Sandmartin International Holdings Limited
聖馬丁國際控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

- For the six months ended June 30, 2017, the unaudited revenue of the Group decreased to approximately HK$772,367,000, representing a decrease of approximately 13.83% as compared to approximately HK$896,291,000 for the corresponding period of last year.

- The loss attributable to owners of the Company for the six months ended June 30, 2017 was approximately HK$63,656,000 (six months ended June 30, 2016: profit attributable to owners of the Company approximately HK$4,889,000).

- For the six months ended June 30, 2017, basic loss per share of the Company was approximately HK4.17 cents (six months ended June 30, 2016: restated basic earnings per share of the Company was HK0.35 cents).

- The Board does not recommend the payment of any dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil).

* *For identification purposes only*

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Over the past six months, it was a challenging period for Sandmartin International Holdings Limited and its subsidiaries ("SMT" or our "Group"), the total revenue and gross profit of the Group decreased due to reallocation of funding for the development of the satellite TV broadcasting business of the Group which adversely impacted the business performance of other segments of the Group. Besides, the Group adopted more prudent credit policy for customers so as to reduce non-recovery of trade receivables.

The Group has invested in and targeted on satellite TV broadcasting business which is correlated to our manufacturing and trading of electronic products business. The Group's 51%-owned subsidiary, MyHD Media FZ LLC ("MyHD") launched the GOBX Project with Middle East Broadcasting Center ("MBC"), a renowned broadcaster in Middle East since October 2016. The satellite TV broadcasting business is still in the development stage to build up customer bases by purchasing high quality and highly demand television contents and promotion to new subscribers. It incurred substantial amount of the programming costs including payment for content fees, renting satellite transponders, purchase of set-top boxes and payment for dealer's commission, for marketing and promotion. Due to this satellite TV broadcasting business is a long term investment project and the high running cost per subscriber as the number of subscribers is not sufficient to cover the programming cost in the first half of year of 2017, the Group recorded segment loss of HK$64,312,000 from satellite TV broadcasting segment. SMT expected the customer bases will continue to grow in the coming years. The Board has formed a business strategy committee (comprising Mr. Lau Yau Cheung (chairman), Mr. Hung Tsung Chin and Mr. Li Chak Hung) to review the business strategy of the Group with an aim to improving the profitability and operation efficiency of the Group. Meanwhile, the Board is looking for other potential business partners or investors to cooperate with the Group in MyHD satellite TV broadcasting business.

SMT has established nearly 30 years and become trustworthy brand which distributes quality products and offers professional integration services. We will continue to build our brand through various brand management strategies.

On behalf of the Board, I would like to welcome Mr. Kuo Jen Hao to the Board and thank Ms. Chen Mei Huei, Mr. Frank Karl-Heinz Fischer, Mr. Liao Wen I and Mr. Han Chien Shan for their contribution to SMT during their term of service as our Directors. I look forward to the recovery of growth of SMT under their leadership.

Lau Yau Cheung
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHT AND BUSINESS REVIEW

Thanks with our frontline colleagues, even the Group recorded an unsatisfactory results in sales, total revenue of our Group excluding the business of MyHD for the six months ended June 30, 2017 had decreased by 16.92% compared with that of six months ended June 30, 2016. The gross profit margin of the Group excluding the business of MyHD had decreased from 13.46% to 13.20% compared with the six months ended June 30, 2016.

Media Entertainment Platform Related Products

In the first half of 2017, the market competition for media entertainment platform related products was becoming even fiercer than before and the Group's resource has focused on the newly acquired business, MyHD. The Group's revenue and profit margin was affected substantially. The Group recorded the significantly decline in terms of revenue and profit, with 56.27% downturn in revenue and 50.46% downturn in segment results as compared with the six months ended June 30, 2016. Major reasons for the significant decline in segment revenue were as follows:

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

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

– Segment turnover of media entertainment platform related products was approximately HK$102,193,000.
– Segment results from operations was approximately HK$18,818,000.
– Segment margin 18.41%, increased by 2.15%.

Outlook

The market competition is remained fierce due to low market penetration requirement and the technology requirement. In order to reduce our production cost of the media entertainment platform related products, we are exploring new markets for our production of television digitalization products in India which create a great opportunity to us for our television set-top-box, one of our main products in this segment.

