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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)

**VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF 85% INTEREST IN SUNDART HOLDINGS
AND
CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING**

On 16 May 2012, the Company and the Purchaser entered into the Agreement pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 85% of the issued share capital of Sundart Holdings, for a consideration of HK\$493,000,000.

As the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements. As the Group will focus on the property development and real estate/asset management business in Hong Kong and the PRC through the Remaining Group after the Disposal, Mr. Leung will therefore resign from the Company and join the Disposal Group after Completion in order to pursue his career in developing the fitting-out business in the PRC. As Mr. Leung will resign from the Company and join the Disposal Group after Completion, Mr. Leung and his respective associates will abstain from voting in respect of the resolution to approve the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

As at the date of this announcement, Tiger Crown, Mr. Ng and Mr. Wong held 97,104,000 Shares, 84,000,000 Shares and 20,520,000 Shares respectively, representing approximately 20.34%, 17.59% and 4.3% respectively of the issued share capital of the Company as at the date of this announcement. Tiger Crown and Mr. Chan had jointly and severally irrevocably undertaken to the Purchaser, inter alia, that Tiger Crown shall, and Mr. Chan shall procure Tiger Crown to, appoint a representative to attend the EGM and vote in favour of the resolution approving the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

Each of Mr. Ng and Mr. Wong had also irrevocably undertaken to the Purchaser, inter alia, that he shall attend the EGM in person and vote in favour of the resolution approving the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, details of the Disposal, the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder, together with a notice of EGM and other information as required under the Listing Rules, will be despatched to the Shareholders on or before 6 June 2012.

THE AGREEMENT

On 16 May 2012, the Company and the Purchaser entered into the Agreement pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 85% of the issued share capital of Sundart Holdings, for a consideration of HK\$493,000,000.

Date

16 May 2012

Parties

Vendor: The Company

Purchaser: The Purchaser

Assets to be disposed of

The Sale Shares, representing 85% of the issued share capital of Sundart Holdings.

Further information on Sundart Holdings and its subsidiaries are set out in the section titled "Information on the Disposal Group" in this announcement.

Consideration

The consideration for the Sale Shares is HK\$493,000,000 (the "Consideration"), which shall be paid by the Purchaser to the Company in cash in the following manner upon the Purchaser receiving on the Completion Date a copy of the register of members of Sundart Holdings reflecting the Purchaser as the holder of the Sale Shares:

- (i) HK\$350,030,000, being 71% of the Consideration, shall be paid on the Completion Date; and
- (ii) HK\$142,970,000, being 29% of the Consideration (the "Second Instalment"), shall be paid within 21 days after the Completion Date (the "Payment Period").

The Company shall retain the original share certificate(s) in respect of 1,275 Shares (representing approximately 29% of the total number of the Sale Shares) (the “Retained Shares”) on the Completion Date, and shall deliver the same to the Purchaser on the date of payment of the Second Instalment by the Purchaser.

If the Purchaser fails to pay the Second Instalment within the Payment Period, the Purchaser shall immediately pay to the Company an amount equal to 1% of the Second Instalment as compensation.

Unless as agreed between the Company and the Purchaser otherwise, if the Purchaser fails to pay to the Company the Second Instalment within 30 days after the Payment Period (excluding the last day of the Payment Period), the Company shall be entitled to become the legal and beneficial owner of the Retained Shares, and the Purchaser undertakes to execute the necessary instrument of transfer and/or all other relevant documents for the purpose of transferring the Retained Shares back to the Company without consideration and to procure that the register of members of Sundart Holdings reflects the Company as the registered holder of the Retained Shares.

The Consideration was determined after arm’s length negotiations between the Company and the Purchaser with reference to the net assets value of the Disposal Group as at 31 January 2012 and the market capitalization of the Company at the time of negotiation of the Disposal with the Purchaser.

Conditions to Completion

Completion is conditional upon the fulfillment of all of the following conditions:

- (a) the Shareholders approving the Agreement, the Shareholders’ Agreement and the transactions contemplated thereunder at a general meeting of the Company;
- (b) the obtaining by the Company and any member of the Disposal Group of all necessary consents, approvals, authorisations and/or waivers from the relevant banks in connection with the Agreement and the transactions contemplated thereunder;
- (c) the obtaining of all consents and/or approvals which are necessary or required to be obtained from government authorities and/or regulatory authorities in order for the Company to carry out the transactions contemplated under the Agreement;
- (d) the obtaining of all consents and/or approvals which are necessary or required to be obtained from government authorities and/or regulatory authorities in order for the Purchaser to carry out the transactions contemplated under the Agreement; and
- (e) the directors of the Purchaser approving the Agreement, the Shareholders’ Agreement and the transactions contemplated thereunder at a board meeting of the Purchaser.

Completion

Subject to the fulfillment of all the Conditions and compliance with the terms and conditions of the Agreement, Completion shall take place on the Completion Date.

The Company has undertaken to the Purchaser in the Agreement that it shall not sell and transfer the Sale Shares (except to the Purchaser) or mortgage, pledge or create any other encumbrance on the Sale Shares within 18 months from the date of the Agreement, unless at the time of contemplating such sale, transfer, mortgage, pledge or creation of encumbrances, the Agreement failed to complete due to the Purchaser's default. If Completion cannot take place within 18 months from the date of the Agreement, the Agreement shall thereafter immediately automatically terminate and the Company shall at any time thereafter be free to sell, transfer, mortgage, pledge or create encumbrances on the Sale Shares.

Change of name

Pursuant to the Agreement, the Company shall, and shall procure its subsidiaries other than members of the Disposal Group which company name contains the words "Sundart" or "承達" or "承達", as soon as possible after Completion, and in any event no later than 180 days after Completion, pass all necessary resolutions and procedures to change their names to a name which does not contain the words "Sundart" or "承達" or "承達". The Company has also undertaken that subject to compliance with the above, the Company shall not, and shall procure that its subsidiaries other than members of the Disposal Group shall not use the words "Sundart" or "承達" or "承達" in their company names.

