THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular 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 this circular and the accompanying form of proxy 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 the transferee(s).

Sandmartin International Holdings Limited
聖馬丁國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

MAJOR TRANSACTION
(1) DISPOSAL OF ALL INTERESTS IN MY HD MEDIA FZ-LLC
AND
CONTINUATION OF EXISTING LOANS AND GUARANTEE
AND
(2) NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 5 to 32 of this circular.

A notice convening the SGM to be held at Industrial Zone No. 3, No. 16 Qianjin Erlu, Xin Qian Jin Village, Tanzhou Town, Zhongshan, Guangdong Province, the PRC on Wednesday, 19 June 2019 at 3:30 p.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof (as the case may be), should you so wish.

25 May 2019

* *For identification purpose only*

CONTENTS

Page

In this circular, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:–

"AED"	United Arab Emirates dirham, the lawful currency of the United Arab Emirates
"Agreement"	the conditional agreement dated 31 December 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Company"	Sandmartin International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 482) and the Taiwan Stock Exchange Corporation (Stock Code: 910482)
"Completion"	completion of the Disposal pursuant to the Agreement
"Completion Date"	the date when Completion shall take place, being the 10th business day after all the Conditions have been fulfilled, or such other date as may be agreed in writing between the parties to the Agreement
"Conditions"	the conditions precedents to Completion as set out in the section titled "*The Disposal, the Existing Loans and the Agreement – Conditions precedents*" in the Letter from the Board of this circular
"connected persons"	has the meaning ascribed to it under the Listing Rules

"Content Supply Agreement"	the HD Channel Licence & Supply Agreement dated 10 May 2012 entered into between MyHD and MBC FZ LLC relating to the licensing and supply of proprietary conditional access technology to MBC FZ LLC in conjunction with MBC FZ LLC's satellite-delivered bouquet of high-definition satellite television channels for reception throughout the Middle East and North Africa, as amended by three amendment agreements between the same parties dated 1 February 2013, 24 November 2013 and 3 October 2016 respectively
"Disposal"	the disposal of the Sale Share by the Vendor to the Purchaser pursuant to the Agreement
"Director(s)"	the director(s) of the Company
"Existing Loans"	existing loans owing by the Target Company and MyHD to the Company and/or SMT (as the case may be) as at Completion, the particulars of which are set out in the section titled "*The Disposal, the Existing Loans and the Agreement – The Existing Loans*" in the Letter from the Board of this circular
"Group"	the Company and its subsidiaries
"Guarantee"	a letter of guarantee dated 3 October 2016 given by the Company in favour of MyHD pursuant to which the Company irrevocably guaranteed to pay all financial obligations of MyHD in relation to the third amendment agreement to the Content Supply Agreement dated 3 October 2016
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	20 May 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 June 2019 or such later date as may be agreed in writing between the Vendor and the Purchaser
"MyHD"	My HD Media FZ-LLC, a free zone company incorporated in the United Arab Emirates with limited liability which is a wholly-owned subsidiary of Ocean Oasis JAFZA
"Ocean Oasis BVI"	Ocean Oasis International Limited, a company incorporated in the BVI with limited liability which is a 51% owned subsidiary of the Target Company with the remaining 49% owned by an independent third party shareholder, Ms. Chen Chu Li
"Ocean Oasis JAFZA"	Ocean Oasis International Limited, a company incorporated in the United Arab Emirates with limited liability which is a wholly-owned subsidiary of Ocean Oasis BVI
"Open Offer Circular"	the circular of the Company dated 24 May 2017 in relation to the open offer of the Company
"PRC"	People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Purchaser"	Chen Yaoning, a natural person and a resident of the PRC
"Remaining Group"	the Group after Completion
"Sale Share"	1 share of US$1.00 in the Target Company, representing the entire issued share capital of the Target Company as at the date of the Agreement and at Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	a special general meeting of the Company to be held to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion
"Share(s)"	ordinary share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) in the register of members of the Company from time to time
"SMT"	SMT Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Speed Connection Group Limited, a company incorporated in the BVI with limited liability which is a wholly-owned subsidiary of the Vendor
"Target Group"	the Target Company and its subsidiaries, namely Ocean Oasis BVI, Ocean Oasis JAFZA and MyHD
"Transaction Date"	1 January 2019
"Vendor"	Health General Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

In this circular, AED has been converted to HK$ at the rate of AED1 = HK$2.1318 and US$ has been converted to HK$ at the rate of US$1 = HK$7.83, for illustration purpose only. No representation is made that any amounts in AED, US$ or HK$ have been, could have been or could be converted at the above rates or at any other rates or at all.

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:
Hung Tsung Chin
Chen Wei Chun *(Chief Financial Officer)*

Non-Executive Director:
Kuo Jen Hao

Independent Non-Executive Directors:
Lau Yau Cheung *(Chairman)*
Li Chak Hung
Wu Chia Ming

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Units 04-05 16/F
Nam Wo Hong Building
148 Wing Lok Street
Sheung Wan
Hong Kong

25 May 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
DISPOSAL OF ALL INTERESTS IN MY HD MEDIA FZ-LLC
AND
CONTINUATION OF EXISTING LOANS AND GUARANTEE

INTRODUCTION

On 31 December 2018, the Company announced that:

(a) the Vendor and the Purchaser entered into the Agreement on 31 December 2018 pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company, at the nominal consideration of US$1 with effect from the Transaction Date; and

* *For identification purpose only*

(b) the Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) under the existing arrangements notwithstanding Completion taking place and it is also the current intention of the Vendor and the Purchaser that the Guarantee shall continue for the time being after Completion.

On 6 May 2019, the Company further issued an announcement to clarify that the maximum amount payable by the Company under the Guarantee should not exceed US$3,500,000 (equivalent to approximately HK$27,405,000).

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

The purpose of this circular is to provide you with, among other things, (i) details of the Disposal, the Existing Loans, the Guarantee and the Agreement; (ii) a notice of the SGM together with the proxy form; and (iii) other information as required under the Listing Rules.

THE DISPOSAL, THE EXISTING LOANS AND THE AGREEMENT

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

Date of the Agreement

31 December 2018

Parties to the Agreement

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

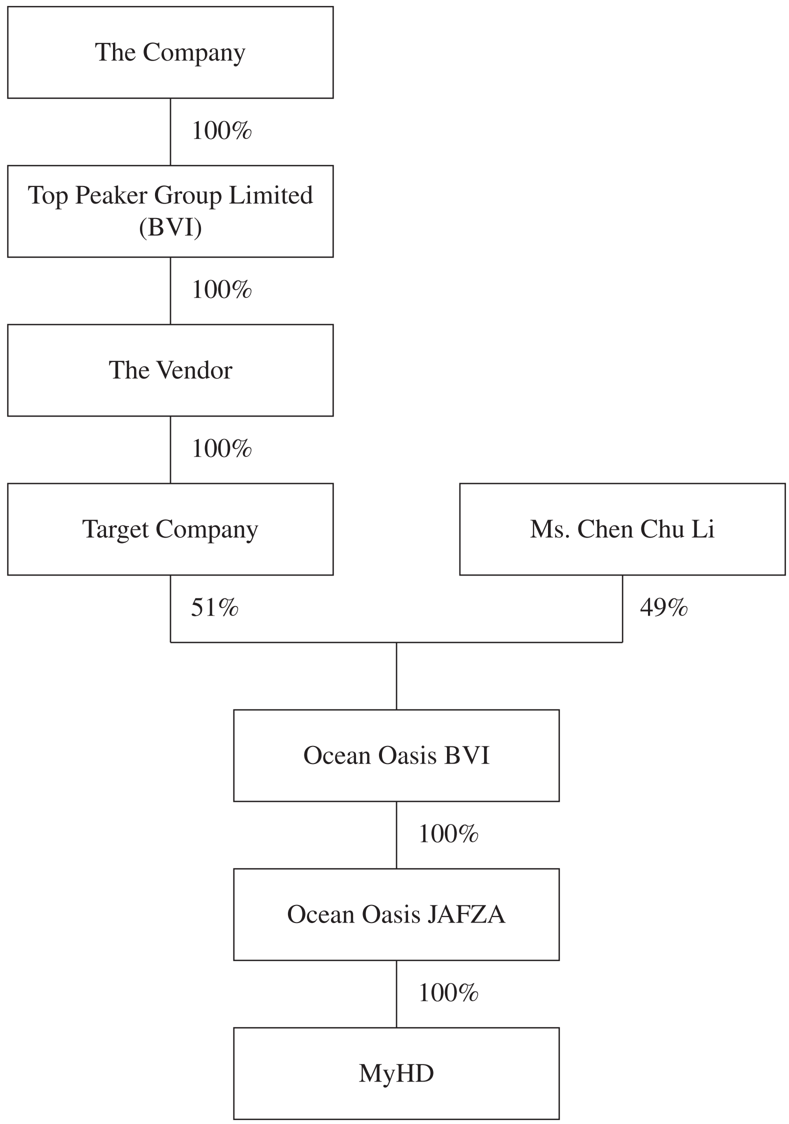
To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons as defined under the Listing Rules.

