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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 2023

FINANCIAL HIGHLIGHTS

— For the six months ended 30 June 2023, the unaudited revenue of the Group was approximately HK$295.3 million, representing a decrease of approximately 32.8% as compared to approximately HK$439.6 million for the corresponding period in last year.

— The loss attributable to owners of the Company for the six months ended 30 June 2023 was approximately HK$48.8 million (six months ended 30 June 2022: approximately HK$20.1 million).

— For the six months ended 30 June 2023, basic loss per share was approximately HK9.92 cents (six months ended 30 June 2022: approximately HK4.09 cents).

— The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023.

The financial performance of the Group was not satisfactory for the six months ended 30 June 2023. The 2019 novel coronavirus pandemic (the "**Pandemic**") continued to have negative impacts on the business and operations of the Group. With the global tight monetary policy, the revenue of the Group's products has declined when compared with the same corresponding period in 2022. The Group has taken some measures to reduce the unfavourable impacts, including but not limited to sourcing from different suppliers to increase the profit margin.

The tight monetary policy in Nepal had an adverse impact on the economic sentiment in Nepal which led to the decrease in the number of subscribers of Dish Media Network Limited ("**Dish Media**", the Company's associate and the largest satellite pay television operator in Nepal).

The ongoing China-US trade war still has some negative impacts on certain segments of the operations of the Group and the Group mitigates the impacts by sourcing from suppliers in Southeast Asia, for the purpose of avoiding the excessive tariffs imposed by the United States (the "**US**") on products from The People's Republic of China (the "**PRC**" or "**China**").

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

Since 2018, the Group has, by outsourcing its production to suppliers in Vietnam, progressively wound down its own production facilities housed in the Group's factory buildings built on an industrial land in Zhongshan, the People's Republic of China (the "**Land**") owned by the Group. Most of the Group's factory buildings on the Land had been leased to third parties independent of the Company in return for rental income. However, owing to the age of the factory buildings, the rental return is low. As such, the Group has been exploring opportunities to increase the investment return from such factory buildings. In July 2021, the Group entered into a cooperation agreement with, among others, 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 relation to the cooperation between the Group and Huausan for the purpose of redeveloping the Land into a landmark precision intelligent manufacturing center and research and development innovation hub (the "**Redevelopment**") and subsequently in July 2023, the Group entered into a joint venture agreement with Huasuan to form an unincorporated joint venture for the purpose of the Redevelopment and for the purpose of governing the cooperation arrangement.

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 its Hsinchu, Taiwan. Hopefully, the Group's new 5G related products will bring about more business opportunities as well as revenue and profits to the Group.

To strengthen the financial position and improve the liquidity of the Group, on 27 March 2023, the Company proposed rights issue on the basis of three rights shares for every two shares in issue on the record date and was completed on 5 July 2023.

On behalf of the Board, I would like to take this opportunity to express our gratitude to our invaluable business partners, shareholders, 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 an increase in gross profit margin from 9.96% for the six months ended 30 June 2022 to 14.49% for the six months ended 30 June 2023 due to the improvement in products profit margin of the Group's satellite TV equipment and antenna products segment.

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. The revenue of this segment decreased by 17.7% as compared with the six months ended 30 June 2022.

— Segment revenue of media entertainment platform related products was approximately HK$53.6 million (six months ended 30 June 2022: HK$65.1 million).

— Segment results from operations were approximately HK$1.8 million (six months ended 30 June 2022: HK$630,000).

— Segment margin was 3.32%, which increased by 2.35 percentage points as compared with the segment margin of 0.97% for the six months ended 30 June 2022.

Outlook

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

OTHER MULTIMEDIA PRODUCTS

Owing to the increases in material costs and freight charges, the revenue of the Group's other multimedia products segment was lower than expected. Major products of this segment included cables, multimedia accessories and wireless mobile phone chargers for vehicles. Segment revenue decreased by 18.9% as compared with the six months ended 30 June 2022.

— Segment revenue of other multimedia products was approximately HK$49.8 million (six months ended 30 June 2022: HK$61.5 million).

— Segment results from operations were approximately HK$8.1 million (six months ended 30 June 2022: HK$6.2 million).

— Segment margin was 16.16%, which increased by 6.0 percentage points as compared with the segment margin of 10.16% for the six months ended 30 June 2022.

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 Group's 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 revenue and segment results 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$191.9 million (six months ended 30 June 2022: HK$313.0 million).

— Segment results from operations were approximately HK$24.8 million (six months ended 30 June 2022: HK$30.2 million).

