

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sandmartin International Holdings Limited, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibilities for the contents of the Prospectus Documents, make no representations as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



**Sandmartin International Holdings Limited**

**聖馬丁國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 482)**

**RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES  
HELD ON THE RECORD DATE**

*Financial Adviser to the Company*



禹銘投資管理有限公司  
YU MING INVESTMENT MANAGEMENT LIMITED

*Placing Agent of the Rights Issue*



萬基證券有限公司  
MORTON SECURITIES LIMITED

Capitalised terms used in this cover have the same meanings as those defined in this prospectus.

It should be noted that the Shares have been dealt on an ex-rights basis from Wednesday, 24 May 2023. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 7 June 2023 to Wednesday, 14 June 2023, (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled, and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing to the Company, served prior to the Latest Time for Termination, the right to terminate the Underwriting Agreement on the occurrence of certain events including force majeure. These certain events are set out in the section headed "Termination of Underwriting Agreement" on pages 10 to 11 of this prospectus. If the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Rights Issue having become unconditional. Accordingly, the Rights Issue may or may not proceed. The latest date and time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 19 June 2023. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 19 to 20 of this prospectus.

\* For identification purpose only.

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## DEFINITION

*In this prospectus, unless the context otherwise requires, the following terms shall have the following meaning:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 27 March 2023 in relation to, among others, the Rights Issue, the Special Deal and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (not being a Saturday, Sunday or public holiday in Hong Kong and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours and the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 28 April 2023 relating to the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deal and the Whitewash Waiver
“Company”	Sandmartin International Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 482)
“Compensatory Arrangements”	placement of the Unsubscribed Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement

## DEFINITION

“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of SFC or any delegate of the Executive Director
“First Steamship” or “Underwriter”	First Steamship Company Limited, the issued shares of which are listed on the Taiwan Stock Exchange and a substantial shareholder of the Company
“Grand Citi”	Grand Citi Limited, a 58.62% indirectly owned subsidiary of First Steamship
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	the Shareholders other than First Steamship, its associates and parties acting in concert with it (including Grand Citi), Mr. Hung and his associates, the Lender and its associates and any Shareholders who are involved in, or interested in (other than by being a Shareholder), or have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deal and the transactions contemplated thereunder and/or the Whitewash Waiver
“Independent Third Party(ies)”	third party(ies) independent of the Company and any connected person(s) of the Company and not a connected person of the Company
“Irrevocable Undertaking”	the irrevocable undertaking given by First Steamship in favour of the Company under the Underwriting Agreement and described in the sub-section headed “Irrevocable Undertaking” under the section headed “The Rights Issue” in this prospectus
“Last Trading Day”	15 March 2023, being the last trading day of the Shares before the release of the Announcement

## DEFINITION

“Latest Acceptance Date”	Monday, 19 June 2023
“Latest Practicable Date”	29 May 2023, being latest practicable date prior to the publication of this prospectus
“Latest Time for Acceptance”	4:00 p.m. on Monday, 19 June 2023, or such other date and/or time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and the payment for, the Rights Shares under the Rights Issue
“Latest Time for Termination”	4:00 p.m. on Wednesday, 28 June 2023, or such other time or date as may be agreed between the Company and the Underwriter in writing, being the latest time to terminate the Underwriting Agreement
“Lender”	AP Finance Limited (a wholly-owned subsidiary of Allied Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 373)), the lender of the Loan and a licensed money lender
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the outstanding principal amount of US\$25 million (equivalent to approximately HK\$196.21 million) with accrued interest of approximately HK\$14.73 million owing by the Company to the Lender up to the maturity of the loan on 20 April 2023
“Loan Agreement”	the loan agreement dated 19 September 2016 entered into between the Company and the Lender in respect of the Loan (which was supplemented by the supplemental agreements dated 8 November 2016, 18 January 2017, 10 February 2017, 17 March 2017, 31 March 2017, 16 August 2017, 28 August 2017, 18 September 2017, 9 February 2018, 5 September 2018, 18 February 2019, 20 April 2020 and 11 August 2021)
“Mr. Hung”	Mr. Hung Tsung Chin, an executive Director

## DEFINITION

“No Action Shareholder(s)”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant jurisdictions or the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“NQS Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholder(s) (if any) explaining the circumstances in which the Non-Qualifying Shareholder(s) (if any) is/are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appear on the register of members of the Company at the close of business on the Record Date) with registered address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and not acting in concert with First Steamship and parties acting in concert with it (including Grand Citi) and/or the connected persons of the Company, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement

## DEFINITION

“Placing”	the placing of a maximum of 524,298,882 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
“Placing Agent”	Morton Securities Limited, an organization licensed to carry out type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the placing agreement dated 15 March 2023 (as supplemented by the supplemental agreements dated 27 March 2023 and 24 April 2023) entered into between the Company and the Placing Agent in relation to the Compensatory Arrangements
“Placing Completion Date”	the third Business Day following the satisfaction of the placing conditions set out in the Placing Agreement or such other date as the Company and the Placing Agent may agree
“PRC”	the People’s Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus Documents”	this prospectus and the PAL
“Prospectus Posting Date”	Monday, 5 June 2023, being the date of despatch of the Prospectus Documents and the Overseas Letter to the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be)
“Qualifying Shareholder(s)”	Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Friday, 2 June 2023, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are determined
“Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar and transfer office of the Company

## DEFINITION

“Rights Issue”	the proposed issue by way of rights of three (3) Rights Shares for every two (2) Shares in issue on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Shares”	738,242,235 new Shares proposed to be allotted and issued under the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened and held on 22 May 2023 at which, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deal and the transactions contemplated thereunder, and the Whitewash Waiver, were approved by the Independent Shareholders
“Shares”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Special Deal”	the use of the proceeds from the Rights Issue for repayment of the Loan where an associate of the Lender is a Shareholder, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.12 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 15 March 2023 (as supplemented by the supplemental agreements dated 27 March 2023 and 24 April 2023) entered into between the Company and the Underwriter in relation to the Rights Issue



## DEFINITION

“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the sub-section headed “Non-Qualifying Shareholders” in this prospectus
“Untaken Rights Shares”	all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the places have not paid therefor at 4:00 p.m. on the Placing Completion Date
“US”	the United States of America
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of First Steamship to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by First Steamship and parties acting in concert with it (including Grand Citi) as a result of the taking up of the Rights Shares by First Steamship as the underwriter pursuant to the Underwriting Agreement
“Yu Ming”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management), being the financial adviser to the Company in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the US
“%”	per cent.

*For the purpose of this prospectus, unless otherwise stated, the conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 to HK\$7.85. The exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rate or at all.*

<b>EXPECTED TIMETABLE</b>
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Set out below is the expected timetable of the Rights Issue:

<b>Event</b>	<b>Time and Date 2023</b>
First day of dealings in nil-paid Rights Share . . . . .	Wednesday, 7 June
Latest time for splitting the PAL . . . . .	4:30 p.m. on Friday, 9 June
Last day of dealing in nil-paid Rights Shares . . . . .	Wednesday, 14 June
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements . . . . .	4:00 p.m. on Monday, 19 June
Latest time for acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Monday, 19 June
Announcement of the number of Unsubscribed Rights Shares . . . . .	Wednesday, 21 June
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent . . . . .	Friday, 23 June
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent . . . . .	4:00 p.m. on Wednesday, 28 June
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Wednesday, 28 June
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements) . . . . .	Tuesday, 4 July
Despatch of share certificates for fully-paid Rights Shares . . . . .	Wednesday, 5 July
Refund cheques, if any, to be despatched (if the Rights Issue is terminated) . . . . .	Wednesday, 5 July

<b>EXPECTED TIMETABLE</b>
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Commencement of dealings in  
fully-paid Rights Shares . . . . . 9:00 a.m. on  
Thursday, 6 July

Payment of the Net Gain to relevant  
No Action Shareholders (if any) or  
Non-Qualifying Shareholders (if any) . . . . . Tuesday, 18 July

All times stated in this prospectus refer to Hong Kong times. Any changes to the anticipated timetable for the Rights Issue, if required, will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

**EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons, or a black rainstorm warning is:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; and
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

## TERMINATION OF UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

1. in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
3. there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Group; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the reasonable opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Group taken as a whole; or
5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

## TERMINATION OF UNDERWRITING AGREEMENT

6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the reasonable opinion of the Underwriter, an omission which is material in the context of the Rights Issue; or
7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

**If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriter terminates the Underwriting Agreement.**



**Sandmartin International Holdings Limited**

**聖馬丁國際控股有限公司 \***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 482)**

*Executive Directors:*

Mr. Hung Tsung Chin

Mr. Chen Wei Chun

*Non-executive Director:*

Mr. Kuo Jen Hao (*Chairman*)

*Independent Non-executive Directors:*

Ms. Chen Wei-Hui

Mr. Lu Ming-Shiuan

Mr. Wu Chia Ming

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place of*

*Business in Hong Kong:*

Unit 516, 5th Floor

Peninsula Centre

67 Mody Road

Tsim Sha Tsui East

Kowloon

Hong Kong

5 June 2023

*To the Qualifying Shareholders,*

*and for information only, the Non-Qualifying Shareholders*

Dear Sir/Madam,

**RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES  
HELD ON THE RECORD DATE**

**INTRODUCTION**

References are made to the Announcement and the Circular in relation to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deal and the Whitewash Waiver.

