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If you have sold or transferred all your shares in **Sundart International Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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**



CIMB SECURITIES (HK) LIMITED

A letter from the board of directors of Sundart International Holdings Limited is set out on pages 6 to 14 of this circular.

A notice convening the EGM to be held at Victoria and Chater Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 16 September 2010, Thursday, at 3:45 p.m. (or so soon thereafter as the AGM convened for the same date and place at 2:30 p.m. shall have been concluded or adjourned) or any adjournment thereof is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the EGM, please complete the accompanying form of proxy, in accordance with the instructions printed thereon, and deposit the same at the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

30 August 2010

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DEFINITIONS

In this circular, the following expressions shall have the meanings stated below unless the context otherwise requires:

“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”	has the meaning ascribed to it in the paragraph headed “Consideration” in the “Letter from the Board” in this circular
“AGM”	the annual general meeting of the Company to be held on 16 September 2010, Thursday, at 2:30 p.m. at Victoria and Chater Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong
“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

DEFINITIONS

“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” in the “Letter from the Board” in this circular
“Director(s)”	the director(s) of the Company
“DSTP”	東莞承達木材制品有限公司 (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
“DSTP Agreement”	the manufacturing and supply agreement dated 14 March 2009 and entered into between Sundart Holdings, DSTP and SPG in relation to the supply of timber products, which principally include timber doors, wall panels and furniture, by DSTP to the Group
“EGM”	an extraordinary general meeting of the Company to be held at Victoria and Chater Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 16 September 2010, Thursday, at 3:45 p.m. (or so soon thereafter as the AGM shall have been concluded or adjourned) 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 established to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder

DEFINITIONS

“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 to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	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
“Latest Practicable Date”	26 August 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	4 December 2010 or such other date as 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 circular, 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 into between Sundart Products as purchaser, SPG as vendor and Mr. Leung as guarantor of the vendor in relation to the Acquisition

DEFINITIONS

“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
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sundart Holdings”	Sundart Holdings Limited, a company incorporated in the BVI with limited liability on 21 May 2001 and a wholly-owned subsidiary of the Company
“Sundart Products”	Sundart Products Limited, a company incorporated in the BVI with limited liability on 11 November 2008, and an indirectly 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

DEFINITIONS

“%”

per cent.

In this circular, 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chan William (*Chairman*)
Mr. Ng Tak Kwan (*Chief Executive Officer*)
Mr. Leung Kai Ming (*Chief Operating Officer*)
Mr. Wong Kim Hung, Patrick
Mr. Yip Chun Kwok

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Independent Non-executive Directors:

Mr. To King Yan, Adam
Mr. Wong Hoi Ki
Mr. Ho Kwok Wah, George

Principal Place of Business in

Hong Kong:
7/F, Millennium City 3
370 Kwun Tong Road
Kowloon
Hong Kong

30 August 2010

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF SUNDART LIVING LIMITED

INTRODUCTION

Reference is made to the Company's announcement dated 13 August 2010 in which the Board announced 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 \$39,500,000, which is subject to potential adjustment as mentioned in the paragraph headed "Consideration" below; and Mr. Leung has agreed to guarantee the performance by SPG of its obligations under the Sale and Purchase Agreement.

The Acquisition constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and is subject to, among others, approval of the Independent Shareholders. The Company will seek approval from the Independent Shareholders for the Acquisition and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, 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 Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder; (iv) a notice to convene the EGM; and (v) other information required under the Listing Rules.

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.

Sale and Purchase

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, being unsecured, non-interest bearing and repayable on demand, shall not be less than HK\$34,602,684 as at Completion.

Consideration

The Consideration of HK\$39,500,000, subject to adjustment mentioned below, was determined with reference to the Adjusted NAV as at 30 June 2010 of HK\$38,422,478. “Adjusted NAV” means the consolidated net asset value of SLL as adjusted by (i) excluding amount representing the Sale Loan as a liability; and (ii) 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.

Based on the valuation of an independent valuer, the fair market value of the machinery of SLL Group (being woodworking machinery including timber drying facilities, pressers, moulders, routers, trimmers, sawing, calibrators, painting facility) 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).

LETTER FROM THE BOARD

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 manufacture 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 the 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 the 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 on the Completion Date. The Group will fund the Consideration by its internal resources.