— Segment margin was 12.93%, which increased by 3.29 percentage points as compared with the segment margin of 9.64% for the six months ended 30 June 2022.

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 TV 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 Group's customers are located in the US. Such impacts are minimized by sourcing from suppliers outside the PRC, such as Southeast Asia.

GEOGRAPHICAL RESULTS

Asia

— Revenue from Asia for the six months ended 30 June 2023 was approximately HK$43.8 million, as compared with the six months ended 30 June 2022 of approximately HK$103.5 million.

— 57.7% decrease in revenue from Asia as compared with the six months ended 30 June 2022.

— Revenue from Asia shares approximately 14.8% of the Group's total revenue for the six months ended 30 June 2023 (six months ended 30 June 2022: 23.6%).

Europe

— Revenue from Europe for the six months ended 30 June 2023 was approximately HK$44.4 million, as compared with the six months ended 30 June 2022 of approximately HK$53.0 million.

— 16.3% decrease in revenue from Europe as compared with the six months ended 30 June 2022.

— Revenue from Europe shares approximately 15.0% of the Group's total revenue for the six months ended 30 June 2023 (six months ended 30 June 2022: 12.0%).

Middle East

— Revenue from Middle East for the six months ended 30 June 2023 was approximately HK$5.0 million, as compared with the six months ended 30 June 2022 of approximately HK$4.0 million.

— 25.2% increase in revenue from Middle East as compared with the six months ended 30 June 2022.

— Revenue from Middle East shares for approximately 1.7% of the Group's total revenue for the six months ended 30 June 2023 (six months ended 30 June 2022: 0.9%).

North America

— Revenue from North America for the six months ended 30 June 2023 was approximately HK$184.2 million, as compared with the six months ended 30 June 2022 of approximately HK$245.0 million.

— 24.8% decrease in revenue from North America as compared with the six months ended 30 June 2022.

— Revenue from North America shares approximately 62.4% of the Group's total revenue for the six months ended 30 June 2023 (six months ended 30 June 2022: 55.7%).

South America

— Revenue from South America for the six months ended 30 June 2023 was approximately HK$17.1 million, as compared with the six months ended 30 June 2022 of approximately HK$32.6 million.

— 47.4% decrease in revenue from South America as compared with the six months ended 30 June 2022.

— Revenue from South America shares approximately 5.8% of the Group's total revenue for the six months ended 30 June 2023 (six months ended 30 June 2022: 7.4%).

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.

RIGHTS ISSUE

References are made to the announcements of the Company dated 27 March 2023, 21 June 2023 and 4 July 2023, the circular of the Company dated 28 April 2023 and the prospectus of the Company dated 5 June 2023 in relation to, among other things, the Rights Issue of the Company (the "**Rights Issue Announcements, Circular and Prospectus**"). Unless otherwise specified herein, capitalised terms used herein shall have the same meanings as those defined in the Rights Issue Announcements, Circular and Prospectus.

According to the Rights Issue Announcements, Circular and Prospectus, the Company proposed to issue 738,242,235 Rights Shares by way of the Rights Issue, on the basis of three Rights Shares for every two Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK $0.12 per Rights Share to raise approximately HK$88.6 million before expenses (assuming no new issue or repurchase of Shares on or before the Record Date).

The Rights Issue was approved by the Shareholders at the special general meeting ("**SGM**") held on 22 May 2023.

The Rights Issue was completed on 5 July 2023, and an aggregate of 738,242,235 Rights Shares were allotted and issued to the Qualifying Shareholders accordingly, which carried an aggregate nominal value of HK$73,824,223.50. The gross proceeds raised from the Rights Issue (before expenses) were approximately HK$88.6 million and the net proceeds from the Rights Issue after deducting the relevant expenses were approximately HK$84.6 million. The net price per Rights Share was approximately HK$0.114. The Company intended to apply the net proceeds from the Rights Issue for partial repayment of outstanding loans of the Company and general working capital of the Group. As at the date of this announcement, the Company had fully utilized the net proceeds in accordance with the said intention. Details of the results of the Rights Issue are disclosed in the announcement of the Company dated 4 July 2023.