\* *For identification purpose only*

## LETTER FROM THE BOARD

At the SGM convened and held on 22 May 2023, the necessary resolutions for approving, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deal and the Whitewash Waiver were duly passed by the Independent Shareholders. First Steamship, its associates and parties acting in concert with it (including Grand Citi), Mr. Hung and his associates, the Lender and its associates have abstained from voting on the relevant resolutions at the SGM.

The purpose of this prospectus is to provide you with further details of the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares, and certain financial and other information in respect of the Group.

### THE RIGHTS ISSUE

Basis of the Rights Issue:	Three (3) Rights Shares (in nil-paid form) for every two (2) Shares held at the close of business on the Record Date
Subscription Price:	HK\$0.12 per Rights Share
Net price per Rights Share (the aggregate Subscription Price of the maximum number of Rights Shares to be issued less costs and expenses estimated to be incurred in the Rights Issue divided by the maximum number of Rights Shares to be issued):	Approximately HK\$0.115 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	492,161,490 Shares
Number of Rights Shares:	738,242,235 Rights Shares
Aggregate nominal value of the Rights Shares to be issued:	HK\$73,824,223.50
Number of issued Shares upon completion of the Rights Issue:	1,230,403,725 Shares (assuming no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue (before expenses):	Approximately HK\$88.6 million
Net proceeds from the Rights Issue:	Approximately HK\$84.59 million

## LETTER FROM THE BOARD

There are no options, warrants, derivatives or other convertible securities granted by the Company which confer rights to subscribe for, convert or exchange into Shares that are subsisting as at the Latest Practicable Date.

Assuming that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the maximum of 738,242,235 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent approximately (i) 150.0% of the existing issued share capital of the Company and (ii) 60% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

### **Subscription price**

The Subscription Price is HK\$0.12 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 16.67% to the closing price of HK\$0.144 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 1.64% to the closing price of HK\$0.122 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iii) a discount of approximately 16.67% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of HK\$0.144 per Share;
- (iv) a discount of approximately 17.24% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day of HK\$0.145 per Share;
- (v) a discount of approximately 7.41% to the ex-rights price of approximately HK\$0.1296 per Share based on the closing price of HK\$0.144 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a premium of approximately HK\$0.172 over the net capital deficiency attributable to the owners of the Company of approximately HK\$0.052 per Share calculated based on the audited consolidated net capital deficiency attributable to the owners of the Company of approximately HK\$25,773,000 as at 31 December 2022 and 492,161,490 Shares in issue.



## LETTER FROM THE BOARD

The Rights Issue will result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 10.0% to the existing Shareholders if they elect not to participate in the Rights Issue, which is calculated based on the theoretical diluted price of approximately HK\$0.1296 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.144 per Share.

The net price per Rights Share (i.e. the aggregate Subscription Price of the maximum number of Rights Shares to be issued less costs and expenses estimated to be incurred in the Rights Issue divided by the maximum number of Rights Shares to be issued), assuming that the Rights Issue is fully subscribed, will be approximately HK\$0.115.

The Subscription Price was determined by the Company with reference to (i) the average closing price of the Shares quoted on the Stock Exchange of approximately HK\$0.156 for the three months up to and including the Last Trading Day; (ii) the highest and lowest closing price of the Shares quoted on the Stock Exchange of HK\$0.186 and HK\$0.144 respectively for the three months up to and including the Last Trading Day; and (iii) the persistent loss-making position of the Company.

The Directors consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors:

- (i) issuance of new shares by way of rights issue at a discount to the then market price has been commonly adopted by listed issuers in Hong Kong to encourage existing shareholders to take up their entitlements so as to participate in the business development of the listed issuers;
- (ii) the Subscription Price represents a discount of approximately 16.67% and 23.08% to the closing price of the Shares on the Last Trading Day and the average of the closing prices of the Shares for the last three months up to and including the Last Trading Day respectively, and such discounts fall within the range of discounts to market price in the rights issues conducted by other listed issuers in Hong Kong and would encourage the Qualifying Shareholders to subscribe for their assured entitlements under the Rights Issue taking into account the persistent loss-making position of the Company;
- (iii) the Qualifying Shareholders are provided with an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company; and
- (iv) the funding needs of the Group as set out in the section headed "Reasons for and benefits of the rights issue and use of proceeds" in this prospectus.

## LETTER FROM THE BOARD

### **Irrevocable Undertaking**

First Steamship and parting acting in concert with it are interested in an aggregate of 142,628,902 Shares (representing approximately 28.98% of the entire issued share capital of the Company as at the Latest Practicable Date), of which 124,950,000 Shares (representing approximately 25.39% of the entire issued share capital of the Company as at the Latest Practicable Date) are held by it and 17,678,902 Shares (representing approximately 3.59% of the entire issued share capital of the Company as at the Latest Practicable Date) are held by Grand Citi, a 58.62% indirectly owned subsidiary of First Steamship.

Pursuant to the Irrevocable Undertaking, First Steamship has undertaken to the Company that (i) it will subscribe for and/or procure subscriptions for 213,943,353 Rights Shares which comprise the full acceptance of the provisional entitlement in respect of the aggregate of 142,628,902 Shares beneficially held by First Steamship and Grand Citi; (ii) it will not and will procure Grand Citi not to dispose of, or agree to dispose of, any of the 124,950,000 Shares and 17,678,902 Shares currently owned by it and Grand Citi, respectively, and such Shares will remain beneficially owned by it and Grand Citi, respectively, up to and including the Record Date; (iii) it will, and will procure Grand Citi to accept, its (as applicable) entitlements under the Rights Issue for an aggregate of 213,943,353 Rights Shares; and (iv) it will and will procure Grand Citi lodge or procure the subscription of the 187,425,000 Rights Shares and 26,518,353 Rights Shares respectively, which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to it and Grand Citi respectively, under the Rights Issue, with the Registrar.

Save for the Irrevocable Undertaking, as at the Latest Practicable Date, the Company has not received any information or irrevocable undertaking from any other Shareholders (including Metroasset Investments Limited which holds 70,718,859 Shares (representing approximately 14.37% of the issued share capital of the Company) and is owned as to 45.09%, 43.38% and 10.53% by Mr. Hung, Ms. Chen Mei Huei (spouse of Mr. Hung) and Mr. Hung Chih Chun (son of Mr. Hung) respectively) of their intention to take up the Rights Shares to be provisionally allotted and issued to them under the Rights Issue.

### **Status of the Rights Shares**

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

## LETTER FROM THE BOARD

### Qualifying Shareholder

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company on the Record Date; and
- (ii) not be an Non-Qualifying Shareholder on the Record Date.

The Company has sent the Prospectus Documents to the Qualifying Shareholders but has only sent this prospectus (without the PAL), for information purposes only, to the Non-Qualifying Shareholders.

The latest time for acceptance and payment of Rights Shares is expected to be 4:00 p.m. on Monday, 19 June 2023, being the Latest Acceptance Date.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements, if any). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company may, depending on the total number of Rights Shares being validly taken up or subscribed (whether by Rights Issue or Placing), be diluted.

Beneficial Owners whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

### Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than that in Hong Kong. The Company has sent this prospectus (without the PAL) to the Non-Qualifying Shareholders for their information only.

According to the register of members of the Company, as at the Latest Practicable Date, the Company had 16 Overseas Shareholders with registered addresses situated outside of Hong Kong, in the United States and Taiwan, who collectively held 20,913,455 Shares in aggregate (representing approximately 4.25% of the total number of Shares in issue as at the Latest Practicable Date). In compliance with Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries with the legal advisers of each of the United States and Taiwan regarding the legal restrictions and regulatory requirements in each of these jurisdictions on extending the Rights Issue to the relevant Overseas Shareholders.

