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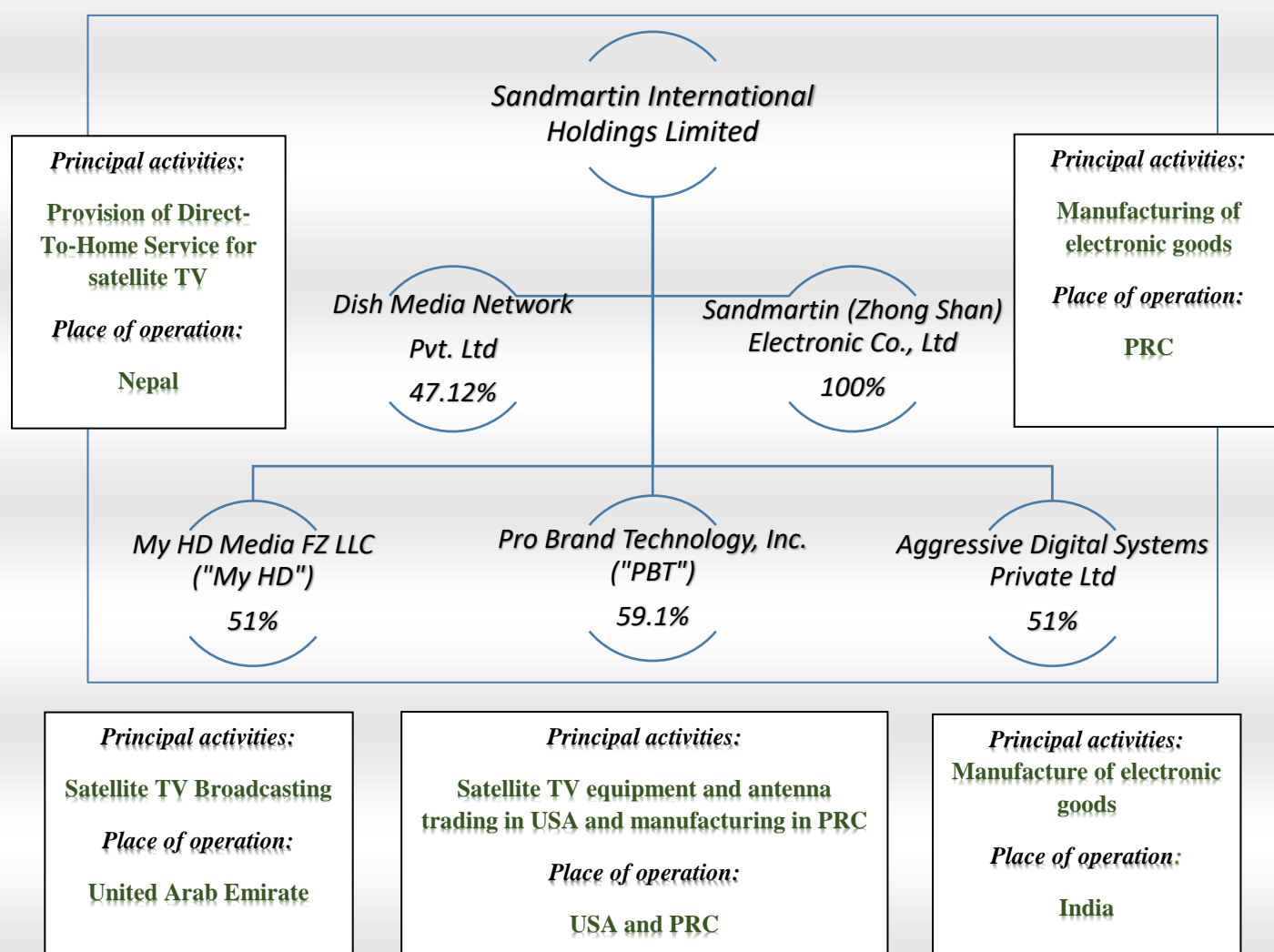
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★For identification purpose only

SCOPE OF THIS REPORT

Sandmartin International Holdings Limited and its subsidiaries (collectively, “SMT” or the “Group”) is principally engaged in designing, manufacturing and trading of media entertainment platform related products and connectors, cables and assorted electronic accessories as well as satellite television service operator business. For the details of the aforesaid business, please refer to Group’s 2016 Annual Report. This Report only covers the manufacturing and distribution business of Satellite TV equipment & antenna and the manufacturing business of other electronic goods, but excluded the relevant information regarding the provision of the satellite TV broadcasting and the manufacturing of electronic goods in other locations.

SMT BUSINESS STRUCTURE



REPORTING PERIOD

This information published in this Report cover the period from 1 January to 31 December 2016, which is the same as the financial year covered in the SMT’s 2016 Annual Report. This report covers the environmental and social performance of SMT, including the subsidiaries (i) Pro Brand Technology Inc. (“PBT”) and (ii) Sandmartin (Zhong Shan) Electronic Co., Ltd (“**Sandmartin Zhong Shan**”).