Conditions precedent

Completion is conditional upon the satisfaction or (where applicable) waiver of 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 or both of the abovementioned conditions is (are) 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

LETTER FROM THE BOARD

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 for an initial term of 8 years from 20 September 2005 to 20 September 2013, 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 the Sale and Purchaser Agreement, DSTP employed over 580 workers and other staff. The Company has been advised by its PRC legal advisers that part of the factory premises leased by DSTP which is being used as the electricity distribution room may, in the event of any dispute between DSTP and the landlord, be found by the court as invalid due to the landlord has not yet obtained the relevant construction documents. The Company has also been advised by its PRC legal advisers that notwithstanding the aforesaid and the fact that the landlord is in the process of applying for the relevant real estate certificate (房地產權證) in respect of the rest of the factory premises leased to DSTP and that the lease registration procedures with respect to the lease agreement have not been complied with, such lease agreement (other than in respect of the electricity distribution room mentioned above) is binding on DSTP and the landlord and is valid. Pursuant to the Sale and Purchase Agreement, SPG and Mr. Leung have jointly and severally undertaken to indemnify and keep indemnified Sundart Products for itself and on behalf of each member of the SLL Group on a full indemnity basis, from and against all reductions in value, costs (including legal costs on solicitor-and-client basis), expenses, claims, damages and liabilities which

LETTER FROM THE BOARD

Sundart Products or any member of the SLL Group may incur or suffer, directly or indirectly, as a result of or otherwise in connection with the aforesaid lease agreement or any part of it shall become or is found to be invalid or unenforceable at anytime after Completion or DSTP loses its right to occupy and use any part of the factory premises otherwise than as a result of any breach of its obligations under the said lease agreement committed by DSTP after the Completion Date. In the event that the lease in respect of that part of the factory premises of DSTP which is being used as the electricity distribution room was found by the court as invalid as mentioned above, DSTP will need to relocate its electricity distribution room to other part of the existing factory premises of DSTP. The Directors currently estimate that such relocation will take approximately 10 days and cost approximately RMB200,000 (equivalent to approximately HK\$228,000). Although disruptions to the operations of DSTP would be inevitable in the event of relocation, having considered the electricity distribution room can be easily located to other part of the existing factory premises of DSTP and the indemnity given by SPG and Mr. Leung as aforesaid, the Directors believe that there should not be any material negative impact on the operations and financial condition of DSTP.

For the financial year ended 31 March 2009, SLL recorded a loss of HK\$11,952,999 (before taxation and extraordinary items) and 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 HK\$403,458 (after taxation and extraordinary items). As informed by Mr. Leung, the loss recorded by SLL for the year ended 31 March 2009 was exceptional and was mainly attributable to (i) cancellation of certain sales orders, and delay and/or drop in profit margin of new sales orders entered into after the outbreak of the global financial crises in mid-2008; and (ii) the additional overhead as a result of the increase in SLL Group's production capacity at the beginning of the financial year ended 31 March 2009.

DSTP has a registered capital of HK\$41,000,000. As at the Latest Practicable Date, part of the registered capital in the amount of HK\$27,999,790 had been paid up. 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.

SPG acquired 100% ownership in SLL in July 2006 as a result of a share swap concerning interests in SLL and Sundart Holdings, now a wholly-owned subsidiary of the Company, respectively between Mr. Leung and the other then shareholders of Sundart Holdings (including certain other existing Shareholders) on the other hand and at the time of such share swap, SLL owed to such shareholders and their related companies in the aggregate amount of approximately HK\$37,000,000. After such share swap, Mr. Leung ceased to hold any interest in Sundart Holdings, and SPG, a company wholly-owned by Mr. Leung, became owner of 100% interest in SLL. The original acquisition cost of the Sale Shares to SPG as recorded in the books of SPG was HK\$100.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTION

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 was also disclosed in the Prospectus that the Group intended to expand its operation scale by further developing our business of sourcing and distribution of interior decorative materials which had been undermined by the Group during the three years ended 31 March 2009 and it was the Group's plan to develop such business as its second largest source of revenue. Subsequent to the listing of the Company, the number of enquiries in relation to sourcing and distribution of wooden interior decorative materials has kept on increasing.

