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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)

MAJOR TRANSACTION DISPOSAL OF ALL INTERESTS IN MY HD MEDIA FZ-LLC

AND

CONTINUATION OF EXISTING LOANS AND GUARANTEE

THE DISPOSAL AND CONTINUATION OF EXISTING LOANS AND GUARANTEE

On 31 December 2018 after trading hours of the Stock Exchange, the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Share, representing 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 is a wholly-owned subsidiary of the Company and indirectly holds 51% interests in MyHD. As at the date of the Agreement, the Existing Loans were owing by the Target Company and/or MyHD (as the case may be) to the Company and/or SMT (as the case may be). 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) under the existing arrangements notwithstanding Completion taking place. It is also the current intention of the Vendor and the Purchaser that the Guarantee shall continue for the time being after Completion. It is expected that the maximum amount payable by the Company under the Guarantee would not exceed US\$2,600,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal itself constitutes a discloseable transaction for the Company under the Listing Rules. However, as some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Existing Loans which will continue to be advanced, and the Guarantee which will continue to be provided, by the Group to the Target Group after Completion exceeds 25%, the continuation of the Existing Loans and the Guarantee after Completion constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, both the Disposal and the continuation of the Existing Loans and the Guarantee after Completion which are under the same transaction are subject to the reporting, announcement and shareholders' approval requirements for major transactions under Chapter 14 of the Listing Rules.

The SGM will be convened at which a resolution will be proposed for the approval by the Shareholders of the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion. A circular containing, among other things, (i) details of the Disposal, the Existing Loans, the Guarantee and the Agreement; (ii) a notice convening the SGM; and (iii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 22 January 2019.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Disposal, the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion, and therefore no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions precedents" in this announcement and accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

THE DISPOSAL, THE EXISTING LOANS AND THE AGREEMENT

On 31 December 2018 after trading hours of the Stock Exchange, the Vendor and the Purchaser entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, at the nominal consideration of US\$1 with effect from the Transaction Date.

Date of the Agreement

31 December 2018

Parties to the Agreement

Vendor: Health General Limited, a wholly-owned subsidiary of the Company

Purchaser: Chen Yaoning

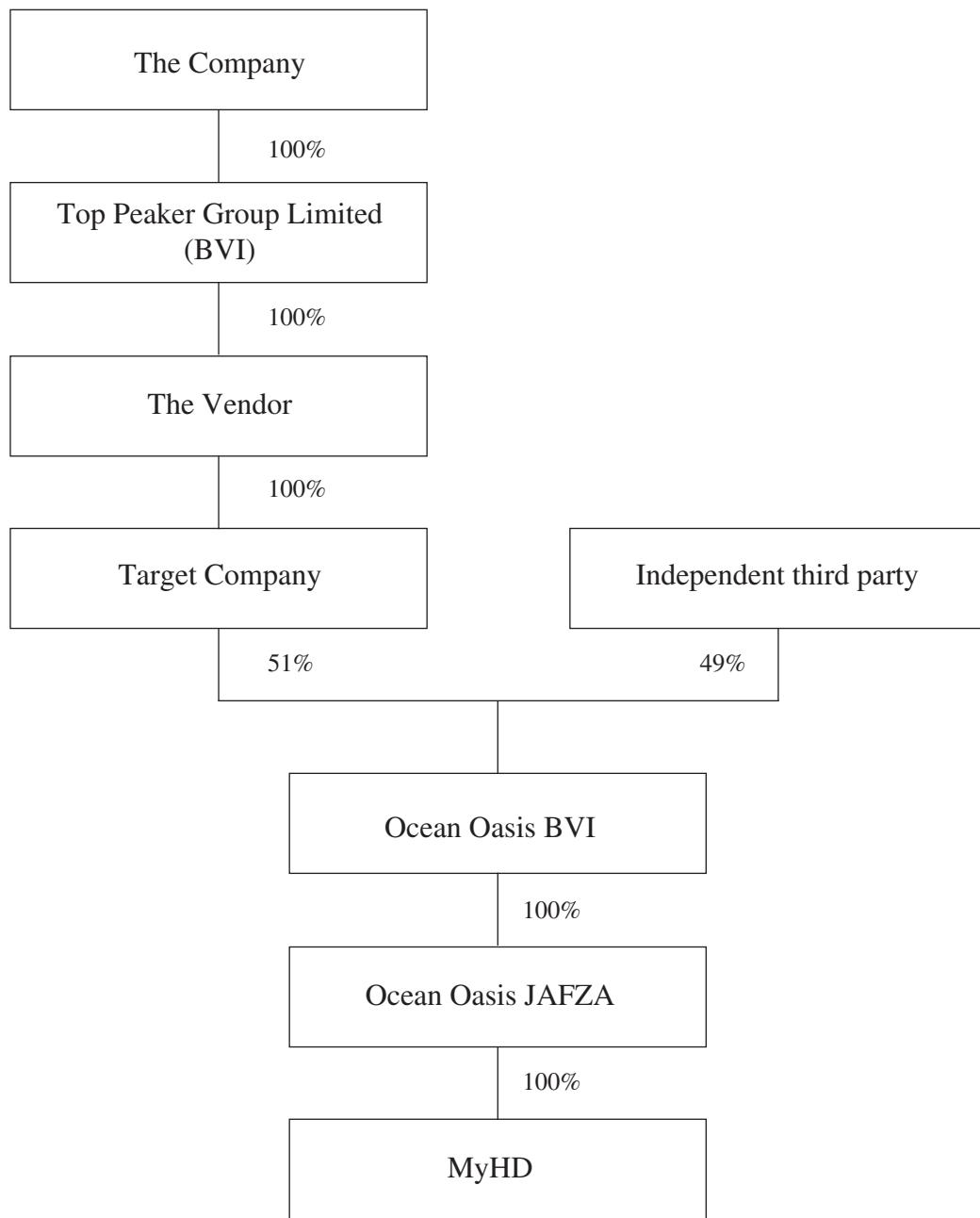
To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons as defined under the Listing Rules.

