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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 2021**

**FINANCIAL HIGHLIGHTS**

- For the six months ended 30 June 2021, the unaudited revenue of the Group increased to approximately HK\$554.5 million representing an increase of approximately 16.3% as compared to approximately HK\$476.7 million for the corresponding period in last year.
- The profit attributable to owners of the Company for the six months ended 30 June 2021 was approximately HK\$0.1 million (six months ended 30 June 2020: loss attributable to owners of the Company was approximately HK\$1.2 million).
- For the six months ended 30 June 2021, basic earnings per share was approximately HK0.03 cents (six months ended 30 June 2020: basic loss per share was approximately HK0.38 cents).
- The Board has resolved not to declare dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

\* For identification purpose only

## CHAIRMAN'S LETTER TO SHAREHOLDERS

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

On behalf of the board (the “**Board**”) of the directors (the “**Directors**”) of Sandmartin International Holdings Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”), I hereby present the interim results of the Group for the six months ended 30 June 2021.

The financial performance of the Group was improved for the six months ended 30 June 2021. The COVID-19 pandemic (the “**Pandemic**”) continued to have negative impacts on the business and operations of the Group. The recent outbreak of variants of the coronavirus in Southeast Asia, inevitably affected the productions of the Group’s suppliers located in Vietnam and led to the delay in shipment of products to the Group’s customers in the North America. With the global shortage of chips and integrated circuits, and the increase in material costs, such as copper, aluminum and plastic materials, the profit margins of the Group’s products have declined when compared with the same corresponding period in 2020. The Group has taken some measures to reduce the unfavourable impacts arising from the Pandemic, including but not limited to sourcing from different suppliers and adjusting the logistics structures.

The outbreak of variants of the coronavirus in May 2021 also had adverse impact on the tourism and economic sentiment in Nepal which led to the slight decrease in number of subscribers of Dish Media Network Limited (“**Dish Media**”, the Company’s 47.12%-owned associate and the largest satellite pay television operator in Nepal). Nevertheless, the satellite pay television business of Dish Media was able to generate stable subscription revenue in the first half of 2021 and contributed profits to the Group.

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

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

To strengthen the financial position and improve the liquidity of the Group, on 28 April 2021, the Company proposed inter alia, capital reorganisation and rights issue on the basis of one rights share for every two adjusted shares in issue on the record date. The share consolidation and capital reduction of the Company on the basis that ten issued and unissued shares were consolidated into one adjusted share with par value of HK\$0.1 each in the share capital of the Company became effective on 11 June 2021 and the rights issue of the Company was completed on 21 July 2021.

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

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

**Kuo Jen Hao**  
*Chairman*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL HIGHLIGHT AND BUSINESS REVIEW**

The Group recorded a decrease in gross profit margin from 13.12% for the six months ended 30 June 2020 to 10.46% for the six months ended 30 June 2021 due to the increase in material costs, global shortage of chips and integrated circuits as a result of the Pandemic.

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

In response to the challenging economic environment, the Group's media entertainment platform related products segment continued to explore new business opportunities in emerging markets such as trading of small home appliances. The revenue of this segment was increased by 6.1% as compared with the six months ended 30 June 2020.

- Segment revenue of media entertainment platform related products was approximately HK\$78.7 million (six months ended 30 June 2020: HK\$74.2 million).
- Segment results from operations were approximately HK\$5.6 million (six months ended 30 June 2020: HK\$5.8 million).
- Segment margin was 7.08%, which was decreased by 0.75 percentage-point as compared with the segment margin of 7.83% for the six months ended 30 June 2020 due to the low profit margin from trading of small home appliances.

### **Outlook**

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

### **OTHER MULTIMEDIA PRODUCTS**

Due to the increases in material costs and freight charges, the profitability of the Group's other multimedia products segment was lower than expected. Major products of this segment included cables, multimedia accessories, wireless mobile phone chargers for vehicles and ultraviolet light smartphone sanitizers. Segment revenue increased by 17.3% due to the gradual recovery of economy from the Pandemic as compared with the six months ended 30 June 2020.

- Segment revenue of other multimedia products was approximately HK\$128.3 million (six months ended 30 June 2020: HK\$109.4 million).
- Segment results from operations were approximately HK\$7.4 million (six months ended 30 June 2020: HK\$10.1 million).
- Segment margin was 5.79%, which decreased by 3.41 percentage-point as compared with the segment margin of 9.20% for the six months ended 30 June 2020.

## **Outlook**

We are enhancing our product portfolio and developing new businesses to cope with the new demand from customers. The China-US trade war and increase in freight charges have certain impacts on this segment as some of the customers are located in the US and the impact is partially mitigated by sourcing from suppliers outside the PRC, such as Southeast Asia and adjusting logistics structure.

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

The segment margin of the Group's satellite TV equipment and antenna products segment showed a decline notwithstanding the gradual recovery of economy from the Pandemic in the North America.

- Segment revenue of satellite TV equipment and antenna products was approximately HK\$347.5 million (six months ended 30 June 2020: HK\$293.1 million).
- Segment results from operations were approximately HK\$33.7 million (six months ended 30 June 2020: HK\$33.2 million).
- Segment margin was 9.69%, which decreased by 1.63 percentage-point as compared with the segment margin of 11.32% for the six months ended 30 June 2020.

## **Outlook**

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

## **GEOGRAPHICAL SEGMENT RESULTS**

### **Asia**

- Segment revenue for Asia for the six months ended 30 June 2021 was approximately HK\$141.4 million, as compared with the six months ended 30 June 2020 of approximately HK\$69.0 million.
- 104.9% increase in segment revenue compared with the six months ended 30 June 2020.
- Asia's portion accounted for approximately 25.5% of the Group's total revenue for the six months ended 30 June 2021 (six months ended 30 June 2020: 14.5%).