The table below sets out the shareholding structure of the Company immediately before and after completion of the Right Issue:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	Number of Shares	**%**	**Number of Shares**	**%**
First Steamship	124,950,000	25.39%	473,869,283	38.52%
Grand Citi	17,678,902	3.59%	44,197,255	3.59%
First Steamship and parties acting in concert with it	**142,628,902**	**28.98%**	**518,066,538**	**42.11%**
Metroasset Investments Limited *(Note 1)*	70,718,859	14.37%	140,000,000	11.38%
Legacy Trust Company Limited *(Note 2)*	76,520,000	15.55%	187,118,394	15.21%
Placees *(Note 3)*	–	–	145,000,000	11.78%
The Lender and its associates *(Note 4)*	24,000,000	4.88%	24,000,000	1.95%
Other public Shareholders	178,293,729	36.22%	216,218,793	17.57%
Public Shareholders	*202,293,729*	*41.10%*	*385,218,793*	*31.30%*
Total	**492,161,490**	**100.00%**	**1,230,403,725**	**100.00%**

Notes:

1. These Shares are held by Metroasset Investments Limited, 45.09%, 43.38% and 10.53% of the issued share capital of which are beneficially owned by Mr. Hung (an executive Director), Ms. Chen Mei Huei (spouse of Mr. Hung) and Mr. Hung Chih Chun (son of Mr. Hung) respectively.

2. These Shares are held by Legacy Trust Company Limited, which is wholly owned by Mr. Vincent Chok, an Independent Third Party (save for his capacity of being a substantial shareholding of the Company) and not acting in concert with First Steamship.

3. Each of the Placees holds less than 10% of the enlarged issued share capital of the Company upon Completion and is a public Shareholder.

4. These Shares are held by Universal Way Limited, an indirectly wholly-owned subsidiary of Allied Group Limited (the shares of which are listed on the Mainboard of the Stock Exchange (stock code: 373)) which in turn wholly owns the Lender.

5. Certain figures and percentage included in the above table have been subject to rounding adjustments.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		For six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*5*	**295,340**	439,570
Cost of sales		**(252,533)**	(395,769)
Gross profit		**42,807**	43,801
Other income, gains and losses	*6*	**22,930**	28,147
Decrease in fair value of investment properties		**(7,708)**	(1,091)
Distribution and selling costs		**(8,171)**	(6,746)
Administrative and other expenses		**(40,439)**	(54,467)
Research and development costs		**(12,338)**	(12,040)
(Provision for)/Reversal of expected credit losses on financial assets		**(3,858)**	9,320
Finance costs		**(14,872)**	(14,214)
Share of loss of an associate		**(25,610)**	(12,598)
Loss before income tax expense		**(47,259)**	(19,888)
Income tax credit/(expense)	*7*	**367**	(1,229)
Loss for the period	*8*	**(46,892)**	(21,117)
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**(2,433)**	2,102
Other comprehensive income for the period		**(2,433)**	2,102
Total comprehensive income for the period		**(49,325)**	(19,015)

	Notes	For six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Loss for the period attributable to:			
— Owners of the Company		**(48,804)**	(20,138)
— Non-controlling interests		**1,912**	(979)
		(46,892)	(21,117)
Total comprehensive income attributable to:			
— Owners of the Company		**(50,237)**	(19,889)
— Non-controlling interests		**912**	874
		(49,325)	(19,015)
		HK cents	*HK cents*
Loss per share	*10*		
Basic		**(9.92)**	(4.09)
Diluted		**(9.92)**	(4.09)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**49,904**	58,809
Prepaid lease payments		**1**	1
Investment properties		**255,640**	231,949
Goodwill		**9,616**	8,772
Intangible assets		**4,153**	3,635
Interest in an associate		**21,111**	46,722
Deferred tax assets		**3,857**	4,247
Total non-current assets		**344,282**	354,135
Current assets			
Inventories		**163,596**	137,404
Trade, bills and other receivables	*12*	**212,794**	229,071
Prepaid lease payments		**14**	27
Loan receivables	*11*	**–**	–
Loan to an associate	*13*	**21,327**	20,803
Amount due from an associate	*13*	**38,629**	38,015
Pledged bank deposits		**11,013**	8,252
Bank balances and cash		**186,601**	79,158
Total current assets		**633,974**	512,730
Current liabilities			
Trade, bills and other payables	*14*	**480,559**	356,072
Contract liabilities		**12,567**	17,673
Tax liabilities		**10,116**	15,697
Bank and other borrowings		**270,457**	269,941
Provision for financial guarantee	*15*	**27,332**	27,332
Lease liabilities		**2,811**	4,979
Total current liabilities		**803,842**	691,694
Net current liabilities		**(169,868)**	(178,964)
Total assets less current liabilities		**174,414**	175,171

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Non-current liabilities		
Bank and other borrowings	**137,080**	81,990
Deferred tax liabilities	**63,220**	66,786
Lease liabilities	**10,588**	13,544
Total non-current liabilities	**210,888**	162,320
NET (LIABILITIES)/ASSETS	**(36,474)**	12,851
Capital and reserves attributable to owners of the Company		
Share capital	**49,216**	49,216
Reserves	**(125,226)**	(74,989)
Capital deficiency attributable to owners of the Company	**(76,010)**	(25,773)
Non-controlling interests	**39,536**	38,624
TOTAL (CAPITAL DEFICIENCY)/EQUITY	**(36,474)**	12,851

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 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 Unit 516, 5/F., Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong. 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 2022 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 2023 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

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.

