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SUNDART INTERNATIONAL HOLDINGS LIMITED

承達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2288)

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF SUNDART LIVING LIMITED

The Board is pleased to announce that on 13 August 2010, Sundart Products, an indirect wholly-owned subsidiary of the Company and as purchaser, entered into the Sale and Purchase Agreement with SPG as vendor and Mr. Leung as guarantor of SPG, pursuant to which SPG has agreed to sell and procure the sale of, and Sundart Products has agreed to purchase the Sale Shares, which represent 100% of the issued share capital of SLL, and the Sale Loan, which represents 100% of the amount owing by SLL to SPG, upon completion at the Consideration of HK\$39,500,000, which is subject to potential adjustment as mentioned in this announcement; and Mr. Leung has agreed to guarantee the performance by SPG of its obligations under the Sale and Purchase Agreement.

SLL is the sole shareholder of DSTP which is principally engaged in the manufacturing of timber products.

As not all of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition, taking into account the aggregate of the maximum amount of the Consideration payable by Sundart Products and the Outstanding Capital Contribution to be paid by SLL if Completion takes place, are less than 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. Mr. Leung, being an executive Director and the Company's Chief Operating Officer, and SPG, being wholly-owned by Mr. Leung, and therefore an associate of Mr. Leung, are both connected persons of the Company. The Acquisition therefore also constitutes a connected transaction for the Company and is subject to the requirements of reporting, announcement and approval of the Independent Shareholders.

A circular containing, among other things, (i) details of the Acquisition; (ii) the recommendation of the Independent Board Committee regarding the Sale and Purchase Agreement and the transactions contemplated thereunder to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iv) the notice to convene the EGM; and (v) other information required under the Listing Rules, will be despatched to the Shareholders. It is currently expected that the circular will be despatched to the Shareholders on or before 30 August 2010.

INTRODUCTION

The Board is pleased to announce that Sundart Products, an indirect wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreement whereby it has agreed to acquire the Sale Shares and the Sale Loan from SPG. The principal terms of the Sale and Purchase Agreement and other information relating to the Acquisition are set out below.

THE SALE AND PURCHASE AGREEMENT

Date

13 August 2010

Parties

1. Sundart Products, as purchaser;
2. SPG, as vendor; and
3. Mr. Leung, as guarantor.

Interests to be acquired

Pursuant to the Sale and Purchase Agreement, SPG has agreed to sell and procure the sale of, and Sundart Products has agreed to purchase, the Sale Shares, which represent 100% of the issued share capital of SLL, and the Sale Loan, which represent 100% of the amount owing by SLL to SPG, upon Completion. The Sale Loan is unsecured, non-interest bearing and repayable on demand and amounts to HK\$34,602,684 as at 30 June 2010.

Consideration

The Consideration of HK\$39,500,000, subject to adjustment mentioned below, was determined with reference to the adjusted consolidated net asset value of SLL (the “**Adjusted NAV**”), being the consolidated net asset value of SLL as adjusted by excluding the Sale Loan as a liability and substituting the net book value of the machinery owned by SLL Group with the fair market value of such

machinery as at 23 July 2010 as valued by an independent valuer, as at 30 June 2010 of approximately HK\$38,000,000. Based on the valuation of an independent valuer, the fair market value of the machinery of SLL Group was RMB12,309,260 (equivalent to approximately HK\$14,032,556) as at 23 July 2010. The net book value of the machinery of SLL Group as at 30 June 2010 amounted to RMB7,295,090 (equivalent to approximately HK\$8,316,403). A slight premium has been applied over the Adjusted NAV as at 30 June 2010 as DSTP is an authorised manufacturer of UL certified products certified by UL. It is common for customers in the United States of America to designate UL certified products to be used in their projects and our Directors believe that DSTP is one of the very few manufacturers in the PRC which manufactures timber products certified by UL.