Quite different from the fitting-out business, the number of enquiries for wooden interior decorative materials and the frequencies of such enquires are way more than those in relation the fitting-out business. When receiving enquiries from potential customers, the Group needs to contact different suppliers to seek their quotations as well as supply of sample products. However, due to the scale of orders for wooden interior decorative materials are much less than the orders in relation to fitting-out projects and the types of wooden products required are also different, the Group has encountered difficulties in getting quotations and sample products from suppliers since some suppliers are reluctant and may even refuse to provide quotations due to the small quantity of items involved. As a result, a lot of time and labour hours have been wasted in such sourcing work, resulting in a relative higher cost to the Group and at the same time not being able to serve international customers' needs in a timely manner which in turn results in the Group being less competitive in getting sourcing and distribution of wooden interior decorative material business.

The Group's experience with regard to the sourcing and distribution of wooden decorative material makes it become apparent that a secured and cost-efficient source of timber products under the Company's control is beneficial and important to the Group in obtaining and carrying out supply contracts on sourcing and distribution of wooden interior decorative materials. To this end, it is the current intention of the Group to acquire a timber manufacturing 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 its customers require. Moreover, having its own factory can also help the Group in the research and development of products and in gaining customers' confidence in the ability of the Group in meeting the customers' requirements since customers will usually feel more assured about the secured supply and

LETTER FROM THE BOARD

quality of products manufactured by a factory under the Group's control than having products outsourced to manufacturers over which the Group has no control. Having its own timber manufacturing factory can also benefit the Group's fitting-out business.

It was previously concerned that timber products manufacturing business required a significant higher capital expenditure and was more labour intensive. The operation of DSTP's factory is relatively matured by now and no significant capital expenditure is expected to be required in the near future. The Outstanding Capital Contribution which is due to be contributed to DSTP by 28 April 2011 is merely a statutory requirement and the capital so contributed will be used for future development and future business expansion rather than meeting any capital requirement already committed. As such, and due to the business needs to overcome the difficulties faced by the Group in its development of its sourcing and distribution of interior decorative materials as explained above, the Directors consider such concerns are no longer important.

Given that the Group's long-term and good business relationship with and its understanding of DSTP, and also given that DSTP is one of the very few manufacturers in the PRC which manufacture timber products certified by UL, the Group considers it suitable to acquire control over DSTP by acquiring SLL.

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. Although Sundart Holdings on the one hand and SPG and DSTP, have entered into the DSTP Agreement, and the Company has applied for and has been granted by the Stock Exchange a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in relation to the DSTP Agreement, nevertheless, the Company has to meet the conditions imposed under the DSTP Agreement (including, where possible, obtaining quotations from independent third party manufacturers/suppliers for the products concerned in order to establish that the terms on which the transactions conducted between DSTP and the Group pursuant to the DSTP Agreement are no less favourable to the Group than those offered to the Group by independent third party manufacturers/suppliers), as well as in respect of such waiver (including among other things, annual review and confirmation by independent non-executive Directors and the Company's auditors with regard to the transactions conducted between DSTP and the Group). 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.

LETTER FROM THE BOARD

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 (including the independent non-executive Directors but excluding Mr. Leung who did not express any view on the Acquisition 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 RULES 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.

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, has been 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.

EGM

A notice convening the EGM is set out on pages 31 to 32 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete the accompanying form of proxy, in accordance with the instructions printed thereon, and deposit the same at the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. The votes at the EGM will be taken by poll.

LETTER FROM THE BOARD

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 approving the Sale and Purchase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Leung holds 34,272,000 Shares, which represent approximately 7.14% of the entire issued share capital of the Company, and no Shares were held by associates of Mr. Leung.

RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular; and
- (b) the letter from CIMB Securities (HK) Limited, the text of which is set out on pages 16 to 25 of this circular.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the EGM.

The Independent Board Committee, after taking into account the recommendation of the Independent Financial Adviser, considers that the Sale and Purchase Agreement and the transactions contemplated thereunder are 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, and recommends the Independent Shareholders to vote in favour of the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

ADDITIONAL MATTERS

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular.