During the period, the Group incurred a net loss of HK$48,804,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK$169,868,000. As at the same date, the Group had bank and other borrowings of HK$407,537,000, which is subject to repayment or renewal in the next twelve months after the end of the reporting period. Included in current borrowings as at 30 June 2023 was other loans (the "**Loan**") with an outstanding balance of approximately HK$195,890,000 scheduled to be fully repayable in April 2023, and interest payment included in other payables of approximately HK$18,569,000 which has been overdue. The non-repayment of interest constituted an event of default under the loan agreement. In addition, the Group had capital deficiency attributable to owners of the Company of HK$76,010,000 as at 30 June 2023.

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

In view of these circumstances, the directors of the Company (the "**Directors**") have given consideration to the future liquidity and performance of the Group and its available sources of finance in the preparation of a cash flow forecast cover a 18-month period from the end of the reporting period for assessing whether the Group will have sufficient financial resources to continue as a going concern. Management has also performed a sensitivity analysis by considering a reasonable change in operating cash flows on the forecast period and the headroom of the available working capital. In particular, the Directors have considered the following:

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

(2) During the reporting period, the lender of the Loan conditionally agreed with the Group, upon the repayment of US$7,500,000 (equivalent to approximately HK$58,767,000) and accrued interest, to enter into a supplemental loan agreement for an extension of the repayment date of the remaining balance of the Loan of US$17,500,000 (equivalent to approximately HK$137,123,000) to 20 April 2025;

(3) As of the date of approval of these financial statements, the Group has unutilised bank loan facilities totalling HK$179,817,000, which are repayable twelve months from dates of drawdown. They are available for the Group to draw down to finance its future operations and financial obligations; and

(4) Subsequent to the end of the reporting period, the Company issued 738,242,235 rights shares by way of rights issue, on the basis of three rights shares for every two shares held by the qualifying shareholders on the record date at the subscription price of HK$0.12 per rights share (the "**Rights Issue**") to raise a gross proceeds of approximately HK$88.6 million. The Rights Issue was completed on 5 July 2023. The Company intended to apply the net proceeds from the Rights Issue for partial repayment of outstanding loans of the Company and general working capital of the Group. The Company had fully utilized the net proceeds in accordance with the said intention.

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

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

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

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated net realisable values, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF 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 2023.

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the 2022 Amendments)[2]
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]

1 No mandatory effective date yet determined but available for adoption.

2 Effective for annual periods beginning on or after 1 January 2024.

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 2022 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 are 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.

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 2023

	Media entertainment platform related products *HK$'000* (unaudited)	Other multimedia products *HK$'000* (unaudited)	Satellite TV equipment and antenna products *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
REVENUE				
External sales	**53,601**	**49,822**	**191,917**	**295,340**
Timing of revenue recognition				
At a point in time	**53,601**	**49,822**	**191,917**	**295,340**
RESULTS				
Segment results	**1,777**	**8,050**	**24,809**	**34,636**
Other income, gains and losses				**22,930**
Decrease in fair value of investment properties				**(7,708)**
Administrative and other expenses				**(40,439)**
Research and development costs				**(12,338)**
Provision for expected credit losses on trade receivables				**(4,391)**
Reversal of expected credit losses on loan to an associate				**524**
Reversal of expected credit losses on amount due from an associate				**9**
Finance costs				**(14,872)**
Share of loss of an associate				**(25,610)**
Loss before income tax expense				**(47,259)**

Six months ended 30 June 2022

	Media entertainment platform related products *HK$'000* (unaudited)	Other multimedia products *HK$'000* (unaudited)	Satellite TV equipment and antenna products *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
REVENUE				
External sales	65,140	61,453	312,977	439,570
Timing of revenue recognition				
At a point in time	65,140	61,453	312,977	439,570
RESULTS				
Segment results	630	6,241	30,184	37,055
Other income, gains and losses				28,147
Decrease in fair value of investment properties				(1,091)
Administrative and other expenses				(54,467)
Research and development costs				(12,040)
Reversal of expected credit losses on trade receivables				8,739
Reversal of expected credit losses on loan to an associate				88
Reversal of expected credit losses on amount due from an associate				493
Finance costs				(14,214)
Share of loss of an associate				(12,598)
Loss before income tax expense				(19,888)

