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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

— For the six months ended 30 June 2019, the unaudited revenue from continuing operations of the Group decreased to approximately HK$667,624,000 representing a decrease of approximately 6.8% as compared to approximately HK$716,671,000 for the corresponding period in last year.

— The profit attributable to owners of the Company for the six months ended 30 June 2019 was approximately HK$145,978,000 (six months ended 30 June 2018: loss attributable to owners of the Company was approximately HK$62,883,000).

— For the six months ended 30 June 2019, basic earnings per share from continuing and discontinued operations was approximately HK4.45 cents (six months ended 30 June 2018: basic loss per share from continuing and discontinued operations was approximately HK1.92 cents).

— The Board does not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

* *For identification purposes only*

CHAIRMAN'S LETTER TO SHAREHOLDERS

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

On behalf of the board (the "Board") of the directors (the "Directors") of Sandmartin International Holdings Limited (the "Company", together with its subsidiaries collectively referred to as the "Group"), I am pleased to present the interim results of the Group for the six months ended 30 June 2019.

Over the past six months, the financial performance of the Group was improving despite the uncertainties on the global economic development arising from the China-United States trade war. The efficiency of the Group's operations and profitability increased as a result of continuing streamlining of workflows of its manufacturing segments and cost saving measures such as outsourcing of productions to subcontractors. Moreover, the completion of the disposal of My HD Media FZ-LLC ("MyHD") in June 2019 relieved the Group from the heavy financial burden in maintaining the daily operations of MyHD. In response to the China-United States trade war, the Group mitigates the impact by strengthening its supply chain management to produce components and accessories in Vietnam and India, serving the purpose of avoiding the tariffs imposed by the United States on products from China.

For the Company's 47.12%-owned associate, Dish Media Network Limited ("Dish Media", the largest pay television operator in Nepal), it secured a customer base exceeding a million subscribers in Nepal and was profitable in consecutive years since 2015.

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

In anticipation of the escalation of geo-political and geo-economic tensions, disputes on international trade arising from protectionism, the Group will make every endeavour to identify business opportunities with promising potential in the manufacturing segment or even other sectors so as to diversify our income source to weather the possible adverse cycle. With the dedicated management and execution capabilities of our top management team, the Group remains confident in seizing the opportunities amidst the challenging landscape.

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

Lau Yau Cheung
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHT AND BUSINESS REVIEW

The Group recorded an increase in gross profit margin from continuing operations from 10.82% for the six months ended 30 June 2018 to 15.58% for the six months ended 30 June 2019 due to the resumption of delivery of the preceding model of low noise blocking down converters ("LNBs") to one of the major customers of the Group in North America.

Media Entertainment Platform Related Products

In the first half of 2019, the Group's media entertainment platform related products segment faced fierce market competition from other set-top box manufacturers in the People's Republic of China ("PRC"). In response to the fierce market competition, the Group continued to explore new business opportunities in other locations, such as customers in South Asia. The revenue of this segment was decreased by 8.56% as compared with the six months ended 30 June 2018.

— Segment revenue of media entertainment platform related products was approximately HK$119.1 million (30 June 2018: HK$130.3 million).

— Segment results from operations were approximately HK$20.9 million (30 June 2018: HK$19.6 million).

— Segment margin was 17.51%, which was increased by 2.48 percentage-point as compared with the segment margin of 15.03% for the six months ended 30 June 2018.

Outlook

The market competition is fierce due to direct competition from other set-top box manufacturers in the PRC, and the surge in raw material prices which reduced the profit margin of the products. The Group is exploring new markets for its set-top boxes, such as customers in South Asia. The China-United States trade war is not expected to have material adverse impact on this segment as the Group does not have set-top boxes customers in the United States.

Other Multimedia Products

In the first half of 2019, the Group's other multimedia products segment continued to enhance the product portfolio and reduced the product costs by outsourcing and supply chain integration. The Group's other multimedia products segment was able to maintain its profitability. Major products of this segment included high definition multimedia interface ("HDMI") cables, multimedia accessories, external batteries and retractable chargers. Segment results increased by 20.9% due to the increase in profit margin for the electronic products.

— Segment revenue of other multimedia products was approximately HK$131.9 million (30 June 2018: HK$123.3 million).

— Segment results from operations were approximately HK$16.9 million (30 June 2018: HK$14.0 million).

— Segment margin was 12.79%, which was increased by 1.47 percentage-point as compared with the segment margin of 11.32% for the six months ended 30 June 2018.

