>	730
		<u><b>(82,242)</b></u>	<u>(25,708)</u>
<b>Loss per share</b>	<b>8</b>	<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
– Basic		<u><b>(15.76)</b></u>	<u>(6.32)</u>
– Diluted		<u><b>(15.76)</b></u>	<u>(6.32)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>58,809</b>	72,712
Prepaid lease payments		<b>1</b>	30
Investment properties		<b>231,949</b>	230,797
Goodwill		<b>8,772</b>	9,597
Intangible assets		<b>3,635</b>	2,480
Interest in an associate		<b>46,722</b>	91,443
Deferred tax assets		<b>4,247</b>	3,922
		<hr/>	<hr/>
Total non-current assets		<b>354,135</b>	410,981
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>137,404</b>	205,038
Trade, bills and other receivables	<i>10</i>	<b>229,071</b>	225,325
Prepaid lease payments		<b>27</b>	29
Loan receivables		<b>–</b>	–
Loan to an associate	<i>9</i>	<b>20,803</b>	22,063
Amount due from an associate	<i>9</i>	<b>38,015</b>	38,679
Pledged bank deposits		<b>8,252</b>	3,603
Bank balances and cash		<b>79,158</b>	111,354
		<hr/>	<hr/>
Total current assets		<b>512,730</b>	606,091
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade, bills and other payables	<i>11</i>	<b>356,072</b>	398,853
Contract liabilities		<b>17,673</b>	25,313
Tax liabilities		<b>15,697</b>	11,843
Bank and other borrowings		<b>269,941</b>	144,083
Provision for financial guarantee		<b>27,332</b>	27,332
Lease liabilities		<b>4,979</b>	4,992
		<hr/>	<hr/>
Total current liabilities		<b>691,694</b>	612,416
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(178,964)</b>	(6,325)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>175,171</b>	404,656
		<hr/>	<hr/>

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Bank and other borrowings	<b>81,990</b>	225,981
Deferred tax liabilities	<b>66,786</b>	67,746
Defined benefit obligation	–	32
Lease liabilities	<b>13,544</b>	15,804
	<u>          </u>	<u>          </u>
Total non-current liabilities	<b>162,320</b>	309,563
	<u>          </u>	<u>          </u>
<b>Net assets</b>	<b>12,851</b>	95,093
	<u>          </u>	<u>          </u>
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	<b>49,216</b>	49,216
Reserves	<b>(74,989)</b>	6,063
	<u>          </u>	<u>          </u>
(Capital deficiency)/equity attributable to owners of the Company	<b>(25,773)</b>	55,279
Non-controlling interests	<b>38,624</b>	39,814
	<u>          </u>	<u>          </u>
<b>Total equity</b>	<b>12,851</b>	95,093
	<u>          </u>	<u>          </u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1. GENERAL INFORMATION

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

The Company and its subsidiaries (hereafter referred to as 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 2022

2021 Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments and HKFRS 16 Leases
Amendments to HKFRS 3	Reference to the Conceptual Framework

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (the 2022 Amendments) <sup>3</sup>
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback <sup>3</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 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

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 position 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\$77,548,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK\$178,964,000. As at the same date, the Group had bank and other borrowings of HK\$269,941,000, which is subject to repayment or renewal in the next twelve months after the end of the reporting period. Included in current borrowings as at 31 December 2022 was other loans (the “**Loan**”) with an outstanding balance of approximately HK\$194,938,000 scheduled to be fully repayable in April 2023, and interest payment included in other payables of approximately HK\$8,812,000 which has been overdue. The non-repayment of interest constituted an event of default under the loan agreement. In addition, the Group had capital deficiency attributable to owners of the Company of HK\$25,773,000 as at 31 December 2022.

These conditions may cast significant doubt on the Group’s ability to continue as a going concern.