Segment results represent the profit earned by each segment without allocation of other income, gains and losses, administrative and other expenses, research and development costs, provision for/reversal of expected credit losses, finance costs, changes in fair value of investment properties and share of loss 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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Ancillary service income from tenants	**6,320**	7,827
Interest income	**808**	554
Interest income from an associate	**502**	501
Rental income	**8,376**	10,709
Net foreign exchange gain	**2,432**	3,025
Others	**4,492**	5,531
	22,930	28,147

7. INCOME TAX (CREDIT)/EXPENSE

	For six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The tax (credit)/charge comprises:		
Current tax:		
the PRC	**125**	296
Jurisdictions other than the PRC and Hong Kong	**1,523**	1,203
	1,648	1,499
Under-provision in prior years:		
the PRC	**42**	74
Deferred taxation:		
Current period	**(2,057)**	(344)
	(367)	1,229

(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

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

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

(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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Directors' emoluments	**1,663**	1,668
Other staff costs	**36,459**	37,330
Contributions to defined contribution plans, excluding Directors	**422**	555
Total employee benefit expenses	**38,544**	39,553
Provision for/(reversal of) expected credit losses on trade receivables	**4,391**	(8,739)
Reversal of expected credit losses on loan to an associate	**(524)**	(88)
Reversal of expected credit losses on amount due from an associate	**(9)**	(493)
Provision for/(reversal of) expected credit losses on financial assets	**3,858**	(9,320)
Depreciation of property, plant and equipment	**7,634**	8,265
Depreciation of right-of-use assets	**3,960**	3,323
Amortisation of intangible assets *(Note (i))*	**148**	158
Release of prepaid lease payments	**14**	15
Loss on disposal of property, plant and equipment *(Note (ii))*	**4,503**	622

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. LOSS PER SHARE

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

	For six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purposes of calculating basic and diluted loss per share *(HK$'000)*	**(48,804)**	(20,138)
Number of shares		
Weighted average number of ordinary shares at 30 June	**492,161,490**	492,161,490

Diluted loss per share

Diluted loss per share for each of the six months ended 30 June 2023 and 2022 respectively are the same as the basic loss per share because there were no dilutive potential ordinary shares during both periods.

11. LOAN RECEIVABLES

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Loans receivables *(Note (i))*	**12,989**	12,989
Loans receivables due from former subsidiaries *(Note (ii))*	**894,551**	848,383
	907,540	861,372
Less: allowance for doubtful debts *(Note (iii))*	**(907,540)**	(861,372)
	–	–

Notes:

(i) As at 30 June 2023 and 31 December 2022, the Group had loan receivable amounting to HK$12,989,000 from a third party. The amount was unsecured and bore interest at 1.2% (31 December 2022: 1.2%) per annum. This loan receivable was fully impaired as at 30 June 2023 and 31 December 2022.

(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.

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 London inter-bank offered rates ("**LIBOR**") plus 100 basis point per annum to 10% per annum and 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$558,663,000), in which amount of US$9,554,000 (equivalent to approximately HK$74,861,000) 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$401,528,000) and amount of US$10,500,000 (equivalent to approximately HK$82,274,000) 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$91,896,000). 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

	30 June 2023 *HK$'000* (unaudited)	31 December 2022 *HK$'000* (audited)
At the beginning of period/year	**861,372**	788,405
Unwinding of discount	**42,022**	72,992
Exchange realignment	**4,146**	(25)
At the end of period/year	**907,540**	861,372

12. TRADE, BILLS AND OTHER RECEIVABLES

	30 June 2023 *HK$'000* (unaudited)	31 December 2022 *HK$'000* (audited)
Trade and bills receivables	**109,992**	135,945
Other receivables	**102,802**	93,126
Total trade, bills and other receivables	**212,794**	229,071

The Group allows an average credit period of 60 to 120 days to its trade customers. The following is an ageing analysis of trade and bills receivables presented based on the invoice date at the end of the reporting periods:

	30 June 2023 *HK$'000* (unaudited)	31 December 2022 *HK$'000* (audited)
0 – 30 days	**72,444**	114,995
31 – 90 days	**15,142**	10,889
91 – 180 days	**12,379**	6,591
More than 180 days	**90,124**	126,733
	190,089	259,208
Less: Loss allowance	**(80,097)**	(123,263)
	109,992	135,945

Based on the Group's assessment, the Group recognised provision for expected credit losses on trade receivables of HK$4,391,000 (six months ended 30 June 2022: reversal of HK$8,739,000) during the period.