Outlook

We are enhancing our product portfolio and developing new businesses. New products, such as retractable chargers and ultraviolet light sterilizers will be launched in the second half of 2019. The China-United States trade war has some impact on this segment as some of the customers are in the United States. We are trying to minimize the impact by sourcing from suppliers outside the PRC.

Satellite TV Equipment and Antenna Products

The Group's satellite TV equipment and antenna products segment resumed the delivery of the preceding model of low noise blocking down converters ("LNBs") to one of the major customers in North America. The revenue of the Group's satellite TV equipment and antenna products segment showed a 10.05% decrease compared with the six months ended 30 June 2018.

— Segment revenue of satellite TV equipment and antenna products was approximately HK$416.5 million (30 June 2018: HK$463.1 million).

— Segment results from operations were approximately HK$54.0 million (30 June 2018: HK$28.5 million).

— Segment margin was 12.97%, which increased by 6.82 percentage-point as compared with the segment margin of 6.15% for the six months ended 30 June 2018.

Outlook

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

Satellite TV Broadcasting

Following the disposal of MyHD, the business of satellite TV broadcasting of the Group had been discontinued.

GEOGRAPHICAL RESULTS

Africa

— Segment revenue for Africa for the six months ended 30 June 2019 was approximately HK$1.8 million, as compared with the six months ended 30 June 2018 of approximately HK$4.5 million.

— 60.0% drop in segment revenue compared with the six months ended 30 June 2018.

— Africa's portion accounted for approximately 0.3% of the Group's total revenue from continuing operations for the six months ended 30 June 2019 (six months ended 30 June 2018: 0.6%).

Asia

— Segment revenue for Asia for the six months ended 30 June 2019 was approximately HK$188.7 million, as compared with the six months ended 30 June 2018 of approximately HK$140.3 million.

— 34.5% increase in segment revenue compared with the six months ended 30 June 2018.

— Asia's portion accounted for approximately 28.3% of the Group's total revenue from continuing operations for the six months ended 30 June 2019 (six months ended 30 June 2018: 19.6%).

Europe

— Segment revenue for Europe for the six months ended 30 June 2019 was approximately HK$63.6 million, as compared with the six months ended 30 June 2018 of approximately HK$97.0 million.

— 34.4% drop in segment revenue compared with the six months ended 30 June 2018.

— Europe's portion accounted for approximately 9.5% of the Group's total revenue from continuing operations for the six months ended 30 June 2019 (six months ended 30 June 2018: 13.5%).

Middle East

— Segment revenue for Middle East for the six months ended 30 June 2019 was approximately HK$31.8 million, as compared with the six months ended 30 June 2018 of approximately HK$10.2 million.

— 211.8% increase in segment revenue compared with the six months ended 30 June 2018.

— Middle East's portion accounted for approximately 4.8% of the Group's total revenue from continuing operations for the six months ended 30 June 2019 (six months ended 30 June 2018: 1.4%).

North America

— Segment revenue for North America for the six months ended 30 June 2019 was approximately HK$374.6 million, as compared with the six months ended 30 June 2018 of approximately HK$457.9 million.

— 18.2% drop in segment revenue compared with the six months ended 30 June 2018.

— North America's portion accounted for approximately 56.1% of the Group's total revenue from continuing operations for the six months ended 30 June 2019 (six months ended 30 June 2018: 63.9%).

South America

— Segment revenue for South America for the six months ended 30 June 2019 was approximately HK$6.4 million, as compared with the six months ended 30 June 2018 of approximately HK$6.1 million.

— 4.92% increase in segment revenue compared with the six months ended 30 June 2018.

— South America's portion accounted for approximately 1.0% of the Group's total revenue from continuing operations for the six months ended 30 June 2019 (six months ended 30 June 2018: 0.8%).

Outlook

As our business in Asia, Europe and North America accounted for the majority of our Group's revenue, we shall focus in these regions in the future.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		For six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited) (Re-presented)
Continuing operations			
Revenue	*5*	**667,624**	716,671
Cost of sales		**(563,602)**	(639,144)
Gross profit		**104,022**	77,527
Other income, gains and losses		**20,939**	20,323
Distribution and selling costs		**(12,249)**	(15,689)
Administrative and other expenses		**(67,512)**	(83,115)
Research and development costs		**(20,343)**	(17,631)
Reversal of/(Provision for) expected credit loss on financial assets		**18,292**	(1,751)
Finance costs		**(18,519)**	(14,003)
Share of profit of an associate		**9,741**	3,915
Profit/(Loss) before income tax expense		**34,371**	(30,424)
Income tax expense	*6*	**(3,561)**	(4,691)
Profit/(Loss) for the period from continuing operations		**30,810**	(35,115)
Discontinued operation			
Profit/(Loss) for the period from discontinued operation	*7*	**79,788**	(72,156)
Profit/(Loss) for the period	*8*	**110,598**	(107,271)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on investment properties upon transfer from property, plant and equipment and prepaid lease payment		**3,370**	30,353
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**10,280**	7,040
Other comprehensive income for the period		**13,650**	37,393
Total comprehensive income for the period		**124,248**	(69,878)