REPORTING GUIDELINES

This is the second “Environmental, Social and Governance Report” (“**ESG Report**”) issued by Sandmartin International Holdings Limited (“**Company**”). The ESG Report is prepared in accordance with the reporting guide set out in Appendix 27 of the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”).

The ESG Report aims to improve stakeholders’ understanding and communication towards the Company’s sustainability initiatives. The board of directors of the Company has reviewed the ESG Report and the management has confirmed its accuracy, truthfulness and completeness.

ACCESS OF THIS REPORT

This Report has been prepared in both Chinese and English languages and have been uploaded to the Group’s website at www.sandmartin.com.hk and the HKEX website. If there are any inconsistencies or discrepancies between the Chinese and English versions, the English version shall prevail.

CORPORATE CULTURE OF SUSTAINABILITY

SMT acknowledges the importance of reflecting and communicating to our stakeholders where SMT stands on our sustainability journey. Thus, we have already been taking a proactive approach in sustainability reporting since 2015, hoping that SMT can regularly review and improve its sustainability performance. Despite the lacklustre global economy and increasingly tough market competition, SMT has continued to stand firm in fulfilling its responsibilities as a corporate citizen and striving to achieve sustainability in its business practices in 2016.

During the year, SMT has complied with all environmental laws and regulations in both the People’s Republic of China (“**PRC**”) and USA. SMT encourages all employee to implement the environmental saving concepts in our business operations. SMT manages to keep electricity consumption in check for our operations in (i) the trading of Satellite TV equipment & antenna in USA operated under PBT (“**PBT Distribution Business**”) and (ii) the manufacturing operations in Zhong Shan operated under Sandmartin Zhong Shan (“**Zhong Shan Manufacturing Plant**”) and under PBT (“**PBT Manufacturing Plant**”).

The provision of high quality products and services has always been at our top priority. Whether for the PBT Distribution Business, PBT Manufacturing Plant and Zhong Shan Manufacturing Plant, strict and comprehensive quality control systems have been developed to ensure the quality services are provided. With regards to our stakeholder, the Company maintains the highest level of care and respect. For all our employees, a wide range of safety measure including training and medical plan are provided by the Group to safeguard their health and wellbeing.

Furthermore, for our suppliers, the Group selects them in an impartial manner and regularly engages in an open communication with them to increase products satisfaction. Lastly, the Group has also been dedicated in giving back the society by participating in variety of volunteering activities, such as fund raising through (i) Tanzhou Charity Walk for Millions and (ii) the Nepal Earthquakes Relief Campaign to help anyone in need.

ENVIRONMENTAL PROTECTION

SMT recognises the importance of maintaining environmental sustainability in its daily operation and acts in compliance with the laws and regulation relating to environmental protections. While SMT continues to develop, we remain committed in making sure the environment considerations remain one of the top priorities in our daily business operations and that we fulfil our obligations to both the environment and the community.

SMT has developed an environmental policy where continuous efforts are made to conserve and use our resources more efficiently. For Zhong Shan Manufacturing Plant and PBT Manufacturing Plant in particular, measures are taken to achieve a cleaner production process, making sure that our impact on the environment is reduced to the minimum.

In 2016, the Group has observed and complied with all relevant environmental laws, standard and regulations in Zhong Shan Manufacturing Plant and PBT Manufacturing Plant. SMT Group pays close attention to the latest changes in environmental laws, standards and regulations of the PRC, so that adjustments can be made correspondingly to our environmental policies.

Waste Management

For our manufacturing operations in Zhong Shan Manufacturing Plant and PBT Manufacturing Plant, regular supervision is carried out and monitoring centre throughout the year to assess the factory's environmental impact regarding water discharge and hazardous materials disposal. Complying with the relevant environmental regulations, measures have been taken to ensure that our water discharge and hazardous materials disposal in the factory are meets regulatory standards. Zhong Shan Manufacturing Plant and PBT Manufacturing Plant have obtained the Pollutant Discharge Permits which issued by Zhong Shan Environmental Protection Bureau. All sewages are discharged to the municipal water sewage pipes.

Hazardous and Non-Hazardous Waste

Zhong Shan Manufacturing Plant and PBT Manufacturing Plant have entered into agreement with waste management company which hold relevant licenses and permits to handling solid hazardous waste and SMT has developed a mission to ensure the compliance with (i) the Law of People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and compliance with (ii) the Hazardous Waste Disposing Forms Regulations. All hazardous materials disposal are handled by licensed corporations with the Hazardous Waste Business License issued by Environmental Protection Bureau.

Implementation of the RoHs

Zhong Shan Manufacturing Plants stipulated the internal policy in October 2016 to fully compliance with "The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment" ("RoHs").

Prior the placing orders to procure the materials from Suppliers, the Procurement Department strictly requests all suppliers to provide (i) "RoHs restricted substances limitations guarantee" and (ii) RoHs inspection report. SMT procurement departments should not allow to procure further materials from those non-compliance suppliers. Before the acceptance of the procured materials or during the manufacturing process, IQC Quality Inspector will perform sample testing. If there is any non-compliance with the RoHs standard, SMT would report to the suppliers for disposal of such materials.