## LETTER FROM THE BOARD

As at the close of business on the Latest Practicable Date, there were 11 Shareholders with registered address in the United States and such Shareholders held 496,280 Shares, representing approximately 0.10% shareholdings in the Company as at the Latest Practicable Date. Based on the relevant overseas legal advice from the legal advisers in the United States, the extension of the Rights Issue to the Overseas Shareholders with registered addresses in the United States would, or might, in the absence of compliance with relevant registration and/or filings and/or other special formalities in the United States, be unlawful or impracticable, and the compliance with the registration and other special formalities in the United States could be both costly, time-consuming or impracticable, and therefore inexpedient to do so.

Based on the above and taking into account the shareholding of only approximately 0.10% in the Company held by such Overseas Shareholders with registered addresses in the United States as at the Latest Practicable Date, the Board considered the time and costs required to extend the Rights Issue to such Overseas Shareholders (i) outweighs the potential benefit that would have been made available to the Overseas Shareholders in the United States if the Rights Issue was extended to him/her and (ii) is not in the interests of the Company and the Shareholders as a whole. Accordingly, (i) Overseas Shareholder(s) whose name(s) appeared in the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register is/are in the United States; and (ii) any Shareholder(s) or Beneficial Owner(s) at that time who is/are otherwise known by the Company to be residents in the United States (and, as applicable and to the extent of any such Beneficial Owner's interests, the Shareholder(s) in whose name(s) such Beneficial Owner's Shares are registered) will therefore be Non-Qualifying Shareholders.

With respect to the Overseas Shareholders with registered addresses in Taiwan, based on the legal advice provided by the Taiwanese legal adviser, the Directors are of the view that it is expedient to extend the Rights Issue to the Overseas Shareholder in Taiwan as there are no legal restrictions prohibiting the Company from making the Rights Issue in Taiwan and no local legal or regulatory compliance is required to be attended by the Company in Taiwan. Accordingly, Overseas Shareholders with registered addresses in Taiwan together with the Shareholders with registered addresses in Hong Kong are Qualifying Shareholders.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire the Rights Shares or to take up any entitlements to the Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) would not have any entitlement under the Rights Issue. Such Rights Shares will form part of the Unsubscribed Rights Shares and if possible be placed by the Placing Agent to independent places under the Compensatory Arrangements.

## LETTER FROM THE BOARD

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in their nil-paid form, to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Non-Qualifying Shareholder(s) in Hong Kong dollars. The Company will retain individual amount of less than HK\$100 for its own benefit.

Any unsold entitlements of the Non-Qualifying Shareholders will be placed by the Placing Agent under the Compensatory Arrangements together with the Rights Shares that are not being taken up by the Qualifying Shareholders.

For details of the Compensatory Arrangements, please refer to the section headed “No excess application and procedures in respect of the Unsubscribed Rights Shares” in this Letter from the Board.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date. The board lot of the nil-paid Rights Shares will be 10,000 Shares.

Application for all or any part of a Qualifying Shareholder’s provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted for with the Registrar by 4:00 p.m. on Monday, 19 June 2023.

### **Fractions of the Rights Shares**

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

### **Procedures for Acceptance or Transfer**

Qualifying Shareholders should find enclosed with this prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, by no later than 4:00 p.m. on Monday, 19 June 2023. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**Sandmartin International Holdings Limited – Rights Issue**” and crossed “**ACCOUNT PAYEE ONLY**”.

## LETTER FROM THE BOARD

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Monday, 19 June 2023, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for placing to independent places by the Placing Agent under the Placing Agreement. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Friday, 9 June 2023 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply or subscribe for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Completion and return of the PAL by anyone outside Hong Kong will constitute a warranty and representation by such person to the Company that all registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application or subscription for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder.



## LETTER FROM THE BOARD

### **Stamp duty and other applicable fees and charges**

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising their rights in, disposing of or dealing in the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Shares in both their nil-paid and fully-paid forms.

### **Share certificates for the Rights Shares and refund cheques**

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on Wednesday, 5 July 2023 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, at their own risk, to their registered addresses.

If the Rights Issue does not proceed, the monies received by the Company in respect of the subscription of the Rights Shares will be refunded to the Qualifying Shareholders or such other person to whom the nil-paid rights have been validly renounced or transferred or, in the case of joint acceptances, to the first-named person, without interest and by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other person to their registered addresses by the Registrar on Wednesday, 5 July 2023.

### **Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

## LETTER FROM THE BOARD

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 10,000 Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

### **No excess application and procedures in respect of the Unsubscribed Rights Shares**

There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules. The Underwriter is a substantial shareholder of the Company interested in 142,628,902 Shares, representing approximately 28.98% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 7.21(2) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to the Placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Wednesday, 28 June 2023, the Placees for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.



## LETTER FROM THE BOARD

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

### Placing Agreement for the Unsubscribed Rights Shares

Details of the Placing Agreement are summarised as follows:

Date:	15 March 2023 (after trading hours of the Stock Exchange), as supplemented on 27 March 2023 and 24 April 2023
Issuer:	The Company
Placing agent:	Morton Securities Limited. First Steamship and parties acting in concert with it (including Grand Citi) are interested in approximately 29.11% of the issued shares of Da Yu Financial Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1073), which in turn wholly owns the Placing Agent and Yu Ming.
Placing period:	The period commencing from the third Business Day after the Latest Time for Acceptance and ending on the sixth Business Day after the Latest Time for Acceptance.
Commission and expenses:	Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 2% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement. For the avoidance of doubt, the Placing Agent will not receive any fee/commission if no Unsubscribed Rights Share is placed out.

## LETTER FROM THE BOARD

Placing price of the Unsubscribed Rights Shares:	The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the process of placement.
Placees:	<p>The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) and not acting in concert with First Steamship and its concert parties (including Grand Citi) and/or any of the Company's connected persons.</p> <p>The Company will take all appropriate steps to ensure that sufficient public float be maintained in compliance with Rule 8.08 of the Listing Rules after completion of the Placing.</p>
Ranking of the Unsubscribed Rights Shares:	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.

### Conditions of the Placing Agreement

The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled or waived:

- (i) the passing by the Independent Shareholders at the SGM of (1) ordinary resolutions to approve the Underwriting Agreement, the Placing Agreement, the Rights Issue, the Special Deal and the transactions contemplated thereunder; and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the SGM by way of poll) in accordance with the Listing Rules and the Takeovers Code respectively;
- (ii) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in the Rights Shares;
- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events; and

## LETTER FROM THE BOARD

- (v) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of this prospectus (stamped “**For Information Only**”) to the Non-Qualifying Shareholders for information purpose only.

As at the Latest Practicable Date, save for the approvals set out in conditions (i) and (ii) above, the granting of the Whitewash Waiver, the granting of the Executive’s consent to the Special Deal and the authorisation and registration of the Prospectus Documents, the Company is not aware of other consents or approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder.

In the event that the above condition precedents have not been fulfilled on or before 30 June 2023 (or such later date as may be agreed between the Company and the Placing Agent in writing), all rights, obligations and liabilities of the parties under the Placing Agreement in relation to the placing shall cease and determine, and none of the Company or the Placing Agent shall have any claim against the other in respect of the placing (save for any antecedent breaches thereof).

As at the Latest Practicable Date, the Placing Agent, Yu Ming and their respective associates do not hold any Shares. The terms of the Placing Agreement, including the placing commission, were determined after arm’s length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the Placing Agreement to be on normal commercial terms.

The Company considers that the Placing Agreement will provide a distribution channel of the Unsubscribed Rights Shares for the Company, provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Shareholders, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### THE UNDERWRITING AGREEMENT

The Rights Shares (other than those agreed to be taken up by First Steamship and Grand Citi pursuant to the Irrevocable Undertaking) will be fully underwritten by First Steamship in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date: 15 March 2023 (after trading hours of the Stock Exchange), as supplemented on 27 March 2023 and 24 April 2023

Underwriter: First Steamship, a substantial shareholder of the Company as at the Latest Practicable Date, which complies with Rule 7.19(1)(b) of the Listing Rules. It is not in the ordinary course of business of First Steamship to underwrite securities. As at the Latest Practicable Date, the Underwriter has not entered into any sub-underwriting agreements in respect of the Rights Issue.

## LETTER FROM THE BOARD

Number of Rights Shares to be underwritten by the Underwriter: 524,298,882 Rights Shares

Underwriting Commission: 1% of the aggregate subscription amount in respect of the maximum number of 524,298,882 Rights Shares committed to be underwritten, subscribed for or procured subscription for by the Underwriter.

Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associates.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, First Steamship has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement).

