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Sandmartin International Holdings Limited

聖馬丁國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 482)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF CONVERTIBLE BONDS

On 17 December 2010, the Company and the Heng Xin entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$200,000,000. Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price, a maximum of 100,000,000 Conversion Shares will be allotted and issued, representing approximately 5.22% of the existing issued share capital of Heng Xin as at the date of this announcement and approximately 4.96% of the issued share capital of Heng Xin as enlarged by the issue of the Conversion Shares.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

* *For identification purposes only*

THE SUBSCRIPTION AGREEMENT

Date

17 December 2010

Parties

Issuer: Heng Xin

Subscriber: The Company

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, Heng Xin and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subscription Price

The Company has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$200,000,000. The Subscription Price shall be satisfied in cash by the Company upon Completion.

The Subscription Price will be satisfied by the internal resources of the Group.

The Subscription Price was determined after arm's length negotiations between the Company and Heng Xin with reference to the prevailing market price of the Heng Xin Shares.

Conditions precedent to the Subscription Agreement:

Completion shall be conditional upon the fulfilment of the following conditions precedent:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares;

- (b) (if required) the Bermuda Monetary Authority granting its permission to the allotment and the issue of the Conversion Shares; and
- (c) the warranties as set out in the Subscription Agreement being true, accurate and correct as at the date of this announcement and the Completion Date.

If the above conditions precedent are not fulfilled on or before 16 January 2011 or such other date as the Company and Heng Xin may agree in writing, the Subscription Agreement will be terminated and the respective obligations of the parties under the Subscription Agreement shall forthwith cease and terminate and none of the Company or Heng Xin shall have any claim against each other.

Completion

Completion of the Subscription Agreement shall take place on the Completion Date, being the second Business Day after the day on which all the conditions precedent are fulfilled, subject to the conditions precedent being fulfilled in accordance with the Subscription Agreement.

Principal terms of the Convertible Bonds

Set out below are the principal terms of the Convertible Bonds:—

Aggregate principal amount: HK\$200,000,000

Conversion Price: The initial Conversion Price of HK\$2.00 per Conversion Share, subject to customary anti-dilutive adjustments such as consolidation or subdivision or reclassification of Heng Xin Shares, capitalisation of profits or reserves, capital distribution to the shareholders of Heng Xin, issue of Heng Xin Shares by way of rights, any options, warrants or other rights to subscribe for or purchase any Heng Xin Shares, rights issue of other securities, issue of Heng Xin Shares at less than current market price, issue of other securities at less than current market price, modification of rights of conversion of other securities, and other offers of securities to the shareholders of Heng Xin Shares.

Interest rate: The Convertible Bonds shall not bear any interest.

Maturity Date: The date falling two years after the date of issue of the Convertible Bonds or, if that is not a Business Day, the first Business Day thereafter.

Redemption: *Early redemption by Heng Xin*

From the day immediately after the expiry of six months from the date of issue of the Convertible Bonds, at the sole discretion of Heng Xin, Heng Xin may cancel and redeem all the outstanding Convertible Bonds in whole at 110% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued (if any) until payment in full on the due date for payment. The decision of Heng Xin to cancel and to redeem the Convertible Bonds shall be made by written notice to the Company and shall, subject as mentioned below, become effective on the 15th Business Day after its service (“**Redemption Effective Date**”). Notwithstanding anything aforesaid, the holder(s) of the Convertible Bonds may exercise the right to convert all (but not part only) the outstanding Convertible Bonds by depositing the conversion notice at anytime prior to the Redemption Effective Date provided that the relevant conversion notice must be deposited at the specified office of Heng Xin at least two Business Days immediately before the Redemption Effective Date, and in such case, the notice to redeem given by Heng Xin shall be treated as revoked and cease to have effect.

Mandatory redemption

The Convertible Bonds shall be mandatorily redeemed by Heng Xin:

- (i) upon the occurrence of an event of default and at any time thereafter, the Company may, unless such event of default has been waived in writing by it, by notice in writing require Heng Xin to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at 110% of the principal amount of the outstanding Convertible Bonds to be redeemed with interest accrued (if any) until payment in full; or
- (ii) any Convertible Bond which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by Heng Xin at a redemption amount equal to the principal amount of the Convertible Bonds together with interest accrued thereon.

Transferability:

The Convertible Bonds are not transferable.