Other Multimedia Products

In the first half of 2017, the market competition remained intense even we have enhanced our product portfolio, the Group's other multimedia products recorded a downturn results in terms of profitability. Revenue and the segment results of the Group have recorded a decreased by 14.17% and 14.42% respectively compared with the six months ended June 30, 2016 due to reallocation of funding for the development of the satellite TV broadcasting business of the Group and adoption of more prudent credit policy for customers.

– Segment turnover of other multimedia products was approximately HK$126,743,000.
– Segment results from operations was approximately HK$14,075,000.
– Segment margin 11.11%, decreased by 0.03%.

Outlook

We are undergoing our product portfolio enhancement and new business development, one of our major projects is the business of original design manufacturing production and distribution arrangement with a multi-national technology company of computer electronics equipment, we believe this project can achieve steady growth for this segment.

Satellite TV Equipment and Antenna

The profitability of this segment showed 37.75% growth in segment results compared with the six months ended June 30, 2016 due to the improvement in profit margin after the launch of new low noise blocking downconverters ("LNBs") model.

– Segment turnover of satellite TV equipment and antenna was approximately HK$515,023,000.
– Segment results from operations was approximately HK$65,404,000.
– Segment margin 12.70%, increased by 3.47%.

Outlook

Year 2017 the Group recorded the steady growth in this segment as our production of new LNBs has been started in the Group's Zhongshan production plant. LNBs are receiving devices mounted on satellite dishes used for reception, which collect radio waves from the satellite dishes and facilitates the transmission of satellite television signals, we believe this product will continued to growth gradually in this segment.

Satellite TV Broadcasting

The significant loss from operations in this segment was due to the acquisition of MyHD, a limited liability company incorporated in Dubai, United Arab Emirates which had become a 51% owned subsidiary of the Company since July 5, 2016. MyHD is headquartered in Dubai Media City. It is principally engaged in the business of provision of Direct-to-Home services for satellite television broadcasting in 22 countries in MEMA, including Saudi Arabia, United Arab Emirates, Qatar, Kuwait and Bahrain, which has 60 million households. The satellite TV broadcasting business of MyHD is still in its development stage to build up its customer bases and MyHD incurred significant loss due to the high running costs per subscriber before it reached the number of subscribers at the breakeven points.

– Segment turnover of satellite TV broadcasting was approximately HK$27,741,000.
– Segment loss from operations was approximately HK$64,312,000.
– Segment loss margin 231.83%.

Outlook

Based on the past historical information of the number of subscribers, the number of subscribers of MyHD has been increasing after the launch of "GOBX" project in Saudi Arabia on October 8, 2016 in collaboration with MBC, one of the largest television operators and content providers in the Middle East.

According to the Company's investment experience in Dish Media Network Private Limited, a pay television operator, which owned as to approximately 47% by the Company, in Nepal and its market knowledge in MEMA, pay television operator is a capital intensive investment project, which requires large amount of funding in its initial stage of investment and takes several years to develop its localised content and subscribers' base before it turns into a cash cow business. The Board expects that the subscribers of the satellite TV broadcasting business in MEMA will continue to grow.

GEOGRAPHICAL RESULTS

Africa

- Segment revenue of Africa was approximately HK$8,540,000, compared with the six months ended June 30, 2016 which was approximately HK$49,695,000.
- 82.82% drop in segment revenue compared with the six months ended June 30, 2016.
- Africa share 1.1% total revenue of the Group (six months ended June 30, 2016: 5.5%).

Asia

- Segment revenue of Asia was approximately HK$84,342,000, compared with the six months ended June 30, 2016 which was approximately HK$168,216,000.
- 49.86% drop in segment revenue compared with the six months ended June 30, 2016.
- Asia share 10.9% total revenue of the Group (six months ended June 30, 2016: 18.8%).

Europe

- Segment revenue of Europe was approximately HK$75,624,000, compared with the six months ended June 30, 2016 which was approximately HK$94,336,000.
- 19.84% drop in segment revenue compared with the six months ended June 30, 2016.
- Europe share 9.8% total revenue of the Group (six months ended June 30, 2016: 10.5%).

Middle East

- Segment revenue of Middle East was approximately HK$44,691,000, compared with the six months ended June 30, 2016 which was approximately HK$33,237,000.
- 34.46% increase in segment revenue compared with the six months ended June 30, 2016.
- Middle East share 5.8% total revenue of the Group (six months ended June 30, 2016: 3.7%).

North America

- Segment revenue of North America was approximately HK$516,338,000, compared with the six months ended June 30, 2016 which was approximately HK$503,520,000.
- 2.55% growth in segment revenue compared with the six months ended June 30, 2016.
- North America share 66.9% total revenue of the Group (six months ended June 30, 2016: 56.2%).