In the event that the Adjusted NAV on Completion shall be less than HK\$38,000,000, the Consideration shall be adjusted by deducting from HK\$39,500,000 an amount (the “**Reduced Amount**”) equivalent to the amount by which the Adjusted NAV on Completion is less than HK\$38,000,000, and SPG shall, subject to the terms of the Sale and Purchase Agreement, pay the Reduced Amount to Sundart Products within 7 Business Days after determination of such Reduced Amount in accordance with the Sale and Purchase Agreement. In the event that the Adjusted NAV on Completion shall be more than HK\$38,000,000, the Consideration shall be adjusted by adding to HK\$39,500,000 an amount (the “**Increased Amount**”) equivalent to the amount by which the Adjusted NAV on Completion is more than HK\$38,000,000 provided however that the Increased Amount shall be capped at HK\$5,000,000 and Sundart Products shall pay the Increased Amount to SPG within 7 Business Days after determination of such Increased Amount in accordance with the Sale and Purchase Agreement. The aforesaid capped amount of HK\$5,000,000 was determined after considering the sale orders of DSTP expected to be delivered and profits expected to be derived from such orders, which may result in an increase in the consolidated net asset value of SLL as at the Completion Date as compared to that as at 30 June 2010.

The Consideration is payable in cash. The Group will fund the Consideration by its internal resources.

Conditions precedent

Completion is conditional upon the satisfaction or (where applicable) waiver of the following conditions:

- (a) approval by the Independent Shareholders at the EGM for the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and
- (b) the representations, warranties and undertakings set out in the Sale and Purchase Agreement given by SPG and Mr. Leung remaining true, accurate and not misleading as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date.

The condition set out in (b) above may be waived by Sundart Products in writing at any time either in whole or in part and any such waiver may be made subject to such terms and conditions as Sundart Products may require. If either of the abovementioned conditions is not satisfied (or, where applicable, waived by Sundart Products) in accordance with the Sale and Purchase Agreement on or before the Long Stop Date, the Sale and Purchase Agreement shall lapse and be terminated with immediate effect and, save in respect of any antecedent breaches, all rights and liabilities of the parties to the Sale and Purchase

Agreement thereunder shall cease and determine and no party thereto shall have any claim against the others but such termination shall be without prejudice to any accrued rights or remedies of any party to the Sale and Purchase Agreement may have prior to such termination.

Completion

Completion shall take place on the Completion Date, which is currently expected to be 4 October 2010. Upon Completion, both SLL and DSTP will become indirect wholly-owned subsidiaries of the Company.

Guarantee

Mr. Leung has unconditionally and irrevocably guaranteed to Sundart Products the due and punctual performance and discharge by SPG of all obligations due, owing or incurred to Sundart Products by SPG under the Sale and Purchase Agreement.

INFORMATION ON SPG, SLL AND DSTP

SPG is an investment holding company incorporated in the BVI with limited liability. Its entire issued share capital is owned by Mr. Leung. Therefore, SPG is an associate of Mr. Leung and a connected person of the Company.

SLL is a company incorporated in Hong Kong with limited liability on 11 August 1994 and a wholly-owned subsidiary of SPG. Its principal activity is investment holding. Other than its investment in DSTP, SLL does not have any other investment in any other companies.

DSTP is a wholly foreign-owned enterprise established in the PRC on 23 September 1992 and a wholly-owned subsidiary of SLL. It is principally engaged in the manufacturing of timber products, which include timber doors, wall panels and furniture. Its factory, leased by DSTP from an independent third party, is located in Dongguang, Guangdong Province of the PRC and has a total floor area of over 60,000 square metres. As advised by SPG, as at the date of this announcement, DSTP employed over 580 workers and other staff.

For the financial year ended 31 March 2009, SLL recorded a loss of HK\$11,952,999 (before taxation and extraordinary items) and a loss of HK\$11,988,257 (after taxation and extraordinary items). However, for the financial year ended 31 March 2010, SLL recorded a profit of HK\$761,720 (before taxation and extraordinary items) and a profit for HK\$403,458 (after taxation and extraordinary items).