Shareholder's loans and bank loans and release of bank guarantees

The Company has undertaken in the Agreement:

- (i) to ensure that the amount of the shareholders' loan (except for the New Shareholders' Loan (if any), as defined below) owed by the Disposal Group to the Company is HK\$80,000,000 (the "Sundart Loan") as at the Completion Date; and
- (ii) to arrange that members of the Disposal Group repay all bank loans which fall due prior to the Completion Date as well as all bank loans which the relevant banks have requested for repayment prior to the Completion Date (the "Relevant Bank Loans").

The Purchaser has agreed that if the Disposal Group does not have sufficient funds to repay the Relevant Bank Loans as mentioned above, the Company may advance to the Disposal Group a loan bearing interest of 3% per annum for use in repaying the Relevant Bank Loans, which loan from the Company shall be repaid in full by the Disposal Group within one year from the date of advance of such loan (the "New Shareholders' Loan").

The main reason for retaining the Sundart Loan and providing a further loan to repay the Relevant Bank Loans as mentioned above is to ensure that there is a smooth handover for the transactions contemplated under the Agreement between the Company and the Purchaser and minimal disruption to the business and operations of the Disposal Group, taking into account the following:

- (i) since the Purchaser is not a shareholder of Sundart Holdings prior to Completion, the Purchaser is not obliged to repay any bank loan owed by any member of the Disposal Group which falls due before Completion. Accordingly, members of the Disposal Group should arrange to repay the bank loan on its own, otherwise it would have been in default of the relevant loan documents. If any member of the Disposal Group does not have sufficient funds to repay the bank loan, it is reasonable for the Company to provide funding to such member of the Disposal Group for such repayment as it is still the holding company of the Disposal Group at the time;
- (ii) since one of the conditions to Completion is the obtaining of necessary consents, approvals, authorisations and/or waivers from the relevant banks in connection with the Disposal, in the event that any bank is unwilling to give the relevant approval, consent or waiver, a member of the Disposal Group may need to repay the relevant bank loan in order that Completion may take place; and
- (iii) as the Purchaser is a wholly-owned subsidiary of a PRC company and is PRC based, its funding mostly comes from within the PRC and accordingly, it has to go through time consuming foreign exchange control procedures before funds can be transferred out of the PRC for use by the Disposal Group outside the PRC. The Company considers that by not requiring the repayment of the Sundart Loan at or prior to Completion, the Disposal Group will be able to retain some cash for its operations (other than in the PRC) for the transitional period after Completion, pending the injection of new funds from the Purchaser which will facilitate a smooth handover.

The Company considers that the aforesaid retention of Sundart Loan and the provision of the further loan will not have a material adverse effect on the Group's financial position.

The Company and the Purchaser have undertaken in the Agreement that unless both parties agree otherwise, they will arrange for the release of all Sundart Guarantees and the STP Guarantee after 6 months from the Completion Date and procure that such Sundart Guarantees and the STP Guarantee be released within 1 year from the Completion Date. The reason for setting the above timeframe (from 6 months after Completion to within 1 year) for release of the Sundart Guarantees and the STP Guarantee at Completion is to provide for a transitional period so as to ensure a smooth handover after Completion and sufficient time for making arrangements with the relevant banks to prepare for the relevant releases. Due to the reason set out above, the Directors consider that the abovementioned provision in the Agreement relating to the arrangements for release of the Sundart Guarantees and the STP Guarantee to be fair and reasonable and in the interest of the Company.

The Sundart Guarantees were given in connection with banking facilities granted to the Disposal Group of an aggregate principal amount of approximately HK\$1,296,150,000, of which approximately HK\$337,279,000 had been utilized by the Disposal Group as at 31 January 2012, and the STP Guarantee was given in connection with a banking facility granted to Vital Success of the principal amount of approximately HK\$737,500,000, of which approximately HK\$429,672,000 had been utilized by Vital Success as at 31 January 2012.

Payment of accounts receivables

Pursuant to the Agreement, if the accounts receivables of Sundart Holdings as shown in the Completion Accounts cannot be collected in full by the relevant member of the Disposal Group within 18 months from the Completion Date (the “Collection Period”) and there is not sufficient bad debt provision in the Completion Accounts to cover the uncollected accounts receivables, then the Company shall within 5 days from the end of the Collection Period pay to the Purchaser the amount of the difference between such uncollected accounts receivables and the amount of bad debt provision as shown in the Completion Accounts. If the Purchaser and/or the relevant member of the Disposal Group subsequently is able to collect the outstanding accounts receivables, then the Purchaser and/or the relevant member of the Disposal Group shall within 5 days of collection of such accounts receivable repay the same amount to the Company.

The Purchaser has requested for the aforesaid provision in relation to the payment of accounts receivables in the Agreement such that it will still be compensated in the event that the financial statements of the Disposal Group provided to the Purchaser fail to have adequate provision for bad debt. As disclosed in the Prospectus, the amounts of write off of trade and other receivables of the Company for the two years ended 31 March 2007 and 2008 were HK\$344,000 and HK\$1,165,000 respectively. In particular, no bad debt amount was recorded by the Group for the period from 1 April 2011 to 31 January 2012 and two years ended 31 March 2010 and 2011. In view of the historic low bad debt amount incurred by the Disposal Group and since sufficient provision for bad debt will be made in the Completion Accounts if any debt amount is noted, the Company considers that the Group’s exposure on the compensation that may be made for the Disposal Group’s accounts receivables is negligible. Due to the reason set out above and since the Company will be refunded the amount of outstanding accounts receivables which the Purchaser and/or the relevant member of the Disposal Group subsequently is able to collect, the Directors consider that the abovementioned provision in the Agreement relating to the arrangements for the Company to compensate the Disposal Group for the uncollected accounts receivables to be fair and reasonable and in the interest of the Company.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Agreement, the Company, the Purchaser and Sundart Holdings will upon Completion enter into the Shareholders' Agreement to provide for the ownership, management, financing and other activities of Sundart Holdings and its subsidiaries (as appropriate). The principal terms of the Shareholders' Agreement, among other things, are summarized as follows:

Board Representation

After Completion, the board of directors of each member of the Disposal Group shall comprise five directors, of which one director shall be appointed by the Company and four directors shall be appointed by the Purchaser. The Company shall nominate Mr. Ng as a director of each member of the Disposal Group who shall hold office for a period of three years from the date of the Shareholder's Agreement.