13. AMOUNT DUE FROM/LOAN TO AN ASSOCIATE

	Notes	**30 June 2023** **HK$'000** **(unaudited)**	31 December 2022 *HK$'000* (audited)
Current assets			
Loan receivables	*(i)*	**21,327**	20,803
Trade receivables	*(ii)*	**36,088**	35,986
Interest receivable on loan receivables		**2,541**	2,029
Amount due from an associate		**59,956**	58,818

Notes:

(i) The amount is unsecured and bears interest at a fixed rate of 4.75% (31 December 2022: 4.75%) per annum. The loan receivables will mature on 31 December 2023 (2022: 31 December 2022).

(ii) Amount being unsecured and interest-free. The Group allows a credit period of 360 days.

The following is an ageing analysis of trade receivables due from an associate, presented based on the invoice date, at the end of the reporting period:

	30 June 2023 **HK$'000** **(unaudited)**	31 December 2022 *HK$'000* (audited)
More than 360 days	**36,088**	35,986

Based on the Group's assessment, the Group recognised reversal of expected credit losses on trade receivables due from an associate of HK$9,000 (six months ended 30 June 2022: HK$493,000) and reversal of expected credit losses on loan to an associate of HK$524,000 (six months ended 30 June 2022: HK$88,000) during the period.

14. TRADE, BILLS AND OTHER PAYABLES

	30 June 2023 *HK$'000* **(unaudited)**	31 December 2022 *HK$'000* (audited)
Trade payables	**190,658**	187,988
Bills payables	**11,782**	83
Deposits received	**65,076**	67,167
Other payables and accruals *(Note)*	**213,043**	100,834
Total trade, bills and other payables	**480,559**	356,072

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 2023 *HK$'000* **(unaudited)**	31 December 2022 *HK$'000* (audited)
0 – 30 days	**69,753**	99,967
31 – 90 days	**65,925**	25,818
91 – 360 days	**49,383**	44,256
More than 360 days	**17,379**	18,030
	202,440	188,071

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

Note: An amount due to a director of HK$1,651,000 (31 December 2022: HK$1,704,000) which was included in other payables. It 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 2023 and 31 December 2022, 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.

REVIEW OF FINANCIAL POSITION

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the overall cash and cash equivalent of the Group was approximately HK$186.6 million (31 December 2022: HK$79.2 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 0.79 as at 30 June 2023 (31 December 2022: 0.74).

As at 30 June 2023, the Group's total borrowings were approximately HK$420.9 million (31 December 2022: HK$370.5 million), out of which approximately HK$273.3 million (31 December 2022: HK$274.9 million) was due within one year and the rest of approximately HK$147.6 million (31 December 2022: HK$95.6 million) was due over one year. Approximately 51.9% of the Group's bank and other borrowings were denominated in US dollars ("**US$**") 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 2.2% to 10% per annum for the six months ended 30 June 2023. The gearing ratio (total borrowings over total assets of the Group) increased from 42.73% as at 31 December 2022 to 43.03% as at 30 June 2023.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2023, except the Equity Pledge and the Land Pledge (as defined in the below section headed "Cooperation Agreement and JV Agreement in relation to Redevelopment") disclosed in the section headed "Cooperation Agreement and JV Agreement in relation to Redevelopment" below, 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$11.0 million (31 December 2022: HK$8.3 million), (ii) property, plant and equipment with a carrying value of HK$15.8 million (31 December 2022: HK$14.7 million), (iii) investment properties of HK$255.6 million (31 December 2022: HK$231.9 million), (iv) trade receivables of HK$70.9 million (31 December 2022: HK$100.3 million), (v) inventories of nil (31 December 2022: HK$56.9 million), and (vi) pledge of the Company's interest in Pro Brand Technology, Inc.

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

Saved as disclosed in the section headed "Cooperation Agreement and JV Agreement in relation to Redevelopment" below, there were no significant investments held as at 30 June 2023 nor were there other plans for material investments on capital assets as at the date of this announcement.

