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Sandmartin International Holdings Limited

聖馬丁國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

**DISCLOSEABLE TRANSACTION IN RELATION TO
FORMATION OF AN UNINCORPORATED JOINT VENTURE**

Reference is made to the Company's announcement dated 17 August 2021 regarding the Cooperation Agreement.

The Board is pleased to announce that on 19 July 2023, ZSS (an indirect wholly-owned subsidiary of the Company) and Huasuan entered into the JV Agreement, pursuant to which the Parties have agreed to form the Joint Venture in the form of an unincorporated joint venture under the name of "Huasuan-Sandmartin Intelligent Manufacturing Park" (華算聖馬丁智造園) in the PRC for the Redevelopment and for the purpose of governing the cooperation arrangement.

The sole purpose and business of the Joint Venture is to redevelop the Land into a landmark precision intelligent manufacturing center and research and development innovation hub and the properties built shall be for leasing or for sale.

ZSS will contribute the Land for the Redevelopment and Huasuan will be responsible for funding the entire costs for the Redevelopment.

In relation to allocation of the properties constructed on the Land, ZSS shall continue to be entitled to all Existing Buildings, the vacant area and roads covered under the current real estate title certificate issued to ZSS. In relation to the new buildings to be constructed on certain parts of the Land which are currently vacant, ZSS and Huasuan shall be entitled to 20% and 80% respectively of (i) the total gross floor area of the new buildings; and (ii) the corresponding revenue that is generated from the new buildings. In the event where certain parts of the Existing Buildings are to be demolished and redeveloped under the Redevelopment, ZSS shall be entitled to (i) firstly, certain gross floor area of the newly built buildings equivalent to the gross floor area that has been demolished covered under ZSS's real estate title certificate; and (ii) secondly, an additional 5% of the remaining total gross floor area of the newly built buildings. After the aforesaid allocations to ZSS, Huasuan shall be entitled to all of the entire balance of the gross floor area.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the formation of the Joint Venture exceed 5% but are less than 25%, the JV Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Reference is made to the Company's announcement dated 17 August 2021 regarding the Cooperation Agreement, where the Redevelopment (as defined below) was in the planning stage.

The Board is pleased to announce that on 19 July 2023 (after trading hours), ZSS (an indirect wholly-owned subsidiary of the Company) and Huasuan entered into the JV Agreement pursuant to which the Parties have agreed to form the Joint Venture in the PRC for the Redevelopment and for the purpose of governing the cooperation arrangement.

Principal terms of the JV Agreement are summarised below.

THE JV AGREEMENT

Date

19 July 2023

Parties

- (1) ZSS; and
- (2) Huasuan.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, Huasuan and its ultimate beneficial owner are third parties independent of the Company and its connected persons as at the date of this announcement.

Subject matter

Pursuant to the JV Agreement, the Parties shall form the Joint Venture in the form of an unincorporated joint venture under the name of "Huasuan-Sandmartin Intelligent Manufacturing Park" (華算聖馬丁智造園).

Business of the Joint Venture

The sole purpose and business of the Joint Venture is to redevelop the Land into a landmark precision intelligent manufacturing center and research and development innovation hub and the properties built shall be for leasing or for sale (the "**Redevelopment**").

The Redevelopment will be carried out on the Land owned by ZSS which consists of one plot situated at No. 16, Qianjin Second Road, Tanzhou Town, Zhongshan, Guangdong Province, the PRC* (中國廣東省中山市坦洲鎮前進二路16號), which has permitted gross floor area of approximately 175,275 sq. m. The Land is a piece of state-owned construction land and is designated for industrial use.

The Redevelopment will involve, amongst others, (i) the construction of high-standard manufacturing buildings on certain parts of the Land which are currently vacant; and (ii) redevelopment and upgrading of certain Existing Buildings on the Land. The Redevelopment will be undertaken under the name of ZSS.

Commitment and contribution of the Parties

ZSS will contribute the Land for the Redevelopment, which is valued at approximately RMB37 million by an independent property valuer and Huasuan will be responsible for funding the entire costs for the Redevelopment.