South America

- Segment revenue of South America was approximately HK$41,628,000, compared with the six months ended June 30, 2016 which was approximately HK$46,008,000.
- 9.52% drop in segment revenue compared with the six months ended June 30, 2016.
- South America share 5.4% total revenue of the Group (six months ended June 30, 2016: 5.1%).

Outlook

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2017

		For six months ended June 30,	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**772,367**	896,291
Cost of sales		**(720,209)**	(775,635)
Gross profit		**52,158**	120,656
Other income, gains and losses		**16,197**	21,065
Distribution and selling costs		**(18,152)**	(19,094)
Administrative and other expenses		**(102,394)**	(82,144)
Research and development costs		**(20,858)**	(18,790)
Finance costs		**(15,884)**	(8,522)
Share of profit of an associate		**362**	–
(Loss)/Profit before income tax expense		**(88,571)**	13,171
Income tax expense	*5*	**(6,631)**	(4,817)
(Loss)/Profit for the period	*6*	**(95,202)**	8,354
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(15,015)**	(3,368)
Total comprehensive income for the period		**(110,217)**	4,986

		For six months ended June 30,	
		2017	2016
	NOTE	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
(Loss)/Profit for the period attributable to:			
– Owners of the Company		**(63,656)**	4,889
– Non-controlling interests		**(31,546)**	3,465
		(95,202)	8,354
Total comprehensive income attributable to:			
Owners of the Company		**(75,105)**	1,551
Non-controlling interests		**(35,112)**	3,435
		(110,217)	4,986
		HK cents	*HK cents*
			(Restated)
(Loss)/Earnings per share	*8*		
Basic		**(4.17)**	0.35
Diluted		**(4.17)**	0.35

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2017

	NOTES	**June 30, 2017** **HK$'000** **(unaudited)**	December 31, 2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**148,255**	142,554
Deposit paid to an associate		**46,306**	46,306
Prepaid lease payments		**4,930**	4,859
Investment properties		**148,782**	146,648
Goodwill		**135,486**	134,874
Intangible assets		**19,904**	21,698
Interest in an associate		**5,293**	4,931
Amount due from an associate		**16,723**	25,309
Loan receivables		**–**	–
Deferred tax assets		**9,372**	9,134
Total non-current assets		**535,051**	536,313
Current assets			
Inventories		**249,241**	267,095
Trade, bills and other receivables	*9*	**311,029**	349,892
Prepaid lease payments		**157**	152
Amount due from an associate		**69,838**	78,256
Pledged bank deposits		**14,534**	14,925
Bank balances and cash		**82,828**	76,065
		727,627	786,385
Current liabilities			
Trade, bills and other payables	*10*	**518,083**	575,591
Tax liabilities		**20,851**	18,071
Bank and other borrowings		**492,572**	390,433
Obligations under finance leases		**1,875**	1,856
Total current liabilities		**1,033,381**	985,951
Net current liabilities		**(305,754)**	(199,566)
Total assets less current liabilities		**229,297**	336,747

	June 30, 2017 *HK$'000* (unaudited)	December 31, 2016 *HK$'000* (audited)
Non-current liabilities		
Bank and other borrowings	**1,408**	1,288
Deferred tax liabilities	**47,683**	44,155
Obligations under finance leases	**8,305**	9,186
Total non-current liabilities	**57,396**	54,629
NET ASSETS	**171,901**	282,118
Capital and reserves attributable to owners of the Company		
Share capital	**131,153**	131,153
Reserves	**170,330**	245,435
Equity attributable to owners of the Company	**301,483**	376,588
Non-controlling interests	**(129,582)**	(94,470)
TOTAL EQUITY	**171,901**	282,118

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2017

1. GENERAL INFORMATION

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and its principal place of business is located at Units 04-05, 16th Floor, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong. The Company and its subsidiaries (hereafter referred to as the "Group") principally engages in manufacturing and trading of satellite TV equipment products and other electronic goods and satellite TV broadcasting.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

These condensed consolidated financial statements should be read in conjunction with the 2016 annual financial statements. Except as described below, the accounting policies and methods of computation used in the preparation of these condensed financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2016.