Assets to be disposed

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

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

Set out below is the group structure of the Target Group as at the date of the Agreement and the Latest Practicable Date:



Further information on the Target Group is set out in the section headed "Information on the Target Group" in this circular.

Consideration

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

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

In particular, the risk to the Purchaser referred to in (iv) above concerns the term of the Agreement which stipulates that the Purchaser will assume all rights, liabilities and obligations of the Target Group with effect from the Transaction Date. This would include providing the necessary funding to MyHD for its operation, amounting to around US$1.5 million to US$2 million per month (i.e. around US$18 million to US$24 million per annum). In the event that MyHD is unable to meet its payment obligations to its creditors, the Purchaser will also need to provide further funding to MyHD, which is estimated to be approximately US$13 million as at 30 November 2018. Furthermore, the Purchaser will need to undertake the exposure on the uncertainty of profitability of MyHD as the breakeven of MyHD's business in 2020 is still uncertain and cannot be guaranteed.

After taking into account the aforementioned risks to the Purchaser in acquiring the Target Group including the financial burden to be taken up by the Purchaser, the Board considers that a nominal consideration for the Disposal is appropriate. On the one hand the Group can be relieved from the financial burden of providing further financial assistance to the Target Group or, in case of liquidation of MyHD, the need to write-off loans and other receivables from MyHD and be exposed to immediate payment obligation to MBC FZ LLC under the Content Supply Agreement pursuant to the Guarantee, while on the other hand the Purchaser would find it more acceptable to assume such risks.

Conditions precedents

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

(a) the passing of an ordinary resolution by the Shareholders at a general meeting of the Company approving the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion in accordance with the Listing Rules; and

(b) all registration procedures, approvals and/or consents required by government, laws, rules and regulations and contracts in respect of and/or in connection with the transactions contemplated under the Agreement having been completed and/or obtained.

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

Completion

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

The Existing Loans

As at the Latest Practicable Date, there were Existing Loans in the aggregate amount of US$82,365,016 comprising aggregate principal amount of US$71,298,288 and aggregate accrued interest of US$11,066,728 owing by the Target Company and/or MyHD to the Company and/or SMT (as the case may be), the particulars of which are set out below:

Lender	Debtor	Prevailing interest rate	Maturity date	Principal amount outstanding as at the Latest Practicable Date	Accrued interest as at the Latest Practicable Date
SMT	Target Company *(Note 1)*	3 months LIBOR + 100 basis points	31.12.2020	US$9,553,843 (approximately HK$74,806,591)	US$1,044,996 (approximately HK$8,182,319)
SMT	MyHD *(Note 1)*	3 months LIBOR + 100 basis points	31.12.2020	US$10,500,000 (approximately HK$82,215,000)	US$1,053,583 (approximately HK$8,249,555)
SMT	MyHD *(Note 2)*	10% per annum	31.12.2020	US$42,653,245 (approximately HK$333,974,908)	US$7,439,394 (approximately HK$58,250,455)
the Company	MyHD *(Note 2)*	10% per annum	31.12.2020	US$8,591,200 (approximately HK$67,269,096)	US$1,528,755 (approximately HK$11,970,151)
			Total:	**US$71,298,288 (approximately HK$558,265,595)**	**US$11,066,728 (approximately HK$86,652,480)**

Notes:

1. As a reference, 3 months LIBOR as applicable to these two loans during the period between 1 May 2012 to 30 April 2019 ranges between 0.22335% and 2.80763%. The relatively low rate charged with reference to 3 months LIBOR was arrived at after negotiation with MyHD pursuant to which in return for the low interest rate, MyHD would purchase set-top boxes from the Group. Based on the assessment of MyHD's development prospect by the then chief executive officer of the Company, it was expected that MyHD's demand for set-top boxes would increase as its business further develops, and it was considered that such arrangement was in the interest of the Company.

2. The funds of these two loans (the "**Relevant Loans**") came from different sources, including but not limited to debt financing such as borrowings from financial institutions, capital financing such as proceeds from the open offer and placements of new shares of the Company and internal generated cash flows. Details of the sources of funds of the Relevant Loans and the weighted average cost based on their costs structure are set out below:

Type of funding	**Loan interest rate/ Percentage of one-off transaction costs**	**Approximate principal amount of the Relevant Loans**	**Approximate Borrowing costs/ Approximate Transaction costs**
		US$	*US$*
Debt financing (Lender: AP Finance Limited, a financial institution)	12%	30,000,000	3,600,000
Open offer for shares of the Company in July 2017 on the basis of 3 open offer shares to 2 existing shares	6.60%	8,600,000	567,600
Subscription of new shares under general mandate in August 2016	1.40%	1,200,000	16,800
Internally generated cash flows	6.85%	11,400,000	780,900
		51,200,000	4,965,300
Weighted average cost of the Relevant Loans (4,965,300/51,200,000)			9.70%

The Board determined the lending rate of 10% per annum for the Relevant Loans by taking into account of (i) the borrowing costs of the Company from AP Finance Limited with interest rates of 10% to 12% per annum, but taking the higher interest rate of 12% for the purpose of calculation (covering approximately 59% of the principal amount of the Relevant Loans); (ii) the weighted average borrowing costs of the Group of approximately 6.85% per annum, assuming that it was the borrowing costs of internally generated cash flows (covering approximately 22% of the principal amount of the Relevant Loans); and (iii) the average percentage of transaction costs to gross proceeds ranging from 1.4% to 6.6% for the fund raising activities of the Company in the past three years (covering approximately 19% of the principal amount of the Relevant Loans).

As illustrated in the above table, the weighted average cost of the Relevant Loans, being 9.70%, is less than the loan interest rate of 10% per annum charged by the Group for the Relevant Loans. Therefore, the Board considers that such loan interest rate is on normal commercial terms and is fair and reasonable.

Further details of the Existing Loans showing their breakdown are as follows:–

	Date of loan agreement	**Loan facility amount** *US$*	**Time of drawdown by MyHD**	**Outstanding principal amount** *US$*
First MyHD Loan (as defined in the Open Offer Circular) *(Note 1)*	01.04.2014	2,000,000	02.05.2012-10.05.2013	2,188,310 *(Note 4)*
Second MyHD Loan (as defined in the Open Offer Circular) *(Note 1)*	01.10.2014	8,000,000	24.07.2013-26.03.2015	7,365,533
Third MyHD Loan (as defined in the Open Offer Circular) *(Note 2)*	03.08.2015	2,000,000	13.08.2015-22.02.2016	2,490,557 *(Notes 3, 4)*
Fourth MyHD Loan (as defined in the Open Offer Circular) *(Note 2)*	26.02.2016	2,000,000	26.02.2016-21.03.2016	1,901,895
Fifth MyHD Loan (as defined in the Open Offer Circular) *(Note 2)*	29.03.2016	6,500,000	29.03.2016-23.06.2016	6,107,548
Loan agreement between SMT and MyHD	19.12.2018	50,900,000	23.06.2016-23.10.2018	42,653,245
Loan agreement between the Company and MyHD	19.12.2018	8,600,000	26.07.2017-25.08.2017	8,591,200
		80,000,000		71,298,288

Notes:

1. The first loan in the outstanding principal amount of US$9,553,843 as set out in the table on page 10 of this circular comprises the First MyHD Loan and the Second MyHD Loan. Such loans were provided to the Target Company for on-lending to MyHD via another company, namely Madinat Investment Holdings Limited.

2. The second loan in the outstanding principal amount of US$10,500,000 as set out in the table on page 10 of this circular comprises the Third MyHD Loan, the Fourth MyHD Loan and the Fifth MyHD Loan.

3. The original loan facility amount of the Third MyHD Loan was US$13,000,000. After taking into account of the loan capitalization that was completed on 5 July 2016, the loan facility amount was reduced to US$2,000,000.