## **Europe**

- Segment revenue for Europe for the six months ended 30 June 2021 was approximately HK\$65.9 million, as compared with the six months ended 30 June 2020 of approximately HK\$57.3 million.
- 15.0% increase in segment revenue compared with the six months ended 30 June 2020.
- Europe's portion accounted for approximately 11.9% of the Group's total revenue for the six months ended 30 June 2021 (six months ended 30 June 2020: 12.0%).

## **Middle East**

- Segment revenue for Middle East for the six months ended 30 June 2021 was approximately HK\$8.2 million, as compared with the six months ended 30 June 2020 of approximately HK\$47.6 million.
- 82.8% decrease in segment revenue compared with the six months ended 30 June 2020.
- Middle East's portion accounted for approximately 1.5% of the Group's total revenue for the six months ended 30 June 2021 (six months ended 30 June 2020: 10.0%).

## **North America**

- Segment revenue for North America for the six months ended 30 June 2021 was approximately HK\$322.6 million, as compared with the six months ended 30 June 2020 of approximately HK\$276.4 million.
- 16.7% increase in segment revenue compared with the six months ended 30 June 2020.
- North America's portion accounted for approximately 58.2% of the Group's total revenue for the six months ended 30 June 2021 (six months ended 30 June 2020: 58.0%).

## **South America**

- Segment revenue for South America for the six months ended 30 June 2021 was approximately HK\$15.3 million, as compared with the six months ended 30 June 2020 of approximately HK\$24.4 million.
- 37.3% drop in segment revenue compared with the six months ended 30 June 2020.
- South America's portion accounted for approximately 2.8% of the Group's total revenue for the six months ended 30 June 2021 (six months ended 30 June 2020: 5.1%).

## **Outlook**

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

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

		<b>For six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(restated)</b>
Revenue	5	<b>554,520</b>	476,697
Cost of sales		<b>(496,494)</b>	(414,172)
Gross profit		<b>58,026</b>	62,525
Other income, gains and losses	6	<b>21,688</b>	15,717
Increase in fair value of investment properties		<b>22,757</b>	3,135
Distribution and selling costs		<b>(11,347)</b>	(13,485)
Administrative and other expenses		<b>(66,337)</b>	(52,000)
Research and development costs		<b>(14,317)</b>	(16,092)
(Provision for)/reversal of expected credit losses on financial assets		<b>(393)</b>	9,098
Finance costs		<b>(14,261)</b>	(16,830)
Share of profit of an associate		<b>9,746</b>	6,852
<b>Profit/(loss) before income tax expense</b>		<b>5,562</b>	(1,080)
Income tax expense	7	<b>(7,952)</b>	(2,342)
<b>Loss for the period</b>	8	<b>(2,390)</b>	(3,422)
<b>Other comprehensive income, net of tax</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		<b>(4,296)</b>	(8,028)
<b>Other comprehensive income for the period</b>		<b>(4,296)</b>	(8,028)
<b>Total comprehensive income for the period</b>		<b>(6,686)</b>	(11,450)
<b>Profit/(loss) for the period attributable to:</b>			
— Owners of the Company		<b>108</b>	(1,241)
— Non-controlling interests		<b>(2,498)</b>	(2,181)
		<b>(2,390)</b>	(3,422)

		<b>For six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
<i>Note</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(restated)</b>
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		<b>(3,880)</b>	(9,072)
— Non-controlling interests		<b>(2,806)</b>	(2,378)
		<u><b>(6,686)</b></u>	<u>(11,450)</u>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
			<b>(restated)</b>
<b>Earnings/(loss) per share</b>			
	<i>10</i>		
Basic		<u><b>0.03</b></u>	<u>(0.38)</u>
Diluted		<u><b>0.03</b></u>	<u>(0.38)</u>



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2021**

		<b>30 June 2021</b>	31 December 2020
	<i>Notes</i>	<b>HK\$'000 (unaudited)</b>	<b>HK\$'000 (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>61,352</b>	66,704
Prepaid lease payments		<b>28</b>	58
Investment properties		<b>230,621</b>	205,442
Goodwill		<b>9,836</b>	10,140
Intangible assets		<b>1,270</b>	3,836
Interest in an associate		<b>97,129</b>	90,393
Loan to an associate	<i>13</i>	<b>22,130</b>	22,155
Deferred tax assets		<b>4,241</b>	4,212
Total non-current assets		<b>426,607</b>	402,940
<b>Current assets</b>			
Inventories		<b>162,978</b>	156,633
Loan receivables	<i>11</i>	<b>–</b>	–
Trade, bills and other receivables	<i>12</i>	<b>297,836</b>	207,704
Prepaid lease payments		<b>29</b>	28
Amount due from an associate	<i>13</i>	<b>37,038</b>	36,356
Pledged bank deposits		<b>4,286</b>	3,957
Bank balances and cash		<b>99,672</b>	88,871
Total current assets		<b>601,839</b>	493,549
<b>Current liabilities</b>			
Trade, bills and other payables	<i>14</i>	<b>407,938</b>	289,524
Contract liabilities		<b>8,494</b>	30,407
Tax liabilities		<b>12,039</b>	12,083
Bank and other borrowings		<b>412,842</b>	383,144
Provision for financial guarantee	<i>15</i>	<b>27,332</b>	27,332
Lease liabilities		<b>3,859</b>	3,855
Total current liabilities		<b>872,504</b>	746,345
<b>Net current liabilities</b>		<b>(270,665)</b>	(252,796)
<b>Total assets less current liabilities</b>		<b>155,942</b>	150,144

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
<b>Non-current liabilities</b>		
Bank and other borrowings	38,572	29,840
Deferred tax liabilities	68,004	62,357
Defined benefit obligation	32	32
Lease liabilities	2,504	4,399
	<hr/>	<hr/>
Total non-current liabilities	109,112	96,628
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>46,830</b>	<b>53,516</b>
	<hr/>	<hr/>
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	32,811	328,108
Reserves	(22,259)	(313,676)
	<hr/>	<hr/>
Equity attributable to owners of the Company	10,552	14,432
Non-controlling interests	36,278	39,084
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>46,830</b>	<b>53,516</b>
	<hr/>	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2021

### 1. GENERAL INFORMATION

The Company is incorporated in Bermuda with limited liability and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group principally engages in manufacturing and trading of satellite TV equipment products and other electronic goods.