As at the date of the Sale and Purchase Agreement, the Outstanding Capital Contribution, being HK\$13,000,210, is due to be paid up by SLL by 28 April 2011. After Completion (if occurred), the obligation to fund the payment of the Outstanding Capital Contribution will be borne by the Group and the Group will fund the Outstanding Capital Contribution by its internal resources.

The original acquisition cost of the Sale Shares to SPG was HK\$100.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in providing professional, up-market and cost-saving fitting-out contracting services for sizeable residential and hotel projects.

As disclosed in the Prospectus, it was the Group's plan to focus on fitting-out business and to expand its sourcing and distribution of interior decorative materials in global markets and thus to put the Group's resources in this area instead of timber products manufacturing business which required a significantly higher capital expenditure and was much more labour-intensive when compared to the Group's then existing business. For the aforesaid reason, the Company had no intention at the time of its listing to include DSTP, which is engaged in timber products manufacturing business, in the Group.

It has become apparent that a secured and cost-efficient source of timber under the Company's control is beneficial to the Group in obtaining and carrying out fitting-out contracts or supply contracts on sourcing and distribution of interior decorative materials. To this end, it is the current intention of the Group to acquire a timber factory to further secure its source of timber products which is crucial to the Group in undertaking potential contracts, especially those projects which involve the sourcing of rare types of timber products. The Group needs to have a stable supply of timber products as well as the expertise of timber products manufacturer in order to procure the supply of specific types of timber products which it requires. Given that the Group's long-term and good business relationship with, and its understanding of, DSTP, the Group considers it suitable to acquire control over DSTP.

Moreover, since DSTP is indirectly wholly-owned by Mr. Leung and thus an associate of Mr. Leung and a connected person of the Company, transactions between the Group and DSTP constitute connected transactions for the Company under the Listing Rules. Compliance with the Listing Rules in relation to the Group's transactions with DSTP takes up time and other resources of the Group, and timing is an important factor which impacts on whether the Group is able to obtain certain business contracts of potential projects.

The Acquisition is beneficial to the Group as a whole because the Acquisition, if completed, will streamline the management of the Group's business, improve efficiency in allocation of resources, enhance the Group's competitiveness, bring new development opportunities, diversify source of income and strengthen the ability of the Group to generate higher returns to the Shareholders.

The Sale and Purchase Agreement has been negotiated on an arm's length basis by the parties thereto. Based on the information available to the Group, the Directors (excluding the independent non-executive Directors who will express their views after having considered the advice of the Independent Financial Adviser and Mr. Leung, who did not express any view in view of his interest in the Acquisition) are of the view that the Sale and Purchase Agreement and the transactions contemplated thereunder are made on normal commercial terms, the terms of which are fair and reasonable, and are in the interests of the Group and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

As not all of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition, taking into account the aggregate of the maximum amount of the Consideration payable by Sundart Products and the Outstanding Capital Contribution to be paid by SLL if Completion takes place, are less than 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. Mr. Leung, being an executive Director and the Company's Chief Operating Officer, and SPG, being wholly-owned by Mr. Leung and therefore an associate of Mr. Leung, are both connected persons of the Company. The Acquisition therefore also constitutes a connected transaction for the Company and is subject to the requirements of reporting, announcement and approval of the Independent Shareholders.