	US$
Drawdown by MyHD	13,727,557
Loan capitalisation	(11,237,000)
Outstanding loan amount after loan capitalisation	2,490,557

4. The remittances from the Group to MyHD were made by multiple drawdowns by MyHD over several years during the period between May 2012 to October 2018. The remittances from the Group to MyHD exceeded the loan facility amounts under the First MyHD Loan and the Third MyHD Loan by US$188,310 and US$490,557 respectively. Such exceeded sums were subsequently covered by the loan facility amounts under the Second, the Fourth and the Fifth MyHD Loans. The aggregate outstanding principal amount of the First to the Fifth MyHD Loans did not exceed the aggregate loan facility amount of such loans, the particulars of which are as follows:

	Loan facility amount	**Aggregate loan facility amount**	**Outstanding principal amount**	**Aggregate outstanding principal amount**
	US$	*US$*	*US$*	*US$*
First MyHD Loan	2,000,000	2,000,000	2,188,310	2,188,310
Second MyHD Loan	8,000,000	10,000,000	7,365,532	9,553,843
Third MyHD Loan	2,000,000	12,000,000	2,490,557	12,044,399
Fourth MyHD Loan	2,000,000	14,000,000	1,901,895	13,946,294
Fifth MyHD Loan	6,500,000	20,500,000	6,107,548	20,053,842

The Existing Loans are not secured by any assets of the Target Company and/or MyHD. The loan in the aggregate principal amount of US$9,553,843 was provided to the Target Company during the period from May 2012 to March 2015 for on-lending to MyHD via another company, Madinat Investment Holdings Limited ("**Madinat**"). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for such on-lending arrangement and that Madinat is a company wholly-owned by Ms. Chen Chu Li (who came to have 100% interest in MyHD through Ocean Oasis BVI in June 2014, and subsequently completed the sale of her 11% interest in Ocean Oasis BVI to the Company on 22 March 2016, and since 5 July 2016 after completion of the subscription of new shares in Ocean Oasis BVI by the Company, indirectly owns 49% interest in MyHD through her 49% shareholding interest in Ocean Oasis BVI), there is no relationship (personal, business or otherwise) among Madinat, the Purchaser, the Company, MyHD, Ms. Chen Chu Li and their connected persons. As the Target Company is a wholly-owned subsidiary of the Company, no written agreement was entered into between SMT and the Target Company with respect to such loan at that time and interests thereon is payable by quarterly in arrears. However, for the loans on-lent by the Target Company to MyHD via Madinat, for better corporate governance, loan agreements were subsequently executed by the Target Company to record in writing the existence of such loans. Further, in light that the Target Company will no longer be a subsidiary of the Company upon Completion, SMT and the Target Company had on 19 March 2019 entered into a loan agreement to record in writing the existence of such loan. The reason that the Company advanced funding to MyHD since 2012 was to explore business opportunities to diversify the Group's business into satellite TV broadcasting, which was consistent with the Company's strategic plan, one successful case of which is the Company's investment in Dish Media Network Limited ("**Dish Media**"), a pay television operator in Nepal, which is owned as to approximately 47.12% by the Company since 2011.

The loan in the aggregate principal amount of US$10,500,000 was made pursuant to three loan agreements between SMT and MyHD dated 3 August 2015, 26 February 2016 and 29 March 2016 respectively and interests on such loan is payable by quarterly in arrears. For the two loans in the principal amounts of US$42,653,245 and US$8,591,200 respectively, they were advanced by SMT or the Company (as the case may be) to MyHD during the period from June 2016 to October 2018. As the Company contemplates to dispose of MyHD, the Group decided to record in writing such inter-company loan arrangements. Accordingly, two loan agreements were entered into on 19 December 2018 between SMT and MyHD, and between the Company and MyHD respectively. Interests of both of such loans are payable on the last day of each interest period of 3 months.

As MyHD is still at the developing stage, its business does not generate sufficient operating cash flows to pay for all loan interests owing to the Group. As at the Latest Practicable Date, the Group had received from MyHD loan interests in the total amount of US$24,533 (equivalent to approximately HK$192,093) and MyHD had not repaid any part of the principal amounts of the Existing Loans.

The proceeds of the Existing Loans obtained by the Target Company were on-lent to MyHD via Madinat, and the proceeds of the loans (including the Existing Loans) obtained by MyHD were used for the following purposes:

Use of Proceeds by Category	**Years 2012-2018**
	US$
TV content fees	57,453,201
Rent for satellite transponders	7,338,481
Purchase for set-top boxes	8,048,448
OPEX (administrative, selling and other operation expenses)	10,904,380
Total	**83,744,510**

Note: The amounts set out above comprises proceeds from (i) the Existing Loans, (ii) loan from the minority shareholder of MyHD and (iii) loans from the Group which had been capitalised in 2016.

As at the Latest Practicable Date, there was no unutilized proceeds of the Existing Loans obtained by the Target Company and/or MyHD from the Group.

The Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) under the existing arrangements notwithstanding Completion taking place.

Upon Completion, the Existing Loans will be classified as "loan receivables" in the non-current assets in the consolidated statement of financial position of the Group in accordance with the Hong Kong Financial Reporting Standards. The recoverability of the Existing Loans will depend on the business performance and profitability of MyHD which is a future event to be assessed at each financial year end date. After the Completion and at each financial year end date, the Company will assess the recoverability of the Existing Loans with reference to the discounted cash flows of MyHD and the actual performance of the Target Group. The Company will engage external professional valuer to evaluate the recoverability of the Existing Loans and then consider whether any impairment is necessary to be provided for the Existing Loans in accordance with Hong Kong Financial Reporting Standard 9 *Financial Instruments*, which will be included in the consolidated financial statements of the Group for the year ending 31 December 2019 that is subject to the audit by the Company's auditors.

INFORMATION ON THE TARGET GROUP

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

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

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

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

Financial information on the Target Company and MyHD

The unaudited consolidated negative net asset value of the Target Company as at 31 December 2017 was HK$519,517,000. Set out below are the unaudited consolidated financial information of the Target Company for the three years ended 31 December 2018:

	For the year ended 31 December 2018 *HK$*	**For the year ended 31 December 2017** *HK$*	**For the year ended 31 December 2016** *HK$*
Revenue	22,410,000	65,862,000	11,586,000
Loss before taxation and extraordinary items	205,824,000	188,383,000	88,165,000
Loss after taxation and extraordinary items	205,824,000	188,383,000	88,165,000
Total assets value	132,952,000 *(Note)*	129,450,000	145,800,000
Net asset value	(721,743,000)	(519,517,000)	(329,322,000)

Note: The unaudited consolidated total assets value of the Target Group as at 31 December 2018 in the amount of HK$132,952,000 mainly comprises (i) goodwill which amounted to HK$97,643,000 and (ii) total assets value of MyHD which amounted to approximately HK$35,309,000 (after taking into account exchange adjustments). An impairment loss on the said goodwill has been recognized for the year ended 31 December 2018 as disclosed on page 80 of the Company's 2018 annual report.

Set out below are the unaudited total assets and total liabilities of each of the companies of the Target Group as at 31 December 2016, 31 December 2017 and 31 December 2018:

	As at 31 December 2018 *HK$*	**As at 31 December 2017** *HK$*	**As at 31 December 2016** *HK$*
Target Company			
– Total assets *(Note 1)*	209,582,000	148,678,000	146,191,000
– Total liabilities	(194,333,000)	(136,704,000)	(135,911,000)
Ocean Oasis BVI			
– Total assets *(Note 2)*	88,182,000	88,046,000	88,126,000
– Total liabilities	(137,000)	(35,000)	(1,219,000)
Ocean Oasis JAFZA			
– Total assets	5,323,000	–	–
– Total liabilities	(5,323,000)	–	–
MyHD			
– Total assets *(Note 3)*	36,263,000	32,174,000	19,926,000
– Total liabilities	(825,238,000)	(616,763,000)	(441,687,000)
Consolidated adjustments	(36,062,000)	(34,913,000)	(4,748,000)
Net asset value	(721,743,000)	(519,517,000)	(329,322,000)

Note 1: The unaudited total assets value of the Target Company as at 31 December 2018 mainly comprises investment costs in Ocean Oasis BVI amounted to HK$128,224,000, loan receivables from MyHD amounted to HK$74,227,000 and loan interest receivables amounted to HK$7,127,000. Investment costs in Ocean Oasis BVI arose from the acquisition of 11% indirect interest in MyHD in June 2014 which amounted to HK$40,573,000 ("**11% Acquisition**") and the loan capitalization which amounted to US$11,237,000 (equivalent to approximately HK$87,086,000) to further increase the Company's indirect interest in MyHD to 51% in July 2016 ("**Loan Capitalisation**") with an exchange adjustment of HK$565,000. For details of the 11% Acquisition and Loan Capitalisation, please refer to the Company's announcements dated 12 June 2017 and 16 May 2016 respectively.

Note 2: The unaudited total assets value of Ocean Oasis BVI as at 31 December 2018 mainly comprises the amount due from MyHD arising from the Loan Capitalisation which amounted to HK$87,998,000 (being the capitalized loan in the amount of HK$87,086,000 with an exchange adjustment of HK$912,000).

Note 3: The total assets value of MyHD as disclosed in this table is different from that as disclosed in page 19 as the financial information of MyHD disclosed in page 18 is derived from the audited accounts of MyHD prepared by its Dubai statutory auditor.