### 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**”).

These condensed consolidated financial statements should be read in conjunction with the 2020 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 2021 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2020.

#### **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\$270,665,000. 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 the date of approval of the financial statements, the Group has unutilised bank loan facilities totalling HK\$270,418,000 available to finance its future operations and financial obligations.

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.

#### **Change in presentation of condensed consolidated statement of profit or loss and other comprehensive income**

In order to provide a more relevant analysis, the management has decided to present increase/decrease in fair value of investment properties under a separate line (previously it was included under other income, gains and losses). The comparative amounts for prior period have been restated to conform with the revised presentation.

### 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:

In the current period, the Group has applied for the first time the following new or revised HKFRSs that are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2021.

Amendments to HKFRS 16

COVID-19-Related Rent Concessions

Amendments to HKAS 39, HKFRS 4, HKFRS 7,  
HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

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

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

Amendments to HKFRS 10 and HKAS 28

Sale or Contribution of Assets between an Investor  
and its Associate or Joint Venture<sup>1</sup>

Amendments to HKFRS 16

COVID-19-Related Rent Concessions  
beyond 30 June 2021<sup>2</sup>

Amendments to HKAS 16

Property, Plant and Equipment:  
Proceeds before Intended Use<sup>3</sup>

Amendments to HKAS 37  
Annual Improvements to  
HKFRSs 2018–2020

Onerous Contracts — Cost of Fulfilling a Contract<sup>3</sup>  
Amendment to HKFRS 1 First-time Adoption of  
Hong Kong Financial Reporting Standard,  
Amendment to HKFRS 9 Financial Instruments,  
Amendment to illustrative examples accompanying  
HKFRS 16 Leases and Amendment to  
HKAS 41 Agriculture<sup>3</sup>

Amendments to HKFRS 3  
Amendments to HKAS 1

Reference to the Conceptual Framework<sup>4</sup>  
Classification of Liabilities as Current  
or Non-current<sup>5</sup>

HK Interpretation 5 (2020)

Presentation of Financial Statements  
— Classification by the Borrower of a Term Loan  
that Contains a Repayment on Demand Clause<sup>5</sup>

HKFRS 17

Insurance Contracts<sup>5</sup>

Amendment to HKAS 8

Definition of Accounting Estimates<sup>5</sup>

Amendment to HKAS 1 and  
HKFRS Practice Statement 2

Disclosure of Accounting Policies<sup>5</sup>

Amendment to HKAS 12

Deferred Tax related to Assets and Liabilities arising  
from a Single Transaction<sup>5</sup>

<sup>1</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted

<sup>2</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

#### **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 the 2020 annual financial statements.

#### **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, 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 are mainly used for satellite products equipment.

**(ii) Other multimedia products**

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

**(iii) Satellite TV equipment and antenna products**

Trading and manufacturing of satellite TV equipment and antenna products.

## 5. 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 30 June 2021

	Media entertainment platform related products <i>HK\$'000</i> (unaudited)	Other multimedia products <i>HK\$'000</i> (unaudited)	Satellite TV equipment and antenna products <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>REVENUE</b>				
External sales	<u>78,711</u>	<u>128,314</u>	<u>347,495</u>	<u>554,520</u>
<b>Timing of revenue recognition</b>				
At a point in time	<u>78,711</u>	<u>128,314</u>	<u>347,495</u>	<u>554,520</u>
<b>RESULTS</b>				
Segment results	<u>5,571</u>	<u>7,423</u>	<u>33,685</u>	46,679
Other income, gains and losses				21,688
Increase in fair value of investment properties				22,757
Administrative and other expenses				(66,337)
Research and development costs				(14,317)
Provision for expected credit losses on trade receivables				(375)
Provision for expected credit losses on loan to an associate				(25)
Reversal of expected credit losses on amount due from an associate				7
Finance costs				(14,261)
Share of profit of an associate				<u>9,746</u>
Profit before income tax expense				<u>5,562</u>

## 5. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2020

	Media entertainment platform related products <i>HK\$'000</i> (unaudited)	Other multimedia products <i>HK\$'000</i> (unaudited)	Satellite TV equipment and antenna products <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>REVENUE</b>				
External sales	<u>74,159</u>	<u>109,412</u>	<u>293,126</u>	<u>476,697</u>
<b>Timing of revenue recognition</b>				
At a point in time	<u>74,159</u>	<u>109,412</u>	<u>293,126</u>	<u>476,697</u>
<b>RESULTS</b>				
Segment results	<u>5,806</u>	<u>10,064</u>	<u>33,170</u>	49,040
Other income, gains and losses				15,717
Increase in fair value of investment properties				3,135
Administrative and other expenses				(52,000)
Research and development costs				(16,092)
Reversal of expected credit losses on trade receivables				6,952
Reversal of expected credit losses on loan to an associate				9
Reversal of expected credit losses on amount due from an associate				2,137
Finance costs				(16,830)
Share of profit of an associate				<u>6,852</u>
Loss before income tax expense				<u>(1,080)</u>

Segment results represent profit earned/loss suffered by each segment without allocation of other income, gains and losses, increase in fair value of investment properties, administrative and other expenses, research and development costs, provision for/reversal of expected credit losses, 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.