Raising Environmental Awareness

A number of green office measures have been carried out within the Group aiming to better conserve resources and promote environmental awareness amongst out employees. The following table offers a glimpse of the energy and paper saving actions carried out in the offices and manufacturing plant.

Energy Saving Measures	1. All electronic appliances should be switch off or set into energy saving mode when not in use.
Paper Saving Measures	1. Information should be disseminated by electronic means (for instance through emails) as far as possible. 2. Marketing materials or greeting cards should be sent by electronic means. 3. Paper should be used on both side whether for copying or for printing.

In addition to the green office measures adopted by SMT, PBT Distribution Business adopted further the green office measures including (i) Indoor temperature control; (ii) solar energy equipment installed; (iii) window blind in place; (iv) limit irrigation system usage; and (v) LED lighting to replace some high power consumption lighting.

Resources Consumption

Resource consumption at (i) our manufacturing operations in Zhong Shan Manufacturing Plant and PBT Distribution plant and (ii) PBT Distribution Business during 2016:

	PBT Distribution Business in USA	PBT Manufacturing Plant in PRC	Zhong Shan Manufacturing Plant in PRC
Water Usage(m3)	545	89,092	34,425
Electricity Consumption (kWh)	259,200	8,403,967	2,924,491

WORKPLACE PRACTICES

Occupational health and safety

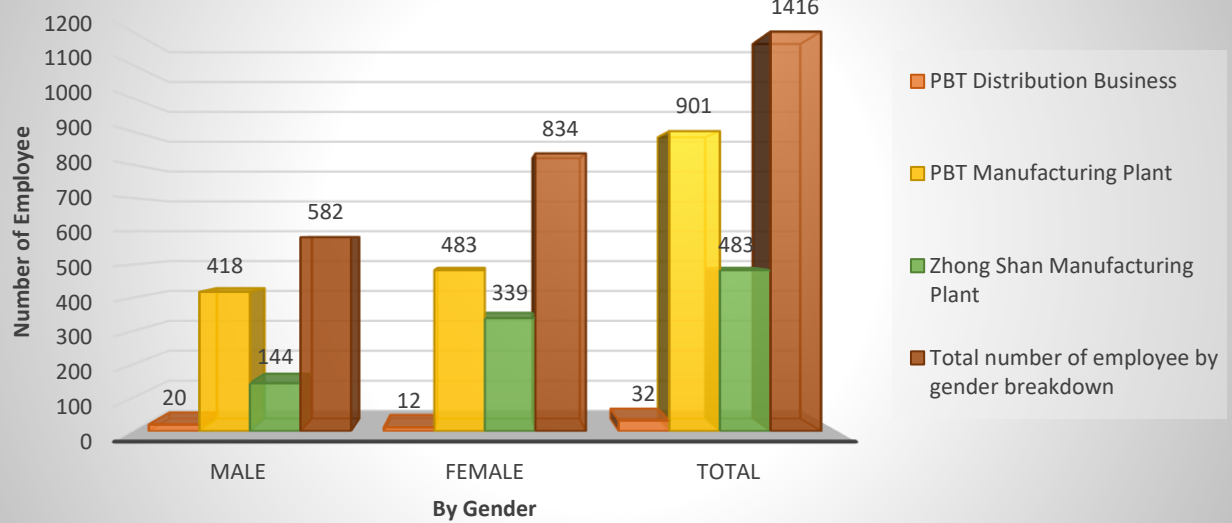
Occupational health and safety of our employees is of paramount importance to the Group. Efforts have been continuously made to improve our operations so that employees stay vigilant and well trained regarding safety issues.

Employee Composition

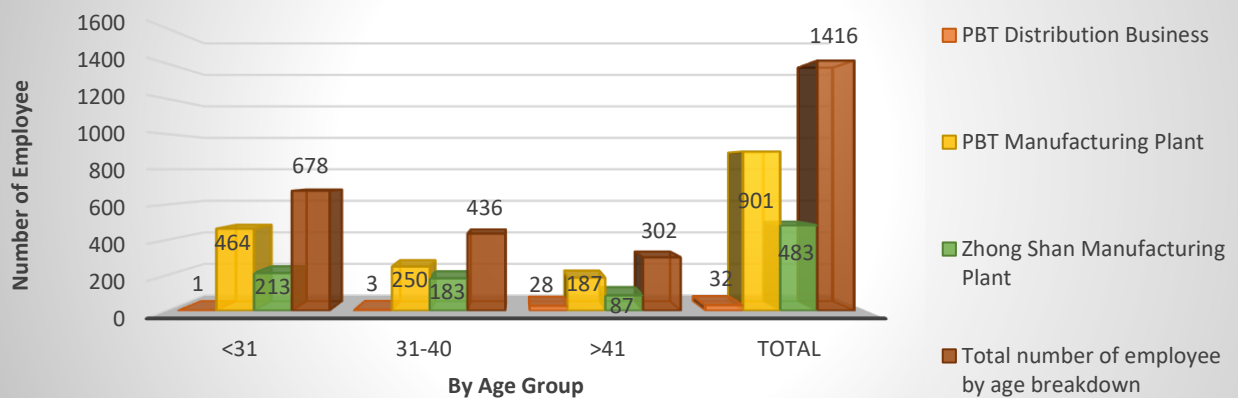
Being an equal employment opportunity employer, the Group hires individuals who have the best qualifications, experience, and knowledge for a job specification. SMT does not discriminate against person because of race, religion, sex, ethnic origin, disability, family status or age.