Set out below are the audited financial information of MyHD for the two years ended 31 December 2017 and the unaudited financial information of MyHD for the year ended 31 December 2018:

	For the year ended 31 December 2018	**For the year ended 31 December 2017**	**For the year ended 31 December 2016**
	AED	*AED*	*AED*
Revenue	10,499,000	31,046,000	10,870,000
Loss before taxation and extraordinary items	97,915,000	74,864,000	82,838,000
Loss after taxation and extraordinary items	97,915,000	74,864,000	82,838,000
Total assets value *(Note)*	16,818,000	16,443,000	10,139,000
Net asset value	(30,162,000)	(30,710,000)	(34,989,000)

Note: Set out below is the breakdown of the major assets of MyHD by category:

	As at 31 December 2018	**As at 31 December 2017**	**As at 31 December 2016**
	AED	*AED*	*AED*
Property, plant and equipment	813,000	985,000	278,000
Inventory	2,678,000	2,201,000	860,000
Trade and other receivables	9,383,000	6,686,000	5,464,000
Cash at bank and in hand	3,936,000	6,550,000	3,537,000
Amount due from related parties	8,000	21,000	–
Total assets	16,818,000	16,443,000	10,139,000

The above accounts were compiled based on International Financial Reporting Standards. For year 2016 and 2017 respectively, shareholders' loans in the respective principal amounts of AED164,692,000 and AED243,835,000 (equivalent to approximately HK$351,090,000 and HK$519,807,000) were considered as equity in such accounts. For year 2018, shareholders' loans (together with interests accrued thereon) in the amount of AED339,798,000 (equivalent to approximately HK$724,381,000) was considered as equity in such accounts.

The Existing Loans as disclosed on page 10 included accrued loan interest up to the Latest Practicable Date whereas the shareholders' loans for the year 2018 in the management account of MyHD as disclosed above comprised not only loan principal and interest accrued up to 31 December 2018 owed to the Company and SMT, but also included the shareholders' loans owed by MyHD to Ocean Oasis BVI and its other shareholder Ms. Chen Chu-Li in the amount of US$11,237,369 (equivalent to approximately HK$87,988,599) and US$1,143,064 (equivalent to approximately HK$8,950,191) respectively.

Expressed as HK$ at the rate of AED1 = HK$2.1318

	For the year ended 31 December 2018	**For the year ended 31 December 2017**	**For the year ended 31 December 2016**
	HK$	*HK$*	*HK$*
Revenue	22,381,000	66,183,000	23,173,000
Loss before taxation and extraordinary items	208,735,000	159,595,000	176,594,000
Loss after taxation and extraordinary items	208,735,000	159,595,000	176,594,000
Total assets value	35,853,000	35,053,000	21,614,000
Net asset value	(64,299,000)	(65,467,000)	(74,589,000)

The Guarantee

The Company had pursuant to the Guarantee given in favour of MyHD irrevocably guaranteed to pay all financial obligations of MyHD in relation to the third amendment agreement to the Content Supply Agreement dated 3 October 2016. The Guarantee does not expire and it is the current intention of the Vendor and the Purchaser that the Guarantee shall continue for the time being after Completion. The maximum amount payable by the Company under the Guarantee should not exceed US$3,500,000 (equivalent to approximately HK$27,405,000).

The Guarantee does not contain any conditions which need to be fulfilled or any circumstances which must arise before MyHD can enforce the same and demand payment from the Company. Notwithstanding that MyHD failed to observe all its payment obligations under the third amendment agreement to the Content Supply Agreement, since the date of the Guarantee up to the Latest Practicable Date, the Company has not received any demand for payment from MyHD under the Guarantee.

After Completion, the Group will recognise the Guarantee as financial liability in the Group's financial statements in accordance with Hong Kong Financial Reporting Standard 9 *Financial Instruments*.

Business development of MyHD since May 2017

Since its launch in October 2016, the subscription of new customers for GOBX (being the project in Saudi Arabia launched by MyHD in collaboration with MBC FZ LLC) enjoyed a remarkable growth rate in the first eight months. However, starting from November 2017, the growth rate was much slower than expected and the number of subscribers had only grown from around 411,000 by the end of November 2017 to 455,000 by the end of December 2018. This was mainly due to the following reasons:

(A) MBC FZ LLC's inability to obtain the license to charge subscription fees

According to relevant laws of the Kingdom of Saudi Arabia, MBC FZ LLC is required to obtain a license from the General Authority for Audiovisual Media of the Kingdom of Saudi Arabia before MBC FZ LLC could charge subscription fees from GOBX. Therefore, in the third quarter of 2016, when GOBX was launched to the market, MBC FZ LLC submitted its application to the government of the Kingdom of Saudi Arabia to charge subscription fees for its GOBX subscribers. However, due to political instability in the Kingdom of Saudi Arabia, in February 2017, MBC FZ LLC was informed about the failure of its first attempt in obtaining the license, making it unable to charge any subscription fees. Notwithstanding such failure, MBC FZ LLC made a second attempt to apply for the license. Pursuant to the relevant GOBX agreement, GOBX subscribers should start paying subscription fees after the first four months of free trial, i.e. MBC FZ LLC should start charging subscription fees starting from February 2017. In light that MBC FZ LLC has not yet obtained the license by February 2017, MyHD started negotiation with MBC FZ LLC in February 2017 and achieved an agreement with MBC FZ LLC in April 2017 that before MBC FZ LLC could start charging subscription fees from its GOBX subscribers, MBC FZ LLC would compensate MyHD its sharing of subscription revenue from the GOBX project based on 30% of the total number of the then existing subscribers, being the approximate ratio to which MyHD is entitled under the relevant GOBX agreement. Yet, the inability to obtain license to charge subscription fees had discouraged MBC FZ LLC from putting further resources in its marketing and promotion of GOBX and the number of subscribers of GOBX became stagnant since late 2017 when coupled with other unfavourable factors as set out in the following sections.

On 5 July 2017, MyHD was informed by MBC FZ LLC that MBC FZ LLC had failed to obtain the said license to charge subscription fees and gave permission to MyHD to apply the said license on its own. On 19 July 2017, MyHD submitted its application to the government of the Kingdom of Saudi Arabia for such license and finally obtained the same. As a result, starting from May 2018, subscription fees are charged from GOBX subscribers via the dealers of GOBX in the Kingdom of Saudi Arabia by virtue of the license successfully obtained by MyHD.

Prior to the despatch of the Open Offer Circular, the Board was aware that MBC FZ LLC was in the process of applying for the license to charge subscription fees from GOBX subscribers, but it was not aware of the failure of MBC FZ LLC to obtain such license. The Board was given to understand that MBC FZ LLC had confidence in GOBX and had put a lot of effort in the marketing and promotion of GOBX in the Kingdom of Saudi Arabia. At the material time in the preparation of the Open Offer Circular, there was no slow-down in the growth of GOBX subscribers until November 2017 when there was political instability in the Kingdom of Saudi Arabia. Based on the above, the then Board believed that the assessment of profitability of MyHD at the time of the Open Offer Circular (which was substantially based on the estimated subscription growth of GOBX) was reasonable and achievable.

The Board is of the view that the obtaining of (or failure to obtain) the license was not the key factor when assessing the prospects of the GOBX project as a whole. Rather, the Board considers that the unsatisfactory performance of MyHD was mainly attributable to the political instability in the Kingdom of Saudi Arabia and the loss of the exclusive rights to broadcast the Saudi Professional League. Such view can be supported by the fact that the number of GOBX subscribers increased from 340,000 in May 2017 to around 411,000 in November 2017, representing an increase of approximately 71,000 GOBX subscribers within six months. Due to the political instability in the Kingdom of Saudi Arabia and the loss of the exclusive rights to broadcast Saudi Professional League, the growth of GOBX subscribers became stagnant since late 2017 and the number of GOBX subscribers was around 455,000 by the end of 2018, representing an increase of approximately 44,000 GOBX subscribers only in more than twelve months. As the Board does not consider the obtaining of (or failure to obtain) the license to have a significant adverse impact on the development of the GOBX project, no announcement was specifically made by the Company in relation to the same. As at 30 April 2019, the number of GOBX subscribers was around 455,600.

(B) Political instability in the Kingdom of Saudi Arabia

In November 2017, a number of prominent Saudi Arabian princes, government ministers and business people were arrested in Saudi Arabia following a few weeks after the creation of an anti-corruption committee led by the government of the Kingdom of Saudi Arabia. According to the news articles on the internet, as many as 500 people were rounded up in the sweep. Saudi Arabian banks froze more than 2,000 domestic accounts as part of the crackdown. According to the Wall Street Journal, the Saudi government targeted cash and assets worth up to US$800 billion. The Saudi authorities claimed that such amount was composed of assets worth around US$300 billion to US$400 billion which they can prove was linked to corruption. The political instability in the Kingdom of Saudi Arabia led to the change of the major shareholders of MBC FZ LLC and its senior management and adversely affected the business development of GOBX.