Conversion Period:

The period commencing from the day immediately after the expiry of six months from the date of issue of the Convertible Bonds up to 4:00 p.m. on the Maturity Date.

Conversion rights:

The holder(s) of the Convertible Bonds shall have the right to convert the whole or any part of the outstanding principal amount of the Convertible Bonds into Heng Xin Shares at any time during the Conversion Period, provided that the holder(s) of the Convertible Bonds may convert the Convertible Bonds into Heng Xin Shares prior to the commencement of the Conversion Period with the prior written consent of Heng Xin.

To the extent that the conversion right has not been exercised (and the Convertible Bonds have not otherwise been redeemed), if during any of the Mandatory Conversion Period, the closing price of each Heng Xin Share is HK\$2.40 (or such price as adjusted as a result of consolidation or subdivision or reclassification of the Heng Xin Shares and in accordance with the adjustment formula set out in the terms and conditions of the Convertible Bonds) or more for 10 consecutive Trading Days (“**10-day Period**”), (a) in the First Mandatory Conversion Period, the Conversion Rights attaching to HK\$66,666,666 of the outstanding principal amount of the Convertible Bonds (or such amount equal to the difference between (i) HK\$66,666,666 and (ii) the principal amount of the Convertible Bonds which has been converted into Heng Xin Shares during the First Mandatory Conversion Period provided that where the difference is a negative figure, the principal amount of the Convertible Bonds subject to mandatory conversion under this paragraph shall be deemed to be zero), shall be deemed to be automatically exercised at 5:00 p.m. on the last day of the relevant 10-day Period; (b) in the Second Mandatory Conversion Period, the Conversion Rights attaching to HK\$133,333,333 of the outstanding principal amount of the Convertible Bonds (or such amount equal to the difference between (i) HK\$133,333,333 and (ii) the principal amount of the Convertible Bonds which has been converted into Heng Xin Shares during the First Mandatory Conversion Period and/or the Second Mandatory Conversion Period provided that where the difference is a negative figure, the principal amount of the Convertible Bonds subject to mandatory conversion under this paragraph shall be deemed to be zero), shall be deemed to be automatically exercised at 5:00 p.m. on the last day of the relevant 10-day Period; (c) in the Third Mandatory Conversion Period, the conversion rights attaching to the whole of the outstanding principal amount of the Convertible Bonds shall be deemed to be automatically exercised at 5:00 p.m. on the last day of the 10-day Period; and in each case, no further notice is required from Heng Xin to the holder(s) of the Convertible Bonds or vice versa.

- Conversion Shares:** Upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$2.00 per Conversion Share (subject to adjustment), an aggregate of 200,000,000 Heng Xin Shares will be issued, representing approximately (i) 5.22% of the existing issued share capital of Heng Xin; and (ii) 4.96% of the issued share capital of Heng Xin as enlarged by the issue of the Conversion Shares.
- Voting:** The holder(s) of the Convertible Bonds will not be entitled to attend or vote at any meetings of Heng Xin by reason only of it being the holder of the Convertible Bonds.
- Listing:** No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made by Heng Xin for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds.
- Ranking:** The Conversion Shares will rank *pari passu* in all respects with all the Heng Xin Shares in issue at the date on which the conversion rights attaching to the Convertible Bonds are exercised.
- Events of default:** The Convertible Bonds contain customary events of default provisions which provide that, on the occurrence of certain events of default specified in the terms and conditions of the Convertible Bonds, the holder(s) of the Convertible Bonds shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Bonds.

Conversion Price of Conversion Shares

The initial Conversion Price of the Convertible Bonds of HK\$2.00 per Conversion Share represent:–

- (i) a premium of approximately 24.22% to the closing price of HK\$1.61 per Heng Xin Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 22.70% to the average closing price of HK\$1.63 per Heng Xin Share as quoted on the Stock Exchange for the last five trading days ended on and including 16 December 2010;
- (iii) a premium of approximately 22.70% to the average closing price of HK\$1.63 per Heng Xin Share for the last ten trading days ended on and including 16 December 2010; and
- (iv) a premium of approximately 252.73% to the audited net asset value per Heng Xin Share as at 16 December 2010.

The initial Conversion Price was determined after arm's length negotiations between the Company and Heng Xin with reference to the prevailing market price of the Heng Xin Shares.