The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and First Steamship with reference to the financial position of the Group, the size of the Rights Issue, the current market conditions, taking into consideration the prevailing market practices and terms for rights issue exercises undertaken by Hong Kong listed issuers in the past six months. The Directors are of the view that the terms of the Underwriting Agreement are fair and reasonable, and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Rights Issue**

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment of the following conditions:

- (i) the passing by the Independent Shareholders at the SGM of (1) ordinary resolutions to approve the Underwriting Agreement, the Placing Agreement, the Rights Issue, the Special Deal and the transactions contemplated thereunder; and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the SGM by way of poll) in accordance with the Listing Rules and the Takeovers Code respectively;

## LETTER FROM THE BOARD

- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of this prospectus and a letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iv) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Business Day prior to the first day of their dealings;
- (v) compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda;
- (vi) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (vii) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (viii) the compliance with and performance of all the undertakings and obligations of the Underwriter under the Irrevocable Undertaking;
- (ix) all necessary consents and approvals to be obtained on the part of each of the Underwriter and the Company in respect of the Underwriting Agreement and the transactions contemplated thereunder having been obtained; and
- (x) the Executive granting consent under Rule 25 of the Takeovers Code in respect of Special Deal.

The above conditions precedent are incapable of being waived. If any of the conditions precedent are not satisfied by the Latest Time for Termination, the Underwriting Agreement shall terminate and no party will have any claim against any other party (save for any antecedent breaches and claims thereof).

As at the Latest Practicable Date, except that conditions (i) and (x) have been satisfied and conditions (ii) and (iii) are expected to be satisfied on the Prospectus Posting Date, all the other conditions above are not fulfilled.

In respect of condition (vi), on 18 May 2023, the Executive has granted the Whitewash Waiver, subject to the fulfilment of the conditions that:

- A: (i) the Whitewash Waiver; and (ii) the Underwriting Agreement, the Placing Agreement, the Rights Issue and the Special Deal, being separately approved by (a) at least 75%; and (b) more than 50%, respectively, of the independent

## LETTER FROM THE BOARD

vote (as defined in Note 1 on dispensations from Rule 26 of the Takeovers Code) that are cast either in person or by proxy at a general meeting of the Company, to be taken on a poll; and

- B: unless the Executive gives prior consent, no acquisition or disposal of voting rights being made by the Underwriter and parties acting in concert with it between the date of the Announcement and the completion of the Rights Issue.

As at the Latest Practicable Date, the aforesaid condition A has been fulfilled.

As at the Latest Practicable Date, save for the approvals set out in conditions (i), (iv), (vi) and (x) above, authorisation and registration of the Prospectus Documents, and the approval of the Underwriting Agreement by the board of directors of the Underwriter, the Company is not aware of other consents or approvals (including the regulatory requirements required under the listing rules of the Taiwan Stock Exchange) to be obtained on the part of each of the Underwriter and the Company in respect of the Underwriting Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, the Company does not believe that the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Special Deal and the transactions contemplated thereunder and the Whitewash Waiver would give rise to any concerns in relation to compliance with other applicable laws or regulations (including the listing rules of the Taiwan Stock Exchange and the Listing Rules).

### **Termination of the Underwriting Agreement**

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

1. in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

## LETTER FROM THE BOARD

2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
3. there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Group, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Group; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the reasonable opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Group taken as a whole; or
5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the reasonable opinion of the Underwriter, an omission which is material in the context of the Rights Issue; or
7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

**If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.**

### SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders); (iii) immediately after completion of the Rights Issue (assuming no acceptance of the Rights Shares by the Qualifying Shareholders (other than First Steamship and Grand Citi pursuant to the Irrevocable Undertaking) and 100% of the Unsubscribed Rights Shares are fully placed to the Places under the Compensatory Arrangements); and (iv) immediately after completion of the Rights Issue (assuming no acceptance of the Rights Shares by the Qualifying Shareholders (other than First Steamship and Grand Citi pursuant to the Irrevocable Undertaking) and 100% of the Untaken Rights Shares are taken up by the Underwriter):



## LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming no acceptance of the Rights Shares by the Qualifying Shareholders (other than First Steamship and Grand Citi pursuant to the Irrevocable Undertaking) and all of the Unsubscribed Rights Shares are fully placed to the Placees under the Compensatory Arrangements)		Immediately after completion of the Rights Issue (assuming no acceptance of the Rights Shares by the Qualifying Shareholders (other than First Steamship and Grand Citi pursuant to the Irrevocable Undertaking) and all of the Untaken Rights Shares are taken up by the Underwriter) (Note 3)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
First Steamship	124,950,000	25.39%	312,375,000	25.39%	312,375,000	25.39%	836,673,882	68.00%
Grand Citi	17,678,902	3.59%	44,197,255	3.59%	44,197,255	3.59%	44,197,255	3.59%
<b>First Steamship and parties acting in concert with it</b>	<b>142,628,902</b>	<b>28.98%</b>	<b>356,572,255</b>	<b>28.98%</b>	<b>356,572,255</b>	<b>28.98%</b>	<b>880,871,137</b>	<b>71.59%</b>
Metroasset Investments Limited (Note 1)	70,718,859	14.37%	176,797,147	14.37%	70,718,859	5.75%	70,718,859	5.75%
Legacy Trust Company Limited (Note 2)	76,520,000	15.55%	191,300,000	15.55%	76,520,000	6.22%	76,520,000	6.22%
Placees	-	-	-	-	524,298,882	42.61%	-	-
The Lender and its associates (Note 4)	24,000,000	4.88%	60,000,000	4.88%	24,000,000	1.95%	24,000,000	1.95%
Other public Shareholders	178,293,729	36.22%	445,734,322	36.22%	178,293,729	14.49%	178,293,729	14.49%
Public Shareholders	202,293,729	41.10%	505,734,322	41.10%	803,112,611	65.27%	278,813,729	22.66%
<b>Total</b>	<b>492,161,490</b>	<b>100.00%</b>	<b>1,230,403,725</b>	<b>100.00%</b>	<b>1,230,403,725</b>	<b>100.00%</b>	<b>1,230,403,725</b>	<b>100.00%</b>



## LETTER FROM THE BOARD

### 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. This scenario is for illustration purpose only. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by First Steamship and Grand Citi pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, 278,813,729 Shares, representing approximately 22.66% of the total number of issued Shares as enlarged by the Rights Issue, will be held by the public (as defined in the Listing Rules). To ensure the compliance of Rule 8.08(1)(a) of the Listing Rules by the Company, on 23 May 2023, the Underwriter and Yu Ming (as placing agent) entered into a placing agreement, pursuant to which Yu Ming shall assist the Underwriter in placing down such number of Shares to the Independent Third Parties, such that sufficient public float could be maintained by the Company in compliance with Rule 8.08(1)(a) of the Listing Rules. There is no minimum amount of Shares required to be placed down by Yu Ming under the placing agreement between the Underwriter and Yu Ming.
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 Main Board 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.

### REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in (i) trading and manufacturing of media entertainment platform related products; (ii) trading and manufacturing of components of audio and video electronic products; and (iii) trading and manufacturing of satellite TV equipment and antenna products.

As disclosed in the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 ("**2022 Annual Report**"), as at 31 December 2022, the bank and other borrowing of the Group amounts to approximately HK\$351.93 million ("**Outstanding Loans**"), out of which approximately HK\$269.94 million falls under current liabilities, HK\$244.46 million is secured loan and HK\$107.47 million is unsecured loan, and the Group has net current liabilities of approximately HK\$178.96 million. The interest rates on the Outstanding Loans ranged approximately between 1.0% and 10% per annum. For the year ended 31 December 2022, the Group incurred finance costs of approximately HK\$28.16 million. As at 31 March 2023, the unaudited cash and bank balance of the Group amounted to approximately HK\$119.94 million. The Outstanding Loans falls under current liabilities of approximately HK\$269.94 million comprise the outstanding principal amount of the Loan of US\$25 million (equivalent to approximately HK\$194.94 million based on the exchange rate of US\$1 to HK\$7.7976 as per 2022 Annual Report), bank borrowings of approximately HK\$68.71 million and other borrowings of approximately HK\$6.29 million. Other than the Loan, other borrowings of the Group of approximately HK\$3.95 million has been overdue since 6 April 2023. The Company is in the course of liaising with the lender for the extension of loans and will settle such loans with internal resources of the Group if the lender declines. The Company intends to renew bank borrowings of approximately HK\$68.71 million and other borrowings of approximately HK\$2.34 million upon their maturity.