In 2016, the average total number of employees in Zhong Shan Manufacturing Plant, PBT Manufacturing Plant and the PBT Distribution Business were 483, 901 and 32 respectively. The following charts feature the profile of our employees in (i) Zhong Shan Manufacturing Plant and PBT Manufacturing Plant in PRC; and (ii) PBT Distribution Business in USA.

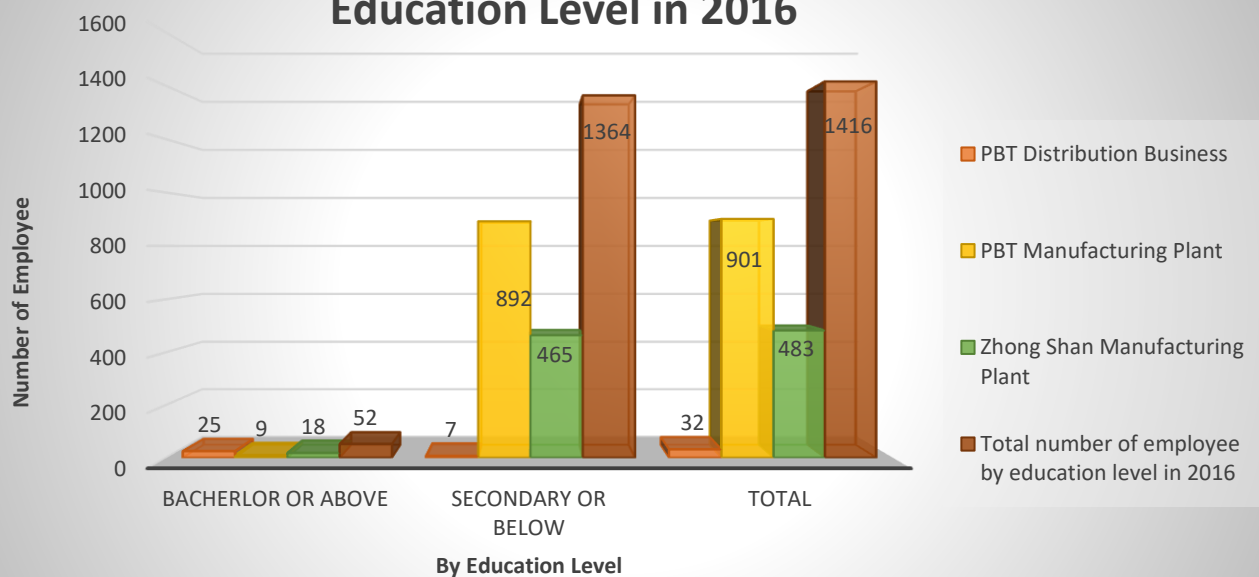
Gender Breakdown in 2016



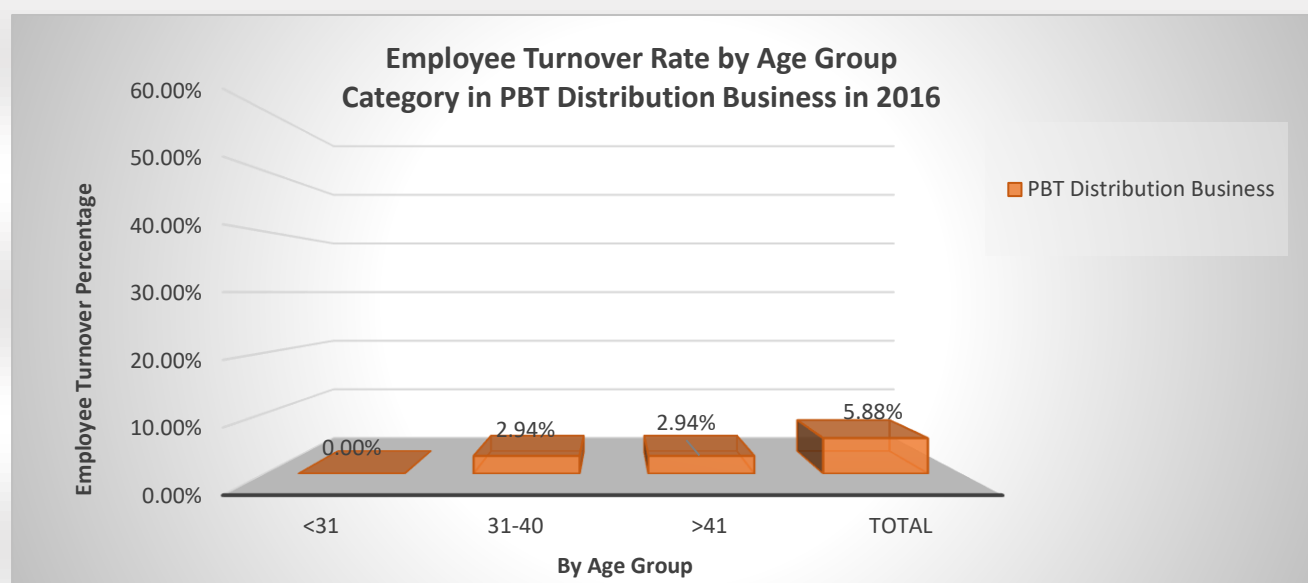
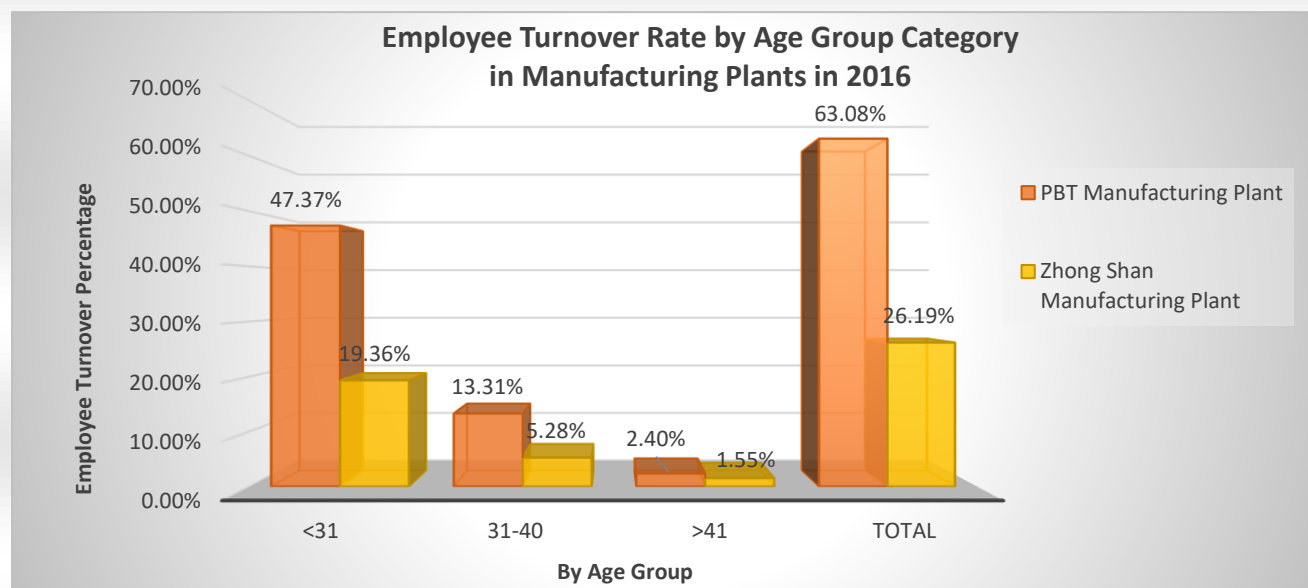
Age Breakdown in 2016



Education Level in 2016



For 2016, the employee turnover rate for our operations in PBT Manufacturing Plant, Zhong Shan Manufacturing Plant PRC and PBT Distribution Business was 63.08%, 26.19% and 5.88% respectively.



Occupational Health and Safety

SMT considers that the operating efficiency of an enterprise is closely related to the health and safety of all employees. SMT believes prevention is key to mitigate work injury, thus all newly recruited employees are required to receive safety training from their respective departments when they join the Group.

PBT manufacturing Plant and Zhong Shan Manufacturing Plant have stipulated Health and Safety Management Procedures (“**H&S Procedures**”) to develop appropriate prevention and remedial measures to mitigate any potential industrial accidents. H&S Procedures has developed operational guidelines to identify which special job required protections products such as earplugs, mask and industrial safety gloves. Employees have to wear appropriate personal devices including industrial safety gloves when handling the corrosive hazardous chemicals as example which stated in the H&S Procedures.

The Safety Committee has been formed to supervise and inspect the occupational health and safety issues. If any irregularities are found, a rectification plan will be formulated and implemented under supervision. A comprehensive and structured system has been developed by the Group to manage hazardous goods and reduce their risk levels to the minimum.

PBT Distribution Business is subject to the laws of the United States requiring employers to maintain Worker's Compensation insurance to cover treatment for injuries and illnesses caused by the job for all employees. The insurance also reimburses the employees for two-thirds of their average weekly wages they miss subject to waiting periods and limitations. During 2015 and 2016 no employee injuries or illnesses caused by the job have been reported.

