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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)

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

Reference is made to the announcement of the Company dated 19 July 2023 in relation to the joint venture agreement dated 19 July 2023 and entered into between ZSS and Huasuan in relation to the formation of the Joint Venture (the “**Announcement**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those adopted in the Announcement.

The Board wishes to provide the supplemental information below in relation to the Announcement.

INFORMATION ON THE JOINT VENTURE

The entire costs of the Redevelopment (save for the Land contributed by ZSS which is valued at RMB37 million as at 30 June 2023 by an independent property valuer using the direct comparison method) will be borne by Huasuan and such costs are estimated at approximately RMB418 million, which is based on the budget plan submitted by Huasuan to the relevant regulatory authorities in the PRC in relation to the Redevelopment. The budget plan includes breakdowns of estimated construction costs (which consist of, amongst others, labour cost and cost of construction materials) by building and area under the Redevelopment. Based on the aforesaid, the total investment costs of the Redevelopment including the value of the Land shall be approximately RMB455 million.

The ZSS Development Loan, if required, will be borrowed by ZSS, being the entity undertaking the Redevelopment; while as stipulated in the JV Agreement, Huasuan will have the sole responsibility of repaying the ZSS Development Loan, both loan principal and interests. As ZSS will be the borrowing entity; in the hypothetical scenario where Huasuan does not repay the ZSS Development Loan due to unforeseeable reasons, ZSS would be liable for its repayment, and the Company will comply with the requirements under the Listing Rules where applicable. As at the date hereof, the Parties have yet to decide on whether the ZSS Development Loan will be necessary, and they will closely monitor the ongoing funding needs of the Redevelopment.

In terms of allocation of properties as described in the Announcement, the respective entitlements of ZSS and Huasuan are determined based on (a) the respective contributions by the Parties as discussed in the section headed “Commitment and contribution of the Parties” in the Announcement; and (b) the expected effort and time required by the respective Parties in managing the Joint Venture and driving the Redevelopment project, after arm’s length negotiation. In addition, when considering the allocation of properties in the case where certain parts of the Existing Buildings are to be demolished and redeveloped, the Group has also taken into account the value of the newly built buildings that ZSS will be compensated with would be higher than that of the demolished Existing Buildings (which mainly comprise older factory buildings) of equivalent gross floor area.

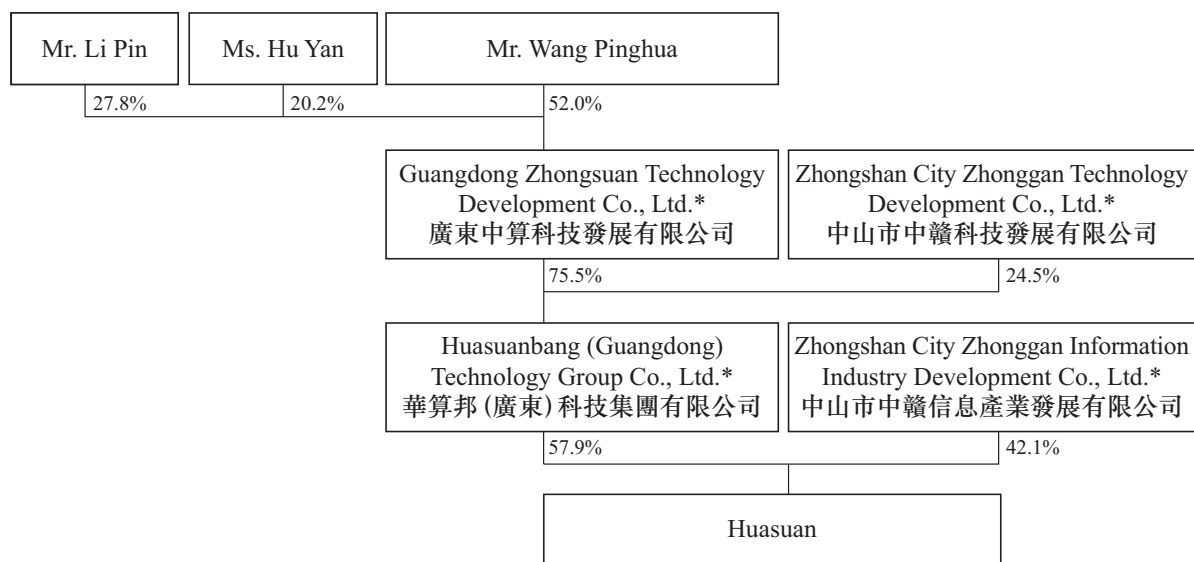
In terms of accounting treatment of the Joint Venture on the Company’s financial statement, according to the Company’s interpretation of the relevant accounting standards, namely Hong Kong Financial Reporting Standard 11, having considered that (i) the Joint Venture is in the form of an unincorporated joint venture; and (ii) each of ZSS and Huasuan shall be entitled to nominate three members to the JV Committee pursuant to the JV Agreement, the Joint Venture shall be treated as a “joint operation” of the Company. Accordingly, ZSS shall recognise its share of interest in the Joint Venture based on the allocation of properties as described in the section headed “Allocation of properties” in the Announcement. This applies to the assets, liabilities, revenue and expenses of the Joint Venture. The Directors wish to point out that the Company is in discussion with its auditor with respect to such interpretation and it is still being finalised.

ULTIMATE BENEFICIAL OWNERS OF HUASUAN

To the best knowledge of the Directors and information provided by Huasuan, the ultimate beneficial owners which have aggregate majority control of Huasuan are Mr. Wang Pinghua, Ms. Hu Yan and Mr. Li Pin, whose shareholdings are shown in the chart below. Mr. Wang Pinghua and Ms. Hu Yan are husband and wife.

Mr. Wang Pinghua, Ms. Hu Yan and Mr. Li Pin are directors and co-founders of Huasuan; and they have been managing its businesses since the founding in 2012.

Set out below is a shareholding chart of Huasuan as at the date of this announcement.



This announcement with the supplemental information herein shall be read in conjunction with the Announcement, where the information set out in the Announcement remains unchanged and is valid for all purposes.

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

Hong Kong, 10 August 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*