	Notes	For six months ended 30 June **2019** ***HK$'000*** **(unaudited)**	2018 *HK$'000* (unaudited) (Re-presented)
Profit/(Loss) for the period attributable to owners of the Company:			
— from continuing operations		**19,981**	(26,032)
— from discontinued operation		**125,997**	(36,851)
		145,978	(62,883)
Profit/(Loss) for the period attributable to non-controlling interests:			
— from continuing operations		**10,829**	(9,083)
— from discontinued operation		**(46,209)**	(35,305)
		(35,380)	(44,388)
		110,598	(107,271)
Total comprehensive income attributable to:			
— Owners of the Company		**157,042**	(25,433)
— Non-controlling interests		**(32,794)**	(44,445)
		124,248	(69,878)
		HK cents	*HK cents*
Earnings/(Loss) per share from continuing and discontinued operations	*10*		
Basic		**4.45**	(1.92)
Diluted		**4.45**	(1.92)
Earnings/(Loss) per share from continuing operations	*10*		
Basic		**0.61**	(0.79)
Diluted		**0.61**	(0.79)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**86,049**	99,432
Prepaid lease payments		**1,180**	1,261
Investment properties		**153,302**	149,738
Goodwill		**9,828**	10,208
Intangible assets		**11,053**	13,165
Interest in an associate		**77,540**	67,800
Loan to an associate	*13*	**22,116**	22,137
Loan receivables	*11*	**429,410**	–
Deferred tax assets		**3,139**	3,147
Total non-current assets		**793,617**	366,888
Current assets			
Inventories		**331,697**	143,308
Trade, bills and other receivables	*12*	**418,402**	389,259
Prepaid lease payments		**64**	65
Loan receivables		**13,049**	8,794
Amount due from an associate	*13*	**71,195**	113,702
Pledged bank deposits		**3,979**	1,643
Bank balances and cash		**81,799**	72,695
Total current assets		**920,185**	729,466
Current liabilities			
Trade, bills and other payables	*14*	**575,045**	505,222
Contract liabilities		**14,806**	23,614
Provision for financial guarantee	*15*	**27,332**	–
Tax liabilities		**12,798**	13,371
Bank and other borrowings		**470,158**	454,343
Lease liabilities		**1,907**	–
Obligations under finance leases		**–**	1,897
Total current liabilities		**1,102,046**	998,447
Net current liabilities		**(181,861)**	(268,981)
Total assets less current liabilities		**611,756**	97,907

	30 June 2019 *HK$'000* (unaudited)	31 December 2018 *HK$'000* (audited)
Non-current liabilities		
Bank and other borrowings	**4,711**	4,728
Deferred tax liabilities	**52,594**	53,448
Defined benefit obligation	**136**	136
Lease liabilities	**4,511**	–
Obligations under finance leases	**–**	5,481
Total non-current liabilities	**61,952**	63,793
NET ASSETS	**549,804**	34,114
Capital and reserves attributable to owners of the Company		
Share capital	**327,882**	327,882
Reserves	**157,108**	66
Equity attributable to owners of the Company	**484,990**	327,948
Non-controlling interests	**64,814**	(293,834)
TOTAL EQUITY	**549,804**	34,114

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 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").

During the period, the Group has disposal of the subsidiaries operating the business of satellite TV broadcasting. This business segment is presented as discontinued operation in accordance with Hong Kong Financial Reporting Standard 5, *Non-current Assets Held for Sale and Discontinued Operations* ("HKFRS 5"), issued by the HKICPA. Certain comparatives on the condensed consolidated financial statements and the related notes have been re-presented as a result of the retrospective application of HKFRS 5. Details of the discontinued operation are set out in note 7.

These condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. Except as described below, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018.

Basis of measurement and going concern assumption

The condensed 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.