## 6. OTHER INCOME, GAINS AND LOSSES

	For six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Ancillary service income from tenants	7,690	5,064
Interest income	679	1,810
Interest income from an associate	497	501
Rental income	10,022	6,361
Net foreign exchange loss	(5,292)	(1,702)
Others	8,092	3,683
	<u>21,688</u>	<u>15,717</u>

## 7. INCOME TAX EXPENSE

	For six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax charge comprises:		
Current tax:		
the PRC	395	521
Jurisdictions other than the PRC and Hong Kong	<u>1,880</u>	<u>2,318</u>
	2,275	2,839
(Over)/under-provision in prior years:		
the PRC	(12)	55
Deferred taxation:		
Current period	<u>5,689</u>	<u>(552)</u>
	<u>7,952</u>	<u>2,342</u>



## **7. INCOME TAX EXPENSE (CONTINUED)**

### **(i) the PRC**

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

### **(ii) Hong Kong**

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

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

### **(iii) United States**

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 25% to 30%.

### **(v) Macau**

The Group's Macau subsidiary is subject to Macau Complementary Income Tax at the progressive rate on the estimated assessable profits. The maximum tax rate is 12%.

### **(vi) Others**

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

## 8. LOSS FOR THE PERIOD

	For six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Directors' emoluments	1,689	1,484
Other staff costs	44,693	39,229
Contributions to defined contribution plans, excluding Directors	489	338
Total employee benefit expenses	46,871	41,051
Provision for/(reversal of) expected credit losses on trade receivables	375	(6,952)
Provision for/(reversal of) expected credit losses on loan to an associate	25	(9)
Reversal of expected credit losses on amount due from an associate	(7)	(2,137)
Provision for/(reversal of) expected credit losses on financial assets	393	(9,098)
Depreciation of property, plant and equipment	9,233	9,072
Depreciation of right-of-use assets	1,522	1,682
Amortisation of intangible assets (note (i))	1,165	2,094
Release of prepaid lease payments	30	31
Loss/(gain) on disposal of property, plant and equipment (note (ii))	9	(147)

Notes:

(i) Included in cost of sales

(ii) Included in other income, gains and losses

## 9. DIVIDENDS

No dividend was paid or declared during the interim period. The Board has resolved not to declare an interim dividend for the period.

## 10. EARNINGS/(LOSS) PER SHARE

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

	<b>For six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit/(loss) for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings/(loss) per share	<b>108</b>	<b>(1,241)</b>
<b>Number of shares</b>		<b>(Restated)</b>
Weighted average number of ordinary shares at 30 June	<b>328,107,660</b>	<b>326,347,362</b>

The weighted average number of ordinary shares in issue in the respective periods are adjusted for the Share Consolidation which took place on 11 June 2021.

For the period ended 30 June 2020, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

For the period ended 30 June 2021, the diluted earnings per share and basic earnings per share are the same as there were no dilutive potential ordinary shares during the period.

## 11. LOAN RECEIVABLES

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Loans receivables ( <i>note (i)</i> )	<b>12,989</b>	<b>12,989</b>
Loans receivables due from former subsidiaries ( <i>note (ii)</i> )	<b>645,108</b>	<b>643,626</b>
	<b>658,097</b>	<b>656,615</b>
Less: allowance for doubtful debts ( <i>note (iii)</i> )	<b>(658,097)</b>	<b>(656,615)</b>
	<b>–</b>	<b>–</b>

*Notes:*

- (i) As at 30 June 2021 and 31 December 2020, the Group had loan receivable amounting to HK\$12,989,000 granted to a third party. The amount was unsecured and bore interest at 1.2% (31 December 2020: 1.2%) per annum. This loan receivable was fully impaired as at 30 June 2021 and 31 December 2020.
- (ii) During the year ended 31 December 2019, the Group disposed of the entire equity interest in Speed Connection Group Limited (the “Disposal”), and since then, the loan receivables from Speed Connection Group Limited and its subsidiary, MyHD Media FZ LLC (“MyHD”) were classified as loan receivables due from former subsidiaries.

## 11. LOAN RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) (Continued)

The loan receivables due from former subsidiaries 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 announcement of the Company dated 31 December 2018 and the circular of the Company dated 25 May 2019. The amounts were unsecured, interest-bearing at rates ranged from 3 months LIBOR plus 100 basis point per annum to 10% per annum and were matured on 31 December 2020.

The principal amounts of these loan receivables at the date of the Disposal were US\$71,298,000 (equivalent to approximately HK\$553,657,000), in which amount of US\$9,554,000 (equivalent to approximately HK\$74,190,000) due from Speed Connection Group Limited, bore interest rate at 3 months LIBOR plus 100 basis points per annum; and amount of US\$51,244,000 (equivalent to approximately HK\$397,930,000) and amount of US\$10,500,000 (equivalent to approximately HK\$81,537,000) due from MyHD (the non-wholly owned subsidiary of Speed Connection Group Limited), bore interest rate at 10% per annum and at 3 months LIBOR plus 100 basis points per annum respectively, and the corresponding interest receivables were US\$11,728,000 (equivalent to approximately HK\$91,073,000). These loan receivables and the interest receivables, net of the provision of expected credit loss (“ECL”) of HK\$219,103,000 as at the date of the Disposal, amounted to HK\$429,410,000 were recognised as loan receivables upon the Disposal.

In December 2019, management was given to understand that Speed Connection Group Limited and MyHD were in serious financial problem and ceased to operate in late 2019. As such, management considered these loan receivables were credit-impaired and recognised life time ECLs of the total net carrying amount of these loan receivables of HK\$429,410,000 at 31 December 2019.

The provision of expected credit loss was determined by the management of the Group based on the creditworthiness and the past collection history of the borrowers.