Assets to be disposed

The Sale Share together with all rights attached, accrued or accruing thereto on or after the Transaction Date and together with all dividends and distributions declared made or paid or agreed to be made or paid thereon or in respect thereof on or after the Transaction Date. The Sale Share represents 100% of the issued share capital of the Target Company.

The Vendor and the Purchaser have also agreed that subject to Completion, the Purchaser will assume all rights, liabilities and obligations of the Target Company and its subsidiaries arising or accruing on and after the Transaction Date.

Set out below is the group structure of the Target Group as at the date of the Agreement:



Further information on the Target Company and its subsidiaries are set out in the section headed "Information on the Target Group" in this announcement.

Consideration

The consideration for the Sale Share is US\$1 and shall be payable by the Purchaser to the Vendor in cash at Completion.

The consideration for the Sale Share was arrived at after arm's length negotiations between the parties after taking into account, among other things, (i) the unaudited negative net asset value of MyHD as at 30 November 2018 of US\$92,381,000; (ii) the historical operating and financial performance of the Target Group; (iii) the present financial condition of the Target Group; and (iv) the risk to the Purchaser in acquiring the Target Group.

Conditions precedents

Completion of the Disposal is conditional upon all the following conditions (the "Conditions") being fulfilled on or before the Long Stop Date:

- (a) the passing of an ordinary resolution by the Shareholders at a general meeting of the Company approving the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion in accordance with the Listing Rules; and
- (b) all registration procedures, approvals and/or consents required by government, laws, rules and regulations and contracts in respect of and/or in connection with the transactions contemplated under the Agreement having been completed and/or obtained.

In the event that the Conditions are not fulfilled by 4:00 p.m. on the Long Stop Date, the Agreement shall lapse and be of no further effect and no party to the Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches of the Agreement.

Completion

Subject to the fulfillment of all the Conditions, Completion shall take place on the 10th business day after all the Conditions have been fulfilled or such other date as may be agreed in writing between the Vendor and the Purchaser.

The Existing Loans

As at the date of the Agreement, there were Existing Loans in the aggregate amount of US\$80,091,342.23 comprising aggregate principal amount of US\$71,298,287.82 and aggregate accrued interest of US\$8,793,054.41 owing by the Target Company and/or MyHD to the Company and/or SMT (as the case may be), the particulars of which are set out below:

Lender	Debtor	Prevailing interest rate	Maturity date	Principal amount outstanding as at the date of the Agreement	Accrued interest as at the date of the Agreement
SMT	the Target Company	3 months LIBOR + 100 basis points	31.12.2020	US\$9,553,842.60	US\$911,204.09
SMT	MyHD	3 months LIBOR + 100 basis points	31.12.2020	US\$10,500,000.00	US\$740,693.38
SMT	MyHD	10% per annum	31.12.2020	US\$42,653,245.22	US\$5,946,504.41
the Company	MyHD	10% per annum	31.12.2020	<u>US\$8,591,200.00</u>	<u>US\$1,194,652.53</u>
			Total:	<u><u>US\$71,298,287.82</u></u>	<u><u>US\$8,793,054.41</u></u>

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) under the existing arrangements notwithstanding Completion taking place.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI with limited liability on 3 January 2012 which is an indirectly wholly-owned subsidiary of the Company. Its principal business activity is the holding of 51% interest in Ocean Oasis BVI.