In the event that the Parties decide that a bank loan shall be required for funding the Redevelopment, ZSS, in its capacity as the owner of the Land, shall facilitate and provide assistance to Huasuan in obtaining such a bank loan and which proceeds shall be used solely to fund the construction cost of the Redevelopment (the “**ZSS Development Loan**”). Huasuan will act as the guarantor and be ultimately responsible for the repayment of the ZSS Development Loan, both loan principal and interests. For the avoidance of doubt, the entire funding needs of the Joint Venture for the Redevelopment (including obtaining and repaying the ZSS Development Loan) shall be the sole responsibility of Huasuan.

As disclosed in the Company’s announcement dated 17 August 2021 regarding the Cooperation Agreement, Huasuan shall pay to the Group a cooperation fund amounting to RMB60 million as security deposit (the “**Cooperation Fund**”). As security for such Cooperation Fund, the Group shall pledge to Huasuan (i) 100% of its shareholding interests in ZSS which holds the Land (the “**Equity Pledge**”); and (ii) one of the three pieces of land parcels on the Land (the “**Land Pledge**”). As at the date of this announcement, the Cooperation Fund has been paid by Huasuan to the Group and in return, the Equity Pledge and Land Pledge have been provided by the Group in favour of Huasuan.

The respective contributions of the Parties to the Joint Venture were agreed between the Parties after arm’s length negotiation with reference to their respective circumstances. In the case of the Company, the Board has considered, amongst others, (i) the reasons for the Joint Venture as set out in the section headed “Reasons for and benefits of the formation of the Joint Venture” in this announcement; and (ii) the Group’s prevailing asset and financial resources.

Allocation of properties

ZSS shall continue to be entitled to the use of all the Existing Buildings, and the vacant area and roads covered under the current real estate title certificate issued to ZSS.

In relation to the new buildings to be constructed on certain parts of the Land which are currently vacant, ZSS and Huasuan shall be entitled to 20% and 80% respectively of (i) the total gross floor area of the new buildings; and (ii) the corresponding revenue that is generated from the new buildings (whether in terms of rental income or proceeds from sale of the buildings).

In the event where certain parts of the Existing Buildings are to be demolished and redeveloped under the Redevelopment, ZSS shall be entitled to (i) firstly, certain gross floor area of the newly built buildings equivalent to the gross floor area that has been demolished covered under ZSS's real estate title certificate; and (ii) secondly, an additional 5% of the remaining total gross floor area of the newly built buildings. After the aforesaid allocations to ZSS, Huasuan shall be entitled to all of the entire balance of the gross floor area.

Upon the aforesaid allocation of the newly built buildings and the corresponding revenue, the Cooperation Fund shall be refunded by the Group to Huasuan and the Equity Pledge and the Land Pledge shall be released by Huasuan.

The respective allocation of the newly built buildings and revenue has been agreed between the Parties after arm's length negotiation with reference to, amongst others, (i) the respective contributions by the Parties as discussed in the section headed "Commitment and contribution of the Parties" in this announcement (including the value of the Land); and (ii) the expected effort and time required by the respective Party in managing the Joint Venture and driving the Redevelopment project.

Conditions precedent

The transactions contemplated under the JV Agreement are subject to the satisfaction of the following conditions:

- (i) the Company having complied with the applicable requirements of the Listing Rules and other regulatory provisions in connection with the transactions contemplated under the JV Agreement; and
- (ii) the Redevelopment project having obtained all necessary consents, approvals and authorisations under the applicable laws and regulations in connection with the transactions contemplated under the JV Agreement.

None of the conditions above can be waived. In the event that the above conditions are not fulfilled on or before 31 December 2023, the JV Agreement may be extended upon mutual agreement between the Parties.

Management of the Joint Venture

The Parties shall collectively manage, supervise and control the Joint Venture through a management committee (the "**JV Committee**"). Both ZSS and Huasuan shall be entitled to nominate three members to the JV Committee respectively. Except as otherwise provided in the JV Agreement, all decisions of the JV Committee shall be made by a majority vote of the JV Committee members, who shall each have one vote.

The JV Committee shall appoint a person-in-charge for the Joint Venture (the “**JV PIC**”), who shall be responsible for the overall management of the Joint Venture and driving of the Redevelopment project and to regularly report to the JV Committee. The JV PIC shall perform the duties as set forth in the JV Agreement, including but not limited to, attend and represent the interests of the Joint Venture at all meetings which the Joint Venture may be required to attend in relation to the Redevelopment, coordinate and manage all activities relating to the Redevelopment and make decisions and implement the overall strategies in relation to the Redevelopment. Prior to making any commitments or obligations to any third party on behalf of the Joint Venture, the JV PIC shall obtain the unanimous consent from the Parties.