(iii) Allowances for doubtful debts

	<b>30 June 2021 HK\$'000 (unaudited)</b>	<b>31 December 2020 HK\$'000 (audited)</b>
At the beginning of period/year	<b>656,615</b>	659,355
Exchange realignment	<b>1,482</b>	(2,740)
At the end of period/year	<b>658,097</b>	656,615

## 12. TRADE, BILLS AND OTHER RECEIVABLES

	<b>30 June 2021 HK\$'000 (unaudited)</b>	<b>31 December 2020 HK\$'000 (audited)</b>
Trade and bills receivables	<b>238,890</b>	122,505
Other receivables	<b>58,946</b>	85,199
	<hr/>	<hr/>
Total trade, bills and other receivables	<b>297,836</b>	207,704
	<hr/>	<hr/>

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an ageing analysis of trade and bills receivables, 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:

	<b>30 June 2021 HK\$'000 (unaudited)</b>	<b>31 December 2020 HK\$'000 (audited)</b>
0–30 days	<b>105,821</b>	80,637
31–90 days	<b>63,210</b>	15,727
91–180 days	<b>60,819</b>	14,140
More than 180 days	<b>148,269</b>	151,762
	<hr/>	<hr/>
	<b>378,119</b>	262,266
Less: Loss allowance	<b>(139,229)</b>	(139,761)
	<hr/>	<hr/>
	<b>238,890</b>	122,505
	<hr/>	<hr/>

Based on the Group's assessment, the Group recognised provision for expected credit losses on trade receivables of HK\$375,000 (six months ended 30 June 2020: reversal of HK\$6,952,000).

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

		<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Loan receivables	(i)	<u>22,130</u>	<u>22,155</u>
Current assets			
Trade receivables	(ii)	<u>36,325</u>	<u>36,116</u>
Interest receivable on loan receivables		<u>713</u>	<u>240</u>
Amount due from an associate		<u><b>37,038</b></u>	<u><b>36,356</b></u>

*Notes:*

- (i) The amount is unsecured and bears interest at a fixed rate of 4.75% (31 December 2020: 4.75%) per annum. The loan receivables mature on 31 December 2022.
- (ii) Amount being unsecured and interest-free. The Group allows a credit period of 360 days.

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

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
More than 360 days	<u>36,325</u>	<u>36,116</u>

### 14. TRADE, BILLS AND OTHER PAYABLES

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Trade payables	303,473	207,593
Bills payables	1,184	502
Other payables and accruals ( <i>note</i> )	<u>103,281</u>	<u>81,429</u>
Total trade, bills and other payables	<u><b>407,938</b></u>	<u><b>289,524</b></u>

#### 14. TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

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

	<b>30 June 2021 HK\$'000 (unaudited)</b>	<b>31 December 2020 HK\$'000 (audited)</b>
0–30 days	<b>171,997</b>	132,225
31–90 days	<b>76,139</b>	50,735
91–360 days	<b>47,985</b>	16,772
More than 360 days	<b>8,536</b>	8,363
	<b>304,657</b>	208,095

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

*Note:* An amount due to a Director of HK\$6,757,000 (31 December 2020: HK\$6,859,000) which was included in other payables which term is unsecured, interest free and repayable on demand.

#### 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 2021 and 31 December 2020, 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. DELISTING AND REPURCHASE OF TAIWAN DEPOSITARY RECEIPTS

Reference is made to the announcements of the Company dated 9 April 2020, 15 April 2020, 29 April 2020, 5 May 2020, 4 August 2020 and 10 August 2020 in relation to, among other things, the delisting of the Taiwan Depositary Receipts (“**TDRs**”) of the Company as requested by the Taiwan Stock Exchange. The TDR delisting was effective from 15 June 2020 pursuant to the relevant rules of the Taiwan Stock Exchange. Within 50 days from and including the date of TDR delisting, a TDR holder may request the Company to repurchase their TDRs pursuant to the Taiwan Stock Exchange Corporation Procedures for Applications by Taiwan Stock Exchange Listed Companies for the Delisting of Securities at the repurchase price of NT\$0.271 (equivalent to approximately HK\$0.071). There are 185,244,632 units of TDRs outstanding at 15 June 2020 (the “**Puttable TDRs**”). The Puttable TDRs should be accounted for as financial liability and measured at fair value at initial recognition. Accordingly, the Puttable TDRs of NT\$50,201,000 (equivalent to approximately HK\$13,123,000), which is calculated by multiplying the total number of Puttable TDRs with the repurchase price, was recognised as current liabilities. The difference between the Puttable TDRs of HK\$13,123,000 and the carry amount of the relevant share capital of HK\$18,524,000 was recognised in the capital redemption reserve.

As at 22 October 2020, the Company completed the delisting and repurchase of TDRs. Details of the completion are set out in the announcement of the Company dated 22 October 2020.

## 17. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

### (i) Cooperation Agreement in Relation to Proposed Redevelopment

Reference is made to the voluntary announcement of the Company dated 17 August 2021 in relation to the cooperation agreement (the “**Cooperation Agreement**”) that was entered into between the Group and Guangdong Huasuan International Industrial Park Investment Development Co., Ltd.\* (廣東省華算國際產業園投資發展有限公司) (“**Huasuan**”) in July 2021 (the “**Voluntary Announcement**”). Pursuant to the Cooperation Agreement, Huasuan and Sandmartin (Zhong Shan) Electronic Co., Ltd.\* (“**ZSS**”, an indirect wholly owned subsidiary of the Company) will cooperate to upgrade certain blocks of factory buildings and dormitories constructed on an industrial land and to redevelop some vacant and undeveloped parts of that land (collectively, the “**Land**”) subject to prior consents and planning approvals from the relevant PRC government authorities. The Land is situated in Zhongshan, Guangdong Province, the People’s Republic of China (“**PRC**”) and is owned by ZSS. The intention of the Cooperation Agreement is to set out the framework to redevelop the Land into an intelligent manufacturing centre for research and development for future leasing or disposal purposes (the “**Redevelopment**”). Huasuan will fund the entire costs of the Redevelopment and the Group will provide part of the Land that will be used for the Redevelopment. The Group and Huasuan will be entitled to 20% and 80% respectively of the new buildings constructed on the Land by apportioning the rental income attributable to, or the proceeds from the disposal of, the newly constructed buildings (the “**Revenue Apportionment**”).