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)

30 August 2010

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF SUNDART LIVING LIMITED

INTRODUCTION

We refer to the circular of the Company dated 30 August 2010 (the "Circular"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. CIMB Securities (HK) Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 16 to 25 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

RECOMMENDATIONS

Having considered the terms of the Sale and Purchase Agreement and taking into account the advice and recommendation of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that (i) the entering into of the Sale and Purchase Agreement is in line with the Group's current strategies, relates to the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole, and (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
the Independent Board Committee

TO King Yan, Adam
Independent
Non-executive Director

WONG Hoi Ki
Independent
Non-executive Director

HO Kwok Wah, George
Independent
Non-executive Director

LETTER FROM CIMB SECURITIES (HK) LIMITED

Set out below is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



25th Floor, Central Tower
28 Queen's Road Central
Hong Kong

30 August 2010

*To the Independent Board Committee and the Independent Shareholders of
Sundart International Holdings Limited*

Dear Sirs/Madams,

CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF SUNDART LIVING LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. Details of the Sale and Purchase Agreement and the Acquisition are set out in the letter from the Board (the “**Letter from the Board**”) as contained in the circular of the Company to the Shareholders dated 30 August 2010 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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 represents 100% of the amount owing by SLL to SPG and outstanding as at Completion Date, subject to the terms and conditions of the Sale and Purchase Agreement.

As one or more 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 higher than 5% but 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

LETTER FROM CIMB SECURITIES (HK) LIMITED

Shareholders. Mr. Leung and his associates having a material interest in the Acquisition shall abstain from voting at the EGM on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. To King Yan, Adam, Mr. Wong Hoi Ki and Mr. Ho Kwok Wah, George, has been formed to advise the Independent Shareholders in relation to the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Sale and Purchase Agreement is entered into on normal and commercial terms, in the ordinary and usual course of business and in the interests of the Group and the Independent Shareholders as a whole, and whether the terms thereof are fair and reasonable as far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote at the EGM.

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view to justify reliance on the information contained in the Circular and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the management of the Company. We have also assumed that the information and the representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Sundart Products, SPG or any of their respective subsidiaries or associates.

LETTER FROM CIMB SECURITIES (HK) LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in relation to the Sale and Purchase Agreement and the relevant transactions contemplated thereunder, we have considered the following principal factors and reasons:

(I) Information on the Group

The Company has been listed on the Stock Exchange since August 2009. As stated in the prospectus of the Company dated 11 August 2009 (the “**Prospectus**”), the Group is principally providing professional, up-market and cost-saving fitting-out contracting services for sizeable residential and hotel projects.

As noted in the Prospectus, the Group has been purchasing from DSTP, a wholly owned subsidiary of SLL, since 1995. For the three years ended 31 March 2009, the Group has purchased approximately HK\$93.8 million, HK\$78.6 million and HK\$60.4 million from DSTP, representing approximately 54%, 53% and 44%, respectively, of the Group’s total purchase amount of timber products. As stated in the Prospectus, it has been expected that the amount payable by the Group to DSTP pursuant to the DSTP Agreement for the three years ending 31 March 2012 will not exceed HK\$120 million, HK\$138 million and HK\$158 million, respectively, and representing approximately 35%, 32% and 33% respectively of the estimated total purchases of timber products by the Group during such period.

(II) Information on SLL

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. As noted in the Prospectus, SLL and DSTP were segregated from the Group in 2005 and after a share swap between Mr. Leung and the other then shareholders of Sundart Holdings (including certain other existing shareholders), Mr. Leung obtained full control of SPG and SLL in July 2006.

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). As advised by the Company, based on Mr. Leung’s representation, the loss recorded by SLL for the year ended 31 March 2009 was mainly attributable to (i) cancellation of certain existing sales orders, and delay and/ or drop in profit margin of new sales orders entered into after the outbreak of the global financial crises in mid-2008; and (ii) the additional overhead as a result of the increase in SLL Group’s production capacity at the beginning of the financial year ended 31 March 2009. For the financial year ended 31

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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 noted in the audited financial statements of SLL for the past five financial years ended 31 March 2010, SLL only recorded a loss for the financial year ended 31 March 2009. Based on the unaudited financial statements as at 30 June 2010, SLL recorded a net liability of approximately HK\$1.9 million.

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.

(III) Background and reasons for entering into of the Sale and Purchase Agreement

Background

As disclosed in the Prospectus, the Group planned to focus on fitting-out business and to expand its sourcing and distribution of interior decorative materials in global markets and thus to concentrate 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 this reason, the Group had no intention at the time of its listing to acquire DSTP, which is engaged in timber products manufacturing business.

Reasons for entering into of the Sale and Purchase Agreement

It was disclosed in the Prospectus that the Group intended to expand its operation scale by further developing its business of sourcing and distribution of interior decorative materials which was not the Group's principal business for the three years ended 31 March 2009 and that it was the Group's plan to develop such business as its second largest source of revenue. Subsequent to the listing of the Company, the number of enquiries in relation to sourcing and distribution of wooden interior decorative materials has kept on increasing.