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. Management has also performed a sensitivity analysis by considering a reasonable change in operating cash flows on the forecast period and the headroom of the available working capital. In particular, the Directors have considered the following:

- (1) Based on communication with banks, the Group should be able to renew the existing bank loans upon expiry. The Directors are of the opinion that the Group maintains good relationship with major banks providing finance or facilities to the Group and the Group has successfully renewed most of its banking facilities based on past experience;

- (2) Subsequent to the end of the reporting period, the lender of the Loan conditionally agreed with the Group, upon the repayment of US\$7,500,000 (equivalent to approximately HK\$58,481,000) and accrued interest, to enter into a supplemental loan agreement for an extension of the repayment date of the remaining balance of the Loan of US\$17,500,000 (equivalent to approximately HK\$136,456,000) to 20 April 2025 (the “**Repayment Proposal**”);
- (3) As of the date of approval of these financial statements, the Group has unutilised bank loan facilities totalling HK\$236,401,000, which are repayable twelve months from dates of drawdown. They are available for the Group to draw down to finance its future operations and financial obligations; and
- (4) On 27 March 2023, the Company proposed to issue 738,242,235 rights shares by way of rights issue, on the basis of three rights shares for every two shares held by the qualifying shareholders on the record date at the subscription price of HK\$0.12 per rights share (the “**Rights Issue**”) to raise a gross proceeds of approximately HK\$88.6 million. The Company intends to use the proceeds of Rights Issue to finance the Repayment Proposal as disclosed in (2) above.

The Rights Issue is conditional on approval by the independent shareholders as set out in the announcement of the Company dated 27 March 2023.

Based on the cash flow forecast and the sensitivity analysis, the Directors are of the opinion that the Group would have sufficient liquidity to finance its operations and meet its financial obligations as and when they fall due for the at least twelve months subsequent to end of reporting period. Accordingly, the Directors considered that it is appropriate to continue to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the management’s assessment and measures mentioned, there is a material uncertainty related to the above events or conditions that may cast significant doubt about the Group’s ability to continue as a going concern. Whether the Group will be able to continue as a going concern depends upon the Group’s ability to generate adequate cash flows through the above plans and measures.

Should the Group fail to achieve the above plans and measures, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 are 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:

**(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.

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:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Media entertainment platform related products	<b>92,890</b>	117,545
Other multimedia products	<b>133,311</b>	271,886
Satellite TV equipment and antenna products	<b>519,753</b>	537,040
	<b><u>745,954</u></b>	<u>926,471</u>

## 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 2022**

	<b>Media entertainment platform related products <i>HK'000</i></b>	<b>Other multimedia products <i>HK'000</i></b>	<b>Satellite TV equipment and antenna products <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Revenue</b>				
External sales	<u>92,890</u>	<u>133,311</u>	<u>519,753</u>	<u>745,954</u>
<b>Results</b>				
Segment results	<u>(1,388)</u>	<u>4,910</u>	<u>53,023</u>	56,545
Provision for expected credit loss on loan to an associate				(1,260)
Provision for expected credit loss on the amount due from an associate				(1,500)
Reversal of expected credit loss on trade receivables				13,286
Other income, gains and losses				41,899
Research and development costs				(22,939)
Administrative and other expenses				(92,967)
Share of loss of an associate				(45,427)
Finance costs				(28,161)
Write off of investment properties for re-development				(21,051)
Loss on changes in ownership interest in an associate				(1,240)
Increase in fair value of investment properties				<u>34,974</u>
Loss before income tax expense				<u>(67,841)</u>



Year ended 31 December 2021

	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>117,545</u>	<u>271,886</u>	<u>537,040</u>	<u>926,471</u>
<b>Results</b>				
Segment results	<u>5,645</u>	<u>15,301</u>	<u>72,354</u>	93,300
Provision for expected credit loss on loan to an associate				(92)
Reversal of expected credit loss on the amount due from an associate				1,250
Provision for expected credit loss on trade receivables				(16,053)
Other income, gains and losses				47,469
Research and development costs				(27,382)
Administrative and other expenses				(110,287)
Share of profit of an associate				4,487
Finance costs				(28,140)
Increase in fair value of investment properties				<u>19,006</u>
Loss before income tax expense				<u>(16,442)</u>