Ocean Oasis BVI is an investment holding company incorporated in the BVI with limited liability on 6 January 2014 and is a 51% owned subsidiary of the Target Company. Its principal business activity is the holding of 100% interest in Ocean Oasis JAFZA.

Ocean Oasis JAFZA is an investment holding company incorporated in the United Arab Emirates with limited liability on 21 May 2014 and is a wholly-owned subsidiary of Ocean Oasis BVI. Its principal business activity is the holding of 100% interest in MyHD.

MyHD is a company incorporated in the United Arab Emirates with limited liability on 4 June 2012 and is a wholly-owned subsidiary of Ocean Oasis JAFZA. The principal business activity of MyHD is the provision of Direct-to-Home services for satellite television broadcasting in 21 countries in the Middle East, Mediterranean and Africa.

Financial information on the Target Company and MyHD

The unaudited consolidated negative net asset value of the Target Company as at 31 December 2017 was HK\$516,614,000. Set out below are the unaudited consolidated loss before and after taxation and extraordinary items of the Target Company for the year ended 31 December 2016 and for the year ended 31 December 2017:

	For the year ended 31 December 2017	For the year ended 31 December 2016
	<i>HKD</i>	<i>HKD</i>
Loss before taxation and extraordinary items	188,383,000	88,165,000
Loss after taxation and extraordinary items	188,383,000	88,165,000

The audited consolidated negative net asset value of MyHD as at 31 December 2017 was AED30,710,000, equivalent to approximately HK\$65,468,000. Set out below are the audited consolidated loss before and after taxation and extraordinary items of MyHD for the two years ended 31 December 2016 and 2017:

	For the year ended 31 December 2017 <i>AED</i>	For the year ended 31 December 2016 <i>AED</i>
Loss before taxation and extraordinary items	74,864,000	82,838,000
Loss after taxation and extraordinary items	74,864,000	82,838,000

The Guarantee

The Company had pursuant to the Guarantee given in favour of MyHD irrevocably guaranteed upon demand to pay all financial obligations of MyHD in relation to the third amendment agreement to the Content Supply Agreement dated 3 October 2016. It is the current intention of the Vendor and the Purchaser that the Guarantee shall continue for the time being after Completion. It is expected that the maximum amount payable by the Company under the Guarantee would not exceed US\$2,600,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE CONTINUATION OF THE EXISTING LOANS AND THE GUARANTEE

Reference is made to the 2018 interim report of the Company. As disclosed in such interim report, the satellite TV broadcasting business was still in the development stage to build up customer bases by purchasing high quality and highly demanded television content and promoting them to new subscribers. MyHD incurred substantial amounts of programming costs including payment for content fees, renting satellite transponders, purchase of set-top boxes and payment for dealer's commission for marketing and promotion. Since the subscription of new customers was much slower than expected, the Group has revised its projected breakeven to 2020. As the running costs-per-subscriber remains high before the subscription revenue is expected to breakeven in 2020, the Group recorded a segment loss of HK\$52.0 million from the satellite TV broadcasting segment for the six months ended 30 June 2018.

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

The Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) under the existing arrangements notwithstanding Completion taking place. Such arrangement confers the right to the Company or SMT to receive the payments for the Existing Loans from the Target Company and/or MyHD when the financial positions of the Target Company and/or MyHD improve and have sufficient cash to settle the Existing Loans.

It is the current intention of the Vendor and the Purchaser that the Guarantee shall continue for the time being after Completion. Such arrangement will enable MyHD to secure continuing supply of television contents from MBC FZ LLC which is one of the foundations for the normal operation of MyHD and is essential for the Completion of the Disposal.

Having regard to the matters stated above, the Directors consider that the terms of the Disposal and the Agreement and the continuation of the Existing Loans and the Guarantee after Completion are fair and reasonable and on normal commercial terms and that the Disposal and the continuation of the Existing Loans and the Guarantee after Completion are in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

The Vendor and the Purchaser have agreed that subject to Completion, the Purchaser will assume all rights, liabilities and obligations of the the Target Group arising or accruing on and after the Transaction Date. Accordingly, if Completion takes place, the Target Group will cease to be subsidiaries of the Company with effect from the Transaction Date and as a result, the financial results of the Target Group will no longer be consolidated into the financial statements of the Group with effect from the Transaction Date.

The Group expects to recognize a gain of approximately HK\$222,028,000 from the Disposal, which is calculated with reference to the unaudited negative net asset value of the Target Group as at 30 November 2018 and the Group's unaudited financial statements as at 30 June 2018.