FOREIGN EXCHANGE EXPOSURE

The Group's sales and purchases were denominated mainly in US$ and RMB. The Group was exposed to certain foreign currency exchange risks but it does not expect future currency fluctuations to cause material operation difficulties because the recent pressure from depreciation of RMB was manageable. However, the management continuously assesses the foreign exchange risks, with an aim to minimise the impact of foreign exchange fluctuations on business operations. For the six months ended 30 June 2023, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

SUBSEQUENT EVENTS

Subsequent to the period end date, the Rights Issue was completed on 5 July 2023, and an aggregate of 738,242,235 Rights Shares were alloted and issued to the Qualifying Shareholders accordingly. For details, please refer to the announcement of the Company dated 4 July 2023.

On 19 July 2023, ZSS and Huasuan entered into the JV Agreement (as defined in the below section headed "Cooperation Agreement and JV Agreement in relation to Redevelopment") relating to the formation of an unincorporated joint venture. For details, please refer to the below section headed "Cooperation Agreement and JV Agreement in relation to Redevelopment".

Save as disclosed therein, there were no other material subsequent events after the period ended 30 June 2023.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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 maybe) under the then existing arrangements notwithstanding that Completion has taken 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 2023, there were Existing Loans which have been past due in the aggregate amount of US$114,165,000 comprising aggregate principal amount of US$71,298,000 and aggregate accrued interest (calculated based on the terms of agreements of Existing Loans) of US$42,867,000 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 2023	Accrued interest as at 30 June 2023
SMT	Target Company	3 months LIBOR + 100 basis points (Note 1)	31.12.2020	US$9,554,000 (approximately HK$74,861,000)	US$2,157,000 (approximately HK$16,901,000)
SMT	MyHD	3 months LIBOR + 100 basis points (Note 1)	31.12.2020	US$10,500,000 (approximately HK$82,274,000)	US$2,110,000 (approximately HK$16,533,000)
SMT	MyHD	10% per annum (Note 2)	31.12.2020	US$42,653,000 (approximately HK$334,212,000)	US$32,132,000 (approximately HK$251,774,000)
The Company	MyHD	10% per annum (Note 2)	31.12.2020	US$8,591,000 (approximately HK$67,316,000)	US$6,468,000 (approximately HK$50,681,000)
			Total	US$71,298,000 (approximately HK$558,663,000)	US$42,867,000 (approximately HK$335,889,000)

Notes:

1. As a reference, 3 months LIBOR as applicable to these two loans during the period between 1 May 2012 to 30 June 2023 ranged between 0.11775% and 5.51671%.

2. Prevailing interest rate shall be increased to 11% per annum after maturity date.

In December 2019, the Company was given to understand that the Target Company and MyHD were in serious financial problem and ceased to operate in late 2019. As such, the Company considered these loan receivables were credit impaired and full impairment in the amount of HK$646,366,000 was provided as at 31 December 2019. No interest income was recognised on the outstanding loan principal for the six months ended 30 June 2022 and 2023 as the recoverability of such interest receivables is remote.

The Vendor had also agreed that the Guarantee given by the Company to MyHD shall continue for the time being after the Completion. The maximum amount payable by the Company under the Guarantee would not exceed US$3,500,000 (equivalent to HK$27,332,000). Notwithstanding that MyHD ceased its operation in late 2019, the Company has not received any demand for payment from MyHD under the Guarantee. At 30 June 2022 and 2023, 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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

COOPERATION AGREEMENT AND JV AGREEMENT IN RELATION TO REDEVELOPMENT

Reference is made to the announcement of the Company dated 17 August 2021 (the "**17 August Announcement**") in relation to the cooperation agreement dated 26 July 2021 entered into between, among others, the Group and Huasuan (the "**Cooperation Agreement**"), pursuant to which Huasuan and Sandmartin (Zhong Shan) Electronic Co., Ltd.* (中山聖馬丁電子元件有限公司) ("**ZSS**") (an indirect wholly-owned subsidiary of the Company) will cooperate to upgrade certain blocks of factory buildings and dormitories constructed on the Land owned by ZSS and to redevelop some vacant and undeveloped parts of the Land subject to prior consents and planning approvals from the relevant PRC government authorities.

* *For identification purpose only*

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

As at the date of this announcement, Huasuan had paid to the Group the Cooperation Fund and the Group had recognised it as deposit received. The Group had provided in favour of Huasuan (i) 100% of the shareholding interests in ZSS ("**Equity Pledge**"), and (ii) one of the three pieces of land parcels within the Land ("**Land Pledge**") as securities for the Cooperation Fund.