## 17. EVENTS SUBSEQUENT TO THE REPORTING PERIOD (CONTINUED)

### (i) Cooperation Agreement in Relation to Proposed Redevelopment (Continued)

The Redevelopment will be developed under the name of ZSS. To ensure the continued commitment in the Redevelopment, Huasuan will pay to the Group a cooperation fund amounting to RMB60 million as security deposit (the “**Cooperation Fund**”). As securities for such Cooperation Fund, the Group will pledge to Huasuan (i) 100% of the shareholding interests in ZSS which holds the Land (the “**Equity Pledge**”); and (ii) one of the three pieces of land parcels within the Land (the “**Land Pledge**”). Huasuan shall release both the Equity Pledge and the Land Pledge upon full repayment of the Cooperation Fund by the Group and completion of the Redevelopment and Revenue Apportionment. If the Redevelopment is unable to proceed, the Cooperation Fund shall be refunded to Huasuan without interest within 10 business days failing which there is a default interest of 8% per annum payable by the Group within three months.

As at the date of the Voluntary Announcement, the Redevelopment is in the planning stage. The concrete plan in relation to the Revenue Apportionment cannot be determined and will have to be further negotiated between the parties. Similarly, the design and scale of the Redevelopment, the exact size and location of the Land that will be provided by the Group for the Redevelopment cannot be determined until prior consents and planning approvals from the relevant PRC government authorities are obtained. The Redevelopment may not proceed if the Group cannot obtain the relevant consents and planning approvals. Pending development of such subsequent non-adjusting event, the Group’s financial and operating performance may be affected, the extent to which cannot be estimated as at the date of the Voluntary Announcement. For details, please refer to the Voluntary Announcement.

### (ii) Rights Issue

Reference is made to the announcements of the Company dated 28 April 2021 and 9 June 2021, and the circular of the Company dated 17 May 2021 in relation to, among other things, the capital reorganisation of the Company (the “**Capital Reorganisation Announcements and Circular**”) and the prospectus of the Company dated 24 June 2021 and the announcements of the Company dated 12 July 2021, 20 July 2021 and 27 July 2021 in relation to the rights issue of the Company (the “**Rights Issue Announcements and Prospectus**”). Unless otherwise specified herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Capital Reorganisation Announcements and Circular and the Rights Issue Announcements and Prospectus.

Upon the Capital Reorganisation became effective, the Company conducted a Rights Issue on the basis of one Rights Share for every two Adjusted Shares in issue on the Record Date. The Rights Issue was completed on 21 July 2021 and the gross proceeds raised by the Rights Issue was approximately HK\$68.9 million and an aggregate of 164,053,830 Rights Shares were issued at the Subscription Price of HK\$0.42 per Rights Share by either accepted or placed under the Rights Issue or Compensatory Arrangement and all the conditions with respect of the Rights Issue set out in the prospectus of the Company dated 24 June 2021 (the “**Prospectus**”) have been fulfilled.

The Company intended to apply the net proceeds from the Rights Issue for partial repayment of the outstanding loans of the Company as previously disclosed in the Capital Reorganisation Announcements and Circular and the Rights Issue Announcements and Prospectus. As at the date of this announcement, the Company had fully utilized the net proceeds in accordance with the said intention.

Details of the Rights Issue are set out in the Rights Issue Announcements and Prospectus.

## **REVIEW OF FINANCIAL POSITION**

The Group's profit attributable to the owners of the Company for the six months ended 30 June 2021 amounted to approximately HK\$0.1 million, as compared to the loss of approximately HK\$1.2 million in the corresponding period in 2020. Basic earnings per share was approximately HK0.03 cents (six months ended 30 June 2020: basic loss per share was approximately HK0.38 cents).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2021, the overall cash and cash equivalent of the Group was HK\$99.7 million (31 December 2020: HK\$88.9 million). The Group managed its capital structure and liquidity to finance its operations by using bank and other borrowings and funds generated from operations.

The Group's current ratio (ratio of current assets to current liabilities) was 0.69 as at 30 June 2021 (31 December 2020: 0.66).

As at 30 June 2021, the Group's total borrowings were approximately HK\$457.8 million (31 December 2020: HK\$421.2 million), out of which HK\$416.7 million (31 December 2020: HK\$387.0 million) were due within one year and the rest of HK\$41.1 million (31 December 2020: HK\$34.2 million) were due over one year. Approximately 81.5% of the Group's bank and other borrowings were denominated in US dollars ("US\$") and the rest of them were denominated in Renminbi ("RMB"), Euro and New Taiwan dollars. The effective interest rates on the Group's variable interest rate bank and other borrowings ranged from 1% to 10%. The gearing ratio (total borrowings over total assets of the Group) decreased from 47.0% as at 31 December 2020 to 44.5% as at 30 June 2021.

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

As at 30 June 2021, 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\$4.3 million (31 December 2020: HK\$4.0 million), (ii) property, plant and equipment with a carrying value of HK\$24.7 million (31 December 2020: HK\$22.4 million), (iii) investment properties of HK\$230.6 million (31 December 2020: HK\$205.4 million), (iv) trade receivables of HK\$197.7 million (31 December 2020: HK\$45.8 million), (v) inventories of HK\$145.3 million (31 December 2020: HK\$31.4 million), and (vi) pledge of the Company's interest in Pro Brand Technology, Inc.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

The Group's sales and purchases were mainly denominated in US\$ and 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 appreciation of RMB was manageable and the Group purchased the raw materials from diversified sources. Also, the Group currently does not have a foreign currency hedging policy. During the period, the Group has not entered into any foreign exchange hedging arrangement. 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 2021 (31 December 2020: Nil).