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment results represent the profit earned by each segment without allocation of provision for/reversal of expected credit losses, administrative and other expenses, research and development costs, other income, gains and losses, write off of investment properties for re-development, changes in fair value of investment properties, share of profit or loss of an associate, loss on changes in ownership interest in an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

## 5. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The tax charge comprises:		
Current tax:		
– the PRC	6,785	5,215
– Jurisdictions other than the PRC and Hong Kong	<u>6,306</u>	<u>5,045</u>
	<b>13,091</b>	10,260
Over-provision in prior years:		
– the PRC	(2,646)	(997)
– Jurisdictions other than the PRC and Hong Kong	<u>(758)</u>	<u>(950)</u>
	<b>(3,404)</b>	(1,947)
Deferred taxation:		
– Current year	<u>2,987</u>	<u>1,506</u>
	<u><b>12,674</b></u>	<u><b>9,819</b></u>

The tax rates applicable to the Group's principal operating subsidiaries for the years ended 31 December 2022 and 2021 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% (2021: 21%) and States Income Tax at 6% (2021: 6%).

**(iv) Europe**

The Group's European subsidiaries are subject to profit tax rates at a range of 25% to 30% (2021: 25% to 30%).

**(v) Macau**

According to the Macau Complementary Tax Law, complementary tax is imposed on a progressive rate scale ranging from 3% to 9% for taxable profits below or equal to Macanese Pataca ("MOP") 300,000 and 12% for taxable profits over MOP300,000. Taxable profits below MOP32,000 are exempt from tax.

No tax is payable on the profit arising in Macau as the entity operating in Macau incurred tax losses for both years.

(vi) **Others**

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

**6. LOSS FOR THE YEAR**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year has been arrived at after charging/(crediting):		
Directors' emoluments	3,179	3,336
Other staff costs	74,922	88,591
Contributions to defined contribution plans, excluding Directors	2,067	2,242
	<u>80,168</u>	<u>94,169</u>
Total employee benefit expenses		
Carrying amount of inventories sold	664,586	806,713
Write-down of inventories ( <i>note i</i> )	4,036	1,281
Reversal of inventory provision ( <i>note i</i> )*	(2,360)	(2,718)
	<u>666,262</u>	<u>805,276</u>
Cost of inventories recognised as expenses		
Provision for expected credit loss on loan to an associate	1,260	92
Provision for/(reversal of) expected credit loss on amount due from an associate	1,500	(1,250)
(Reserval of)/provision for expected credit loss on trade receivables	(13,286)	16,053
	<u>(10,526)</u>	<u>14,895</u>
(Reserval of)/provision for expected credit loss on financial assets		
Auditor's remuneration	3,043	2,661
Depreciation of property, plant and equipment	10,230	11,891
Reversal of write off of property, plant and equipment	–	(317)
Write off of investment properties for redevelopment	(21,051)	–
Depreciation of right-of-use assets	6,016	5,544
Amortisation of intangible assets ( <i>note i</i> )	336	1,392
Release of prepaid lease payments	28	29
Government subsidy	(749)	(509)
Loss on disposal of property, plant and equipment ( <i>note ii</i> )	7	171
Interest income ( <i>note ii</i> )	(552)	(575)
Interest income from an associate ( <i>note ii</i> )	(1,012)	(1,004)
Property rental income ( <i>note ii</i> )	(16,958)	(20,334)
Net foreign exchange loss ( <i>note ii</i> )	2,779	291

*Note i:* Included in cost of sales

*Note ii:* Included in other income, gains 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\$2,086,000 (2021: HK\$2,262,000) in respect of contributions to defined contribution plans, including directors.

## 7. DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## 8. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per share	<u>(77,548)</u>	<u>(25,433)</u>
	2022	2021
Number of Shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>492,161,490</u>	<u>402,722,938</u>
Basic and diluted loss per share ( <i>HK cents</i> )	<u>(15.76)</u>	<u>(6.32)</u>

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2021 has been adjusted for the share consolidation and bonus element in rights issue which took place on 11 June 2021 and 21 July 2021 respectively. There was no movement in ordinary shares in the year ended 31 December 2022.