We are also advised by the management that the number of enquiries for wooden interior decorative materials and the frequencies of such enquiries are way more than those in relation to the fitting-out business. When receiving enquiries from potential customers, the Group needs to contact different suppliers to seek their quotations as well as supply of sample products. However, due to the fact that scale of orders for wooden interior decorative materials are much less than the orders in relation to fitting-out projects and the diverse variety of types of wooden products required, the Group has encountered difficulties in getting quotations and sample products from suppliers since some suppliers are reluctant and may even refuse to provide quotations due to the small quantity of items involved. As a result, a lot of time and labour hours have been wasted in such sourcing work, resulting in a relatively higher cost to the Group and at the same time hindering the Group's ability to serve international

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customers' needs in a timely manner which in turn results in the Group being less competitive in getting sourcing and distribution of wooden interior decorative material business.

As disclosed in the Letter from the Board, it is the current intention of the Group to acquire a timber manufacturing factory so as to secure its source of timber products. A stable supply of timber products and expertise of timber products manufacturer are beneficial to the Group in undertaking potential projects, especially those projects which involve the sourcing of rare types of timber products. In view of the Group's long-term, good business relationship with, and its understanding of, DSTP, and also given that DSTP is one of the very few manufacturers in the PRC which manufacture timber products certified by UL, the Group believes that acquiring the SLL Group will bring synergies to the Group.

Having its own factory will also help the Group in the research and development of products, which can build up customers' confidence, since significant cost will be incurred in looking for appropriate supplier to carry out such work. It is likely that customers will feel assured about the secured supply, quality products manufactured by factory under the Group's control and the ability of the Group in meeting the customers' requirements.

We note in the Prospectus that the Group had previously been concerned that timber products manufacturing business required a significant higher capital expenditure and was more labour-intensive. As advised by the Company, the operation of DSTP's factory is relatively matured by now and no significant capital expenditure is expected to be required in the near future. The Outstanding Capital Contribution which is due to be contributed to DSTP by 28 April 2011 is merely a statutory requirement and the capital so contributed will be used for future development and future business expansion rather than meeting any capital requirement already committed. As such, and due to the business needs to overcome the difficulties faced by the Group in its development of its sourcing and distribution of interior decorative materials as explained above, the Directors consider such concerns are no longer as important.

Moreover, the Group has been purchasing from DSTP since 1995 and these purchases which accounted for approximately half of the Group's total purchase amount of timber products constitute connected transactions for the Company under the Listing Rules. Compliance with the Listing Rules in relation to the transactions between the Group and DSTP can be burdensome, and takes up considerable time and resources of the Group.

As stated in the Letter from the Board, despite the fact that Sundart Holdings has entered into the DSTP Agreement with DSTP and SPG and the Company has applied for and has been granted by the Stock Exchange a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in relation to the DSTP Agreement, the Company has to comply with the conditions imposed under the DSTP Agreement (including, where possible, obtaining quotations from independent third party manufacturers/supplies for

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the products concerned in order to establish that the terms on which the transactions conducted between DSTP and the Group pursuant to the DSTP Agreement are no less favourable to the Group than those offered to the Group by independent third party manufacturers/suppliers), as well as in respect of such waiver (including, among other things, annual review and confirmation by independent non-executive Directors and the Company's auditors with regard to the transactions conducted between DSTP and the Group).

We are advised by the management that the Acquisition, if completed, will streamline the management of the Group's business, improve efficiency in allocation of resources, enhance the Group's competitiveness and finally strengthen the ability of the Group to generate higher returns to the Shareholders.

The Directors believe that acquiring DSTP, being an authorized manufacturer of products certified by UL, is advantageous to the Group in securing sales contracts. Certification by UL is a prerequisite of entering into sales contracts with customers in the United States of America since it is a commonly required term specified in the contracts in order to prove that the products manufactured by the factory have complied with certain fire rated standards for safety purposes. The management estimated that the application process for obtaining the license from UL will take approximately 1 year. We also note that the UL license has been one of the indispensable requirements for the Group to undertake some sizable hotel projects from its customers based in the United States of America in the past.

Having considered the above, we concur with the view of the management of the Company that the Acquisition relates to the ordinary and usual course of business of the Group and is in line with the Group's current strategy and is in the interests of the Group and the Shareholders as a whole.