At the end of reporting period, the Group had net current liabilities of approximately HK$181,861,000. The Group is dependent upon the financial support from the banks and financial institutions to meet its financial obligations. There is no certainty that bank loans and other loans of the Group will be renewed in the future. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the Directors have considered the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In particular, the Directors have considered the following: (1) the Group maintains good relationship with major banks and financial institutions providing finance or facilities to the Group and the Group had successfully renewed its banking facilities based on past experience; and (2) as of 30 June 2019, the Group has unutilised bank loan facilities totalling HK$266,326,000 available to finance its future operations and financial obligations.

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement and going concern assumption (Continued)

In the opinion of the Directors, after considering the financial performance, operation, capital expenditure and the above financing arrangements of the Group, the Group is expected to have sufficient liquidity to finance its operations for the next twelve months subsequent to the end of the reporting period.

Therefore, the condensed consolidated financial statements of the Group have been prepared on a going concern basis.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group.

The impact of the adoption of HKFRS 16 *Leases* has been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 *Leases* ("HKFRS 16")

HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC) — Int 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) — Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

B. As a lessee

i. Transition

Previously, the Group classified property leases as operating leases under HKAS 17. The leases typically run for a period of 1 to 5 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments — the Group applied this approach to all other leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

— Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

The Group leases a number of items of equipment. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date.

ii. Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

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

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4%.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as it presents underlying assets of the same nature that it owns.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

B. As a lessee (Continued)

ii. Impacts on transition (Continued)

The Group elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

iii. Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating and finance leases, the Group recognised HK$6,420,000 of right-of-use assets and HK$6,418,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During the six months ended 30 June 2019, the Group recognised HK$941,000 of depreciation charges and HK$29,000 of interest costs from these leases.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

C. As a lessor

The Group leases out its investment property, including right-of-use assets. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor. However, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

The Group sub-leases some of its properties. Under HKAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to HKFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value on transition to HKFRS 16. The sub-lease contracts are classified as operating leases under HKFRS 16.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3.

5. 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:

Continuing operations

(i) Media entertainment platform related products

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

(ii) Other multimedia products

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

(iii) Integration of signal system and traffic communication network

Installation and integration of signal system and traffic communication network.

5. SEGMENT INFORMATION (CONTINUED)

Continuing operations (Continued)

(iv) Satellite TV equipment and antenna products

Trading and manufacturing of satellite TV equipment and antenna products.

Discontinued operation

(v) Satellite TV broadcasting

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

During the period, an operating segment regarding the satellite TV broadcasting was discontinued (note 7).

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 30 June 2019

	Continuing operations					Discontinued operation	
	Media entertainment platform related products *HK$'000* (unaudited)	Other multimedia products *HK$'000* (unaudited)	Integration of signal system and traffic communication network *HK$'000* (unaudited)	Satellite TV equipment and antenna products *HK$'000* (unaudited)	Sub-total *HK$'000* (unaudited)	Satellite TV broadcasting *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
REVENUE							
External sales	119,145	131,935	–	416,544	667,624	18,990	686,614
Timing of revenue recognition							
At a point in time	119,145	131,935	–	416,544	667,624	–	667,624
Over time	–	–	–	–	–	18,990	18,990
	119,145	131,935	–	416,544	667,624	18,990	686,614
RESULTS							
Segment results	20,868	16,872	–	54,033	91,773	(54,391)	37,382
Other income, gains and losses					20,939	–	20,939
Administrative and other expenses					(67,512)	(16,909)	(84,421)
Research and development costs					(20,343)	–	(20,343)
Reversal of expected credit loss on financial assets					18,292	1,140	19,432
Finance costs					(18,519)	–	(18,519)
Share of profit of an associate					9,741	–	9,741
Gain on disposal of discontinued operation					–	149,948	149,948
Profit before income tax expense					34,371	79,788	114,159

5. **SEGMENT INFORMATION (CONTINUED)**

Segment revenue and results (Continued)