(C) Loss of exclusive rights to broadcast Saudi Professional League

It was the initial strategy of MBC FZ LLC that it would gradually shut down the free-to-air channel for broadcasting of Saudi Professional League and make it available at GOBX only. It was hoped that by making GOBX the sole program provider of Saudi Professional League, which is a popular program among the citizens of the Kingdom of Saudi Arabia, the subscription for GOBX could increase significantly.

In 2014 during the reign of the former King of Saudi Arabia, when MBC FZ LLC obtained the broadcasting right of Saudi Professional League for a term of 10 years, it was stated that MBC FZ LLC had a right to encrypt the sports channel after two years. However, after the former King of Saudi Arabia passed away, there was a widespread change of ministers within the government of the Kingdom of Saudi Arabia. As the new regime of Saudi Arabia did not allow the encryption of the Saudi Professional League, in July 2017, MBC FZ LLC was informed by the government of the Kingdom of Saudi Arabia that the shutting down of free-to-air channel of Saudi Professional League was rejected. As a result, the attractiveness of GOBX was substantially reduced.

To worsen the situation, in February 2018, the exclusive rights to broadcast Saudi Professional League was lost by MBC FZ LLC and offered to Saudi Telecom Company ("**STC**"). Prior to February 2018, STC owns an over-the-top platform on which Saudi Professional League was being shown and distributed directly to viewers over the internet. In February 2018, STC further obtained the broadcasting rights of Saudi Professional League via direct-to-home services. In August 2018, STC and MBC FZ LLC intended to cooperate for the broadcasting of the new season of Saudi Professional League via GOBX. Nevertheless, such cooperation between STC and MBC FZ LLC was not agreed to by the government of the Kingdom of Saudi Arabia as the government insisted that the Saudi Professional League should be kept free-to-air to the public, instead of only available to the paying subscribers.

In addition to the aforesaid, the business development of MyHD was much slower than expected also because of (i) insufficient number of renewing subscribers; (ii) payment systems for subscription fees not ready for use; (iii) available channels need to be re-packaged to include more sports channels to enhance attractiveness; and (iv) uncertainty caused by the recent change of senior management of MBC FZ LLC. All these factors gave rise to the need to revise the projected breakeven of MyHD to 2020.

In light of the above developments, the Company began to explore the possibility of either finding investors to co-invest in MyHD or disposing of MyHD.

Chronology of events leading to the Disposal

At the board meeting of the Company held on 11 June 2018, the chief executive officer of the satellite TV broadcasting business had reported that subscribers were growing slower than expected, which coupled with the unknown situation of MBC FZ LLC such as the recent change of its senior management, there is a need to revise the projected breakeven date of MyHD to 2020. During the review of the Group's interim results at the board meeting in August 2018, the Board acknowledged that the demand for continuous funding for MyHD would increase the financial burden of the Group. Since then, the Group considered the possibility of finding partners to co-invest in MyHD and tried to identify potential investors in the market. During September 2018 to November 2018, the Group had identified and negotiated with three potential investors, including the Purchaser, to co-invest in or purchase MyHD. However, only the negotiation with the Purchaser was finally able to materialize, leading to the entering into of the Agreement.

The Company started negotiations with the first and second potential investor in September and October 2018 respectively. However, as both potential investors required the Company to provide further funding into MyHD, and one of the potential investors also required that MyHD must be debt-free, the Company was finally unable to reach any agreement with such potential investors in relation to their investment in MyHD.

On 25 November 2018, the two executive Directors met with the Purchaser for the first time in Beijing through the introduction of a Shareholder, namely Mr. Lee Chien Ho, and the parties discussed about the proposed disposal of MyHD. A non-executive Director also joined the meeting by phone. The Purchaser is a resident of the PRC. He has worked in private equity fund house and he also has experiences in the hotel management sector. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for being the purchaser under the Disposal, the Purchaser has no other relationship (personal, business or otherwise) with the Company, MyHD, Ms. Chen Chu Li (49% shareholder of Ocean Oasis BVI) and their connected persons. During the period from 21 December 2018 to 28 December 2018, the Company discussed with the Purchaser on the terms of the Agreement.

The Directors got acquainted with the Shareholder when Cic's Assets Fund Management (Beijing) Co., Ltd. subscribed for the shares of the Company in August 2016. The Shareholder is the managing partner of Cic's Assets Fund Management (Beijing) Co., Ltd. The Company's connected persons or their associates have not entered into any other arrangement, agreements or understanding (whether formal or informal and whether express or implied) with the Shareholder and the Purchaser in relation to the Disposal and the continuation of Existing Loans and guarantee. The Purchaser is a salary partner of Cic's Assets Fund Management (Beijing) Co., Ltd. and a co-worker of the said Shareholder.

Save as disclosed above and save that Honsen Capital Limited, a company wholly-owned by the said Shareholder (who is also its sole director) entered into a loan agreement with MyHD on 28 December 2018, the said Shareholder did not have any relationship (personal, business or otherwise) with the Company's connected persons and/or their associates, MyHD and the Purchaser. According to the representation by the said Shareholder, his shareholding interests in the Company was less than 5%. Insofar as the Company is aware, Cic's Assets Fund Management (Beijing) Co., Ltd does not have any personal, business or otherwise relationship with MyHD, the Company, its connected persons and/or their associates (other than being a minority shareholder of the Company).

Whilst the Company was negotiating the terms of the Disposal with the Purchaser, it also engaged an advisory company on 12 December 2018 to assist the Company to search for potential investor(s)/purchaser(s) of MyHD. However, as at 27 December 2018, no potential investor/ purchaser could be identified.

On 28 December 2018, the Board held a meeting to consider and approved the Disposal and the Agreement, including the continuation of the Existing Loans and the Guarantee after Completion.

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

Reference is made to the 2018 annual report of the Company ("**2018 Annual Report**"). As disclosed in the 2018 Annual Report, the satellite TV broadcasting business in the Middle East was still developing its customer base by purchasing high quality television contents and offering promotional packages to attract new subscribers, which incurred substantial amounts of programming and marketing costs inevitably. Since the subscription of new customers of GOBX was slower than expected as a result of political instability in Saudi Arabia, the Group revised the projected breakeven of MyHD to 2020. Given the high running costs-per-subscriber before the subscription revenue achieved the breakeven point, the Group recorded a segment loss of HK$228,346,000 from the satellite TV broadcasting segment for the year ended 31 December 2018 and an impairment loss on goodwill attributable to the satellite TV broadcasting segment amounted to HK$97,643,000 for the year ended 31 December 2018.

The Group has been experiencing heavy financial burden and has been obtaining borrowings from financial institutions for its daily operation. Given the uncertainty of the future profitability of the Target Group and if the Group intends to keep MyHD and to have sufficient funding for its operation, then the Group will need to provide further financial assistance to the Target Group before subscription revenue of the Target Group is expected to breakeven in 2020. As such, the Disposal will relieve the Group in the provision of further financial assistance to the Target Group. The Directors are of the view that the Disposal will relieve the Group from the heavy financial burden of maintaining the operation and business development of MyHD, which amounts to approximately US$1.5 million to US$2 million per month. Due to the winding-up petition filed against the Company and the loss-making of the Group in consecutive years, it had been very difficult for the Group to obtain new debt financing and/or to raise new funding from the capital market.

The Vendor had agreed with the Purchaser under the Agreement to procure that the Existing Loans shall continue to be advanced by the Company or SMT (as the case may be) to the Target Company and/or MyHD (as the case may be) under the existing arrangements notwithstanding Completion taking place. The Board had considered selling the Existing Loans together with its interest in MyHD to the Purchaser. However, given that MyHD is heavily in debt, the Purchaser is not willing to buy out the Existing Loans. Such arrangement of continuing the Existing Loans after Completion was a fundamental term for the Purchaser to enter into the Agreement and without which, the Purchaser would not have agreed to acquire the Target Group.

The Directors consider that the continuation of the Existing Loans is in the interests of the Company since MyHD may, with further funding support, continue its existing operations. The continuation of MyHD's operations would provide an opportunity for the Company to recover the Existing Loans, and to be relieved from the Guarantee when the financial positions of the Target Company and/or MyHD improve and have sufficient cash to settle the Existing Loans and its payment obligations owed to MBC FZ LLC. On the contrary, if the Company decides to shut down the business of MyHD, the Company would first of all need to write-off the loans receivable in the amount of approximately US$71,298,288 and related interests receivable in the amount of approximately US$11,066,728. Further, MyHD would need to honour its payment obligations to MBC FZ LLC under the Content Supply Agreement (amounting to approximately US$3.5 million calculated with reference to the payment schedule attached to the third amendment agreement to the Content Supply Agreement). Considering that MyHD is loss-making, the Company would also likely be exposed to the US$3.5 million liability pursuant to the Guarantee. In addition, the Company would need to incur extra expenses to appoint liquidators to liquidate MyHD and to deal with potential legal actions against MyHD and the Company by the creditors of MyHD, as well as the severance payments to the employees of MyHD.