Other than certain material matters specified in the Shareholders' Agreement which shall either be approved by:

- (a) the Company and the Purchaser in writing or by the Company and the Purchaser unanimously at a general meeting of the Company; or
- (b) all directors of the board of directors of the relevant member of the Disposal Group in writing; or
- (c) all directors at the meeting of the board of directors of the relevant member of the Disposal Group (which shall, in any event, include at least one director appointed by the Company) who are present either in person or by their respective alternates and a quorum being present at the aforesaid board meeting;

all matters to be determined by the respective board of directors of members of the Disposal Group shall be decided by a simple majority vote of the directors present and voting.

Financing for the Disposal Group

All funding required for the business of the Disposal Group shall be satisfied through the following means:

- (a) the Purchaser shall procure that members of the Disposal Group use reasonable endeavours to obtain project financing from banks or other financial institutions on such terms as the board of directors of Sundart Holdings shall by unanimous vote determine; and
- (b) the Company shall ensure that the Disposal Group shall obtain the Sundart Loan.

The Company and the Purchaser shall irrevocably agree and undertake in the Shareholders' Agreement that the Sundart Loan shall be for a term of 1 year and shall bear interest at the rate of 3% per annum. The sole purpose of the Sundart Loan is to ensure that there is a smooth handover for the transactions contemplated under the Agreement between the Company and the Purchaser, and the term of the Sundart Loan is short which is not expected to be more than 1 year. In addition, the Sundart Loan which will carry interests at 3% per annum is higher than that of the Company's financing interest rate, accordingly, the Company considers that the Sundart Loan is on normal commercial terms and fair and reasonable and is in the interests of the Shareholders and the Company.

Non-competition

The Company shall undertake in the Shareholders' Agreement that during the period from the date of the Shareholders' Agreement until it no longer holds any shares in Sundart Holdings, unless with the unanimous agreement of the Company and the Purchaser, the Company shall not (other than through the Disposal Group) directly or indirectly set up, manage or invest in any business which competes or may compete with the business of the Disposal Group.

Since the Company will have disposed of its fitting-out business other than 15% interest in Sundart Holdings, the Group will no longer have the resources to carry on fitting-out business activities on its own. Accordingly, such non-competition undertaking will not post as a material restriction on the Group's future business activities. Currently, the Company has engaged Kin Shing (Leung's) General Contractors Limited, a member of the Disposal Group, to carry out superstructure works (including the construction and the fit-out) in respect of the Kwun Tong Project. It is envisaged that the Company may continue to engage the Disposal Group to undertake the fitting-out works for other property projects it may invest in future. Given that the Disposal Group's positive "job reference" in the fitting-out business, engaging the Disposal Group to fit-out the investment properties of the Group will have a positive effect on the image of the Group's investment properties, the Directors consider that giving the non-competition undertaking is in the interest of the Company.

Termination

If an order is made or an effective resolution is passed for the winding up of the Company other than for the purposes of amalgamation or reconstruction, or if all or a substantial part of all of the assets of the Disposal Group are expropriated or otherwise placed under the direct control of the government, or if Sundart Holdings is unable to pay its debts (within the meaning of section 178 of the Companies Ordinance but excluding any debts owed to any shareholder of Sundart Holdings), or Sundart Holdings makes a general assignment for the benefit of its creditors or has a receiver or manager appointed over all or a substantial part of its assets, any of the Company or the Purchaser shall be entitled to terminate the Shareholders' Agreement forthwith by delivery of a notice of termination to the other of them. Such termination shall not affect the rights and obligations accrued prior to the date of such termination.

Upon the liquidation of Company, the Shareholders' Agreement shall also terminate and such termination shall not affect the rights and obligations accrued prior to the date of such termination.

Options

Under the Shareholders' Agreement, the Company and the Purchaser will have the following rights or options to require the other party to buy/sell the shares in Sundart Holdings upon occurrence of the following events:

Pre-emption rights Each time when the Company or the Purchaser wishes to sell its shares in Sundart Holdings, the selling shareholder shall first offer all or some of such shares together with the relevant proportion of outstanding shareholder's loan owed by Sundart Holdings to it to the other shareholder in accordance with the provisions of the Shareholders' Agreement.

Tag-along rights In the event that the Company or the Purchaser proposes to transfer, in one or more transactions, any of its interest in Sundart Holdings to another party, the other shareholder (i.e. the non-selling shareholder) shall, in accordance with the provisions of the Shareholders' Agreement, have the right, but not the obligation, to tag-along and join in such proposed transfer at the same price and on the same terms and subject to the same conditions as the selling shareholder on a pro rata basis.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is an integrated fitting-out contractor based in Hong Kong principally engaged in providing professional, up-market and cost-saving fitting-out contracting services for sizeable residential and hotel projects. The dealings in the Shares first commenced on the Main Board of the Stock Exchange on 21 August 2009.