Health and safety Key Performance Indicator

	Number of fatal accident		Number of work injury		Total compensation paid due to the work injury	
	2016	2015	2016	2015	2016	2015
PBT Distribution Business	Nil	Nil	Nil	Nil	Nil	Nil
PBT Manufacturing Plant	Nil	Nil	21	11	RMB 19,386	RMB 3,192
Zhong Shan Manufacturing Plant	Nil	Nil	7	5	RMB34,298	RMB 2,621

Training and Development

SMT aims to provide a working environment where access to training and development opportunities are equally accessible for all employees. SMT believes that people development is central to enabling an enterprise to grow and enhance corporate competitiveness.

- A. PBT Distribution Business has not implemented any compulsory training due to the business nature is not involved high-risk plant and work processes. However, the professional employees such as attorneys, accountants, and engineers may be reimbursed by PBT Distribution Business for their expenses incurred to maintain professional licenses and designations.
- B. Zhong Shan Manufacturing Plant is also placed great significance in providing training to its employees to ensure that our products are safe to consume and that its workers are well protected from high risk production processes.

In June 2016, Zhong Shan Manufacturing Plant has recruited China Certification & Inspection Group Guangdong Co., Ltd to perform the training of ISO9001:2015 and ISO 14001:2015. 21 employees of Zhong Shan Manufacturing Plants has participating into 32 hours training from 1 June 2016 to 4 June 2016.

- I. ISO 9001:2015 Quality Management Systems helps to ensure that customers get consistent, good quality products and services, which in turn brings many business benefits.
- II. ISO 14001:2015 Environmental Management System helps to set up, improve, or maintain an environmental management which conforms to its established environmental policy and requirements.

SMT has provided the orientation for new staff including (i) rules and regulations training of SMT; (ii) anti-terrorism training; (iii) fire safety education; and (iv) information security system training.



FIRE EXTINGUISHER TRAINING



MANAGEMENT TRAINING

In order to make sure systematic, diverse and effective training opportunities are provided for our employee, on 31 December 2016, SMT has planned to arrange nine internal training courses in 2017 including (i) Environmental Awareness; (ii) Resources and Energy Saving Instruction in Operation; and (iii) Materials Safety Data Sheet.

Labour Standards

During the reporting period, there was no non-compliance related to employment practice, discrimination or harassment for PBT Distribution Business, PBT Manufacturing Plant and Zhong Shan Manufacturing Plant. In PRC, all applicants submit their identification documents for SMT administrative department for examination and verification to make sure that no children under the age of 16 is employed.

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



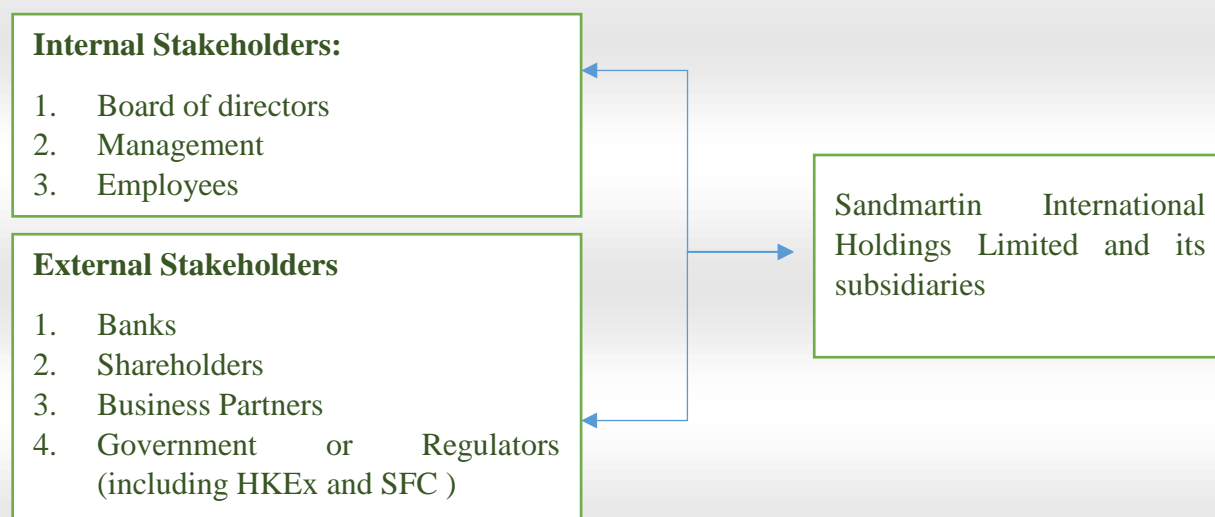
PBT Distribution Business offers (i) Point of Service health plan and (ii) Health Maintenance Organization health plan for all full time employees and dependents. In addition to the Social Security benefits provided by the Social Security Administration at the government established age for receiving those benefits, PBT Distribution Business has maintained a qualified 401(k) contributory retirement plan. This is a defined contribution (Safe Harbor) plan and all employees after their six-month waiting period are eligible to participate.