References are made to the announcements of the Company dated 19 July 2023 and 10 August 2023 (the "**19 July and 10 August Announcements**") in relation to the joint venture agreement dated 19 July 2023 (the "**JV Agreement**") and entered into between the Group and Huasuan, pursuant to which the parties have agreed to form the joint venture in the form of an unincorporated joint venture under the name of "Huasuan-Sandmartin Intelligent Manufacturing Park" (華算聖馬丁智造園) (the "**Joint Venture**") in the PRC for the Redevelopment and for the purpose of governing the cooperation arrangement.

The sole purpose and business of the Joint Venture is to redevelop the Land into a landmark precision intelligent manufacturing centre and research and development innovation hub and the properties built thereon shall be for leasing or for sale. The Redevelopment will be carried out on the Land. The Group will contribute the Land for the Redevelopment and Huasuan will be responsible for funding the entire costs for the Redevelopment (save for the Land contributed by ZSS). If required, ZSS as the entity undertaking the Redevelopment will secure the ZSS Development Loan for funding the Redevelopment. As stipulated in the JV Agreement, Huasuan will have the sole responsibility of repaying the ZSS Development Loan, both loan principal and interests. The Parties to the JV Agreement have yet to decide on whether the ZSS Development Loan will be necessary and will closely monitor the ongoing funding needs of the Redevelopment. In relation to allocation of the properties constructed on the Land, the Group shall continue to be entitled to certain blocks of buildings constructed on the Land as at the date of the JV Agreement (which comprise for factory buildings) (the "**Existing Buildings**"), the vacant area and roads covered under the current real estate title certificate issued to the Group. In relation to the new buildings to be constructed on certain parts of the Land which are currently vacant, the Group and Huasuan shall be entitled to 20% and 80% respectively of (i) the total gross floor area of the new buildings; and (ii) the corresponding revenue that is generated from the new buildings. In the event where certain parts of the Existing Buildings are to be demolished and redeveloped under the Redevelopment, the Group shall be entitled to (i) firstly, certain gross floor area of the newly built buildings equivalent to the gross floor area that has been demolished covered under its real estate title certificate; and (ii) secondly, an additional 5% of the remaining total gross floor area of the newly built buildings. After the aforesaid allocations to the Group, Huasuan shall be entitled to all of the entire balance of the gross floor area.

Please refer to the 19 July and 10 August Announcements for details of the JV Agreement and the Joint Venture.

LITIGATION

Lawsuit in India

In October 2020, Aggressive Digital Systems Private Ltd. ("**AD**", a non-wholly owned subsidiary of the Company) received a summons to the National Company Law Tribunal ("**NCLT**") at Chandigarh in India filed by Aggressive Electronics Manufacturing Services Private Limited ("**AEMS**", a minority shareholder of AD) and Mr. Neeraj Bharara (collectively the "**Petitioners**") against Top Dragon Development Limited (a wholly-owned subsidiary of the Company and the shareholder of AD), AD and certain directors of AD (collectively the "**Respondents**") alleging that the Respondents made undue acts either of oppression or mismanagement and claiming for losses caused to the Petitioners arising from such undue acts. The last hearing was originally scheduled on 24 August 2023 at NCLT and was further adjourned. The date of next hearing has yet to be determined.

After consulting the Company's legal counsel in India and taking into account the possible factors including, but not limited to, the possible amount involved in the case, the Board considered that it is not probable that the Group will incur any material losses resulting from this litigation. Accordingly, no provision was made in the consolidated financial statements of the Group as at 30 June 2023 and 31 December 2022.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed a total of 654 (31 December 2022: 669) 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 2023, 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 2023, the Company has applied the principles and has complied with all the mandatory disclosure requirements and the code provisions ("**Code Provision(s)**") of the section headed "Part 2 — principles of good corporate governance, code provisions and recommended best practices" of the Corporate Governance Code ("**Corporate Governance Code**") as contained in Appendix 14 to the Listing Rules, except for the deviations with following reason.

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

Mr. Kuo Jen Hao, a non-executive Director and chairman of the Board, and Mr. Lu Ming-Shiuan, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 28 June 2023 due to their other personal engagements.

AUDIT COMMITTEE

The Company has established an audit committee of the Board (the "**Audit Committee**") for 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, namely Ms. Chen Wei-Hui (chairman of the Audit Committee), Mr. Lu Ming-Shiuan and Mr. Wu Chia Ming, all of whom are INEDs. The interim financial information for the six months ended 30 June 2023 has 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 2023 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 2023.

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, 28 August 2023

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