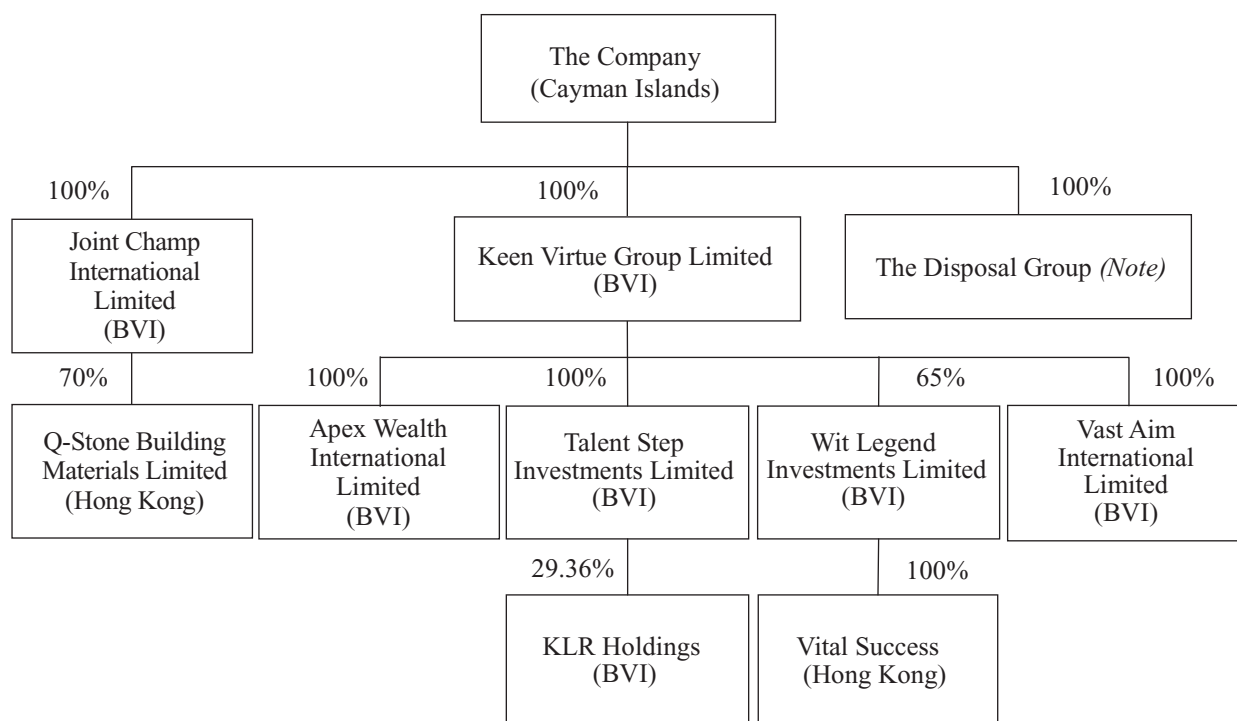
The Purchaser is principally engaged in contracting curtain wall construction business in Hong Kong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of and do not have any other relationship with the Group and its connected persons (as defined in the Listing Rules).

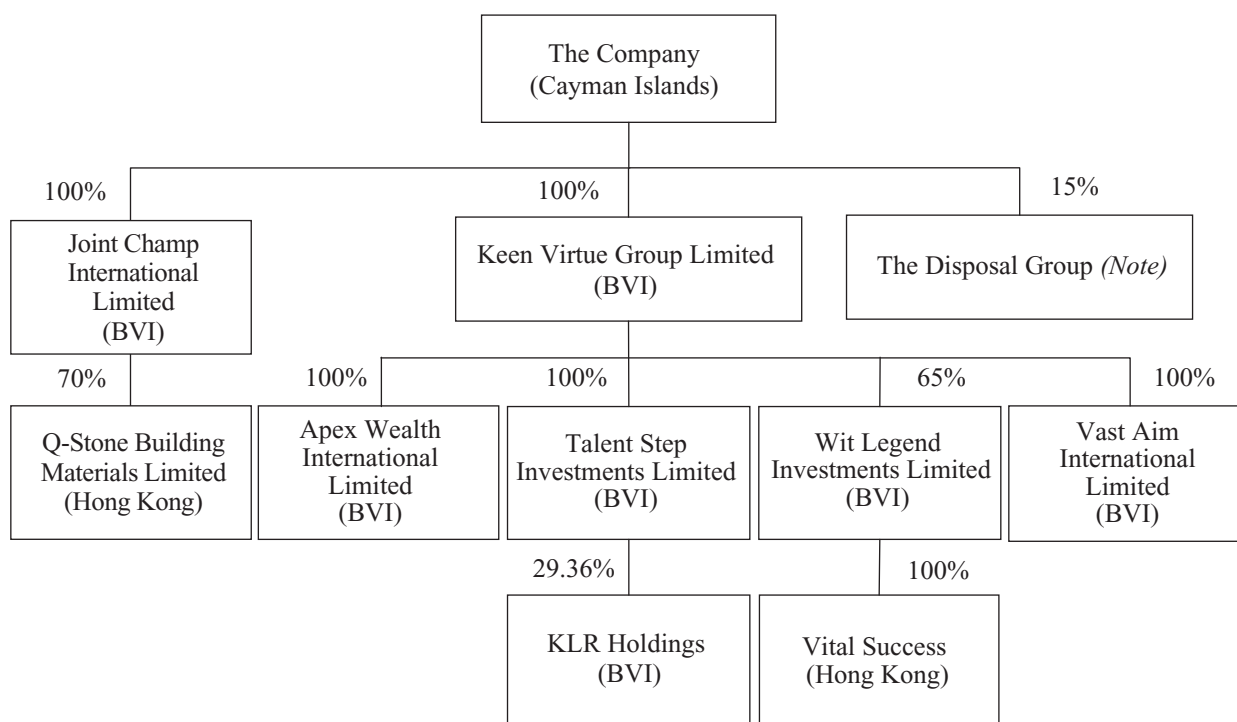
STRUCTURE OF THE GROUP BEFORE AND AFTER COMPLETION

The following charts illustrate the structure of the Group immediately before and after Completion:

As at the date of this announcement and immediately before Completion:



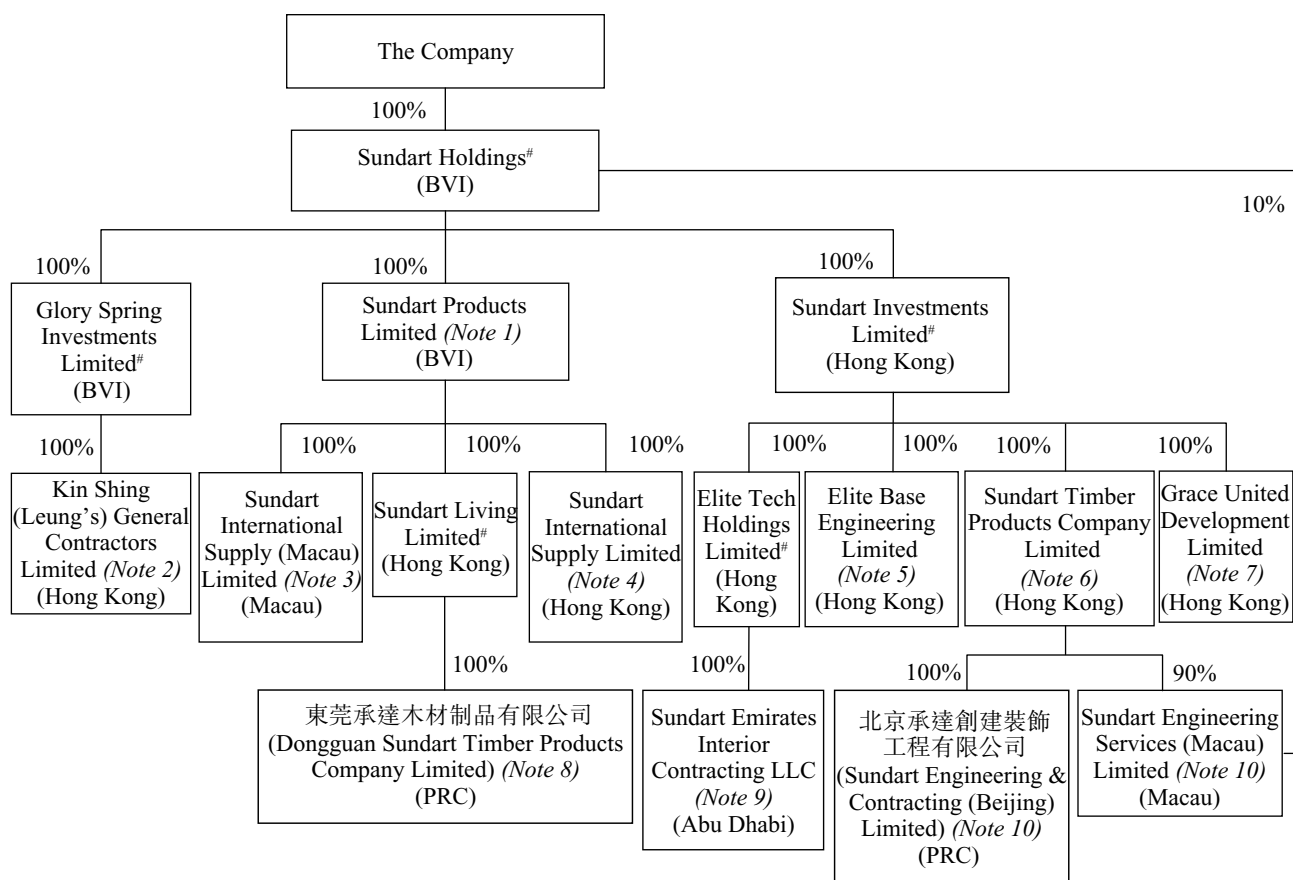
Immediately after Completion:



Note: Please refer to the section titled "Information on the Disposal Group" in this announcement for the chart illustrating the structure of the Disposal Group.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Group is principally engaged in the business of conducting fitting-out works, construction and civil engineering works, sourcing and distribution of interior decorative materials, supply and installation of timber doors and floorsets, provision of project management services and manufacturing of timber products. Set out below is the shareholding structure of the Disposal Group as at the date of this announcement:



An Investment holding company.

Note 1: Being principally engaged in investment holding and leasing of intellectual properties.

Note 2: Being principally engaged in construction and civil engineering works.

Note 3: Being principally engaged in sourcing and distribution of interior decorative materials.

Note 4: Being principally engaged in sourcing and distribution of interior decorative materials.

Note 5: Being principally engaged in interior fitting-out works.

Note 6: Being principally engaged in investment holding and supply and installation of timber doors and floorsets and interior fitting-out works.

Note 7: Being principally engaged in project management services.

Note 8: Being principally engaged in manufacturing of timber products.

Note 9: Being principally engaged in interior fitting-out works in Abu Dhabi and is currently inactive.

Note 10: Being principally engaged in supply and installation of timber doors and floorsets and interior fitting-out works.

The unaudited consolidated net assets value of Sundart Holdings as at 31 January 2012 was HK\$400,453,000. The unaudited consolidated net profits before and after tax of Sundart Holdings for the ten months period ended 31 January 2012 were HK\$107,416,000 and HK\$91,330,000 respectively, and the unaudited consolidated net profits before and after tax of Sundart Holdings for the ten months period ended 31 January 2011 were HK\$128,238,000 and HK\$108,017,000 respectively.

The book value of the Disposal Group as at 31 January 2012 was HK\$400,453,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group started its fitting-out business in 1988 and since then, had been gradually expanding its fitting-out business. After the listing of the Shares on the Stock Exchange, whilst the Group continued to develop its fitting-out business, the Company also explored the possibility, and came across opportunities, of engaging in additional new businesses which may bring in more profits for the Group, including but not limited to real estate investment. In terms of the fitting-out business of the Group, there has been increased competition as other competitors viewed the Company's business as a profitable model and followed suit. In addition, labour costs relating to the installation works by subcontractors and costs of raw materials for fitting-out projects (including but not limited to timber products, marble products and steel, metal and glazing products) have increased in recent years. Although the Group is still having a sizeable share in the Hong Kong and Macau markets, such increase in competition and costs continues to lower its profit margin, which has decreased from 19.35% for the six months period ended 30 September 2010 to 13.55% for the six months period ended 30 September 2011.

Although the Company is still optimistic about the markets of Hong Kong and Macau, its fitting-out business has grown to an extent that the Company expects that there would not be much room for extensive expansion since both markets are small. For the Group's fitting-out business in Hong Kong, since the transparency of the Group's financial information, such as profit margin of the business, becomes higher after the Company's listing, the market was able to ascertain the profitability of the business. As a result, this attracted new players to join the business. This led to more competition in the market which resulted in a lower profit margin for the Group over the past years. Also, the running of fitting-out business is becoming tougher as the aforementioned costs for labour and raw material have risen much in recent years whilst the increase in the aforesaid costs are quite difficult to pass to the customers, hence the fitting-out business is not expected to be as profitable as before. For the Group's fitting-out business in Macau, as the Macau government had in March 2010 announced a limitation to the number of casino tables in Macau in the next three years, this consequentially limited the number of new fitting-out projects available there. After finishing the large-scale hotel projects, such as Galaxy Resort & Casino Cotai City, it is expected that there will not be any large-scale casino projects until late 2013.