Going concern basis

As at June 30, 2017, the Group had net current liabilities of HK$305,754,000 (December 31, 2016: net current liabilities HK$199,566,000). In view of this circumstance, the directors of the Company have given careful consideration to the future liquidity and performance of the Group. In particular, the directors of the Company have considered the following measures; (1) the unutilised bank loan facilities available to the Group as of June 30, 2017; (2) the gross proceeds from the Open Offer of the Company which was completed in July 2017; (3) the potential realisation of investment properties of the Group, and (4) a validation order has been granted by the High Court of Hong Kong (the "Court") on August 17, 2017 in relation to the winding up petition (HCCW 207/2017) for transferring of shares of the Company allotted and issued under the Open Offer, so that the allotment and issuance of open offer shares ("Open Offer Shares") shall not be void by virtue of the provisions of Section 182 of the Companies Ordinance (Cap 32) of Laws of Hong Kong. Although the winding up petition (HCCW 207/2017) may potentially have an impact on the Group's working capital, the validation order validates payment made (or to be made) and disposition of property of the Company made (or to be made) in the ordinary course of business. Details of the petition and validation order should refer to Litigations (6) HCCW 207/2017. After taking into account of financial performance of the Group for the six months ended June 30, 2017, as well as available bank facilities and financing arrangements of the Group, the Group is expected to have sufficient liquidity to finance its operations and able to meet its financial obligations as they fall due. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated financial statements of the Group on a going concern basis. The condensed consolidated financial statements do not include any adjustments that might be necessary should the Group not be able to continue as a going concern.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective for the financial year beginning on January 1, 2017.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions And Advance Consideration[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instrument with HKFRS 4 Insurance Contract[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

[3] *The amendments were originally intended to be effective for periods beginning on or after January 1, 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.*

4. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of their goods and services delivered or provided by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around different products and services.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

(i) Media entertainment platform related products

Trading and manufacturing of media entertainment platform related products

– which mainly used for satellite products equipment.

(ii) Other multimedia products

Trading and manufacturing of other multimedia products

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

(iii) Integration of signal system and traffic communication network

Integration of signal system and traffic communication network

– provide installation and integration of signal system and traffic communication network.

(iv) Satellite TV equipment and antenna

Trading of satellite TV equipment and antenna.

(v) Satellite TV broadcasting

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

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

Six months ended June 30, 2017

	Media entertainment platform related products	Other multimedia products	Integration of signal system and traffic communication network	Satellite TV equipment and antenna	Satellite TV broadcasting	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE						
External sales	102,193	126,743	667	515,023	27,741	772,367
RESULTS						
Segment results	18,818	14,075	21	65,404	(64,312)	34,006
Other income, gains and losses						16,197
Administrative and other expenses						(102,394)
Research and development costs						(20,858)
Finance costs						(15,884)
Share of profit of an associate						362
Loss before income tax expense						(88,571)

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended June 30, 2016

	Media entertainment platform related products *HK$'000* (unaudited)	Other multimedia products *HK$'000* (unaudited)	Integration of signal system and traffic communication network *HK$'000* (unaudited)	Satellite TV equipment and antenna *HK$'000* (unaudited)	Satellite TV broadcasting *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
REVENUE						
External sales	233,682	147,666	574	514,369	–	896,291
RESULTS						
Segment results	37,986	16,446	(369)	47,481	–	101,544
Other income, gains and losses						21,083
Administrative and other expenses						(82,144)
Research and development costs						(18,790)
Finance costs						(8,522)
Profit before income tax expense						13,171

Segment results represent profit earned/loss suffered by each segment without allocation of other income, gains and losses (except impairment loss on trade and other receivables and loss recognised on projects in respect of integration of signal system and traffic communication network), administrative and other expenses, research and development costs, finance costs and share of profit of an associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. INCOME TAX EXPENSE

	For six months ended June 30,	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The tax charge comprises:		
Current tax:		
PRC enterprise income tax	**1,182**	1,328
Jurisdictions other than the PRC and Hong Kong	**3,939**	2,182
	5,121	3,510
Under-provision in prior years:		
Hong Kong	**524**	–
Deferred taxation:		
Current period	**714**	1,035
Provision for withholding tax	**272**	272
	986	1,307
	6,631	4,817

(i) PRC

The applicable PRC enterprise income tax rate of the PRC subsidiaries is 25% (six months ended June 30, 2016: 25%) in accordance with the relevant income tax law and regulations in the PRC.

5. INCOME TAX EXPENSE (Continued)

(ii) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

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

(iii) United States of America

The Group's subsidiaries in United States of America are subjected to United States Federal Income Tax at 34% and States Income Tax at 6% (six months ended June 30, 2016: 34% and 6% respectively).

(iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 21% to 33% (six months ended June 30, 2016: 26.3% to 30%).

(v) Macau

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

(vi) Others

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

6. (LOSS)/PROFIT FOR THE PERIOD

	For six months ended June 30,	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/Profit for the period has been arrived at after charging/ (crediting):		
Directors' emoluments	**2,372**	2,485
Other staff costs	**100,188**	81,258
Retirement benefits scheme contribution, excluding directors	**1,602**	1,673
Total employee benefit expenses	**104,162**	85,416
Depreciation of property, plant and equipment	**15,032**	11,264
Amortisation of intangible assets *(note i)*	**2,104**	2,358
Release of prepaid lease payments	**77**	33
Impairment loss on trade and other receivables *(note ii)*	**–**	18
Write-down of inventories *(note i)*	**6,023**	–
Interest income *(note ii)*	**(966)**	(1,022)
Interest income from an associate *(note ii)*	**(791)**	(501)
Effective interest income on bond receivables *(note ii)*	**–**	(794)
Reversal of impairment loss on inventories *(note i)*	**–**	(1,504)
(Gain)/Loss on disposal of property, plant and equipment *(note ii)*	**(1,657)**	981
Net foreign exchange loss/(gain) *(note ii)*	**1,808**	(2,524)

Note i: Included in cost of sales

Note ii: Included in other income, gains and losses

7. DIVIDENDS

No dividend was paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the interim period.

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	For six months ended June 30,	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Basic		
(Loss)/Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted (loss)/earnings per share	**(63,656)**	4,889
Number of shares		
		(Restated)
Weighted average number of ordinary shares at June 30 *(Note)*	**1,526,855,977**	1,389,101,759

Note:

On March 20, 2017, the Company announced the Open Offer to raise approximately HK$236.1 million before expenses on the basis of three Open Offer Shares for every two shares of the Company then in issue held on the record date at the subscription price of HK$0.12 per Open Offer Share. The Open Offer was completed on July 19, 2017. 1,967,295,201 Open Offer Shares were allotted and issued pursuant to the Open Offer and the gross proceeds after the Open Offer were approximately HK$236.1 million. Details of the Open Offer disclosed in the announcements of the Company dated March 20, 2017, June 15, 2017 and July 18, 2017; the circular of the Company dated May 24, 2017; and the prospectus of the Company dated June 28, 2017.

The calculation of basic loss per share for the period is based on the consolidated loss for the period attributable to owners of the Company and on the weighted average number of ordinary shares in issue during the period after the adjustment of the bonus elements in the shares issued under the Open Offer as set out above.

8. (LOSS)/EARNINGS PER SHARE (Continued)

The comparative figures for the basic earnings per share for the period ended June 30, 2016 are restated to take into account of the effect of the bonus elements arising from the open offer completed retrospectively as if they has taken place since the beginning of the comparative period.

The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

9. TRADE, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximated the respective revenue recognition date, at the end of the reporting periods:

	June 30, 2017 *HK$'000* **(unaudited)**	December 31, 2016 *HK$'000* (audited)
0 – 30 days	**136,744**	133,369
31 – 90 days	**108,543**	117,738
91 – 180 days	**–**	33,368
More than 180 days	**–**	13,158
	245,287	297,633
Prepayments and other receivables	**65,742**	52,259
Total trade, bills and other receivables	**311,029**	349,892

During the period, the directors reviewed the carrying amounts of certain long outstanding trade, bills and other receivables and did not identify any impairment loss (six months ended June 30, 2016: approximately HK$18,000).

10. TRADE, BILLS AND OTHER PAYABLES

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

	June 30, 2017	December 31, 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**172,102**	239,087
31 – 90 days	**88,617**	67,798
91 – 360 days	**99,226**	121,082
More than 360 days	**2,451**	7,386
	362,396	435,353
Other payables	**155,687**	140,238
Total trade, bills and other payables	**518,083**	575,591

REVIEW OF FINANCIAL POSITION

The Group's loss attributable to the equity shareholders of the Company amounted to approximately HK$63.7 million, as compared to the same period of 2016 of profit of approximately HK$4.9 million. Basic loss per share was HK4.17 cents per share (six months ended June 30, 2016: restated basic earnings per share was HK0.35 cents).