## LETTER FROM THE BOARD

Amongst the Outstanding Loans, the Loan has matured on 20 April 2023 and interest payment of the Loan has been overdue to the Lender since August 2022. The Loan was granted to the Company by the Lender pursuant to the Loan Agreement dated 19 September 2016. Since entering into the Loan Agreement and up to the Latest Practicable Date, the loans in an aggregate amount of approximately US\$49.29 million (equivalent to approximately HK\$386.93 million) were granted by the Lender to the Company with interest rate ranging between 10% and 13% per annum, out of which approximately US\$24.29 million (equivalent to approximately HK\$190.68 million) has been repaid by the Company to the Lender. As at the Latest Practicable Date, the outstanding principal amount of the Loan is US\$25 million (equivalent to approximately HK\$196.21 million) with interest rate of 10% per annum. For obtaining the Loan, the Company has (i) created a first fixed and floating charge over the entire Company's undertaking, property and assets as securities to the Lender; and (ii) pledged all the shares owned by the Company in Pro Brand Technology Inc. (a 59.1%-owned subsidiary of the Company and principally engaged in the production and sale of satellite TV equipment and antenna products) to the Lender (the "**Loan Securities**"). The Company has fully applied the Loan as to approximately (i) US\$47.29 million (equivalent to approximately HK\$371.23 million) for the development and operation of satellite television broadcasting business in Middle East, Mediterranean and Africa including purchase of television contents, renting satellite transponder, purchase of set-top boxes and smart cards and other operating costs such as payment for dealers' commission, marketing and promotion expenses; and (ii) US\$2 million (equivalent to approximately HK\$15.7 million) for general working capital of the Group (including but not limited to operating expenses of the production plant in Zhongshan). The Company disposed its interest in the satellite television broadcasting business on 25 June 2019. As at the Latest Practicable Date, the Lender is wholly-owned by Allied Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 373). The Lender and its associates are interested in 24,000,000 Shares, representing approximately 4.88% of the issued share capital of the Company. The Company has requested the Lender for extending the Loan for a term of two years, but was declined by the Lender unless the Company pays up the interest in arrears and makes partial repayment of the principal. During the meetings with the Lender, the Lender has not indicated the amount of partial repayment of the Loan for obtaining its agreement on the extension of the Loan but requested the Company for making a repayment proposal for its consideration. In view of the financial position of the Group, the Company has imminent needs to raise fund for repaying the Loan.

## LETTER FROM THE BOARD

The Company intends to apply the net proceeds of approximately HK\$84.59 million from the Rights Issue as follows:

- (i) approximately HK\$73.61 million or 87% for repayment of part of the Loan (including principal amount of US\$7.5 million (equivalent to approximately HK\$58.88 million and representing about 30% of the outstanding principal amount of the Loan) and accrued interest of approximately HK\$14.73 million, “**Repayment Proposal**”) immediately after completion of the Rights Issue. It is estimated that the finance costs of the Group will be reduced by approximately HK\$5.89 million per annum after repayment of such principal amount of the Loan and the financial results of the Group are expected to improve as a result. The Company considered that the repayment of about 30% of the outstanding principal amount of the Loan is considerable and would attract the Lender for its agreement on a further extension of two years and has presented the Repayment Proposal to the Lender. After reviewing the Repayment Proposal by the Lender, the Company and the Lender entered into an extension letter dated 21 March 2023 in respect of the Loan pursuant to which the Lender has agreed to extend the remaining principal amount of US\$17.5 million (equivalent to approximately HK\$137.38 million) of the Loan (the “**Remaining Loan**”) for a term of two years to 20 April 2025 subject to the fulfilment of the repayment under the Repayment Proposal and entering into of a supplemental agreement to the Loan Agreement. Save for the extension of the maturity date of the Remaining Loan to 20 April 2025, other terms of the Loan Agreement (including interest rate of 10% and the Loan Securities) will remain unchanged. The Company and the Lender will enter into such supplemental agreement after fulfilment of the repayment under the Repayment Proposal. If the Lender did not satisfy with the Repayment Proposal or the repayment under the Repayment Proposal is not fulfilled, it is likely that the Lender will enforce the Loan Securities which is expected to cause disruptions to the business development of the Group such as disposal of the Company’s business and assets. The Company will consider the repayment of the Remaining Loan from internal resources of the Group when the financial position of the Group improves in the future.
- (ii) approximately HK\$10.98 million or 13% for the general working capital of the Group (including approximately HK\$5.49 million for the working capital of the production plant in Zhongshan and HK\$5.49 million for administration and operation expenses of the headquarters in Hong Kong) within three months after completion of the Rights Issue.

The Company has considered alternative fundraising methods which include debt financing or placing of new Shares or an open offer. For debt financing, in light of the loss-making position of the Group for the years ended 31 December 2021 and 2022 and the relatively high gearing ratio of the Group, it is difficult for the Group to obtain loans with favourable interest rate. For placing of new Shares, it would dilute the shareholding of the existing Shareholders while the Rights Issue will allow the Qualifying Shareholders to maintain their respective shareholdings in the Company on a pro rata basis. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market.

## LETTER FROM THE BOARD

In view of the above and the reasons described in the sub-section headed “Subscription Price” under the section headed “The Rights Issue”, the Directors consider that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION ON THE UNDERWRITER

First Steamship is a company listed on the Taiwan Stock Exchange Corporation (“TWSE”) (TWSE stock code: 2601). First Steamship’s principal business activities include dry bulk carrier shipping, professional vessel management and crewing services and operation of department store. As at the Latest Practicable Date, Henghua Investment Co., Ltd., is the single largest shareholder of First Steamship, holding approximately 6.83% of the issued shares of First Steamship. Henghua Investment Co., Ltd. is principally engaged in investment holding.

As at the Latest Practicable Date, First Steamship and parties acting in concert with it (including Grand Citi) are interested in an aggregate of 142,628,902 Shares, representing approximately 28.98% of the issued share capital of the Company. In the event that First Steamship becomes the controlling shareholder of the Company as a result of taking up of the Unsubscribed Rights Shares under the Underwriting Agreement, it is the intention of First Steamship to continue the existing businesses of the Group. First Steamship has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

### FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any fundraising activity involving issue of equity securities in the past twelve months immediately preceding the Announcement and up to the Latest Practicable Date.

### WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Rights Issue having become unconditional. Accordingly, the Rights Issue may or may not proceed.**

**Any Shareholder or other person dealing in the Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled, will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.**

## LETTER FROM THE BOARD

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this prospectus.

By order of the Board  
**Sandmartin International Holdings Limited**  
**Chen Wei Chun**  
*Executive Director*

**SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Details of the audited consolidated financial information of the Group for the years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.sandmartin.com.hk](http://www.sandmartin.com.hk)):

- (i) the audited financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023, from page 79 to 211 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701055.pdf>);
- (ii) the audited financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 27 April 2022, from pages 80 to 219 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700405.pdf>);  
and
- (iii) the audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 27 April 2021, from pages 81 to 235 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042701444.pdf>).

Set out below is a summary of the consolidated financial information of the Group for the years ended 31 December 2020, 2021 and 2022.

	For the year ended 31 December		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
<b>Revenue</b>	<b>863,629</b>	<b>926,471</b>	<b>745,954</b>
Cost of sales	(744,716)	(805,276)	(666,262)
Gross profit	118,913	121,195	79,692
Other income, gains and losses	44,875	47,469	41,899
Increase in fair value of investment properties	7,052	19,006	34,974
Write off of investment properties for re-development	-	-	(21,051)
Distribution and selling costs	(36,543)	(27,895)	(23,147)
Administrative and other expenses	(107,229)	(110,287)	(92,967)
Research and development costs	(32,276)	(27,382)	(22,939)
Share of (loss)/profit of an associate	16,277	4,487	(45,427)
Loss on changes in ownership interests in an associate	-	-	(1,240)
Reversal of/(provision for) expected credit losses on other financial assets	(1,916)	(14,895)	10,526
Finance costs	(29,839)	(28,140)	(28,161)
<b>Loss before income tax expense</b>	<b>(20,686)</b>	<b>(16,442)</b>	<b>(67,841)</b>
Income tax expense	(3,141)	(9,819)	(12,674)
<b>Loss for the year</b>	<b>(23,827)</b>	<b>(26,261)</b>	<b>(80,515)</b>
<b>Other comprehensive income for the year</b>	<b>20,648</b>	<b>553</b>	<b>(1,737)</b>
<b>Total comprehensive income for the year</b>	<b>(3,179)</b>	<b>(25,708)</b>	<b>(82,242)</b>
<b>Loss for the year attributable to:</b>			
- Owners of the Company	(12,594)	(25,433)	(77,548)
- Non-controlling interests	(11,233)	(828)	(2,967)
	<b>(23,827)</b>	<b>(26,261)</b>	<b>(80,515)</b>
<b>Total comprehensive income attributable to:</b>			
- Owners of the Company	7,921	(26,438)	(81,052)
- Non-controlling interests	(11,100)	730	(1,190)
	<b>(3,179)</b>	<b>(25,708)</b>	<b>(82,242)</b>
Basic and diluted loss per share ( <i>HK cent</i> )	(3.82)	(6.32)	(15.76)
Dividend	-	-	-
Dividend per Share	-	-	-

The management discussion and analysis of the Company for each of the financial years ended 31 December 2020, 2021 and 2022 are disclosed in the annual reports of the Company for the financial years ended 31 December 2020, 2021 and 2022.