By engaging in new lines of businesses, the Company will have new sources of revenue, which the Directors consider will be beneficial to the Group and the Shareholders as a whole. Accordingly, in June 2010, the Group entered into a formal agreement for the acquisition of the property where the Kwun Tong Project is located, which acquisition was completed in December 2010. In January 2011, the Group commenced the development of the Kwun Tong Project and started demolishing the old building located at the site of the Kwun Tong Project.

The Company had on 16 September 2010 announced its acquisition of 29.36% interest in KLR Holdings, which in turn was interested in 54.02% of Kailong REI Project Investment Consulting (Hong Kong) Co., Ltd. ("KLR Hong Kong"). KLR Holdings is a holding company that undertakes, through KLR Hong Kong and/or the subsidiaries and affiliates of KLR Hong Kong (collectively, the "KLR Group"), fund management, real estate investment and asset management business in the PRC.

As stated in the 2011 Annual Report, property development will represent a second line of business for the Group in the future and will generate a new source of income. The 2011 Annual Report also stated that the Group is looking for new projects to keep this business line running and will continue to explore property development opportunities with KLR Holdings. At the time of acquisition of interests in KLR Holdings as well as the property where the Kwun Tong Project is located, there were no plans to dispose of the fitting-out business of the Group.

As mentioned above, the fitting-out business of the Group in Hong Kong and Macau has grown to an extent that there would not be much room for extensive expansion in such markets. However, the Company believes that the PRC market has great potential for the fitting-out business and accordingly increased its exposure to the PRC market in cities with high growth potential such as Beijing, Shanghai, Chengdu and Chongqing.

As the Company continues to develop its fitting-out business in the PRC, it realises that the difficulty and risk of expanding its fitting-out business in the PRC market continues to increase, especially on its own without the assistance of a local PRC partner. Such difficulty and risk mainly come from the time consuming foreign exchange control procedures which the Group has to go through when injecting funds into its PRC businesses and that the Group's familiarity with the PRC market is not as good as that with the Hong Kong and Macau markets. In addition, given that there is money supply limitation and strict foreign exchange control policies in the PRC, the Company's customers became not as liquid as before, which caused the cash flow turnover of running the fitting-out business in the PRC not as satisfactory as the Company expected.

With a sudden increase in the Group's fitting-out orders in the PRC within a short period of time during April 2011 to September 2011 and that the scale of such fitting-out projects were much larger than the previous projects which the Group took up, the Group realised the difficulties in expanding its fitting-out business in the PRC and is faced with both funding and operation difficulties and higher operational risks. Apart from the difficulties encountered in the foreign exchange control procedures in the PRC as mentioned above, the Group also faces difficulties and risks in operating business in the PRC due to cultural differences between Hong Kong and the PRC as well as cultural differences between different cities in the PRC. Projects of the Group in the past were only located in large cities, namely Shanghai or Beijing, whereas currently many development projects are located at other second-tier cities in the PRC. As such, and as each city has its own set of regulations, rules and norms, and the expectation of customers of these cities varies due to difference in their cultural background, the Group needs to spend extra time to familiarize itself with and adapt to the differences in each of these cities in order to meet the varied requirements and expectations of its PRC customers in different cities. The Group also has to assign a number of staff to support the projects located in different regions in the PRC. Given the Group's manpower is limited and the fact that unlike in Hong Kong and Macau where a project manager can oversee different projects at the same time, the PRC projects are scattered in different regions in the PRC and as such the Company has difficulties in assigning a project manager to oversee several projects at the same time. This has therefore placed much pressure on the Group's human resources which the Group cannot solve on its own. Accordingly, the Group had to hire additional local staff in the PRC to take up the fitting-out projects, although the Company faced unexpected difficulty in recruiting experienced local staff at reasonable costs in the PRC. The aforementioned factors put a strain on the Group's resources as well as increase the Group's operating costs.

Further, due to the difficulties mentioned above and that the commencement and/or progress of certain projects secured by the Group on or before March 2011 had been postponed or suspended by its customers to 2012, the Group experienced slower-than-expected progress in completing some of its fitting-out projects in the PRC. Further, the Group will require substantial initial setting up costs if too many significant projects commence at a particular period of time and expects that this will use up a lot of cash resources. As a result, although the Group has managed to increase the volume of orders for fitting-out projects in the PRC, the Company realises that the fitting-out business in the PRC is not as easy to operate and not as profitable as it had originally expected and the return of such business in the PRC market is not as good as that in Hong Kong and Macau if the Company continues to run the fitting-out business in the PRC alone.

In light of the above, when Beijing Jangho approached the Company early this year, and in view of the business scale and size of Beijing Jangho and its extensive network in the PRC, the Directors consider that it would be beneficial to the Group to invite the Purchaser to join as a long-term partner to expand and co-invest in the fitting-out business in the PRC. However, given the “Sundart” brand name is well established in and is part and parcel to the fitting-out businesses in Hong Kong and Macau, it would not be commercially viable to have two businesses owned by two different persons but sharing the same “Sundart” brand name, and it would not be possible to separately dispose of just the Company’s fitting-out business in the PRC without the accompanying “Sundart” brand name. Accordingly, the Purchaser (which is a wholly-owned subsidiary of Beijing Jangho, the shares of which are listed on the SSE since August 2011) although interested in co-investing in the Group’s fitting-out business, wishes to acquire a controlling stake in Sundart Holdings and not just the Group’s fitting-out business in the PRC. The Company believes that by introducing an experienced PRC partner into the Disposal Group to take over the operation of the Company’s fitting-out business in the PRC, the Company’s existing fitting-out business in the PRC will expand to take advantage of the great potential of the PRC market.