Being the owner of SPG as well as a party to the Sale and Purchase Agreement, Mr. Leung has a material interest in the Acquisition. In accordance with the Listing Rules, Mr. Leung and his associate(s) shall abstain from voting at the EGM on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder. As at the date of this announcement, Mr. Leung holds 34,272,000 Shares, which represent approximately 7.14% of the entire issued share capital of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. To King Yan, Adam, Mr. Wong Hoi Ki and Mr. Ho Kwok Wah, George, being all independent non-executive Directors, will be formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. No member of the Independent Board Committee has any interest in the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company has appointed CIMB Securities (HK) Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the Acquisition; (ii) recommendation of the Independent Board Committee regarding the Sale and Purchase Agreement and the transactions contemplated thereunder to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iv) the notice to convene the EGM; and (v) other information required under the Listing Rules, will be despatched to the Shareholders. It is currently expected that the circular will be despatched to Shareholders on or before 30 August 2010.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by Sundart Products from SPG pursuant to the Sale and Purchase Agreement
“Adjusted NAV”	as such term is defined in the paragraph headed “Consideration” above
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Sundart International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 27 April 2009, the Shares of which are listed on the Stock Exchange (Stock Code: 2288)
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which Completion takes place, which shall, subject to all the conditions having been fulfilled or waived in accordance with the Sale and Purchase Agreement, be 4 October 2010 (or such other date after all the conditions have been fulfilled or waived in accordance with the Sale and Purchase Agreement as Sundart Products, SPG and Mr. Leung shall agree in writing)
“connected person”	shall have the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the acquisition of the Sale Shares and the Sale Loan, being HK\$39,500,000 and, where applicable, as adjusted (if any) in the manner mentioned in the paragraph headed “Consideration” above
“Director(s)”	the director(s) of the Company
“DSTP”	東莞承達木材製品有限公司 (Dongguan Sundart Timber Products Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on 23 September 1992, and a wholly-owned subsidiary of SLL

“EGM”	an extraordinary general meeting of the Company to be held for the purpose of considering and approving the Sale and Purchase Agreement and transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	CIMB Securities (HK) Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholder”	Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	4 December 2010 or such other date as may be agreed between Sundart Products and SPG
“Mr. Leung”	Mr. Leung Kai Ming, an executive Director and the Company’s Chief Operating Officer
“Outstanding Capital Contribution”	HK\$13,000,210, being the unpaid amount of the registered capital of DSTP which is due to be paid up by SLL by 28 April 2011
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau, Special Administrative region of the PRC and Taiwan)

“Prospectus”	prospectus of the Company dated 11 August 2009
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 13 August 2010 entered between Sundart Products as purchaser, SPG as vendor and Mr. Leung as guarantor of the vendor in relation to the Acquisition
“Sale Loan”	the aggregate amount owing by SLL to SPG and outstanding as at the Completion Date (which shall not be less than HK\$34,602,684) which loan is unsecured, non-interest bearing and repayable on demand
“Sale Shares”	100 shares of HK\$1 each in the issued share capital of SLL and beneficially owned by SPG
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s) from time to time
“SLL”	Sundart Living Limited, a company incorporated in Hong Kong with limited liability on 11 August 1994, and a wholly-owned subsidiary of SPG
“SLL Group”	SLL and DSTP
“SPG”	Sundart Products Group Limited, a company incorporated in the BVI with limited liability on 8 May 2006, whose entire issued share capital is owned by Mr. Leung
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sundart Products”	Sundart Products Limited, a company incorporated in the BVI with limited liability on 11 November 2008, and an indirect wholly-owned subsidiary of the Company

“UL” Underwriters Laboratories Inc., an independent product safety certification organization whose product certification programs are accredited by the United States Occupational Safety and Health Administration, the American National Standards Institute and the Standards Council of Canada

“%” per cent.

By Order of the Board
Sundart International Holdings Limited
承達國際控股有限公司
Chan William
Chairman

Hong Kong, 13 August 2010

As at the date of this announcement, the Board comprises Mr. Chan William (Chairman), Mr. Ng Tak Kwan (Chief Executive Officer), Mr. Leung Kai Ming, Mr. Wong Kim Hung, Patrick and Mr. Yip Chun Kwok as Executive Directors and Mr. To King Yan, Adam, Mr. Wong Hoi Ki and Mr. Ho Kwok Wah, George as Independent Non-Executive Directors.

In this announcement, RMB has been converted to HK\$ at the rate of RMB1 = HK\$1.14 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.