Therefore, when considering the terms of the Disposal, the Board placed first priority on the benefits which the Disposal will bring to the Group (as set out above) and the recoverability of the Existing Loans was not considered as one of the crucial terms in the negotiation of the Disposal with the Purchaser. As for the Purchaser, although he did not undertake to provide capital injection to MyHD in the Agreement, he will take the risk in acquiring the Target Group by assuming all rights, liabilities and obligations of the Target Group arising or accruing on and after the Transaction Date. Having taken into account all the aforesaid factors, the Board considers that the Disposal is the best option available to the Company. With the Existing Loans being still in place notwithstanding completion of the Disposal, there is still a chance (however slim) for the Group to recover some part (if not all) of the Existing Loans if the business of MyHD gradually becomes profitable after a few years under the management and control of the Purchaser.

As at the Latest Practicable Date, based on the forecast on MyHD, it is expected that the business of MyHD will achieve breakeven by the end of 2020. Such breakeven forecast was based on the revised cash flow projection of MyHD presented by the management of MyHD to the Board in June 2018 (which was not reviewed by nor discussed with the Company's auditors) and having taken into account factors including the revenue and cost structure of MyHD. The total revenue of MyHD comes from two main sources, being (i) subscription revenue from paid subscribers (which include subscribers of GOBX and MyHD's own packages) and (ii) hardware revenue from selling set-top box and accessories to subscribers through distributors. Based on the current business model and cost structure of MyHD, the monthly funding necessary to maintain MyHD's operation is around US$1.5 million to US$2 million (i.e. around US$18 million to US$24 million per annum). Therefore, in order for MyHD to reach breakeven and start generating positive cash flows, its recurring annual revenue would likely need to surpass the US$24 million threshold. In view of the business development of MyHD since May 2017 and the stagnant subscriber growth from GOBX, MyHD would need to rely more heavily on the subscription revenue from non-GOBX subscribers and hardware revenue to reach breakeven.

As to the cost structure of MyHD, when presented with the breakeven forecast by the management of MyHD in June 2018, the Board has enquired as to whether the programming costs of MyHD would increase if the projected breakeven was postponed to the end of 2020. The Board was informed by the chief executive officer of the satellite TV broadcasting business of the Group that the programming costs would remain the same as MyHD was re-packaging its pay TV content without incurring additional costs to its potential subscribers. Programming costs included payment for content fees, renting satellite channels and transponders, purchase of set-top boxes and payment for dealer's commission for marketing and promotion. Although the projected breakeven is postponed to 2020, MyHD has taken several cost saving measures to reduce the programming costs. For example, MyHD has reallocated its resources to the Middle East market and ceased to provide its broadcasting service in the North Africa region so as to save the content costs on the purchase of French TV channels specifically for the French and Arab speaking subscribers in the North Africa region. Hence, the programming costs would remain the same even though the projected breakeven is postponed to 2020. On the other hand, with the loss of the exclusive rights to broadcast Saudi Professional League by MBC FZ LLC, the management of MyHD expected that certain of the GOBX subscribers are likely to be lost and the growth of subscribers are likely to be affected. Therefore, the projected breakeven was postponed for one year from 2019 to 2020 after taking into account the slowdown in expected growth rate of subscription revenue with the programming costs remaining the same. Taking into account of the 30% GOBX revenue compensation provided by MBC FZ LLC to MyHD and the explanations given by the chief executive officer of the satellite TV broadcasting business of the Group on the revised cash flow projection of MyHD, the Board was then of the view that the breakeven of MyHD by the end of 2020 would be achievable, although there was a possibility of further delay in the event that (i) the business performance of MyHD grows slower than then expected and/or (ii) the Group is unable to continue to provide financial assistance to MyHD resulting in lack of sufficient funding for MyHD to maintain its operation to achieve the expected growth. However, provided that MyHD receives sufficient funding support to maintain its operations, MyHD may still be able to make partial repayment of the Existing Loans to the Group if MyHD could start making profits and have positive operating cash flows in 2021. Although the Board considered that MyHD might achieve breakeven point in 2020, due to the heavy financial burden of providing further financial assistance to MyHD by the Group, subsequent to June 2018, the Company began to explore the possibility of either finding investors to co-invest in MyHD or disposing of MyHD to mitigate the uncertainty of MyHD in achieving its breakeven point in 2020 as well as to relieve the Group from the provision of further financial assistance to MyHD.

In relation to the Guarantee, it is the current intention of the Vendor and the Purchaser that the Guarantee shall continue for the time being after Completion. The Directors consider that the continuation of the Guarantee after Completion is in the interests of the Company because such arrangement will enable MyHD to secure continuing supply of television contents from MBC FZ LLC which is one of the foundations for the normal operation of MyHD and is essential for the Completion of the Disposal.

After taking the above factors into consideration, the Board believed that the Disposal could relieve the Group from the heavy financial burden of providing further financial assistance to MyHD, thus improving our financial performance. Accordingly, the Group will be able to reallocate more internal financial resources to manufacturing businesses so as to generate a higher revenue for the Shareholders.

FINANCIAL EFFECTS OF THE DISPOSAL

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

Earnings

The Group expects to recognize a gain of approximately HK$338,408,000 from the Disposal, which is calculated with reference to the audited negative net asset value of the Target Group as at 31 December 2018 and the Group's audited financial statements as at 31 December 2018. Set out below is the calculation of gain on Disposal:

	HK$
Fair value of consideration received	7.83
Less:	
Net assets of MyHD as at 31 December 2018	(788,975,000)[Note]
Net assets of Ocean Oasis BVI as at 31 December 2018	88,045,000
Net assets of the Target Company as at 31 December 2018	15,249,000
Non-controlling interest as at 31 December 2018	346,513,000
Estimated costs on Disposal	760,000
Gain on Disposal	338,408,000

Such gain on Disposal has not taken into consideration the possible impairment of the Existing Loans amounted to US$82,365,016 (equivalent to approximately HK$644,918,075) and the liability pursuant to the Guarantee amounted to US$3,500,000 (equivalent to approximately HK$27,405,000). If impairment of the Existing Loans and liability pursuant to the Guarantee are taken into account, the Group expects to recognize a loss of approximately HK$333,915,000 from the Disposal.

Note: There is a discrepancy in the amount of HK$724,676,000 regarding the negative net assets value of MyHD as at 31 December 2018 as disclosed herein and as disclosed on page 19. Such discrepancy is caused by the fact that in MyHD's management accounts, shareholders' loans owed by MyHD to (i) Ocean Oasis BVI, (ii) its other shareholder Ms. Chen Chu-Li, and (iii) the Company and SMT in the aggregated amount of HK$724,381,000 are considered as equity. Such discrepancy can be reconciled as follows:–

	HK$
Net asset value as disclosed on page 19	(64,299,000)
Less:	
Shareholders' loans owed by MyHD as at 31 December 2018	724,381,000
Exchange difference	295,000
Net asset value as disclosed herein	(788,975,000)

As explained under the section headed "*Reasons for and benefits of the Disposal and the continuation of the Existing Loans and the Guarantee*" in this circular, the Directors consider that despite with a possibility of recognizing a loss on Disposal, the Disposal is in the interests of the Company since the Disposal can relieve the Group from the financial burden of providing further financial assistance to the Target Group and MyHD may, with further funding support, continue its existing operations and hence provides an opportunity for the Company to recover the Existing Loans, and to be relieved from the Guarantee. On the contrary, if the Company decides to shut down the business of MyHD, the Company would need to immediately write-off the loans receivable and likely be imminently exposed to the liability pursuant to the Guarantee. Extra expenses such as appointing liquidators to liquidate MyHD and severance payments to the employees of MyHD will also need to be incurred.

The recoverability of the Existing Loans will depend on the business performance and profitability of MyHD which is a future event to be assessed at each financial year end date. After the Completion and at each financial year end date, the Company will assess the recoverability of the Existing Loans with reference to the discounted cash flows of MyHD and the actual performance of the Target Group. The Company will engage external professional valuer to evaluate the recoverability of the Existing Loans and then consider whether any impairment is necessary to be provided for the Existing Loans in accordance with Hong Kong Financial Reporting Standard 9 *Financial Instruments*, which will be included in the consolidated financial statements of the Group for the year ending 31 December 2019 that is subject to the audit by the Company's auditors.

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

Assets and liabilities

For illustrative purpose, based on (i) the audited negative net assets value of the Target Group as at 31 December 2018; (ii) the Consideration; and (iii) the costs on Disposal, it is estimated that the Target Group will record a gain of approximately HK$338,408,000 arising from the Disposal, which represents the difference between the Consideration and the carrying amount of negative net assets value of the Target Group less costs on Disposal as at 31 December 2018. The gain is estimated without taking into account any tax implications relating to the Disposal and is subject to changes to be caused by the activities and performance results of the Target Group subsequent to 31 December 2018.