Employee of Zhong Shan Manufacturing Plant and PBT Manufacturing Plant registered as members of respective state-managed defined contribution retirement benefits scheme operated by PRC government. The employer and the employees are obliged to make contributions at a certain percentage of the basic payroll under rules of the schemes. The only obligation of Zhong Shan Manufacturing Plant and PBT Manufacturing Plant with respect to the retirement benefit schemes is to make the specified contributions.

STAKEHOLDERS COMMUNICATION

SMT considers effective communication with shareholders essential to enable them to have a clear assessment of the enterprise performance as well as accountability of the Board.

SMT's stakeholders not only include its employees, but also include its customers, business partners (including customers and suppliers), shareholders, regulators (The Stock Exchange of Hong Kong Limited ("HKEx") and the Securities and Futures Commission ("SFC")) and community groups of all kinds. In the past several years, SMT has communicated with key stakeholders through different channels.



Information disclosure on corporate website

SMT maintains a corporate website at <http://www.sandmartin.com.hk> where important information about SMT's activities and corporate matter such as annual report, interim reports to shareholder, and announcements is available to shareholders, announcements is available for review by shareholders and other stakeholders.

General meetings with shareholders

SMT's annual general meeting and special general meeting provides a useful platform for direct communication between the Board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

SMT's businesses affect different stakeholders, while these stakeholders also have different expectations on the Group. Looking forward, SMT will maintain its communications with stakeholders to solicit views from them more extensively through various methods.

OPERATING PRACTICE

SMT selects its supplier in an impartial and open manner, ensuring that long-term relationships with suppliers is based on fair play principle.

SMT including PBT Distribution Business, PBT Manufacturing Plant and Zhong Shan Manufacturing Plant strictly prohibits bribery and corrupt practices. In 2016, SMT has complied with the relevant anti-corruption laws and no corruption cases were reported for the Group. In order to prevent any cases of bribery or corruption, SMT has established a Whistle Blowing Policy and Code of Conduct in which reporting channels are provided to employees when they spot improprieties or unlawful behaviour.

All staff are strictly prohibited from soliciting and accepting any form of advantage, personal benefit or gift offered by any external business partners unless they are of nominal and non-cash value, such as promotional souvenirs or gifts of consumable nature of modest value given on festive seasons or special occasions which are shared amongst colleagues.

Furthermore, they are required to report and seek approval from the department head when offered or receives a gift which is more than token value. SMT does not tolerate any violations of the law, disciplinary actions or immediate dismissals would be imposed to the respective party. SMT had published the disciplinary action notices in the bulletin in the public area in PBT Manufacturing Plant and Zhong Shan Manufacturing Plant.

Handling Customers' Complaints

SMT has generally developed an efficient and systematic system in dealing with complaints. To start with, the details of the complaints and involved parties are noted down clearly and brought to the attention of the Quality Manager and relevant personnel. Later on, a meeting is held by the Quality Manager to discuss the proper corrective action or preventive measures regarding the case.

PBT Distributions Business has no formal policies other than the replacement of products under warranty if the products are not functioning properly after testing. PBT Distribution Business's contracts with its major customers usually contain provisions for dealing with safety stock, major product failures, and any special warranties required.

Whistle Blowing Policy and Code of Conducts

To maintain transparency and promote integrity and accountability, SMT (including Zhong Shan Manufacturing Plant and PBT Manufacturing Plant) laid out clearly in its Code of Conduct about equal opportunity and anti-corruption and Whistle Blowing Policy.

SMT considers the reporting channels as useful means of identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees, suppliers and other stakeholders to report any possible misconducts or fraud risk of a particular operation or function in good faith. Whistle Blowing Policy and Code of Conducts are setting out principles and procedures for guiding the employees of the Group in reporting cases of possible misconduct or fraud risk of a particular operation or function in a fair and proper manner.

Data Protection

SMT takes the protection of our customers' personal data very seriously. Personal information of customers and suppliers are only used in the proper context solely for authorised business purposes and are only made accessible to the relevant staff who has a legitimate need to know.

PBT Distribution Business supports collaborative efforts to achieve the best practices in our electronic communications industry in ethical and compliance issues covering a range of topics including, customer and employee data privacy. Employee data is protected in locked storage rooms or files or contracted payroll services provided by competent payroll companies who assure the protection from unauthorized disclosures. PBT Distribution Business has implemented the policies requiring all employees to change passwords every 90 days for their computers and only authorized and trained personnel have access to our SAP and other accounting systems. Those employees who are given access to personal employee information including Protected Health Information are trained and qualified to have access to such information. PBT Manufacturing Plant and Zhong Shan Manufacturing Plant also adopted similar policies.