(IV) Major terms of the Sale and Purchase Agreement

(i) Consideration

Basis

The Consideration of HK\$39,500,000, subject to adjustment mentioned below, was determined with reference to the Adjusted NAV as at 30 June 2010 of HK\$38,422,478. "**Adjusted NAV**" means the consolidated net asset value of SLL as adjusted by (i) excluding the Sale Loan as a liability and (ii) 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. Based on the valuation of an independent valuer (the "**Independent Valuer**"), the fair market value of the machinery of SLL Group (being woodworking machinery including timber drying facilities, pressers, moulders, routers, trimmers, sawing, calibrators, painting facility) 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).

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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 on the Completion Date. The Group will fund the Consideration by its internal resources.

In the case of a Reduced Amount, SPG shall pay such Reduced Amount (if any) to Sundart Products within 7 Business Days after the determination of such Reduced Amount in accordance with the Sale and Purchase Agreement.

In the case of an Increased Amount, Sundart Products shall pay such Increased Amount to SPG within 7 Business Days after the determination of such Increased Amount in accordance with the Sale and Purchase Agreement.

Our analysis

We note that the Consideration was determined with reference to the Adjusted NAV and the Consideration represents a premium of approximately 2.8% over the Adjusted NAV as at 30 June 2010.

In assessing the fairness and reasonableness of the Consideration, we have discussed with the management on the basis of the Consideration, reviewed the calculation of Adjusted NAV, and discussed the methodology in the valuation of the fair market value of the machinery of SLL Group with the Independent Valuer.

Methodology of valuation

Based on our discussion with the Independent Valuer, we note that the Independent Valuer has adopted the cost approach and market approach in valuing the machinery and equipment.

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As discussed with the Independent Valuer, the cost approach measures value by determining the current cost of reproduction or replacement of asset and deducting for the various elements of depreciation, physical deterioration and functional and economic obsolescence. The market approach measures the used market where recent sales and offering prices of assets in like kind or equivalent utility, are analyzed to arrive at an indication of the most probable selling price of the asset being appraised.

We note that in arriving at the opinion of value and preparation of this valuation report, the Independent Valuer has researched and obtained price information and reference materials of the appraised assets or similar to the appraised assets through searching on internet web sites and referring to their pricing database and publications. We also note that the Independent Valuer has conducted a site inspection and interviewed the personnel of DSTP to obtain necessary information and establish condition, utility and history of the assets.

As advised by the Independent Valuer, the cost approach and market approach are commonly used in valuation of machinery and equipment.

Our view

Having considered that (i) DSTP's capability in manufacturing UL certified products; (ii) the value of the UL license aforementioned under section headed "Background and reasons for entering into of the Sale and Purchase Agreement", in particular the fact that certification by UL is a prerequisite of entering into sales contracts with customers in the United States of America and the management's estimation that the application process for obtaining the license from UL will take approximately 1 year; (iii) the fact that DSTP has been one of the major timber products suppliers of the Group; (iv) the cost approach and market approach as adopted by the Independent Valuer in the valuation of the machinery owned by the SLL Group are commonly used in valuation of machinery and equipment; and (v) the Consideration was determined with reference to the Adjusted NAV, and the Increased Amount, together with the Reduced Amount, form part of price adjusting mechanism with reference to the Adjusted NAV on Completion we are of the view that the Consideration, which represents a slight premium of approximately 2.8% over the Adjusted NAV is commercially justifiable and, taking into account that the Acquisition serves to secure a major supplier that is capable of manufacturing UL certified products, is in the interest of the Group and the Shareholders as a whole.

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(V) Possible financial effects of the Acquisition

As stated in the Letter from the Board, upon completion of the Acquisition, the SLL Group will be accounted for as indirect wholly-owned subsidiaries of the Company.

(a) *Effect on net asset value (“NAV”)*

As extracted from the 2010 Annual Report, the audited consolidated NAV of the Group was approximately HK\$781.6 million as at 31 March 2010. Upon Completion, the NAV of the Group will remain unchanged and the Group will record a goodwill arising from the Acquisition of approximately HK\$1.2 million.

(b) *Working capital*

The Consideration of HK\$39.5 million will be satisfied by cash. Based on the cash and cash equivalents of approximately HK\$657.5 million as at 31 March 2010, together with unutilized short-term bank loan facilities of approximately HK\$437 million, as disclosed in the annual report of the Group for the year ended 31 March 2010, we concur with the views of the Directors that the Acquisition will not have a material adverse impact on the working position of the Group immediately following the Completion.