With both the experiences in engaging in the fitting-out and real estate-related businesses, the Company considers that the real estate-related business is of comparatively lower operational risks and easier to operate as it is less dependent on human resources management and may have a higher profit margin than that of the fitting-out business. The Company is therefore of the view that disposing of 85% interest in Sundart Holdings to the Purchaser is a good opportunity to allow the Group to reallocate its resources and focus on the development and expansion of its other line of business, being the real estate investment (including property development) business in the future. Although the Company will no longer be actively involved in the operation of the fitting-out business of the Disposal Group after the Disposal, the operating risks in running the Company’s fitting-out business in the PRC will shift to the Purchaser after the Disposal and the Company’s retention of 15% interest in Sundart Holdings will enable the Company to share the profits from the fitting-out business of the Disposal Group without the need to bear the operational risks and difficulties of the fitting-out business on its own.

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

BUSINESS OF THE REMAINING GROUP

After the Disposal, the Company will continue to further develop and expand its core business towards both the directions of real estate development, such as the Kwun Tong Project and other similar projects, and real estate investment (including property development), fund management and asset management in both Hong Kong and the PRC.

It is always the Company's intention to engage in other real estate development projects which are similar to the Kwun Tong Project after the Company entered into the real estate development business in 2010. As disclosed in the 2011 Annual Report, the Kwun Tong Project will be the first of its kind for the Group. Accordingly, the Group will continue to explore property development opportunities and expand on this line of business in future. The Company will adopt a business model on repositioning and value enhancement of property with a focus on commercial projects in prime locations in both Hong Kong and the PRC. The Company will identify opportunities and acquire suitable assets and thereafter may repackage the assets to enhance their capital value by ways of rebuilding the properties, or upgrading the properties by carrying out renovation, fitting-out and furnishing works and improving the greenery, amenities and interior of the properties so as to build good images of the assets and make the properties attractive to investors.

The Kwun Tong Project is the first project under such business model in which an old industrial property was acquired. In particular, the Group may acquire suitable properties in the future for refurbishment and re-packaging for subsequent sale at a higher value. The Company is looking for other property development projects which can bring in rental income and also possesses capital gain potential. It is also the Company's intention to look for other properties with good redevelopment potential such that the model of the Kwun Tong Project can be mirrored.

Apart from the Group's engagement in real estate development projects as mentioned above, the Company also considers the prospect of real estate-related investment business is good, and accordingly intends to expand and strengthen its existing real estate-related businesses, including increasing its shareholding in KLR Holdings after the Disposal to the extent that KLR Holdings or KLR Hong Kong may, ultimately, become a subsidiary of the Company. KLR Holdings, through KLR Hong Kong and/or the subsidiaries and affiliates of KLR Hong Kong, undertakes fund management, real estate investment and asset management business in the PRC, and increasing its interest in KLR Holdings will enable the Company to further increase its involvement in the real estate investment and fund management and asset management business in the PRC.

As far as the Company is aware, the KLR Group is now managing two funds with a total capital of RMB650 million and will invest in around RMB1.2 billion worth of property. As KLR Holdings can complement the Company's business well and the PRC market for RMB fund products is very large, there is a plan to further acquire KLR Holdings to the extent that it may become a subsidiary of the Company. If the Company is successful in acquiring further interests in KLR Holdings, it will then be able to be further involved in the real estate investment, fund management and asset management business in the PRC. As at the date of this announcement, the Company has not reached any agreement in respect of its intended increase of its shareholding interest in KLR Holdings.

The Company intends to work closely with KLR Holdings and the Disposal Group to fully execute the aforesaid business model that is similar to the Kwun Tong Project. As KLR Holdings has an extensive network in the PRC, the Company expects that it can help to find suitable investment projects for the Company's involvement. KLR Holdings also has strong connections with international funds so that the Company may partner up with the international funds to take part in large scale projects. Furthermore, KLR Holdings has a team in Hong Kong, in which the Company can seek advice from KLR Holdings in relation to potential projects in Hong Kong that the Company may be involved. Also, the Disposal Group can assist with the renovation, fit-out, furnishings and construction of the Company's potential projects in the future.

On the other hand, as at the date of this announcement, a member of the Remaining Group is in negotiation with an independent third party regarding an exclusive distributorship of marble-based and quartz-based stone composite surfaces products in the PRC (excluding Hong Kong and Macau) for two years. Other than the abovementioned businesses, the Company currently has no intention to acquire any new line of business.

The Remaining Group will be able to meet the requirement under Rule 13.24 of the Listing Rules by virtue of it having, among others, the Kwun Tong Project which is a large-scale redevelopment project with a net book value of approximately HK\$768,000,000 as at 31 January 2012. Given the Company will still be receiving revenue from its fitting-out business up until Completion and the pre-sale consent in relation to the Kwun Tong Project is expected to be issued in the third quarter of 2012, the period between the Completion and the commencement of the pre-sale (during which the Company might not be generating revenue) is considerably short, and the initial deposit from the pre-sale will then be recognized as revenue in the consolidated financial statements of the Company when the sales and purchases of the properties in relation to the Kwun Tong Project is completed, which is expected to be by the end of June 2013. The Group has obtained a bank loan to fund the development costs of the Kwun Tong Project, and coupled with the remaining proceeds from the Global Offering as well as the proceeds to be received from the Disposal, the Group will have sufficient funds for carrying out its remaining business including completing its Kwun Tong Project. Further, in the event that the Company is successful in its acquisition of further interests in KLR Holdings, the Group's level of operations and value of assets will be further increased.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the interests of the Company in Sundart Holdings will be reduced to 15% and Sundart Holdings and its subsidiaries will cease to be subsidiaries of the Company and will become associates of the Company. As a result, the results and assets and liabilities of Sundart Holdings and its subsidiaries will be incorporated in the consolidated financial statements using the equity method of accounting upon Completion.