Six months ended 30 June 2018

	Continuing operations					Discontinued operation	
	Media entertainment platform related products *HK$'000* (unaudited) (Re-presented)	Other multimedia products *HK$'000* (unaudited) (Re-presented)	Integration of signal system and traffic communication network *HK$'000* (unaudited) (Re-presented)	Satellite TV equipment and antenna products *HK$'000* (unaudited) (Re-presented)	Total *HK$'000* (unaudited) (Re-presented)	Satellite TV broadcasting *HK$'000* (unaudited) (Re-presented)	Total *HK$'000* (unaudited) (Re-presented)
REVENUE							
External sales	130,298	123,285	–	463,088	716,671	23,291	739,962
Timing of revenue recognition							
At a point in time	130,298	123,285	–	463,088	716,671	–	716,671
Over time	–	–	–	–	–	23,291	23,291
	130,298	123,285	–	463,088	716,671	23,291	739,962
RESULTS							
Segment results	19,585	13,951	(175)	28,477	61,838	(52,011)	9,827
Other income, gains and losses					20,323	24	20,347
Administrative and other expenses					(83,115)	(20,169)	(103,284)
Research and development costs					(17,631)	–	(17,631)
Finance costs					(14,003)	–	(14,003)
Share of profit of an associate					3,915	–	3,915
Provision for expected credit loss on financial assets					(1,751)	–	(1,751)
Loss before income tax expense					(30,424)	(72,156)	(102,580)

Segment results represent profit earned/loss suffered by each segment without allocation of other income, gains and losses, reversal of/(provision for) expected credit loss on financial assets, 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.

Certain prior period information has been re-presented to conform with current period presentation.

6. INCOME TAX EXPENSE

	For six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
The tax charge comprises:		
Current tax:		
PRC	**223**	608
Jurisdictions other than the PRC and Hong Kong	**4,161**	3,266
	4,384	3,874
Under/(Over)-provision in prior years:		
PRC	**23**	(185)
Hong Kong	**–**	–
	23	(185)
Deferred taxation:		
Current period	**(846)**	822
Provision for withholding tax	**–**	180
	(846)	1,002
	3,561	4,691

(i) PRC

The applicable PRC enterprise income tax rate of the PRC subsidiaries is 25% in accordance with the relevant income tax law and regulations in the PRC.

(ii) Hong Kong

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

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

(iii) United States of America

The Group's subsidiaries in United States of America are subjected to United States Federal Income Tax at 21% and States Income Tax at 6%.

(iv) Europe

The Group's European subsidiaries are subject to profit tax rates at a range of 23% to 30%.

(v) Macau

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

(vi) Others

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

7. DISCONTINUED OPERATION

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

The results of the discontinued operation for both periods were as follows:

	For six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	**18,990**	23,291
Cost of sales	**(71,965)**	(75,208)
	(52,975)	(51,917)
Other income, gains and losses	**–**	24
Distribution and selling costs	**(1,416)**	(94)
Administrative and other expenses	**(16,909)**	(20,169)
Reversal of expected credit loss on trade receivables	**1,140**	–
Gain on disposal of discontinued operation *(note 16)*	**149,948**	–
Profit/(Loss) before taxation	**79,788**	(72,156)
Taxation	**–**	–
Profit/(Loss) for the period from discontinued operation	**79,788**	(72,156)

The cash flows of the discontinued operation for both periods were as follows:

	For six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Operating cash flows	**(26,902)**	(74,767)
Financing cash flows	**20,065**	77,162
Total cash flows	**(6,837)**	2,395

8. PROFIT/(LOSS) FOR THE PERIOD

	For six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(Re-presented)
Continuing operations		
Profit/(Loss) for the period has been arrived at after charging/(crediting):		
Directors' emoluments	**1,718**	2,581
Other staff costs	**59,731**	72,514
Retirement benefits scheme contribution, excluding Directors	**1,019**	1,539
Total employee benefit expenses	**62,468**	76,634
Depreciation of property, plant and equipment	**13,502**	15,845
Depreciation of right-of-use assets presented in property, plant and equipment	**941**	–
Amortisation of intangible assets *(Note i)*	**2,205**	2,268
Release of prepaid lease payments	**78**	84
(Reversal of)/Provision for expected credit loss on trade receivables	**(8,825)**	1,751
Reversal of expected credit loss on loan receivables	**(4,255)**	–
Expected credit loss on loan to an associate	**21**	–
Reversal of expected credit loss on amount due from an associate	**(5,233)**	–
Interest income *(Note ii)*	**(2,006)**	(1,604)
Interest income from an associate *(Note ii)*	**(503)**	(797)
Loss on disposal of subsidiaries *(Note ii)*	**940**	2,922
Loss on disposal of investment properties *(Note ii)*	**–**	885
Loss on disposal of property, plant and equipment *(Note ii)*	**381**	815
Net foreign exchange loss/(gain) *(Note ii)*	**2,515**	(1,550)
Discontinued operation		
Other staff costs	**8,341**	8,824
Gain on disposal of discontinued operation	**(149,948)**	–
(Reversal of)/Provision for expected credit loss on financial assets	**(1,140)**	24

Notes:

(i) Included in cost of sales

(ii) Included in other income, gains and losses

9. 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.

10. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

	For six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit/(Loss) for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings/(loss) per share	**145,978**	(62,883)
Number of shares		
Weighted average number of ordinary shares at 30 June	**3,278,825,335**	3,278,825,335

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

From continuing operations

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

	For six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit/(Loss) for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings/(loss) per share	**19,981**	(26,032)

The denominators used are the same as those for continuing and discontinued operations.

From discontinued operation

Both basic and diluted earnings per share for the discontinued operation attributable to the owners of the Company is HK3.84 cents per share (loss per share for the six months ended 30 June 2018: HK1.13 cents per share), based on the profit for the period attributable to owners of the Company from the discontinued operation of HK$125,997,000 (six months ended 30 June 2018: loss of HK$36,851,000) and the denominators detailed above for both basic and diluted earnings per share.

11. LOAN RECEIVABLES

As at 30 June 2019, the Group had loan receivables amounting to HK$429,410,000 (net of provision for expected credit loss) granted to third parties which were classified as non-current assets. The loan receivables were arising from the disposal of all interests in MyHD and the extension of the existing loans to MyHD. For details, please refer to the Company's announcement dated 31 December 2018 and the Company's circular dated 25 May 2019. The amounts were unsecured, interest-bearing at rates ranged from 3-month LIBOR plus 200 basis point per annum to 10% per annum and will be matured on 31 December 2020.

12. 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:

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
0–30 days	**144,465**	143,838
31–90 days	**110,894**	108,396
91–180 days	**20,263**	13,990
More than 180 days	**27,437**	20,798
Trade and bills receivables	**303,059**	287,022
Prepayments and other receivables	**115,343**	102,237
Total trade, bills and other receivables	**418,402**	389,259

The Directors reviewed the carrying amounts of certain long outstanding trade, bills and other receivables and measures the expected credit loss under HKFRS 9, *Financial Instruments.* During the period, reversal of expected credit loss of HK$8,825,000 was recognised (six months ended 30 June 2018: Provision for expected credit loss of HK$1,775,000).

13. AMOUNT DUE FROM/LOAN TO AN ASSOCIATE

	Notes	**30 June 2019** *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Non-current assets			
Loan receivables	*(i)*	**22,116**	22,137
Current assets			
Trade receivables	*(ii)*	**66,888**	109,674
Interest receivables	*(iii)*	**4,307**	4,028
Amount due from an associate		**71,195**	113,702

Notes:

(i) amount of HK$22,116,000 (31 December 2018: HK$22,137,000) being unsecured and bearing fixed interest rate at 4.75% per annum, the loan receivables is classified as non-current assets as repayment date was extended to 31 December 2022;

(ii) amount of HK$66,888,000 (31 December 2018: HK$109,674,000) being unsecured, interest-free and the Group allows a credit period of 360 days to its associate which is trade in nature; and

(iii) amount of HK$4,307,000 (31 December 2018: HK$4,028,000) being interest receivables from the loan to an associate.

13. AMOUNT DUE FROM/LOAN TO AN ASSOCIATE (CONTINUED)

The following is an aged analysis of trade receivables from an associate, which is trade in nature, presented based on the invoice date at the end of the reporting periods:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**1,172**	24,884
31–90 days	**6,961**	26,800
91–360 days	**37,713**	17,409
More than 360 days	**21,042**	40,581
	66,888	109,674

14. 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:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**176,815**	277,967
31–90 days	**218,147**	48,595
91–360 days	**70,532**	33,499
More than 360 days	**11,482**	25,843
Trade and bills payables	**476,976**	385,904
Other payables	**98,069**	119,318
Total trade, bills and other payables	**575,045**	505,222

15. PROVISION FOR FINANCIAL GUARANTEE

The Company had pursuant to the guarantee (the "Guarantee") given in favour of MyHD irrevocably guaranteed to pay all financial obligations of MyHD in relation to the third amendment agreement to the content supply agreement (the "Content Supply Agreement") dated 3 October 2016 which was entered into between MyHD and MBC FZ LLC. The Guarantee does not expire and the maximum amount payable by the Company under the Guarantee should not exceed US$3,500,000 (equivalent to approximately HK$27,332,000).

The Guarantee does not contain any conditions which need to be fulfilled or any circumstances which must arise before MyHD can enforce the same and demand payment from the Company. Notwithstanding that MyHD failed to observe all its payment obligations under the third amendment agreement to the Content Supply Agreement, since the date of the Guarantee up to the reporting date, the Company has not received any demand for payment from MyHD under the Guarantee.