After the Disposal, the assets of the Group will increase by approximately HK$714,337,000 and the liabilities of the Group will decrease by approximately HK$105,385,000, which is estimated by making reference to the amount of the audited negative net assets value of the Target Group as at 31 December 2018.

After Completion, the Group will recognise the Guarantee as financial liability in the Group's financial statements in accordance with Hong Kong Financial Reporting Standard 9 *Financial Instruments*.

General

Shareholders and potential investors of the Company should note that the actual financial effects of the Disposal to the Group may be different from those of the above and can only be determined based on the then financial position of the Target Group upon Completion.

LISTING RULES IMPLICATIONS

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

GENERAL

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

The Purchaser is a natural person and a resident of the PRC.

SGM

A notice convening the SGM to be held at the Industrial Zone No. 3, No. 16 Qianjin Erlu, Xin Qian Jin Village, Tanzhou Town, Zhongshan, Guangdong Province, the PRC on Wednesday, 12 June 2019 at 3:30 p.m. is set out on pages SGM-1 to SGM-3 of this circular. An ordinary resolution will be proposed at the SGM to consider, and if thought fit, approve the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion. Pursuant to Rule 14.63(2)(d) of the Listing Rules, any Shareholder with a material interest in the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion and their close associates are required to abstain from voting on the resolution approving such transactions at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the SGM shall therefore demand that voting on the resolution set out in the notice of the SGM be taken by way of poll pursuant to bye-law 66 of the bye-laws of the Company.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share registered in his/her name in the register of members of the Company. A Shareholder entitled to more than one vote need not use all his/her votes or cast all the votes he/she uses in the same way.

A form of proxy for use by the Shareholders at the SGM is enclosed. Such form of proxy is also published on the websites of the Company at www.sandmartin.com.hk and of the Stock Exchange at www.hkexnews.hk. Whether or not you are able to attend the SGM, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof (as the case may be), should you so wish.

RECOMMENDATIONS

Having regard to the matters stated in the section titled "*Reasons for and Benefits of the Disposal and the Continuation of the Existing Loans and the Guarantee*" above, the Directors consider that the terms of the Disposal and the Agreement and the continuation of the Existing Loans and the Guarantee after Completion are fair and reasonable and on normal commercial terms and that the Disposal and the continuation of the Existing Loans and the Guarantee after Completion are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder and the continuation of the Existing Loans and the Guarantee after Completion.

ADDITIONAL INFORMATION

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

Yours faithfully
By order of the Board
Sandmartin International Holdings Limited
Lau Yau Cheung
Chairman

1. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK$506,760,000 comprising bank and other borrowings, among which approximately HK$371,988,000 were secured by certain assets of the Group, including bank deposits, property, plant and equipment, investment properties, trade receivables and inventory and a pledge of the Company's interest in a subsidiary: while the remaining of approximately HK$134,772,000 were not secured by any assets of the Group.

As at 31 March 2019, the Company provided a guarantee of approximately HK$27,405,000 in favour of MyHD in relation to its financial obligations to the third amendment agreement to the Content Supply Agreement.

As at the close of business on 31 March 2019, the Group had lease liabilities with amount of approximately HK$9,252,000, which were unsecured and unguaranteed.

Save as aforesaid or as otherwise disclosed herein, the Group did not have outstanding at the close of business on 31 March 2019 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Save as disclosed in this section, the Directors are not aware of any material adverse change in the Group's indebtedness and contingent liabilities since 31 March 2019.

2. WORKING CAPITAL OF THE COMPANY

In determining the sufficiency of the working capital of the Group, the Directors have made the following assumptions:

(i) The Remaining Group is able to renew the existing banking facilities upon expiry. The Directors are of the opinion that the Remaining Group maintains good relationship with major banks and lenders providing finance or facilities to the Remaining Group and the Remaining Group has successfully renewed its banking facilities based on past experience; and

(ii) Subject to completion of the Disposal, the Purchaser will assume all rights, liabilities and obligations of the Target Company and its subsidiaries arising or accruing on and after the Transaction Date, and the Group will not absorb any operating loss of MyHD with effect from the Transaction Date (1 January 2019).

After taking into account of the financial resources presently available to the Remaining Group including internally generated funds, the currently available banking facilities and the effects of the Disposal, the Remaining Group will have sufficient working capital to satisfy its requirements for at least 12 months from the date of the publication of this circular in the absence of unforeseen circumstances.

3. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Group is principally engaged in designing, manufacturing and trading of media entertainment platform related products and connectors, cables, and assorted electronic accessories as well as satellite television broadcasting. Subject to Completion taking place, the segment results of satellite television broadcasting will no longer be consolidated into the financial statements of the Group with effect from the Transaction Date.

Media Entertainment Platform Related Products

In 2018, the Group's media entertainment platform related products segment faced a fierce market competition from other set-top box manufacturers in the PRC. In response to the fierce market competition and the surge in raw material prices, the Group explored new business opportunities in other locations, such as South Asia; and redesigned the set-top boxes and ancillary chargers to reduce material costs. With the strong demand of set-top boxes from Dish Media, the revenue of this segment was able to increase by 44.05% as compared with the year ended 31 December 2017.

The market competition is fierce due to the direct competition from other set-top box manufacturers in the PRC, and the surge in raw material prices which reduced the profit margin of the products. The Group is exploring new markets for its set-top boxes, such as customers in South Asia and East Europe and will leverage its existing distribution channels for the cross-selling of "Philips" brand licensed products in India. Meanwhile, the Group is redesigning its set-top boxes to reduce the material costs so as to counter the impact from the surge of raw material prices. The China-United States trade war is not expected to have material adverse impact on this segment as the Group does not have set-top boxes customers in the United States.

Other Multimedia Products

In 2018, although the market competition remained intense, the Group has enhanced its product portfolio and reduced the product costs by outsourcing and supply chain integration, so the Group's other multimedia products segment was able to maintain its profitability. Major products of this segment included high definition multimedia interface ("**HDMI**") cables, multimedia accessories, external batteries, retractable chargers and wireless mobile phone chargers for vehicles. Segment results increased by 41.33% due to the increase in profit margin for the electronic products amidst the fierce competition in the industry.

The Group is enhancing is product portfolio and developing new businesses. New products, such as retractable chargers and wireless mobile phone chargers have been launched to the market since the second half of 2018. The China-United States trade war has some impact on this segment as some of the customers are in the United States. The Group is trying to minimize the impact by sourcing from suppliers outside the PRC, such as India and Vietnam.

Satellite TV Equipment and Antenna

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. Due to the change of business strategy by one of the major customers of this segment, this customer decided not to place further orders for the latest model of LNBs after the completion of their delivery in the first half of 2018, but switched to a preceding model of LNBs. As it took time for the Group to resume the production of the preceding model of LNBs, this contributed to the decrease in revenue in 2018. In the fourth quarter of 2018, the Group resumed the delivery of LNBs to this customer. Hence, the revenue of this segment showed a 34.39% decrease compared with the year ended 31 December 2017.

For the year of 2018, the profitability of this segment showed a decline. 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 China-United States trade war has some impact on this segment as some of the customers are in the United States. the Group is trying to minimize the impact by relocating some productions to India and sourcing from suppliers outside the PRC.

1. RESPONSIBILITY STATEMENT

This circular, 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept under Section 352 of the SFO or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company were as follows:

(a) Long positions in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Percentage of the issued share capital as at the Latest Practicable Date[1]
Mr. Hung Tsung Chin	Interest of controlled corporation	507,188,592[2]	–		
	Interest of spouse	–	2,328,000[3]		
		507,188,592	2,328,000	509,516,592	15.53%

Notes:

1. The percentage was calculated based on 3,278,825,335 Shares in issue as at the Latest Practicable Date.

2. These Shares represent Shares held by Metroasset Investments Limited in which Mr. Hung Tsung Chin beneficially owns 45.09% of its issued share capital.

3. The relevant interests are unlisted physically settled options granted to Ms. Chen Mei Huei, the spouse of Mr. Hung Tsung Chin, pursuant to the share option scheme for a period of ten years approved and adopted by the Company on 17 March 2005 (the "**Expired Option Scheme**"), which expired on 16 March 2015. Upon exercise of the share options in accordance with the Expired Option Scheme, Shares in the share capital are issuable. The share options are personal to the respective grantees.

(b) Long positions in the shares and underlying shares of associated corporations of the Company

Name of associated corporation: Pro Brand Technology, Inc.

Name of Directors	Capacity	Number of shares held	Total	Percentage of the issued share capital as at the Latest Practicable Date
Mr. Chen Wei Chun	Interest of controlled corporation	350,000[1]		
	Beneficial owner	150,000[2]		
		500,000	500,000	0.63%
Mr. Hung Tsung Chin	Beneficial owner	250,000[3]	250,000	0.31%

Notes:

1. These shares represent 350,000 shares of Pro Brand Technology, Inc., a non-wholly owned subsidiary of the Company, 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.