(c) *Effect on gearing*

Since no additional borrowing will arise from the Acquisition and the SLL Group recorded no bank borrowing as at 30 June 2010, the gearing of the Group, as expressed in the ratio of total liabilities to total assets, would remain largely unchanged upon Completion.

(d) *Effect on earnings*

Upon Completion, the results of the SLL Group will be consolidated by the Group.

RECOMMENDATION

Having considered the principal factors above, we are of the opinion that (i) the entering into of the Sale and Purchase Agreement is in line with the Group’s current strategies, relates to the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole; and (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

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Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

CIMB Securities (HK) Limited

Alex Lau

Director

Head of Corporate Finance

Heidi Cheng

Director

Deputy Head of Corporate Finance

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 Group. 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. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions in the Shares and underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) of the Directors and the chief executives of the Company 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 or chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:

Long position in Shares of the Company

Name	Type of interest	Number of Shares	Approximate percentage (%)
Mr. Chan William	Interest in a controlled corporation ⁽²⁾	97,104,000	20.23
	Other ⁽¹⁾	97,104,000	20.23
Mr. Ng Tai Kwan	Beneficial owner	84,000,000	17.50
Mr. Leung Kai Ming	Beneficial owner	34,272,000	7.14
Mr. Wong Kim Hung Patrick	Beneficial owner	23,520,000	4.90

Notes:

- Since Tiger Crown Limited, Scenemay Holdings Limited, Mr. Chan William, Mr. Li Chu Kwan, Ms. Li Wing Yin are regarded as a group of controlling shareholders acting in concert to exercise their voting right in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 Shares beneficially or deemed to be owned by each other. Tiger Crown Limited, Scenemay Holdings Limited, Mr. Chan William, Mr. Li Chu Kwan and Ms. Li Wing Yin together are therefore interested in a total of 40.46% of the issued share capital of the Company.
- The entire issued share capital of Tiger Crown Limited is owned by Mr. Chan William. As Mr. Chan William controls more than one-third of the voting power in general meetings of Tiger Crown Limited, he is deemed to be interested in the 97,104,000 Shares which are owned by Tiger Crown Limited.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its 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 or chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no person (other than the Directors and chief executives of the Company) had any interests 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, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Long position in Shares of the Company

Name	Type of interest	Number of Shares	Approximate percentage
Tiger Crown Limited	Beneficial owner	97,104,000	20.23
	Other ⁽¹⁾	97,104,000	20.23
Scenemay Holdings Limited	Beneficial owner	97,104,000	20.23
	Other ⁽¹⁾	97,104,000	20.23
Mr. Li Chu Kwan	Interest in a controlled corporation ⁽²⁾	97,104,000	20.23
	Other ⁽¹⁾	97,104,000	20.23
Ms. Li Wing Yin	Interest in a controlled corporation ⁽²⁾	97,104,000	20.23
	Other ⁽¹⁾	97,104,000	20.23

Notes:

1. Since Tiger Crown Limited, Scenemay Holdings Limited, Mr. Chan William, Mr. Li Chu Kwan, Ms. Li Wing Yin are regarded as a group of controlling shareholders acting in concert to exercise their voting right in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 Shares beneficially or deemed to be owned by each other. Tiger Crown Limited, Scenemay Holdings Limited, Mr. Chan William, Mr. Li Chu Kwan and Ms. Li Wing Yin together are therefore interested in a total of 40.46% of the issued share capital of the Company.

2. The entire issued share capital of Scenemay Holdings Limited is owned by Mr. Li Chu Kwan and Ms. Li Wing Yin in equal shares. As each of Mr. Li Chu Kwan and Ms. Li Wing Yin respectively controls more than one-third of the voting power in general meetings of Scenemay Holdings Limited, each of Mr. Li Chu Kwan and Ms. Li Wing Yin is deemed to be interested in the 97,104,000 Shares which are beneficially owned by Scenemay Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director and chief executive of the Company, no other person (not being a Director or chief executive of the Company) had, or were deemed to have, any interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in general meetings of the Company.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

On 14 March 2009, DSTP and SPG, both being wholly-owned by Mr. Leung, and Sundart Holdings entered into the DSTP Agreement whereby SPG agreed with Sundart Holdings to procure DSTP to, and DSTP agreed with Sundart Holdings to, manufacture and supply timber products to members of the Group whenever requested by any member of the Group for the period commencing from 1 April 2009 to 31 March 2012 on and subject to the terms therein provided.