At 30 June 2019, the Group had recognised the provision for financial guarantee amounting to US$3,500,000 (equivalent to approximately HK$27,332,000) in relation to the Guarantee.

16. DISPOSAL OF SUBSIDIARIES

(a) During the six months ended 30 June 2019, the Group disposed of the entire equity interest in FLT Hong Kong Technology Limited. The net assets of FLT Hong Kong Technology Limited at the date of disposal were as follows:

	HK$'000
Trade receivables	975
Other receivables	319
Trade payables	(4)
Other payables and accruals	(350)
Net assets disposed of	940
Loss on disposal of subsidiaries included in profit or loss	(940)
Total consideration	–
Net cash outflow arising on disposal	
Cash consideration	–
Bank balance and cash disposed of	–
	–

(b) During the six months ended 30 June 2019, the Group disposed of the entire equity interest in Speed Connection Group Limited, Ocean Oasis International Limited (incorporated in the British Virgin Islands), Ocean Oasis International Limited (incorporated in the United Arab Emirates), MyHD (collectively referred to "SCG group"). The net liabilities of SCG group at the date of disposal were as follows:

	HK$'000
Goodwill*	–
Inventories	3,145
Trade receivables	17,368
Other receivables	4,627
Cash and bank balance	1,558
Trade payables	(133,414)
Other payables and accruals	(33,607)
Net liabilities disposed of	(140,323)
Less: Non-controlling interest	391,442
Loan receivables due from SCG Group	(429,410)
Provision for financial guarantee	27,332
Cost of disposal	1,011
Gain on disposal of subsidiaries included in profit or loss *(note 7)*	149,948
Total consideration	–
Net cash outflow arising on disposal	
Cash consideration (US$1)	–
Bank balance and cash disposed of	1,558
	1,558

* Goodwill allocated to the cash generating unit of satellite TV broadcasting was fully impaired as at 31 December 2018.

REVIEW OF FINANCIAL POSITION

The Group's profit attributable to the owners of the Company from continuing and discontinued operations for the six months ended 30 June 2019 amounted to approximately HK$146.0 million, as compared to the loss of approximately HK$62.9 million in the same period of 2018. Basic earnings per share from continuing and discontinued operations was approximately HK4.45 cents (six months ended 30 June 2018: basic loss per share was approximately HK1.92 cents).

Liquidity And Financial Resources

As at 30 June 2019, the overall cash and cash equivalent was HK$81.8 million (31 December 2018: HK$72.7 million). The Group's major financial resources were 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 0.83 as at 30 June 2019 (31 December 2018: 0.73).

As at 30 June 2019, the Group's total borrowings were HK$481.3 million (31 December 2018: HK$466.5 million). The gearing ratio (total borrowings over total assets of the Group) decreased from 42.55% as at 31 December 2018 to 28.08% as at 30 June 2019.

Charges on the Group's Assets

As at 30 June 2019, the Group's general banking facilities (including bank loans and other borrowings) were secured by the following assets of the Group: (i) bank deposits of HK$4.0 million, (ii) property, plant and equipment with a carrying value of HK$28.9 million, (iii) investment properties of HK$153.3 million, (iv) trade receivables of HK$58.4 million, (v) inventory of HK$152.1 million and (vi) pledge of the Company's interest in Pro Brand Technology, Inc.

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 because the recent pressure from depreciation of RMB was manageable and the Group purchased the raw materials from diversified sources. However, the 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 30 June 2019 (31 December 2018: Nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (six months ended 30 June 2018: Nil) for the six months ended 30 June 2019.

LITIGATIONS

(a) HCMP 1044/2017

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

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

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

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

(iii) The Summons Plaintiff and his authorised agent be authorised to inspect and make copies of the documents in relation to the open offer announced by the Company on 24 October 2016 and 30 March 2017 respectively.

Pursuant to the order of the Court dated 17 October 2017 (the "Order dated 17 October 2017"), it was ordered that the Company shall produce to the Summons Plaintiff those documents listed in the schedule of the Order dated 17 October 2017. On 27 October 2017, the Company filed a notice of appeal (the "Notice of Appeal") to the Court for a stay of execution of the Order dated 17 October 2017 pending the final determination of the appeal.

On 15 December 2017, the Court held that the appeal had no reasonable prospect of success and ordered that the Company's application for stay be refused but that the time for the Company to comply with the Order dated 17 October 2017 be extended to 5 January 2018.