2. These shares represent 150,000 shares of Pro Brand Technology, Inc., a non-wholly owned subsidiary of the Company, owned by Mr. Chen Wei Chun.

3. These shares represent 250,000 shares of Pro Brand Technology, Inc., a non-wholly owned subsidiary of the Company, owned by Mr. Hung Tsung Chin.

* *For identification purpose only*

Save as disclosed above, none of the Directors and chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or which were entered in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director or chief executives of the Company, as at the Latest Practicable Date, Shareholders (other than the Directors or chief executives of the Company) who had 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity	Number of Shares and underlying Shares held	Percentage of the issued share capital as at the Latest Practicable Date[1]
Metroasset Investments Limited	Beneficial owner	507,188,592[2]	15.47%
Ms. Chen Mei Huei	Interest of controlled corporation	507,188,592[3]	
	Personal interest	2,328,000[4]	
		509,516,592	15.53%

Name of Shareholders	Capacity	Number of Shares and underlying Shares held	Percentage of the issued share capital as at the Latest Practicable Date[1]
First Steamship Company Limited ("**First Steamship**")	Interest of controlled corporation	950,859,347[5]	29.00%
Mr. Fung Chuen	Beneficial owner	65,878,000[6]	5.02%

Notes:

1. The percentage was calculated based on 3,278,825,335 Shares in issue as at the Latest Practicable Date.

2. These Shares are held by Metroasset Investments Limited, 45.09% of the issued share capital of which is beneficially owned by Mr. Hung Tsung Chin.

3. These Shares are the same batch of Shares held by Metroasset Investments Limited, 44.38% of the issued share capital of which is beneficially owned by Ms. Chen Mei Huei.

4. The relevant interests are unlisted physically settled options granted pursuant to the Expired Option Scheme. Upon exercise of the share options in accordance with the Expired Option Scheme, Shares are issuable.

5. First Steamship is interested in 950,859,347 Shares through First Mariner Holding Limited, its wholly-owned subsidiary, which holds 833,000,000 Shares and Grand Citi Limited, its non-wholly owned subsidiary, which holds 117,859,347 Shares.

6. Disclosure of the percentage of the issued share capital held by Mr. Fung Chuen is made as per the last disclosure of interests notice as at the Latest Practicable Date which was filed on 2 June 2017.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had 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.

As at the Latest Practicable Date, Mr. Kuo Jen Hao is the chairman and the general manager of First Steamship, a company listed on the Taiwan Stock Exchange Corporation ("**TWSE**") (TWSE Stock Code: 2601). He is also a director and the chairman of Grand Ocean Retail Group Limited, a company listed on the TWSE (TWSE Stock Code: 5907) and a subsidiary of First Steamship, and a director and the chairman of Taiwan Environment Scientific Co., Ltd., a company listed on the Taipei Exchange (Taipei Exchange Stock Code: 8476). Mr. Kuo is also a director of several subsidiaries of the First Steamship including but not limited to Mariner Finance Limited, Morton Securities Limited and First Steamship S.A..

Save as disclosed above, as at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and 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.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his close associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

(a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and

(b) none of the Directors had any interest, direct or indirect, in any assets which had 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 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) entered into by the members of the Group within the two years immediately preceding the date of this circular and which are or may be material:

(a) the preliminary sale and purchase agreement dated 19 December 2017 entered into between SMT and an independent third party purchaser ("**Property Purchaser**") relating to the sale of the property being Office Unit No. 1 & No. 17 on 19 Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong (the "**Property**") by SMT to the Property Purchaser at the consideration of HK$97,395,880;

(b) the agreement for sale and purchase dated 8 January 2018 entered into between SMT and the Property Purchaser relating to the sale and the assignment of the Property by SMT to the Property Purchaser at the consideration of HK$97,395,880;

(c) the agreement to assign loans and trade receivables (the "**Loans and Trade Receivables Assignment Agreement**") dated 29 December 2017 entered into between the SMT, SMT Electronic Technology Limited and an independent third party purchaser (the "**Loans and Receivables Purchaser**") pursuant to which SMT and SMT Electronic Technology Limited had conditionally agreed to sell and assign, and the Loans and Receivables Purchaser had conditionally agreed to purchase and be assigned, the rights, titles and benefits of the loans, the loan agreements and any related documents, the share pledge and the trade receivables referred to in the Loans and Trade Receivables Assignment Agreement at the consideration of US$4,000,000; and

(d) the Agreement.

7. LITIGATION

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 financial year ended 30 June 2012. 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. As at the Latest Practicable Date, the subscription has not yet been completed 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 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 considered 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 repeatedly requested the Original Shareholder and Technosat to commence the next step of the mediation process, but there has been no satisfactory response from the legal counsel of the Original Shareholder and Technosat up to the deadline set by August 2014. As at 4 February 2019, as confirmed by the Group's legal counsel for this arbitration, no communication has been received or sent by either party since August 2014.

As at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. DIRECTORS' SERVICE CONTRACTS

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

9. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The Company's head office and principal place of business in Hong Kong is at Units 04-05, 16th Floor, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong.

(d) The company secretary of the Company is Ms. Lee Suet Lai, who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(e) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Units 04-05, 16th Floor, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong from the date of this circular up to and including 19 June 2019:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2017 and 2018 respectively;

(c) the interim report of the Company for the six months ended 30 June 2018;

(d) the material contracts referred to in the section headed "*Material contracts*" in this appendix;

(e) the loan agreement dated 3 August 2015 entered into between SMT and MyHD;

(f) the loan agreement dated 26 February 2016 entered into between SMT and MyHD;

(g) the loan agreement dated 29 March 2016 entered into between SMT and MyHD;

(h) the loan agreement dated 19 December 2018 entered into between SMT and MyHD;

(i) the loan agreement dated 19 December 2018 entered into between the Company and MyHD;

(j) the loan agreement dated 19 March 2019 entered into between SMT and the Target Company;

(k) the Guarantee; and

(l) this circular.

Sandmartin International Holdings Limited
聖馬丁國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting ("**SGM**") of Sandmartin International Holdings Limited (the "**Company**") will be held at Industrial Zone No. 3, No. 16 Qianjin Erlu, Xin Qian Jin Village, Tanzhou Town, Zhongshan, Guangdong Province, the People's Republic of China on Wednesday, 19 June 2019 at 3:30 p.m. to consider and if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement dated 31 December 2018 (the "**Agreement**", a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) entered into between Health General Limited (the "**Vendor**") and Chen Yaoning (the "**Purchaser**") pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 1 share in Speed Connection Group Limited ("**Target Company**") representing 100% of the issued share capital of Target Company and all transactions contemplated under the Agreement and any other agreements or documents in connection therewith be and are hereby approved, confirmed and ratified;

(b) the continuation of:

(i) the provision of the Existing Loans (as defined in the circular of the Company dated 25 May 2019 ("**Circular**", a copy of which is produced to the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification)) by the Company and/or the Company's subsidiary SMT Hong Kong Limited (as the case may be) to the Target Company and/or the Target Company's subsidiary My HD Media FZ-LLC (as the case may be) after completion of the Agreement ("**Completion**"); and

* *For identification purpose only*

(ii) the Guarantee (as defined in the Circular) after Completion, be and are hereby approved; and

(c) any director of the Company ("**Director**"), or if affixation of the common seal is necessary, any two Directors or any one Director and the secretary of the Company, be and is/are hereby authorised for and on behalf of the Company to execute all such documents and agreements and do all such acts and things, including but without limitation to the execution of all such documents under common seal where applicable, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Agreement or any of the transactions contemplated thereunder or the continuation of the Existing Loans and the Guarantee after Completion and all matters incidental thereto or in connection therewith."

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

Hong Kong, 25 May 2019

Head Office and Principal Place of Business:
Units 04-05 16/F
Nam Wo Hong Building
148 Wing Lok Street
Sheung Wan
Hong Kong

Notes:

1. The above ordinary resolution to be put to vote of the shareholders of the Company at the SGM will be taken by poll.

2. Any shareholder entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

3. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the SGM. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the SGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

4. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the SGM, the vote of such holder so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall be deemed joint holders thereof.

5. The transfer of books and register of members of the Company will be closed from Friday, 14 June 2019 to Wednesday, 19 June 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible for attending and voting at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 13 June 2019, which is the record date and last registration date for the SGM.

As at the date hereof, the Directors are:

Executive Directors
Mr. Hung Tsung Chin and Mr. Chen Wei Chun

Non-Executive Director
Mr. Kuo Jen Hao

Independent Non-Executive Directors
Mr. Lau Yau Cheung *(Chairman)*, Mr. Li Chak Hung and Mr. Wu Chia Ming