### Diluted loss per share

Diluted loss per share for each of the two years ended 31 December 2022 and 2021 are the same as the basic loss per share because there were no dilutive potential ordinary shares during both years.

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

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets			
Loan receivables	(i)	<b>20,803</b>	22,063
Trade receivables	(ii)	<b>35,986</b>	37,487
Interest receivable on loan receivables		<b>2,029</b>	1,192
		<hr/>	<hr/>
Amount due from an associate		<b>58,818</b>	60,742
		<hr/> <hr/>	<hr/> <hr/>

### *Notes:*

- (i) The amount is unsecured and bears interest at a fixed rate of 4.75% (2021: 4.75%) per annum. The loan receivables will mature on 31 December 2023. (2021: 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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
More than 360 days	<b>35,986</b>	37,487
	<hr/>	<hr/>

Based on the Group's assessment, the Group recognised the provision for expected credit loss on trade receivables due from an associate of HK\$1,500,000 (2021: reversal of HK\$1,250,000) and provision for expected credit loss on loan to an associate of HK\$1,260,000 (2021: HK\$92,000) during the year.

## 10. TRADE, BILLS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and bills receivables	135,945	167,113
Other receivables	<u>93,126</u>	<u>58,212</u>
Total trade, bills and other receivables	<u><u>229,071</u></u>	<u><u>225,325</u></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	114,995	131,109
31 – 90 days	10,889	34,133
91 – 180 days	6,591	3,647
More than 180 days	<u>126,733</u>	<u>146,964</u>
	259,208	315,853
Less: Loss allowance	<u>(123,263)</u>	<u>(148,740)</u>
	<u><u>135,945</u></u>	<u><u>167,113</u></u>

The other classes within trade, bills and other receivables do not contain impaired assets. Based on the Group's assessment, the Group recognised reversal of expected credit loss on trade receivables of HK\$13,286,000 (2021: provision for expected credit loss of HK\$16,053,000) during the year.

## 11. TRADE, BILLS AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	187,988	231,776
Bills payables	83	377
Deposits received	67,167	73,997
Other payables and accruals ( <i>note</i> )	<u>100,834</u>	<u>92,703</u>
	<u><b>356,072</b></u>	<u><b>398,853</b></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	99,967	199,769
31 – 90 days	25,818	19,481
91 – 360 days	44,256	4,658
More than 360 days	<u>18,030</u>	<u>8,245</u>
	<u><b>188,071</b></u>	<u><b>232,153</b></u>

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

*Note:* An amount due to a director of HK\$1,704,000 (2021: HK\$4,308,000) 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 2022, an overall cash and cash equivalent of the Group was HK\$79.2 million (2021: HK\$111.4 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 0.74 at 31 December 2022 (2021: 0.99).

As at 31 December 2022, the Group's total borrowings were approximately HK\$370.5 million (2021: HK\$390.9 million), out of which HK\$274.9 million (2021: HK\$149.1 million) were due within one year and the rest of HK\$95.6 million (2021: HK\$241.8 million) were due over one year. Approximately 63.9% 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 0.84% to 10.53% per annum. The gearing ratio (total borrowings over total assets of the Group) increased from 38.43% at 31 December 2021 to 42.73% at 31 December 2022.

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

As at 31 December 2022, except the Equity Pledge and the Land Pledge disclosed in the section headed "Cooperation Agreement in relation to Proposed Redevelopment" below, 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\$8.3 million; (ii) property, plant and equipment with a carrying value of HK\$14.7 million; (iii) investment properties of HK\$231.9 million; (iv) trade receivables of HK\$100.3 million; (v) inventories of HK\$56.9 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 2022 (2021: Nil).

## **EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

On 27 March 2023, the Company proposed to issue 738,242,235 rights shares by way of the Rights Issue, on the basis of three rights shares for every two shares held by the qualifying shareholders on the record date at the subscription price of HK\$0.12 per rights share to raise approximately HK\$88.6 million before expenses (assuming no change in the number of shares in issue on or before the record date).