Please refer to the Prospectus for further details regarding the DSTP Agreement.

Save the Sale and Purchase Agreement in which Mr. Leung and SPG are parties and the DSTP Agreement in which SPG and DSTP are parties, as at the Latest Practicable Date:

- (i) none of the Directors had any interest, direct or indirect, in any assets which have 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 March 2010, the date to which the latest published audited financial statements of the Group was made up; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the date that the Company has been listed on the main board of the Stock Exchange which may be terminated by either party by giving 6 months' written notice.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment which may be terminated by either party by giving 6 months' written notice.

Save as disclosed above, none of the Directors has any service contracts with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or any of their respective associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular and have given opinions and/or advices which are contained this circular:

Name	Qualification
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 has given and has not withdrawn its written consents to the issue of this circular with the reference to its name, with the inclusion of its letter in this circular in the form and context in which it appears.

As at the Latest Practicable Date:

- (i) the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (ii) the Independent Financial Adviser does not have any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Group was made up.

The letters and recommendation given by the Independent Financial Adviser are given as of 30 August 2010 for incorporation herein.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Group have been made up.

9. GENERAL

- (i) The Company Secretary of the Company is Mr. Yip Chun Kwok. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants, a member of each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a CFA charterholder of the CFA Institute.
- (ii) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The headquarters and principal place of business in Hong Kong is 7/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong.
- (iii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (iv) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 7/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof:

- (1) the Sale and Purchase Agreement;
- (2) the letter from the Independent Board Committee, the text of which is set forth on page 15 of this circular;
- (3) the letter from the Independent Financial Adviser, the text of which is set forth on pages 16 to 25 of this circular;
- (4) the service contracts and appointment letters referred to under the paragraph headed "Service Contracts" in this Appendix; and
- (5) this circular.

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Sundart International Holdings Limited (the “**Company**”) will be held at Victoria and Chater Room, 2/F, Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 16 September 2010, Thursday, at 3:45 p.m. (or so soon thereafter as the annual general meeting of the Company convened for the same date and place at 2:30 p.m. shall have been concluded or adjourned) for the purpose of considering and if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

1. the sale and purchase agreement (the “**Sale and Purchase Agreement**”) dated 13 August 2010 entered into between Sundart Products Group Limited as vendor, Sundart Products Limited as purchaser and Mr. Leung Kai Ming as vendor’s guarantor in relation to the sale and purchase of the Sale Shares and the Sale Loan (as defined in the circular of the Company dated 30 August 2010 (the “**Circular**”), a copy of the Sale and Purchase Agreement and a copy of the Circular have been produced to the meeting and marked “**A**” and “**B**” respectively and initialled by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed, and ratified; and
2. the directors of the Company be and are hereby authorised for and on behalf of the Company to do all such acts and things and to take such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement or the transactions contemplated thereunder and all other matters incidental thereto, including but not limited to agreeing to any amendments to the terms of the Sale and Purchase Agreement which in the opinion of the directors of the Company are in the interests of the Company and the Shareholders as a whole.”

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

Hong Kong, 30 August 2010

NOTICE OF THE EGM

Notes:

1. All resolutions to be considered at the Meeting will be taken by poll. On voting by poll, every member of the Company present in person or by proxy or, in the case of a member of the Company being a corporation, by its duly authorised representative shall have one vote for every fully paid share of the Company of which such member is the holder.
2. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person at his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent such member and vote on such member's behalf at the Meeting. A proxy need not be a member of the Company.
3. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, the vote of the senior holder who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. Completion and return of the form of proxy will not preclude a member from attending and voting at the Meeting or any adjournment thereof if he so wishes.
5. A form of proxy for use in connection with the Meeting is enclosed with the Circular. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

As at the date of this notice, the directors of the Company are as follows:

Executive Directors:

Mr. Chan William (*Chairman*)
Mr. Ng Tak Kwan (*Chief Executive Officer*)
Mr. Leung Kai Ming (*Chief Operating Officer*)
Mr. Wong Kim Hung, Patrick
Mr. Yip Chun Kwok

Independent Non-Executive Directors:

Mr. To King Yan, Adam
Mr. Wong Hoi Ki
Mr. Ho Kwok Wah, George