Liquidity and financial resources

At June 30, 2017, an overall cash and cash equivalent was HK$82.8 million (December 31, 2016: HK$76.1 million). The Group's major financial resources derived from cash generated from financing activities and internal generated cash flow.

The Group's current ratio (ratio of current assets to current liabilities) was 0.70 at June 30, 2017 (December 31, 2016: 0.80).

As at June 30, 2017, the Group's total borrowings were HK$504.2 million (December 31, 2016: HK$402.8 million). The gearing ratio (total borrowings over total assets of the Group) increased from 30.5% at December 31, 2016 to 39.9% at June 30, 2017.

Charges on the Group's assets

As at June 30, 2017, the Group's general banking facilities and other borrowings including bank loans were secured by the following assets of the Group: (i) bank deposits of HK$14.5 million, (ii) leasehold land and buildings with a carrying value of HK$37.6 million, (iii) investment properties of HK$148.8 million, (iv) trade receivables of HK$136.5 million, and (v) inventory of HK$118.1 million.

Foreign exchange exposure

The Group's sales and purchases were denominated mainly in US dollars and Renminbi ("RMB"). The Group was exposed to certain foreign currency exchange risk but it does not expect future currency fluctuations to cause material operation difficulties on the ground that HK dollars are pegged to US dollars and the recent pressure from depreciation of RMB was manageable. However, management continuously assesses the foreign exchange risks, with an aim to minimise the impact of foreign exchange fluctuations on business operations.

Contingent liabilities

As at June 30, 2017 and December 31, 2016, the Group had no contingent liabilities.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend (six months ended June 30, 2016: Nil) for the six months ended June 30, 2017.

LITIGATIONS

(1) HCA 2948/2016

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

On April 10, 2017, the Company received a summons under action number HCA 2948/2016 filed by the Plaintiff against Writ 1 All Parties ("Summons 1"). Pursuant to Summons 1, the Plaintiff applies for an order that (i) the Company to refrain from further pursuing the Open Offer until it obtains the necessary validation order; and (ii) the Company to refrain from pursing the Open Offer until the Company obtains the approval or clarification from the Securities and Futures Commission for whitewash waiver. At the hearing held on April 13, 2017, the application by the Plaintiff for an injunction order in Summons 1 was dismissed by the Court with costs payable by the Plaintiff to the defendants, including the Company.

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

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

(2) HCA 3346/2016

On December 22, 2016, the Company received another writ of summons ("Writ 2") filed by the Plaintiff against (i) Mr. Hung Tsung Chin, (ii) Ms. Chen Mei Huei, (iii) Mr. Liao Wen I, (iv) Mr. Frank Karl-Heinz Fischer, (v) Mr. Chen Wei Chun (an executive Director), (vi) Yuming Investment Management Limited and (vii) the Company (collectively "Writ 2 All Parties") as the defendants under action number HCA 3346/2016 in the Court.

In the Writ 2, the Plaintiff claimed for (i) a declaration that Writ 2 All Parties have committed an offence under Part XV of the SFO which requires directors, chief executives and substantial shareholders to disclose their interests in the shares and debentures of the Company; (ii) a declaration that Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Liao Wen I, Mr. Frank Karl-Heinz Fischer and Mr. Chen Wei Chun have breached their fiduciary duties to the Company; (iii) a declaration that Yuming Investment Management Limited, willfully and knowingly advised the Company to hide critical information about the connected parties on proposed Open Offer and Specific Mandate, announced by the Company on October 24, 2016; (iv) an order for clarification announcement that the Stock Exchange was not oppressive but not ruled based; and (v) an order for the Company to exert its power under Section 329 of SFO to investigate the holders of interests in its shares and Debentures. Please refer to announcement dated December 22, 2016 for further details.

The hearing of summons under court action number HCA 3346/2016 is scheduled to be heard on August 30, 2017.

(3) HCMP 284/2017

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

In the Writ 3, the Writ 3 Plaintiffs claim against the Writ 3 Defendants for, among others, the following orders: (i) the Writ 3 Defendants produce the copies of all ledger accounts of the Company, relating to the impairment losses of loans and receivables of the Company, in its 2015 Annual Report, caused by the operations in Nepal of the Company, through its subsidiaries, associate companies, agents or connected parties; (ii) the Writ 3 Defendants produce the copies of all the corresponding and related documents in paragraph (i) above; (iii) the Writ 3 Defendants produce the copies of all communications between the auditor of the Company and the Company regarding among their directors and any of their agents, pertinent to the alleged connected transactions, and (iv) the copies of the documents be inspected by the Writ 3 Plaintiffs and Financial Reporting Council, which will then make necessary complaints as it deems fit.