INFORMATION ON HENG XIN

Heng Xin is an investment holding company and its subsidiaries are principally engaged in wireless digital terrestrial television network equipment integrated business, digital cable television two-way conversion business, research, design, development on and manufacturing of electronic message security products, integrated circuits, and the integrated circuit solutions and the related services.

The financial information extracted from the audited consolidated accounts of the Heng Xin and its subsidiaries for the two financial years ended 30 June 2010 is as follows:

	Year ended 30 June 2010 (audited) <i>HK\$'000</i>	Year ended 30 June 2009 (audited) <i>HK\$'000</i>
Turnover	653,260	339,365
Profit before taxation	204,375	123,435
Profit after taxation	195,645	118,006
Net assets	1,087,618	486,453

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Heng Xin is an investment holding company and its subsidiaries are principally engaged in wireless digital terrestrial television network equipment integrated business, digital cable television two-way conversion business, research, design, development on and manufacturing of electronic message security products, integrated circuits, and the integrated circuit solutions and the related services. In accordance with the Company's corporate strategy to explore the market of digital television equipment in mainland China with good business potential and growth prospects, the Directors consider that the Subscription provides an opportunity for the Company to participate in the market with strong earnings potential.

The Directors consider that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in design, manufacturing and trading of professional digital signal head-end equipments, transmission equipments, modulating equipments and terminal receiving equipment.

IMPLICATIONS UNDER LISTING RULES

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday and a Sunday) on which banks in Hong Kong are open for business throughout their normal business hours
“Company”	Sandmartin International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Completion Date”	the second Business Day after the day on which all the conditions precedent are fulfilled
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Period”	the period commencing from the day immediately after the expiry of six months from the date of issue of the Convertible Bonds up to 4:00 p.m. on the Maturity Date
“Conversion Price”	the initial conversion price of HK\$2.00 per Conversion Share, subject to adjustments

“Conversion Shares”	the Heng Xin Shares to be issued by Heng Xin upon conversion in full by the holders of the Convertible Bonds of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the zero coupon convertible bonds in the aggregate principal amount of HK\$200,000,000 to be issued by Heng Xin pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“First Mandatory Conversion Period”	the first six-month period of the Conversion Period, which is from the date immediately following the expiry of six months from the date of issue of the Convertible Bonds to the date which falls on the expiry of 12 months from the date of issue of the Convertible Bonds
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Heng Xin”	Heng Xin China Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM (Stock Code: 8046)
“Heng Xin Shares”	share(s) of HK\$0.01 each in the share capital of Heng Xin
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Mandatory Conversion Period”	the First Mandatory Conversion Period, the Second Mandatory Conversion Period and the Third Mandatory Conversion Period
“Maturity Date”	the date falling two years after the date of issue of the Convertible Bonds or, if that is not a Business Day, the first Business Day thereafter
“Second Mandatory Conversion Period”	the second six-month period of the Conversion Period, which is from the date immediately following the expiry of 12 months from the date of issue of the Convertible Bonds to the date which falls on the expiry of 18 months from the date of issue of the Convertible Bonds
“Share(s)”	ordinary share(s) having a par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Convertible Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 17 December 2010 entered into between the Company and Heng Xin in relation to the Subscription
“Subscription Price”	the subscription price of HK\$200,000,000 for the Subscription
“Third Mandatory Conversion Period”	the third six-month period of the Conversion Period, which is from the date immediately following the expiry of 18 months from the date of issue of the Convertible Bonds to the date which falls on the Maturity Date

“Trading Day(s)”

any day(s) (other than a Saturday or Sunday) on which the Stock Exchange is open for dealing business, provided that if the Stock Exchange is closed for part of such day, or if no closing price in respect of the Heng Xin Shares is published in the Stock Exchange’s Daily Quotations Sheet for one or more consecutive dealing days trading of Heng Xin Shares is suspended on such day(s), such day or days will be disregarded

“%”

per cent

By order of the Board
Sandmartin International Holdings Limited
Hung Tsung Chin
Chairman

Hong Kong, 20 December 2010

As at the date of this announcement, Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Mr. Wang Yao Chu and Mr. Liao Wen I are the executive directors; and Mr. Hsu Chun Yi, Mr. Tsan Wen Nan, and Mr. Lee Chien Kuo are the independent non-executive directors of the Company.