#### **Material uncertainty related to going concern**

The following material uncertainty related to going concern was contained in the auditor's reports of the Company issued by its auditors for each of the financial years ended 31 December 2020, 2021 and 2022:

For the year ended 31 December 2020, the Group incurred a net loss of HK\$12,594,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK\$252,796,000. The Group had bank loans and other loans of HK\$171,379,000 and HK\$241,605,000 at 31 December 2020 respectively. 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.

For the year ended 31 December 2021, the Group incurred a net loss of HK\$25,433,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK\$6,325,000. As at the same date, the Group had bank loans of HK\$144,083,000, which is subject to repayment or renewal in the next twelve months after the end of the reporting period. These conditions may cast significant doubt on the Group's ability to continue as a going concern.

For the year ended 31 December 2022, the Group incurred a net loss of HK\$77,548,000 attributable to owners of the Company and at the end of reporting period, the Group had net current liabilities of approximately HK\$178,964,000. As at the same date, the Group had bank loans of HK\$269,941,000, 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 31 December 2022 was other loans with an outstanding balance of approximately HK\$194,938,000 scheduled to be fully repayable in April 2022, and interest payment included in other payables of approximately HK\$8,812,000 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\$25,773,000 as at 31 December 2022. These conditions may cast significant doubt on the Group's ability to continue as a going concern.

Save for the above, no qualified or modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's reports of the Company issued by its auditors for each of the financial years ended 31 December 2020, 2021 and 2022.



**STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this prospectus, the Group's indebtedness are set out below.

The Group had outstanding borrowings of approximately HK\$388,847,000 comprising bank loans of approximately HK\$186,297,000, secured and unguaranteed short term loan of approximately HK\$196,245,000; and unsecured and unguaranteed short term loan of approximately HK\$6,305,000. As at 30 April 2023, (i) bank loans of approximately HK\$31,073,000 were secured and guaranteed; (ii) approximately HK\$147,007,000 were secured and unguaranteed bank loan; (iii) approximately HK\$389,000 were unsecured and guaranteed; and (iv) the remaining bank loans of the Group of approximately HK\$7,827,000 were unsecured and unguaranteed.

As at 30 April 2023, the Company had recognized the provision for financial guarantee amounting to US\$3,500,000 (equivalent to approximately HK\$27,332,000) in favour of a former subsidiary of the Company, My HD Media FZ-LLC in relation to its financial obligations.

As at the close of business on 30 April 2023, the Group had lease liabilities with the amount of approximately HK\$16,232,000, which were unsecured and unguaranteed.

Save as disclosed above and apart from intra-group liabilities, at the close of business on 30 April 2023, the Group did not have any loan capital issued and outstanding or agreed to be issued, other debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other contingent liabilities.

The Directors confirmed that, save as disclosed above, there has been no material change in the indebtedness and contingent liabilities of the Group since 30 April 2023 up to the Latest Practicable Date.

**SUFFICIENCY OF WORKING CAPITAL**

In determining the sufficiency of the working capital of the Group, the Directors have made the assumptions that the Group is able to renew the existing banking facilities and other borrowings upon expiry and complete the proposed Rights Issue. The Directors are of the opinion that the Group maintains good relationship with major banks and lenders providing finance or facilities to the Group and the Group has successfully renewed its banking facilities and other borrowings based on past experience.

The Directors, after due and careful enquiries, are of the opinion that, after taking into account the financial resources presently available to the Group including internally generated funds, the currently available banking facilities and other borrowings and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of the publication of this prospectus.

**MATERIAL CHANGE**

The Directors confirm that there was no material change in the financial or trading position of the Group subsequent to 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT**

The Group is principally engaged in (i) trading and manufacturing of media entertainment platform related products; (ii) trading and manufacturing of components of audio and video electronic products; and (iii) trading and manufacturing of satellite TV equipment and antenna products.

**Media entertainment platform related products**

In 2022, the Group's media entertainment platform related products segment faced a challenging economic environment and a decline in demand of its products due to the continued impact of the Pandemic. For the year ended 31 December 2022, the revenue of this segment decreased by 20.97% as compared with the year ended 31 December 2021, while the segment results decreased by 124.59%. 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**

Due to the increase 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 and wireless mobile phone chargers for vehicles. For the year ended 31 December 2022, the revenue of this segment decreased by 50.97% and segment results decreased by 67.91% due to the increase in material costs after the outbreak of COVID-19. The Group is enhancing its product portfolio and developing new businesses to cope with the new demand from customers. The China-US trade war has some impact on this segment as some of the customers are located in the US. The Group is trying to minimize the impact 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 COVID-19 in the North America. For the year ended 31 December 2022, the revenue of this segment slightly decreased by 3.22% as compared with the year ended 31 December 2021, while the segment results decreased by 26.72%. 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, the Group is 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 impact on this segment as some of the customers are located in the US. Such impact is mitigated by sourcing from suppliers outside the PRC, such as Southeast Asia.

**Redevelopment of land in Zhongshan**

On 26 July 2021, Sandmartin (Zhong Shan) Electronic Co., Ltd. (中山聖馬丁電子元件有限公司) (a wholly-owned subsidiary of the Company, “ZSS”), 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”), Top Dragon Development Limited, Top Peaker Group Limited and Mr. Hung entered into a cooperation agreement (the “**Cooperation Agreement**”) relating to the cooperation in development of a land owned by the Group in Zhongshan (the “**Redevelopment**”), pursuant to which the Group and Huasuan are entitled to 20% and 80% respectively of the new buildings constructed on the land (the “**Revenue Apportionment**”) and Huasuan shall pay to the Group a cooperation fund amounting to RMB60 million as security deposit (the “**Cooperation Fund**”) while the Group shall pledge to Huasuan 100% of the shareholding interests in ZSS which holds the land and one of the three pieces of land parcels within the land, such securities to be released upon full repayment of the Cooperation Fund by the Group and completion of the Redevelopment and Revenue Apportionment. As at the Latest Practicable Date, the Company is in the course of negotiating with Huasuan on the terms and conditions of an agreement in respect of the transaction under the Cooperation Agreement. Further announcement(s) will be made by the Company in this regard as and when appropriate pursuant to the Listing Rules.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the proposed rights issue of 738,242,235 rights shares at the subscription price of HK\$0.12 per rights share (the “**Rights Issue**”), on the basis of three rights shares for every two shares held on the Record Date, on the consolidated net tangible assets of the Group as if the Rights Issue had been taken place on 31 December 2022.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net liabilities of the Group attributable to owners of the Company as at 31 December 2022 as extracted from the published annual report of the Company for the year ended 31 December 2022, with adjustment described below, and is adjusted for the effect of the Rights Issue as if the Rights Issue had been taken place on 31 December 2022.

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue or any future date.

Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 (Note 1) HK\$'000	Estimated net proceeds from the Rights Issue (Note 2) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue HK\$'000	Consolidated net tangible liabilities per share attributable to owners of the Company before the completion of the Rights Issue (Note 3) HK\$	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after the completion of the Rights Issue (Note 4) HK\$
(38,180)	84,589	46,409	(0.0776)	0.0377

Based on 738,242,235 Rights Shares to  
be issued at the Subscription Price  
of HK\$0.12 per rights share

*Notes:*

- (1) The amount of consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 was approximately HK\$38,180,000, which is based on the consolidated net liabilities of the Group attributable to owners of the Company as at 31 December 2022 of HK\$25,773,000, adjusted by goodwill and intangible assets of HK\$8,772,000 and HK\$3,635,000 respectively as shown on the consolidated statement of financial position of the Group as at 31 December 2022, as extracted from the published annual report of the Company for the year ended 31 December 2022.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$84,589,000 are based on 738,242,235 rights shares to be issued, on the basis of three rights share for every two existing shares at the subscription price of HK\$0.12 per rights share, after deduction of the estimated related expenses, including among others, transaction fees, which are directly attributable to the Rights Issue, of approximately HK\$4,000,000.
- (3) The consolidated net tangible liabilities of the Group per share attributable to owners of the Company before the completion of the Rights Issue is determined based on the consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 of approximately HK\$38,180,000 as set out in note 1 above, divided by 492,161,490 shares in issue as at 31 December 2022.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue per share is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 immediate after the Rights Issue had taken place of approximately HK\$46,409,000 divided by 1,230,403,725 shares which comprise 492,161,490 shares in issue as at 31 December 2022 and 738,242,235 rights shares to be issued under the Rights Issue.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the accountants' report received from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's Unaudited Pro Forma Financial Information prepared for the purpose of inclusion in this prospectus.