On April 10, 2017, the Company received a summons under action number HCMP 284/2017 filed by the Writ 3 Plaintiffs against the Writ 3 Defendants ("Summons 2"). Pursuant to Summons 2, the Writ 3 Plaintiffs applied for an order that (i) the Company to refrain from further pursuing the production of the annual report for the fiscal year-end 2016 until it obtains the necessary validation order for certain disposal of assets; and (ii) the auditor of the Company to refrain from providing the audit opinion for the fiscal year-end 2016 until the Company obtains the validation order and the auditor of the Company clarifies the problem debts in the 2015 annual report.

At a Court hearing held on April 13, 2017, the application by Zhi Charles ("1st Plaintiff") for an injunction order in the Summons 2 under court action HCMP 284/2017 was dismissed by the Court with costs payable by the 1st Plaintiff to the defendants, including the Company, who were present at the hearing.

(4) HCCW 90/2017

On March 23, 2017, the Company received a petition dated March 23, 2017 filed by Zhi, Charles ("Petitioner") against the Company, directors of the Company and other party ("Respondents") in the proceedings in HCCW 90/2017. Details of the petition are set out in the announcement of the Company dated March 23, 2017.

Pursuant to the Petition, the Petitioner petitioned for (i) an order that the Company be wound up by the Court under the provisions of the Companies (Winding-Up and Miscellaneous Provisions) Ordinance; (ii) an order that the Company identify all the shares associated with and warehoused by the 2nd Respondent and cancel them; (iii) an order that the Company identify all the loans of the Company used for the money laundering purposes and have the 2nd to 10th Respondents to make the loan repayments for the Company; (iv) an order that the 2nd to 10th Respondents make equitable and adequate compensation to the Company for unfair and prejudicial, in amount no less than HK$250,000,000; and (v) such other order and costs may be made in the premises as shall be just.

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

(5) HCMP 1044/2017

The Company received an originating summons (the "Summons 3") on May 5, 2017 filed by Fung Chuen as the plaintiff (the "Summons 3 Plaintiff") against the Company as the defendant under action number HCMP 1044/2017 in the Court. Details of the Summons 3 are set out in the announcement of the Company dated May 5, 2017.

In the Summons 3, the Summons 3 Plaintiff applies to the Court for, among others, the following orders (the "Application"):

(i) The Summons 3 Plaintiff and/or his authorized agent be authorized to inspect and make copies of the documents in relation to the investment in Dish Media and the Debtors;

(ii) The Summons 3 Plaintiff and/or his authorized agent be authorized to inspect and make copies of the documents in relation to the investment in MyHD; and

(iii) The Summons 3 Plaintiff and/or his authorized agent be authorized to inspect and make copies of the documents in relation to the open offer announced by the Company on October 24, 2016 and the Open Offer.

The Company was advised by its Hong Kong legal advisers in relation to the aforesaid litigations of the Group that if the Application is granted by the Court, the likely orders which would be made by the Court are that the Summons 3 Plaintiff and its authorised agent will be entitled to inspect and make copies of the requested documents (in full or in part), and that the Company shall pay costs of the Application to the Summons 3 Plaintiff (to be taxed if not agreed).

The hearing of summons was scheduled to be heard on September 25, 2017.

(6) HCCW 207/2017

On July 6, 2017, the Company received a winding up proceeding dated July 5, 2017 ("Winding-Up Petition") filed by Fung Chuen ("Winding Up Petitioner") against the Company ("1st Winding-Up Respondent"), Mr. Hung Tsung Chin ("2nd Winding-Up Respondent") and Ms. Chen Mei Huei ("3rd Winding-Up Respondent") in the proceedings in HCCW 207/2017.

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

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

The hearing of Winding-Up Petition was scheduled to be heard on September 6, 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended June 30, 2017, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

EVENTS AFTER THE REPORTING PERIOD

On March 20, 2017, the Company announced the Open Offer to raise approximately HK$236.1 million before expenses on the basis of three open offer shares ("Open Offer Shares") for every two shares of the Company then in issue held on the record date at the subscription price of HK$0.12 per Open Offer Share. The Open Offer was completed on July 19, 2017 and 1,967,295,201 Open Offer Shares were allotted and issued pursuant to the Open Offer.