As only a nominal consideration of US\$1 is payable in connection with the Disposal, the Company does not expect to receive any net proceeds from the Disposal.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal itself constitutes a discloseable transaction for the Company under the Listing Rules. However, as some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Existing Loans which will continue to be advanced, and the Guarantee which will continue to be provided, by the Group to the Target Group after Completion exceeds 25%, the continuation of the Existing Loans and Guarantee after Completion constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, both the Disposal and the continuation of the Existing Loans and the Guarantee after Completion which are under the same transaction are subject to the reporting, announcement and shareholders' approval requirements for major transactions under Chapter 14 of the Listing Rules.

The SGM will be convened at which a resolution will be proposed for the approval by the Shareholders of the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion. A circular containing, among other things, (i) details of the Disposal, the Existing Loans, the Guarantee and the Agreement; (ii) a notice convening the SGM; and (iii) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 22 January 2019.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Disposal, the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion, and therefore no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion.

GENERAL

The principal activity of the Company is investment holding. The Group is principally engaged in designing, manufacturing and trading of media entertainment platform related products and connectors, cable, and assorted electronic accessories as well as satellite television service operator business.

The Purchaser is a natural person and a resident of the People's Republic of China.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions precedents" in this announcement and accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expression shall have the following meanings:

“AED”	United Arab Emirates dirham, the lawful currency of the United Arab Emirates
“Agreement”	the conditional agreement dated 31 December 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Sandmartin International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 482) and the Taiwan Stock Exchange Corporation (stock code: 910482)

“Completion”	completion of the Disposal pursuant to the Agreement
“Completion Date”	the date when Completion shall take place, being the 10th business day after all the Conditions have been fulfilled, or such other date as may be agreed in writing between the parties to the Agreement
“Conditions”	the conditions precedents to Completion as set out in the section titled “ <i>The Disposal, the Existing Loans and the Agreement – Conditions precedents</i> ” in this announcement
“Content Supply Agreement”	the HD Channel Licence & Supply Agreement dated 10 May 2012 entered into between MyHD and MBC FZ LLC relating to the licensing and supply of proprietary conditional access technology to MBC FZ LLC in conjunction with MBC FZ LLC’s satellite-delivered bouquet of high-definition satellite television channels for reception throughout the Middle East and North Africa, as amended by three amendment agreements between the same parties dated 1 February 2013, 24 November 2013 and 3 October 2016 respectively
“Disposal”	the disposal of the Sale Share by the Vendor to the Purchaser pursuant to the Agreement
“Directors”	directors of the Company
“Existing Loans”	existing loans owing by the Target Company and MyHD to the Company and/or SMT (as the case may be) as at Completion, the particulars of which are set out in the section titled “ <i>The Disposal, the Existing Loans and the Agreement – The Existing Loans</i> ” in this announcement
“Group”	the Company and its subsidiaries

“Guarantee”	a letter of guarantee dated 3 October 2016 given by the Company in favour of MyHD pursuant to which the Company irrevocably guaranteed upon demand to pay all financial obligations of MyHD in relation to the third amendment agreement to the Content Supply Agreement dated 3 October 2016
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2019 or such later date as may be agreed in writing between the Vendor and the Purchaser
“MyHD”	My HD Media FZ-LLC, a free zone company incorporated in the United Arab Emirates with limited liability which is a wholly-owned subsidiary of Ocean Oasis JAFZA
“Ocean Oasis BVI”	Ocean Oasis International Limited, a company incorporated in the BVI with limited liability which is a 51% owned subsidiary of the Target Company with the remaining 49% owned by an independent third party shareholder
“Ocean Oasis JAFZA”	Ocean Oasis International Limited, a company incorporated in the United Arab Emirates with limited liability which is a wholly-owned subsidiary of Ocean Oasis BVI
“Purchaser”	Chen Yaoning, a natural person and a resident of the People’s Republic of China
“Sale Share”	1 share of US\$1.00 in the Target Company, representing the entire issued share capital of the Target Company as at the date of the Agreement and at Completion

“SGM”	a special general meeting of the Company to be held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion
“Shareholder(s)”	holder(s) of the share(s) of the Company
“SMT”	SMT Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Speed Connection Group Limited, a company incorporated in the BVI with limited liability which is a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and its subsidiaries, namely Ocean Oasis BVI, Ocean Oasis JAFZA and MyHD
“Transaction Date”	1 January 2019
“Vendor”	Health General Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America

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

Hong Kong, 31 December 2018

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

Executive Directors

Mr. Hung Tsung Chin and Mr. Chen Wei Chun

Non-Executive Director

Mr. Kuo Jen Hao

Independent Non-Executive Directors

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

In this announcement, AED has been converted to HK\$ at the rate of AED1 = HK\$2.1318 for illustration purpose only. No representation is made that any amounts in AED or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

* For identification purposes only