The maximum net proceeds from the Rights Issue after deducting the relevant expenses are estimated to be approximately HK\$84.6 million (assuming no change in the number of shares in issue on or before the record date). The Company intends to apply the net proceeds from the Rights Issue for repayment of outstanding loans of the Company and general working capital of the Group.

Details of the Rights Issue referred to the announcement of the Company dated 27 March 2023.

## **LITIGATIONS**

### **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 last hearing was originally scheduled on 29 March 2023 at NCLT and was further adjourned. The date of next hearing has yet to be determined.

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 2021 and 2022.

## **FINAL DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2022, the Group employed a total of 669 (2021: 700) 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.

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

Saved as disclosed in the section headed "Cooperation Agreement in relation to Proposed Redevelopment" below, there were no significant investments held as at 31 December 2022 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 2022, there were Existing Loans which have been past due in the aggregate amount of US\$108,802,000 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\$37,504,000 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 2022	Accrued interest as at 31 December 2022
SMT	Target Company	3 months LIBOR + 100 basis points <sup>(Note 1)</sup>	31.12.2020	US\$9,554,000 (approximately HK\$74,497,000)	US\$1,857,000 (approximately HK\$14,480,000)
SMT	MyHD	3 months LIBOR + 100 basis points <sup>(Note 1)</sup>	31.12.2020	US\$10,500,000 (approximately HK\$81,874,000)	US\$1,780,000 (approximately HK\$13,879,000)
SMT	MyHD	10% per annum <sup>(Note 2)</sup>	31.12.2020	US\$42,653,000 (approximately HK\$332,587,000)	US\$28,192,000 (approximately HK\$219,827,000)
The Company	MyHD	10% per annum <sup>(Note 2)</sup>	31.12.2020	US\$8,591,000 (approximately HK\$66,988,000)	US\$5,675,000 (approximately HK\$44,251,000)
			Total	US\$71,298,000 (approximately HK\$555,946,000)	US\$37,504,000 (approximately HK\$292,437,000)

*Notes:*

- 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 2022 ranged between 0.11775% and 4.77857%.
- Prevailing interest rate shall be increased to 11% per annum after maturity date.

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 2022 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). 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 2021 and 2022, 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.

## **ACQUISITION OF PRABHU DIGITAL LIMITED BY DISH MEDIA**

Dish Media, the Company's associate, to endeavour to expand broadband services in Nepal, had issued 2,533,235 new shares to acquire all the interest of Prabhu Digital Limited (the "**Acquisition**"), the Acquisition was completed on 6 March 2022. Upon completion of the Acquisition, the equity interest of the Company in Dish Media was diluted from approximately 47.12% to approximately 41.86%. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the subscriber of the new shares and its ultimate beneficial owners are independent of, and not acting in concert with the Company and connected persons (as defined under the Listing Rules) of the Company.

## **RIGHTS ISSUE OF DISH MEDIA**

Dish Media, the Company's associate, to endeavour to expand broadband services in Nepal, to undergo a rights issue to issue 6,228,009 Rights Shares on the basis of one rights share for every four shares for a subscription price 100 Nepalese Rupee ("**NPR**") per share, to raise approximately NPR622,800,900 (the "**Dish Media Rights Issue**"). The Dish Media Rights Issue was completed on 8 September 2022. Since the Company did not participate in the Dish Media Rights Issue, the equity interest of the Company in Dish Media was diluted from approximately 41.86% to approximately 33.19%. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the subscriber of the new shares and its ultimate beneficial owners are independent of, and not acting in concert with the Company and connected persons (as defined under the Listing Rules) of the Company.

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

Saved as disclosed in this announcement, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

## **COOPERATION AGREEMENT IN RELATION TO PROPOSED REDEVELOPMENT**

Reference is made to the announcement of the Company dated 17 August 2021 (“**17 August Announcement**”) in relation to the cooperation agreement entered into between the Group and Huasuan in July 2021 (the “**Cooperation Agreement**”), pursuant to which Huasuan and Sandmartin (Zhong Shan) Electronic Co., Ltd.\* (“**ZSS**”) (an indirect wholly owned subsidiary of the Company) will cooperate to upgrade certain blocks of factory buildings and dormitories constructed on an industrial land situated in Zhongshan, Guangdong Province, the PRC (collectively, the “**Land**”) and owned by ZSS and to redevelop some vacant and undeveloped parts of the Land (the “**Redevelopment**”) subject to prior consents and planning approvals from the relevant PRC government authorities.