HUMAN RESOURCES

As at June 30, 2017, SMT employed a total of 2,212 (June 30, 2016: 2,445) full-time employees. Employees are remunerated accordingly to their performance and responsibilities.

SMT offers competitive compensation and benefits to attract and retain talents, for which annual review held in June for each year is conducted to maintain their market competitiveness, as well as to motivate employees to attain company goals and objectives.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

SMT is always to maintaining high standards of corporate governance. Our Board believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. We establish various corporate policies, which together form the basis of our governance practices. We respect the laws, rules and regulations of each jurisdiction in which we operate, and we always ensure a healthy and safe working environment for our colleagues, which is our paramount concern. Besides a good development, we also contribute to the sustainable development of SMT, with particular focus on our accountability to shareholders and stakeholders.

During the six months ended June 30, 2017, the Company has complied with code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from Code Provision A.6.7. The reasons for deviations are as follows:

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of the shareholders.

(i) Mr. Han Chien Shan, Mr. Wu Chia Ming and Mr. Li Chak Hung had not attended the special general meeting hold on April 24, 2017 due to their other important commitments.

(ii) Mr. Han Chien Shan, Mr. Wu Chia Ming and Mr. Li Chak Hung had not attended the annual general meeting hold on June 12, 2017 due to their other important commitments.

(iii) Mr. Han Chien Shan and Mr. Li Chak Hung had not attended the special general meeting hold on June 15, 2017 due to their other important commitments.

Mr. Hung Tsung Chin and Mr. Chen Wei Chun as executive Directors of the Company and the assistant company secretary of the Company had attended the annual general meeting and special general meetings to answer the questions of the Shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Change of Director's Information Under Rule 13.51B (1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in Director's information of the Company since the date of the annual report of the Company for the year ended December 31, 2016 were as follows:

(a) Mr. Han Chien Shan resigned as an independent non-executive Director, a member and the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Company with effect from August 7, 2017;

(b) Mr. Lau Yau Cheung ("Mr. Lau") has been appointed as an independent non-executive Director, a member and the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Company on August 7, 2017. On August 18, 2017, Mr. Lau has been appointed as the Chairman of the Company with effect immediately;

(c) Ms. Chen Mei Huei resigned as the chief executive officer and executive Director of the Company with effect from August 18, 2017. She has been appointed as the chief executive officer, with effect from August 18, 2017, to several subsidiaries of the Company which engaged in PayTV operation in Middle East, Mediterranean, Africa and in an associate company in Nepal which engaged in provision of satellite broadcasting service to the audience;

(d) Mr. Frank Karl-Heinz Fischer resigned as the executive Director of the Company with effect from August 18, 2017. He remains as the director and chief technology officer of several subsidiaries which operated in PayTV operation in Middle East, Mediterranean, Africa and an associate company in Nepal which provide satellite broadcasting service to the audience;

(e) Mr. Liao Wen I resigned as the executive Director of the Company with effect from August 18, 2017; and

(f) The Composition of Board Committees of Audit Committee, Remuneration Committee and Nomination Committee had changed on August 18, 2017.

For the changed of the above (a) to (f) should refer to the announcements dated August 7, 2017 and August 18, 2017 for details.

Save as disclosed above, there is no other change in the Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended December 31, 2016 and up to the date of this announcement.

COMPETING AND CONFLICT OF INTEREST

None of the Director or the controlling shareholders of the Company or their respective associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group nor any conflict of interest which had or may have with the Group for the six month period ended June 30, 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, Mr. Li Chak Hung (as Chairman of Audit Committee), Mr. Lau Yau Cheung (Chairman of the Company) and Mr. Wu Chia Ming, all of whom are independent non-executive Directors of the Company. The Audit Committee has reviewed the Group's unaudited condensed financial statements and the interim report for the six months ended June 30, 2017 and held discussion with the management.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This unaudited interim results announcement is published on the website of the Company (www.sandmartin.com.hk) and the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended June 30, 2017 will be dispatched to shareholders and published on the aforesaid websites in due course.

GENERAL

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all of the shareholders for their support to the Company.

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

Hong Kong, August 28, 2017

As at the date of this announcement, the Directors of the Company are:

Executive Directors
Mr. Hung Tsung Chin and Mr. Chen Wei Chun

Non-Executive Director
Mr. Kuo Jen Hao

Independent Non-Executive Directors
Mr. Wu Chia Ming, Mr. Li Chak Hung and Mr. Lau Yau Cheung *(Chairman)*