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**TO THE BOARD OF DIRECTORS OF SANDMARTIN INTERNATIONAL HOLDINGS LIMITED**  
*(Incorporated in Bermuda with limited liability)*

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sandmartin International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Appendix II to the prospectus issued by the Company dated 5 June 2023 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of three rights shares for every two shares held on the record date at the subscription price of HK\$0.12 per rights share ("**Rights Issue**") on the Group's consolidated net tangible assets/liabilities attributable to owners of the Company as at 31 December 2022 as if the Rights Issue had taken place at 31 December 2022. As part of this process, information about the Group's net tangible liabilities has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2022, on which an audit report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2022 would have been as presented.



A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**BDO Limited**  
*Certified Public Accountants*  
Hong Kong

5 June 2023



**RESPONSIBILITY STATEMENT**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus (other than those relating to First Steamship and parties acting in concert with it (including Grand Citi)) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this prospectus (other than those relating to First Steamship and parties acting in concert with it (including Grand Citi)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this prospectus (other than those expressed by First Steamship) have been arrived at after due and careful consideration and there are no other facts not contained in this prospectus, the omission of which would make any statement in this prospectus misleading.

Directors of First Steamship accept full responsibility for the accuracy of the information contained in this prospectus (other than those relating to the Group), and confirms, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this prospectus (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this prospectus, the omission of which would make any statement in this prospectus misleading.

**SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Rights Issue (assuming no further issue or repurchase of Shares on or before the completion of the Rights Issue) will be as follows:

**As at the Latest Practicable Date**

	<i>HK\$</i>
Authorised share capital:	
10,000,000,000 Shares of HK\$0.10 each	1,000,000,000.00
Issued and paid-up share capital:	
492,161,490 Shares of HK\$0.10 each	49,216,149.00

**Immediately following the completion of the Rights Issue (assuming no other issue or repurchase of Shares up to completion of the Rights Issue)**

HK\$

Authorised share capital:	
10,000,000,000 Shares of HK\$0.10 each	<u>1,000,000,000.00</u>

Issued and paid-up share capital:	
1,230,403,725 Shares of HK\$0.10 each immediately following the completion of the Rights Issue	<u>123,040,372.50</u>

All the Shares rank *pari passu* with each other in all respects including the rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the Shares in issue on the date of allotment and issue of the Rights Shares in all respects including rights to dividends, voting and return of capital. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the fully-paid Rights Shares.

The Company has applied to the Stock Exchange for the listing of, and permission to deal in the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

The Company had not issued any Shares since 31 December 2022, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option.

## DISCLOSURE OF INTERESTS

## Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

## (i) Long positions in the shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of ordinary shares and underlying shares held	Percentage of the issued share capital
Mr. Hung Tsung Chin	Interest of controlled corporation	70,718,859 <sup>1</sup>	14.37%

Note:

- These shares represent shares held by Metroasset Investments Limited in which Mr. Hung Tsung Chin beneficially owns 45.09% of the issued share capital.

## (ii) Long positions in the shares, underlying shares and debentures of associated corporations of the Company

Name of associated corporation: Pro Brand Technology, Inc.

Name of Director	Capacity	Number of shares held	Percentage to the issued share capital
Mr. Chen Wei Chun	Interest of controlled corporation	350,000 (Note 1)	0.44%
	Beneficial owner	300,000 (Note 2)	0.38%
Mr. Hung Tsung Chin	Beneficial owner	450,000 (Note 3)	0.57%

Notes:

- These shares are held by Jun Zhong Investment Limited (鈞仲投資有限公司) in which Mr. Chen Wei Chun beneficially owns the entire issued share capital.
- These shares represent 300,000 shares of Pro Brand Technology, Inc., a non-wholly owned subsidiary of the Company, owned by Mr. Chen Wei Chun.
- These shares represent 450,000 shares of Pro Brand Technology, Inc., a non-wholly owned subsidiary of the Company, owned by Mr. Hung Tsung Chin.

As at the Latest Practicable Date, saved as disclosed above, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code.

### Interest of substantial shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

#### Long position in the Shares

Name	Capacity	Number of Shares	Shareholding
First Steamship <sup>Note 1</sup>	Beneficial owner	338,893,353	71.59%
	Interest of controlled corporation	17,678,902	
	Underwriter	524,298,882	
Legacy Trust Company Limited <sup>Note 2</sup>	Beneficial owner	76,520,000	15.55%
Metroasset Investments Limited <sup>Note 3</sup>	Beneficial owner	70,718,859	14.37%
Chan Mei Huei <sup>Note 3</sup>	Interest of controlled corporation	70,718,859	14.37%

*Notes:*

1. First Steamship has provided the Irrevocable Undertaking to take up and pay for, and procure the taking up and payment by Grand Citi, an aggregate of 213,943,353 Rights Shares to be provisionally allotted to them respectively under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by First Steamship and Grand Citi pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, First Steamship, as the underwriter, will be required to take up a maximum of 524,298,882 Rights Shares. In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, First Steamship and parties acting in concert with it (including Grand Citi) will, in aggregate, be interested in 880,871,137 Shares, representing approximately 71.59% of the issued share capital of the Company as enlarged by the issue of the Rights Shares.
2. Legacy Trust Company Limited 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. Metroasset Investments Limited is owned as to 45.09%, 43.38% and 10.53% by Mr. Hung, Ms. Chen Mei Huei (spouse of Mr. Hung) and Mr. Hung Chih Chun (son of Mr. Hung) respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**DIRECTORS' SERVICES CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

**COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

**MATERIAL CONTRACTS**

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group during the two years immediately preceding the date of this prospectus up to and including the Latest Practicable Date:

- (i) the Cooperation Agreement;
- (ii) the supplemental loan agreement dated 11 August 2021 entered into between the Company and the Lender in respect of extending the maturity date of the Loan to 20 April 2023;
- (iii) the letter dated 21 March 2023 entered into between the Company and the Lender in respect of the extension of the maturity date of the remaining balance of the Loan to 20 April 2025;
- (iv) the Placing Agreement; and
- (v) the Underwriting Agreement (including the Irrevocable Undertaking).

## LITIGATION

As at the Latest Practicable Date, the Group has the following litigations:

- (i) On 29 September 2011, the Group entered into a conditional agreement (the “**Agreement**”) with an independent individual third party (the “**Original Shareholder**”) and Technosat Technology JLT FZE (“**Technosat**”, a company incorporated in Dubai, which was wholly owned by the Original Shareholder), to subscribe for 375 new shares in Technosat at a cash consideration of US\$7,500,000 (equivalent to HK\$58,170,000), amounting to 15% of Technosat’s enlarged capital. Technosat is set up to be engaged in operation of digital TV and radio platform, pay TV channel, and sales and supply of TV set top boxes.

As at 30 June 2012, the Group had paid a deposit of US\$2,500,000 (equivalent to HK\$19,467,000) to Technosat to acquire new shares in Technosat which was fully provided for impairment in the prior year. Pursuant to the terms of the Agreement, the Group is required to pay a further sum of US\$5,000,000 in relation to the subscription of this 15% equity interest in Technosat. The subscription has not yet completed up to the date of approval of this report as the conditions precedent of the subscription of new shares in Technosat including the consent and approval by government authority in Dubai have not been fulfilled.

Despite the Group’s repeated requests for information, there has been no satisfactory response from the Original Shareholder or Technosat (“**Counterparties**”) regarding the current status and the procurement of obtaining government approval from the government authority in Dubai. The Group has engaged legal counsel to act for the Group and started dispute resolution proceedings against the Original Shareholder and Technosat.

On 21 January 2013, the legal counsel of the Original Shareholder and Technosat served a notice on the Group's legal counsel for a claim on the further payment of US\$5,000,000 in relation to the subscription of 15% equity interest in Technosat.

The Group's legal counsel has replied on behalf of the Group on 11 February 2013 in response to the claim of the Original Shareholder and Technosat defending the claim as the Directors consider such claim invalid, as the conditions precedent of the subscription of new shares in Technosat had not been fulfilled and constituted a breach of the Agreement.

The Group's legal counsel had repeated request on the Original Shareholder and Technosat to commence the next step on mediation, but there was no satisfactory response from the legal counsel of the Original Shareholder and Technosat. As at the Latest Practicable Date, there was no further update on the arbitration.