For daily operation and management of the Joint Venture, the JV PIC shall decide on the candidate for the position of project manager and the JV Committee shall appoint such person to perform the duties as set forth in the JV Agreement and such other duties as may be directed by the JV Committee from time to time.

Duration of the Joint Venture

The Joint Venture is set up for such period of time as may be necessary for the achievement of its sole purpose as discussed in the section headed “Business of the Joint Venture” in this announcement. The Parties shall wind up the business and affairs of the Joint Venture upon occurrence of any of the following events:

- (i) the Parties unanimously agree to terminate the Joint Venture;
- (ii) a default notice has been issued by a Party to another Party; and/or
- (iii) the Redevelopment has been completed or terminated.

Exclusivity

The Parties agreed that they shall cooperate exclusively with each other for the purpose of the Redevelopment during the term of the Joint Venture.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability.

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.

INFORMATION ON HUASUAN

Huasuan is a company established under the laws of the PRC with limited liability. It is principally engaged in, amongst others, investment and operational management in industrial park, property management services, corporate management services, commercial consultation, and commercial and industrial rental services.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, Huasuan is a third party independent of the Company and its connected persons (as defined under the Listing Rules) as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

Since 2018, the Group has, by outsourcing its production to suppliers in Vietnam, progressively wind down its own production facilities which used to be housed in the factory buildings currently built on the Land. As at the date of this announcement, most of the factory buildings had been leased to third parties independent of the Company in return for rental income. Owing to the age of the current factory buildings, the rental return is low. The Group has been exploring opportunities to increase the investment return by, including but not limited to, exploring outright sale of the factory buildings to potential buyers and/or conduct enhancement on the factory buildings to improve rental rates and hence, the return. The Company has thus far not identified any potential buyer that can meet its price targets.

Through the formation of the Joint Venture and redevelopment of the Land into a landmark precision intelligent manufacturing center and research and development innovation hub, this can provide an opportunity for the Group, without any capital outlay, to increase the investment returns on the Land. It also aims to achieve this by undertaking the Redevelopment via the Joint Venture with Huasuan, leveraging Huasuan's financial resources and experience in property development and management of industrial park to attract quality tenants and/or investors to rent and/or acquire the refurbished and newly built properties developed on the Land.

The Directors consider that the terms of the JV Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the formation of the Joint Venture exceed 5% but are less than 25%, the JV Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Sandmartin International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 482)
“connected persons”	has the meaning as ascribed to it under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 26 July 2021 entered into among ZSS, Huasuan, Top Dragon, Top Peaker and Mr. Hung in relation to the cooperation between ZSS and Huasuan for the Redevelopment
“Directors”	directors of the Company
“Existing Buildings”	certain blocks of buildings constructed on the Land as at the date of this announcement, which comprise four factory buildings
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huasuan”	Guangdong Huasuan International Industrial Park Development Co., Ltd.* (廣東省華算國際產業園發展有限公司), a company established under the laws of the PRC with limited liability
“Joint Venture”	the unincorporated joint venture to be formed by ZSS and Huasuan pursuant to the terms of the JV Agreement
“JV Agreement”	the joint venture agreement dated 19 July 2023 entered into between ZSS and Huasuan in relation to the formation of the Joint Venture
“Land”	the land situated at No. 16, Qianjin Second Road, Tanzhou Town, Zhongshan, Guangdong Province, the PRC* (中國廣東省中山市坦洲鎮前進二路16號) and owned by ZSS
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Hung”	Mr. Hung Tsung Chin (洪聰進), an executive Director and a substantial Shareholder of the Company
“Parties”	collectively, ZSS and Huasuan, and each, a “Party”
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Top Dragon”	Top Dragon Development Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, which is the sole shareholder of ZSS
“Top Peaker”	Top Peaker Group Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company, which is the sole shareholder of Top Dragon
“ZSS”	Sandmartin (Zhong Shan) Electronic Co., Ltd.* (中山聖馬丁電子元件有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board
Sandmartin International Holdings Limited
Kuo Jen Hao
Chairman

Hong Kong, 19 July 2023

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

Executive Directors

Mr. Hung Tsung Chin and Mr. Chen Wei Chun

Non-Executive Director

Mr. Kuo Jen Hao (*Chairman*)

Independent Non-Executive Directors

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

* *For identification purpose only*