COMMUNITY INVESTMENT

Donations and volunteering

SMT has not formulated any Community Investment Policy to set out annual budget for donation to charitable institutions or arrange SMT employees to participate into any volunteering activities but SMT recognised the importance of donations to charitable institution, as well as encouraging employees to join volunteering activities, creating a caring culture within the SMT.

During the reporting period, PBT Distribution Business's staff have participated in the "AT&T Charity Golf Tournament 2016", raising donations totalling USD20, 000 for non-profit organization including The American Heart Association, Junior Achievement of Denver and The Fisher House Foundation. In the last year reporting period, PBT Distribution Business had donated USD6, 710 to Nepal Relief Fund in the event of the earthquakes in April to May 2015.

Zhong Shan Manufacturing Plant and PBT Manufacturing Plant had donated RMB10, 000 to Tanzhou Charity Walk for Millions and RMB 53,803 to the Nepal Earthquakes Relief Campaign for the reporting period in 2016 and 2015 respectively.

PERFORMANCE DATA SUMMARY –PBT DISTRIBUTION BUSINESS

PBT Distribution Business		Unit	2016		2015	
Workforce	Average Head Count					
	Total		32		33	
	By Age					
	<31 years old		1		1	
	31-40 years old		3		6	
	>41 years old		28		26	
	By Gender					
	Male		20		21	
	Female		12		12	
	Education Breakdown					
	Bachelor or above		25		21	
	Secondary or below		7		12	
	Employee Turnover Rate by Age Group in Number and Percentage		2	5.88%	1	3.03%
	<31 years old		Nil	Nil	Nil	Nil
	31-40 years old		1	2.94%	Nil	Nil
	>41 years old		1	2.94%	1	3.03%
	Percentage of the employee turnover rate of each age group is equal to the number of resigned employment over the number of employee aggregated by (i) the number of employee at the beginning year and (ii) the newly recruited employee during the year.					
Employee External Training Hours (Cost was borne by PBT Distribution Business)		Nil		Nil		
Average Training Hour Per Head (Internal and External trainings were arranged by PBT Distribution Business)		Nil		Nil		
Professional employees such as attorneys, accountants, and engineers may be reimbursed by PBT Distribution Business for their expenses incurred to maintain professional licenses and designations. No expenses were reported as reimbursed for the periods shown.						
Environment	Total Resources Consumption					
	Electricity	kWh	259,200		275,160	
	Water	m3	545		504	

PERFORMANCE DATA SUMMARY - PBT MANUFACTURING PLANT

PBT Manufacturing Plant		Unit	2016		2015	
Workforce	Average Head Count					
	Total		901		598	
	By Age					
	<31 years old		464		323	
	31-40 years old		250		161	
	>41 years old		187		114	
	By Gender					
	Male		418		286	
	Female		483		312	
	Education Breakdown					
	Bachelor or above		9		4	
	Secondary or below		892		594	
	Employee Turnover Rate by Age Group in Number and Percentage		1,550	63.08%	1,786	66.62%
	<31 years old		1,164	47.37%	1,285	47.93%
	31-40 years old		327	13.31%	381	14.21%
	>41 years old		59	2.40%	120	4.48%
	Percentage of the employee turnover rate of each age group is equal to the number of resigned employment over the number of employee aggregated by (i) the number of employee at the beginning year and (ii) the newly recruited employee during the year.					
	Employee External Training Hour (Cost was borne by PBT Manufacturing Plant)		Nil	Nil	172.5 hours	RMB 73,702
	Average Training Hour Per Head (Internal and External trainings were arranged by PBT Manufacturing Plant)		14.5 hours		12 hours	
Environment	Total Resources Consumption					
	Electricity	kWh	8,403,967		6,910,616	
	Water	m3	89,092		66,014	

PERFORMANCE DATA SUMMARY – ZHONG SHAN MANUFACTURING PLANT

Zhong Shan Manufacturing Plant		Unit	2016		2015	
Workforce	Average Head Count					
	Total		483		713	
	By Age					
	<31 years old		213		324	
	31-40 years old		183		240	
	>41 years old		87		149	
	By Gender					
	Male		144		276	
	Female		339		437	
	Education Breakdown					
	Bachelor or above		18		21	
	Secondary or below		465		692	
	Employee Turnover Rate by Age Group in Number and Percentage					
			253	26.19%	534	37.47%
	<31 years old		187	19.36%	351	24.63%
	31-40 years old		51	5.28%	132	9.26%
	>41 years old		15	1.55%	51	3.58%
	Percentage of the employee turnover rate of each age group is equal to the number of resigned employment over the number of employee aggregated by (i) the number of employee at the beginning year and (ii) the newly recruited employee during the year.					
	Employee External Training Hour (Cost was borne by Zhong Shan Manufacturing Plant)		72 hours	RMB 25,370	24 hours	RMB 2,580
	Average Training Hour Per Head (Internal and External trainings were arranged by Zhong Shan Manufacturing Plant)		16.5 hours		15 hours	
Environment	Total Resources Consumption					
	Electricity	kWh	2,924,491		3,417,475	
	Water	m3	34,425		30,624	