- (ii) In October 2020, Aggressive Digital Systems Private Ltd. ("**AD**", a non-wholly owned subsidiary of the Company) received a summons (the "**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. No claim amount was set out in the Summons. The last hearing was originally scheduled on 29 March 2023 at NCLT and was further adjourned. The date of next hearing has yet to be determined.

Save as disclosed above, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.



**EXPERT AND CONSENT**

The qualifications of the expert who has given opinion, letter or advice contained in this prospectus are set out below:

<b>Name</b>	<b>Qualification</b>
BDO Limited	Certified public accountants

BDO Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion therein of its letter, advice, report and/or references to its names, in the form and context in which they are respectively included.

As at the Latest Practicable Date, BDO Limited was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**EXPENSES**

The expenses payable by the Company in connection with the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Special Deal and the Whitewash Waiver, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$4 million.

**PARTICULARS OF DIRECTORS**

Biographies of the existing Directors are set out below:

**Executive Directors**

**Mr. Hung Tsung Chin**, aged 62, is the founder of the Group, which was founded in November 1989. He was the Chairman of the Board until 18 August 2017. Mr. Hung acts as an executive Director and authorised representative of the Company. He is currently the director of certain subsidiaries of the Company and the chief executive officer of several subsidiaries of the Company which are engaged in the Manufacturing and Trading of Electronic Products Business Division. Mr. Hung has over 33 years of management experience in the electronics manufacturing industry. He graduated from the National Chengchi University in Taiwan, with a bachelor's degree in business administration. Mr. Hung also completed the executives programme from the Graduate School of Business Administration, National Chengchi University. He is the husband of Ms. Chen Mei Huei, the director of several subsidiaries of the Company and the chief executive officer of the pay TV and broadband service business division.

**Mr. Chen Wei Chun**, aged 46, joined the Group in May 2015 and was appointed as an executive Director and chief financial officer of the Company on 28 August 2015 and 30 November 2017 respectively. He is also the director and the chief financial officer of Pro Brand Technology, Inc., a non-wholly owned subsidiary of the Company. Mr. Chen graduated from National Chengchi University and Shih Chien University with a master's degree in business administration and a master's degree in business administration respectively. He is well experienced in accounting and finance industries. Prior to joining the Group, Mr. Chen was the head of finance department of TTY Biopharm Company Limited and head of finance department of K.H.S. Musical Instrument Company Limited.

**Non-Executive Director**

**Mr. Kuo Jen Hao**, aged 46, was appointed as a non-executive Director of the Company on 18 August 2017. He graduated with a bachelor's degree in Business Administration from Aletheia University in Taiwan and holds a master's degree of business administration from Pace University in 2003 in the US. Mr. Kuo is a certified public accountant of the New Jersey State Board of Accountancy. He has several years of work experience in investment advisory, financial advisory and corporate finance at PricewaterhouseCoopers, Bank of America Merrill Lynch and Private Equity Management Group and held various key roles at several private and listed companies engaging in (i) the administrative and corporate business; (ii) corporate finance; and (iii) general management in real estate development business, shipping business, retailing business and logistics business. Mr. Kuo has a wealth of experience in business strategy development and innovation management. He is a director, the chairman and the general manager of First Steamship Company Limited ("**First Steamship**") (a company listed on the Taiwan Stock Exchange Corporation ("**TWSE**") (TWSE Stock Code: 2601) and is a substantial shareholder of the Company and through its subsidiaries collectively holds 28.98% of the issued share capital of the Company). Mr. Kuo is also a director and the chairman of Grand Ocean Retail Group Limited (a company listed on the TWSE (TWSE

Stock Code: 5907) and is a subsidiary of First Steamship) and Taiwan Environment Scientific Co., Ltd. (a company listed on the Taipei Exchange) (Taipei Exchange Stock Code: 8476). He is currently a non-executive director of Da Yu Financial Holdings Limited (Stock Code: 1073). He is also a director of several subsidiaries of First Steamship including but not limited to Mariner Finance Limited and First Steamship S.A. He has served as a non-executive director and the chairman of the board of Summit Ascent Holdings Limited (Stock Code: 102) from 28 December 2017 to 26 April 2019. Mr. Kuo was a director of IRC Properties, Inc. (a company listed on the Philippine Stock Exchange) from July 2017 to May 2018.

#### **Independent Non-executive Directors**

**Mr. Wu Chia Ming**, aged 54, is an independent non-executive Director since 1 December 2014 and is currently the chairman of Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He has a master's degree in business administration from the Institute of International Business, National Chen-kung University and a bachelor's degree in electronic engineering from Chung Yuan Christian University in Taiwan. Mr. Wu Chia Ming has nearly 28 years of experience in financial analysis and fund management. Currently, he is the chairman of Fortune-Future Investment Co., Ltd. Prior to that, Mr. Wu Chia Ming was a fund manager of KGI Securities Investment Trust Co., Ltd.

**Ms. Chen Wei-Hui**, aged 45, was conferred the Master's degree of Accounting from National Chengchi University in 2002 and Bachelor's degree of Accounting from Fu Jen Catholic University in 1999, both in Taiwan. Ms. Chen Wei-Hui is a certified public accountant of the Republic of China, a Certified Internal Auditor of The Institute of Internal Auditors-Chinese Taiwan and a Land Administration Agent of the Republic of China. Ms. Chen Wei-Hui is a Land Administration Agent of Canaan Land Registration Office since 2022 and was an Assistant Vice President of Taipei Exchange from 2005 to 2022 and Audit Assistant Manager of Deloitte and Touche of Taiwan from 2002 to 2005.

**Mr. Lu Ming-Shiuan**, aged 51, was conferred the degree of Master of Law in Science and Technology from the Institute of Law of Science and Technology, College of Technology Management at the National Tsing Hua University in 2010, in Taiwan. Mr. Lu Ming-Shiuan has been appointed as a member of the Taipei Bar Association since 2013. Mr. Lu Ming-Shiuan is a senior partner of Heng-Sheng Attorney-at-Law since April 2016 and was a prosecutor of Taiwan Pingtung District Prosecutors Offices and Taiwan Miaoli District Prosecutors Offices.

#### **Business address of the Directors**

The business address of the Directors is the same as the Company's principal office in Hong Kong at Unit 516, 5th Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

## CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

<b>Registered office:</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Head office and principal place of business in Hong Kong:</b>	Unit 516, 5th Floor Peninsula Centre 67 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
<b>Legal advisers to the Company as to Hong Kong law:</b>	Michael Li & Co. 19/F., Prosperity Tower 39 Queen's Road Central Hong Kong
<b>Principal share registrar and transfer office:</b>	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Hong Kong branch share registrar and transfer office:</b>	Boardroom Share Registrars (HK) Limited Room 2103B 21st Floor 148 Electric Road North Point Hong Kong
<b>Financial adviser to Company:</b>	Yu Ming Investment Management Limited Room 1801 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong

**Auditors and reporting accountants:**

BDO Limited  
*Certified public accountants*  
25th Floor  
Wing On Centre  
111 Connaught Road  
Central  
Hong Kong

**Principal bankers:**

CTBC Bank Co., Ltd.  
1/F, No. 168 Jingmao 2nd Road  
Nangang District  
Taipei City 115, Taiwan  
R.O.C.

China Guangfa Bank Co., Ltd.  
No. 713, Dongfengdong Road  
Yuexiu District, Guangzhou  
Guangdong, China

Land Bank of Taiwan Co., Ltd.  
No.46, Guancian Rd.  
Jhongjheng District  
Taipei City 100007  
Taiwan  
R.O.C.

**Authorised representatives:**

Mr. Hung Tsung Chin  
Unit 516, 5th Floor  
Peninsula Centre  
67 Mody Road  
Tsim Sha Tsui East  
Kowloon  
Hong Kong

Ms. Tung Wing Yee Winnie  
31/F, 148 Electric Road  
North Point  
Hong Kong

<b>Company Secretary:</b>	Ms. Tung Wing Yee Winnie ( <i>a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia</i> )
<b>Placing agent:</b>	Morton Securities Limited Room 1804-05 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong
<b>Underwriter:</b>	First Steamship Company Limited 14th Floor 237 Fuxing South Road, Section 2 Taipei Taiwan

**GENERAL**

As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

**DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Company ([www.sandmartin.com.hk](http://www.sandmartin.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) during the period of 14 days from the date of this prospectus:

- (i) the annual reports of the Company for each of the financial years ended 31 December 2020, 2021 and 2022;
- (ii) the report from BDO Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- (iii) the written consent of the expert as referred to in the section headed “Expert and Consent”;
- (iv) the material contracts referred to in the section headed “Material Contracts”;
- (v) the Circular; and
- (vi) the Prospectus Documents.

**BINDING EFFECT**

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents together with the written consent as referred to in the paragraph headed “Expert and Consent” in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).