On 22 December 2017, the Company amended its Notice of Appeal and applied to the Court of Appeal of Hong Kong (the "Court of Appeal") for a stay of execution of the Order dated 17 October 2017 pending final determination of the appeal (the "Stay Application"). Pursuant to the order dated 22 December 2017, an interim stay of the Order dated 17 October 2017 pending determination of the Stay Application was granted.

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

(b) HCCW 207/2017

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

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

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

On 30 August 2017, the Company applied for another validation order under section 182 of the CWUMPO, which provides that any transfer of the shares of the Company shall not be void by virtue of the said section. The validation order was also granted by the Court on 25 October 2017.

On 4 December 2017, the Company filed and served its points of defence (the "Points of Defence").

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

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

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

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

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

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

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

7. there be liberty to apply; and

8. costs be in the cause.

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

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

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

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

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

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

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

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

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

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

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

10. costs be in the cause.

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

The principal terms of the Settlement Agreement are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

The Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) notwithstanding Completion taking place. Such arrangement confers the right to the Company or SMT (as the case may be) to receive the payments for the Existing Loans from the Target Company and/or MyHD (as the case may be) when the financial positions of the Target Company and/or MyHD (as the case may be) improve and have sufficient cash to settle the Existing Loans. As at 30 June 2019, there were Existing Loans in the aggregate amount of US$83,026,590 comprising aggregate principal amount of US$71,298,288 and aggregate accrued interest of US$11,728,302 owing by the Target Company and/or MyHD to the Company and/or SMT (as the case may be).

The Vendor and the Purchaser had also agreed that the Guarantee given by the Company to MyHD shall continue for the time being after Completion. Such arrangement would enable MyHD to secure continuing supply of television contents from MBC FZ LLC which is one of the foundations for the normal operation of MyHD and was essential for the Completion of the Disposal.

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

EVENTS AFTER THE REPORTING PERIOD

There has been no significant events occurring after the end of the six months ended 30 June 2019 up to the date of this announcement.

HUMAN RESOURCES

As at 30 June 2019, the Group employed a total of 636 (31 December 2018: 777) full-time employees. Employees are remunerated according to their performance and responsibilities. Employees of the Group receive training depending on their scope of works, especially those training relating to workplace health and safety.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Group continues to improve its corporate governance practices, emphasising the attainment and maintenance of a quality board, sound risk management and internal controls, and high transparency and accountability to the Shareholders. The Board and the management are committed to the principles of good corporate governance which are consistent with prudent management and enhancement of shareholder value. The Board believes that good corporate governance will bring long-term benefits to the Shareholders and the Group.

During the six months ended 30 June 2019, the Company has applied the principles and has complied with code provisions of the Corporate Governance Code (the "Code Provision(s)") as contained in Appendix 14 to the Listing Rules, except for certain deviations as specified and explained below with considered reasons for such deviations.

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

   Messrs. Kuo Jen Hao, a non-executive Director, Li Chak Hung and Wu Chia Ming, both independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 12 June 2019 and special general meeting of the Company held on 19 June 2019 respectively due to other engagements.

2. Under Code Provision C.1.2, the management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 3.08 and Chapter 13 of the Listing Rules.

   During the six months ended 30 June 2019, the management had provided all members of the Board with updates giving a balanced and understandable assessment of the Company's performance, position and prospect on a quarterly basis.

3. Under Code Provision C.2.5, the issuer should have an internal audit function.

   During the six months ended 30 June 2019, the internal audit manager still put his priority on upgrading the existing internal controls to risk-based system for major operating cycles of the Group's business. Both of the audit committee of the Company and the Board were not satisfied with his performance and therefore the Board resolved on 5 July 2019 to entrust professional external consultant with responsibility to review the internal control and risk management systems of the Group, which include financial, operational and compliance controls and risk management functions, and to take up the internal audit function. The professional external consultant has commenced the review of internal control and risk management systems of the Group since the end of July 2019.

AUDIT COMMITTEE

The Company has established an audit committee (the "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, Messrs. Li Chak Hung (chairman of the Audit Committee), Lau Yau Cheung and Wu Chia Ming, all of whom are independent non-executive Directors. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and the interim report for the six months ended 30 June 2019 and held discussion with the management.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The unaudited interim results announcement is published on the websites of the Company (www.sandmartin.com.hk) and of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2019 will be dispatched to the 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, 26 August 2019

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. Lau Yau Cheung (Chairman), Mr. Li Chak Hung and Mr. Wu Chia Ming

* *For identification purpose only*