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## CAPITAL REORGANISATION AND RIGHTS ISSUE

Reference is made to the announcements of the Company dated 28 April 2021 and 9 June 2021, and the circular of the Company dated 17 May 2021 in relation to, among other things, the capital reorganisation of the Company (the “**Capital Reorganisation Announcements and Circular**”) and the prospectus of the Company dated 24 June 2021 and the announcements of the Company dated 12 July 2021, 20 July 2021 and 27 July 2021 in relation to the rights issue of the Company (the “**Rights Issue Announcements and Prospectus**”). Unless otherwise specified herein, capitalised terms used herein shall have the same meanings as those defined in the Capital Reorganisation Announcements and Circular and the Rights Issue Announcements and Prospectus.

The Capital Reorganisation comprised the Share Consolidation, the Capital Reduction and the Share Premium Reduction on the basis that every ten issued and unissued Existing Shares of a par value of HK\$0.10 each shall be consolidated into one Consolidated Share of a par value of HK\$1.00 each in the share capital of the Company. Immediately after the Share Consolidation, the issued share capital of the Company was reduced by (i) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (ii) cancelling the paid-up capital of the Company to the extent of HK\$0.90 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share was reduced from HK\$1.00 to HK\$0.10. The credit arising from the Capital Reduction was credited to the contributed surplus account of the Company within the meaning of the Companies Act and then was applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The Capital Reorganisation was approved by the Shareholders at the SGM held on 9 June 2021 and became effective on 11 June 2021.

The amount of HK\$506,750,000 standing to the credit of the share premium account of the Company be reduced to nil and that the credit arising therefrom be transferred to the contributed surplus account.

Upon the Capital Reorganisation became effective, the Company conducted a Rights Issue to raise approximately HK\$68.9 million before expenses by issuing 164,053,830 Rights Shares, on the basis of one Rights Share for every two Adjusted Shares in issue on the Record Date then held at the Subscription Price of HK\$0.42 per Rights Share, representing a discount of approximately 16.00% to the theoretical closing price of HK\$0.50 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.05 per Share as quoted on the Stock Exchange on 27 April 2021, being the last full trading day before the release of the announcement dated 28 April 2021 in relation to the Rights Issue.

The Rights Issue was completed on 21 July 2021, and an aggregate of 164,053,830 Rights Shares were allotted and issued to the Qualifying Shareholders accordingly, which carried the aggregate nominal value of HK\$16,405,383. The gross proceeds raised from the Rights Issue (including the Compensatory Arrangement) were approximately HK\$68.9 million and the net proceeds from the Rights Issue after deducting the expenses were approximately HK\$66.3 million. The net price per Rights Share was approximately HK\$0.40.

The Company considered that the Rights Issue would allow (i) the Group to improve the financial position (i.e. reducing its indebtedness and finance costs) without incurring debt financing cost and (ii) the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, and was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company intended to apply the net proceeds from the Rights Issue for partial repayment of the outstanding loans of the Company as previously disclosed in the Capital Reorganisation Announcements and Circular and the Rights Issue Announcements and Prospectus. As at the date of this announcement, the Company had fully utilized the net proceeds in accordance with the said intention.

Effect of Rights Issue on the shareholding structure of the Company:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	Number of issued Adjusted Shares	Approximate %	Number of issued Adjusted Shares	Approximate %
<b>Substantial Shareholders</b>				
First Steamship Company Limited	95,085,935	29.0%	142,628,902	29.0%
Metroasset Investments Limited	50,718,859	15.5%	70,718,859	14.4%
IXL CAPITAL	27,376,200	8.3%	51,376,200	10.4%
<b>Public Shareholders</b>				
Placees	–	–	48,781,322	9.9%
Other Shareholders	154,926,666	47.2%	178,656,207	36.3%
<b>Total</b>	<b>328,107,660</b>	<b>100.0%</b>	<b>492,161,490</b>	<b>100.0%</b>

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

Reference is made to the announcement of the Company dated 31 December 2018 (the “**Announcement**”) and the circular of the Company dated 25 May 2019 (the “**Circular**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement and in the Circular. On 31 December 2018, the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company, at the nominal consideration of US\$1 with effect from the Transaction Date. The Target Company was a wholly-owned subsidiary of the Company and indirectly held 51% interests in MyHD. All the conditions set out in the Agreement had been satisfied and the Disposal was completed on 25 June 2019.

The Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) 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 2021, there were Existing Loans in the aggregate amount of US\$94,485,000 comprising aggregate principal amount of US\$71,298,000 and aggregate accrued interest (calculated based on the terms of the Existing Loans) of US\$23,187,000 owing by the Target Company and/or MyHD to the Company and/or SMT (as the case may be), the particulars of which are as follows:

Lenders	Debtors	Prevailing interest rate	Maturity date	Principal amount outstanding as at 30 June 2021	Accrued interest as at 30 June 2021
SMT	Target Company	3 months LIBOR + 100 basis points <sup>(Note 1)</sup>	31 December 2020	US\$9,554,000 (approximately HK\$74,190,000)	US\$1,461,000 (approximately HK\$11,345,000)
SMT	MyHD	3 months LIBOR + 100 basis points <sup>(Note 1)</sup>	31 December 2020	US\$10,500,000 (approximately HK\$81,537,000)	US\$1,345,000 (approximately HK\$10,444,000)
SMT	MyHD	10% per annum	31 December 2020	US\$42,653,000 (approximately HK\$331,218,000)	US\$16,967,000 (approximately HK\$131,756,000)
the Company	MyHD	10% per annum	31 December 2020	US\$8,591,000 (approximately HK\$66,712,000)	US\$3,414,000 (approximately HK\$26,511,000)
Total				US\$71,298,000 (approximately HK\$553,657,000)	US\$23,187,000 (approximately HK\$180,056,000)

*Note:*

- As a reference, 3 months London inter-bank offered rates (“**LIBOR**”) as applicable to these two loans during the period between 1 May 2012 to 30 June 2021 ranged between 0.13138% and 2.80763%.