Huasuan will fund the entire costs of the Redevelopment and the Group will provide part of the Land that will be used for the Redevelopment. The Group and Huasuan will be entitled to 20% and 80% respectively of the new buildings constructed on the Land by apportioning the rental income attributable to, or the proceeds from the disposal of, the newly constructed buildings (the “**Revenue Apportionment**”). Under the Cooperation Agreement, as conditions of the Redevelopment and to ensure the continued commitment in the Redevelopment, Huasuan has agreed to pay to the Group a cooperation fund amounting to RMB60 million as security deposit (the “**Cooperation Fund**”) and as securities for such Cooperation Fund, the Group has agreed to pledge to Huasuan (i) 100% of the shareholding interests in ZSS which holds the Land (the “**Equity Pledge**”); and (ii) one of the three pieces of land parcels within the Land (the “**Land Pledge**”). Huasuan shall release both the Equity Pledge and the Land Pledge upon full repayment of the Cooperation Fund by the Group and completion of the Redevelopment and Revenue Apportionment. If the Redevelopment is unable to proceed, the Cooperation Fund shall be refunded to Huasuan without interest within 10 business days failing which there is a default interest of 8% per annum payable by the Group within three months.

\* *For identification purpose only*

The Redevelopment will not proceed if the Group cannot obtain the relevant consents and planning approvals from the relevant PRC government authorities. Further the Group may not proceed with the Redevelopment even if the aforesaid conditions are fulfilled if the outstanding matters such as the location and size of the Land to be provided by the Group, the scale of Redevelopment to be undertaken by Huasuan and whether the newly developed Land will be leased or to be disposed of cannot be resolved or agreed by Huasuan and the Group. If the aforesaid conditions are fulfilled and the outstanding matters are resolved and agreed (including the prior consents and planning approvals from the relevant PRC government authorities), the Group and Huasuan will proceed with the Redevelopment by entering into a further agreement. If the transactions under the further agreement constitute a major transaction (as defined under the Listing Rules) of the Company, the Company will comply with the requirements under Chapter 14 of the Listing Rules.

Please refer to the 17 August Announcement for details of the Cooperation Agreement and the proposed Redevelopment.

As at 31 December 2022, Huasuan had paid to the Group the Cooperation Fund and the Group had recognised the same as deposit received. The Group had provided the Equity Pledge and the Land Pledge as securities in accordance with the Cooperation Agreement. The Group has obtained some of the consents and planning approvals from the relevant PRC government authorities.

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

During the year ended 31 December 2022, 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 deviations with following reasons.

Under Code Provisions C.1.6 and F.2.2 of Part 2 of the Corporate Governance Code, independent non-executive directors and other non-executive directors and chairman of the board should attend general meetings, respectively.

Mr. Kuo Jen Hao, a non-executive Director and chairman of the Board, and Mr. Wu Chia Ming, an independent non-executive Director, were unable to attend the annual general meeting of the Company (“**AGM**”) held on 8 June 2022 due to their other engagements.

## **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 2022.

## **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 2022. No incident of non-compliance was noted by the Company for the year ended 31 December 2022.

## **REVIEW OF ACCOUNTS**

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2022, 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 2022.

### **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 2022, 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 2022, 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 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\$77,548,000 attributable to owners of the Company during the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$178,964,000. As stated in note 3(b), these conditions, along with other matters 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 2023 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 Thursday, 1 June 2023
Record Date	Thursday, 1 June 2023
Closure of the Register of Members	Friday, 2 June 2023 to Thursday, 8 June 2023 (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 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 2022 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**  
**Kuo Jen Hao**  
*Chairman*

Hong Kong, 30 March 2023

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 (*Chairman*)

*Independent Non-Executive Directors*

Ms. Chen Wei-Hui, Mr. Lu Ming-Shiuan and Mr. Wu Chia Ming