The Vendor had also agreed that the Guarantee given by the Company to MyHD shall continue for the time being after the Completion. The maximum amount payable by the Company under the Guarantee would not exceed US\$3,500,000 (equivalent to HK\$27,332,000). Notwithstanding that MyHD ceased its operation in late 2019, the Company has not received any demand for payment from MyHD under the Guarantee. As at 30 June 2020 and 2021, the Group had recognised the provision for financial guarantee in the amount of US\$3,500,000 (equivalent to HK\$27,332,000) in relation to the Guarantee.



## EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Save as disclosed in note 17 to the condensed consolidated financial statements and the section headed “Changes in Board Composition” of this announcement, there were no other important events affecting the Group which have occurred since the end of the reporting period.

## LITIGATION

### Lawsuit in India

In October 2020, Aggressive Digital Systems Private Ltd. (“AD”, an indirect non-wholly owned subsidiary of the Company) received a summons to the National Company Law Tribunal (“NCLT”) at Chandigarh in India that was filed by Aggressive Electronics Manufacturing Services Private Limited (“AEMS”, a minority shareholder of AD) and Mr. Neeraj Bharara (collectively the “Petitioners”) against Top Dragon Development Limited (a wholly owned subsidiary of the Company and the shareholder of AD), AD and certain directors of AD (collectively the “Respondents”) alleging that the Respondents made undue acts either of oppression or mismanagement and claiming for losses caused to the Petitioners arising from such undue acts. The hearing scheduled on 17 May 2021 has adjourned until 1 October 2021 at NCLT.

After consulting the Company’s legal counsel in India and taking into account the possible factors including, but not limited to, the possible amount involved in the case, the Board considered that it is not probable that the Group will incur any material losses resulting from this litigation. Accordingly, after discussion with the Company’s auditors, no provision was made in the consolidated financial statements of the Group as at 30 June 2021 (31 December 2020: Nil).

In respect of the progress of the above litigation, the Company will make further announcements in due course in accordance with the requirements of the Listing Rules as and when required.

## HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2021, the Group employed a total of 667 (31 December 2020: 646) 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.

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The emoluments of the Directors are decided by the Board based on the recommendation of the remuneration committee, having regard to market competitiveness, individual performance and achievement. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

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

During the six months ended 30 June 2021, 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 2021, 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 the deviations with following reason.

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

Mr. Kuo Jen Hao, a non-executive Director was unable to attend the annual general meeting of the Company held on 3 June 2021 due to his other personal engagements.

As set out in the Company's announcement dated 18 August 2021, following the resignation of Mr. Lau Yau Cheung and Mr. Li Chak Hung as the independent non-executive Directors (the “**INED(s)**”), the Company only had one INED on the Board, hence it failed to meet the following requirements of:

- (i) including at least three independent non-executive directors on the Board, under Rule 3.10(1) of the Listing Rules;
- (ii) appointing independent non-executive directors representing at least one-third of the Board, under Rule 3.10A of the Listing Rules;
- (iii) establishing an audit committee comprising non-executive directors only, and with a minimum of three members and chaired by an independent non-executive director, under Rule 3.21 of the Listing Rules;
- (iv) establishing an audit committee where at least one of the members is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise, under Rule 3.10(2) of the Listing Rules;
- (v) establishing a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors, under Rule 3.25 of the Listing Rules; and

- (vi) establishing a nomination committee comprising a majority of independent non-executive directors, under Code Provision A.5.1.

Following the appointments of Mr. Ding Jin-Huei and Mr. Lu Ming-Shiuan as INEDs with effect from 24 August 2021, the Company has again fully complied with the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1. For details, please refer to the Company's announcement dated 24 August 2021.

## CHANGES IN BOARD COMPOSITION

Reference is made to the Company's announcements dated 18 August 2021 and 24 August 2021 in relation to, among other matters, the resignation of INEDs, the appointment of INEDs and the appointment of the chairman of the Board.

1. With effect from 18 August 2021, Mr. Lau Yau Cheung has resigned as an INED, and ceased to be the chairman of the Board, the chairman of the nomination committee of the Board (the "**Nomination Committee**") and a member of each of the audit committee and the remuneration committee of the Board (the "**Audit Committee**" and the "**Remuneration Committee**", respectively);
2. With effect from 18 August 2021, Mr. Li Chak Hung has resigned as an INED, and ceased to be the chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee;
3. With effect from 24 August 2021, Mr. Ding Jin-Huei has been appointed as an INED, and the chairman of the Audit Committee, and a member of each of the Nomination Committee and the Remuneration Committee;
4. With effect from 24 August 2021, Mr. Lu Ming-Shiuan has been appointed as an INED, and the chairman of the Nomination Committee, and a member of each of the Audit Committee and the Remuneration Committee; and
5. With effect from 24 August 2021, Mr. Kuo Jen Hao, an existing non-executive Director has been appointed as the chairman of the Board.

## AUDIT COMMITTEE

The Company has established the Audit Committee for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. As at the date of this announcement, the Audit Committee comprises three members, Messrs, Ding Jin-Huei (chairman of the Audit Committee), Lu Ming-Shiuan and Wu Chia Ming, all of whom are INEDs. The interim financial information for the six months ended 30 June 2021 have not been audited by the independent auditor of the Company. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and the interim report for the



six months ended 30 June 2021 and held discussion with the management. Based on the review and the discussion with the management, the Audit Committee was satisfied that the unaudited condensed consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2021.

## **APPRECIATION**

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**  
**Kuo Jen Hao**  
*Chairman*

Hong Kong, 27 August 2021

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 (*Chairman*)

*Independent Non-Executive Directors*

Mr. Wu Chia Ming, Mr. Ding Jin-Huei and Mr. Lu Ming-Shiuan