The Group expects to recognize a gain of approximately HK\$147,600,000 from the Disposal, which is calculated with reference to the consideration to be received, the estimated fair value of the remaining 15% interest in Sundart Holdings as at 31 January 2012, the carrying amounts of assets and liabilities of Sundart Holdings as at 31 January 2012 and the estimated legal and professional expenses related to the Disposal assuming that fair value equals to the carrying amounts of assets and liabilities of the remaining

15% interests in Sundart Holdings as at 31 January 2012 and that the Disposal was completed on 31 January 2012.

USE OF PROCEEDS FROM THE DISPOSAL

The Company intends to use the net proceeds from the Disposal (expected to be approximately HK\$488,000,000) for development of the Kwun Tong Project (the details of which are disclosed in the announcement of the Company dated 14 June 2011) and as working capital for future investment purpose (including for funding the consideration for the acquisition of future interest in KLR Holdings if such acquisition is materialized).

The subject site of the Kwun Tong Project was originally restricted to industrial/godown purposes. The Company has subsequently applied for a lease modification in order to change the land use of the site to commercial purpose. The aforesaid application succeeded in September 2011 upon the corresponding payment of land premium of HK\$386,500,000 to the Government of Hong Kong.

As at the date of this announcement, as far as the construction works in relation to the Kwun Tong Project are concerned, the demolition works of the previously existing building on the site has been completed and the foundation works, which are expected to be completed in May 2012, is currently in progress. Upon completion of the foundation works, it is expected that the main contractors will commence the superstructure works. The construction works are expected to take approximately 330 to 360 days with the occupation permit and certificate of compliance expected to be issued by the end of June 2013, and the consent for pre-sale of the properties in relation to the Kwun Tong Project is expected to be obtained in the third quarter of 2012. It is intended that while the majority of the units of the Kwun Tong Project will be sold, the Remaining Group may retain certain units of the Kwun Tong Project and lease out the same so as to generate a steady stream of rental income for the Group in the future.

As at 31 January 2012, the estimated remaining development costs for the Kwun Tong Project was approximately HK\$296,000,000, which is to be mainly financed by unutilized bank facilities designated for the project, which borrowings will be repayable in 2013 or upon completion of sales of individual units of the aforesaid project.

Save for the proposed increase in the shareholding interests in KLR Holdings as mentioned above, the Company has not identified any future investment opportunities yet.

The Company currently expects that out of the net proceeds of the Disposal:

- (a) approximately HK\$30,000,000 will be used as working capital;
- (b) approximately HK\$120,000,000 will be used for future investment projects that are related to property development or property investment in Hong Kong and the PRC; and
- (c) approximately HK\$338,000,000 will be reserved for expenditure relating to the Kwun Tong Project, if any, until its successful pre-sale, after which any remaining amount will be used for other corporate uses.

Given the Kwun Tong Project is mainly financed by bank loans, the Company had been in discussions with the relevant bank regarding the Disposal and it is expected that such bank may require the Company upon Completion to provide additional security deposit for securing the existing development loan advanced by such bank since the Company would have disposed of its cash-generating operation, being its fitting-out business. Also, the Company may have to apply part of the net proceeds from the Disposal for paying the relevant bank charges and interests and for the purpose of further funding the Kwun Tong Project in case additional bank financing is unavailable or insufficient to satisfy the funding needs of the Kwun Tong Project at any stage. Upon the successful pre-sale of the Kwun Tong Project, any unused net proceeds from the Disposal reserved for the Kwun Tong Project will be re-allocated as general working capital of the Group.

CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received by the Company from the Global Offering amounted to approximately HK\$457,000,000. As disclosed in the 2011 Interim Report, the Company has utilized the net proceeds received from the Global Offering in the manner consistent with that mentioned in the Prospectus under the section headed “Use of Proceeds” and in the Company’s announcement dated 31 August 2011 on “Change of Use of Proceeds”. As at 31 January 2012,

- (a) approximately HK\$128,900,000 has been used in relation to the financing of the fitting-out project(s) in the PRC;
- (b) approximately HK\$17,800,000 has been used in relation to the setting up of the Company’s own procurement and pre-fabrication facility and research and development;
- (c) approximately HK\$2,200,000 has been used in relation to the financing of the fitting-out project(s) in the Middle East;
- (d) approximately HK\$49,000,000 has been used as reserve for potential future acquisitions;
- (e) approximately HK\$41,100,000 has been used in relation to the financing of the fitting-out project(s) in Hong Kong and Macau;
- (f) approximately HK\$3,900,000 has been used in relation to the Company’s marketing activities; and
- (g) approximately HK\$100,500,000 has been used in relation to the working capital requirements and other corporate purposes.

The balance of the unutilized proceeds of approximately HK\$113,600,000 was deposited in banks.

Given that the interests of the Company in Sundart Holdings will be reduced to 15% upon Completion and with the Purchaser becoming a strategic partner of the Company in its fitting-out business in the PRC, the Board considers that the aforesaid unutilized proceeds from the Global Offering may be used for purposes other than activities relating to the fitting-out business. Accordingly, the Board has decided to reallocate the aforesaid unutilized portion of the net proceeds from the Global Offering and

approximately HK\$113,600,000 will be used for funding future acquisitions of the Group, including the proposed acquisition of additional shareholding interests in KLR Holdings as mentioned above.

The Board considers that the above change of the use of the unutilized net proceeds from the Global Offering will facilitate the efficient use of financial resources of the Group, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

As the Group will focus on the property development and real estate/asset management business in Hong Kong and the PRC through the Remaining Group after the Disposal, Mr. Leung will therefore resign from the Company and join the Disposal Group after Completion in order to pursue his career in developing the fitting-out business in the PRC. As Mr. Leung will resign from the Company and join the Disposal Group after Completion, Mr. Leung and his respective associates will abstain from voting at the EGM in respect of the resolution to approve the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Tiger Crown, Mr. Ng and Mr. Wong held 97,104,000 Shares, 84,000,000 Shares and 20,520,000 Shares respectively, representing approximately 20.34%, 17.59% and 4.3% respectively of the issued share capital of the Company as at the date of this announcement.

Tiger Crown and Mr. Chan had jointly and severally irrevocably undertaken to the Purchaser, inter alia, that:

- (a) on or prior to the date of the EGM, Tiger Crown shall not, and Mr. Chan shall procure that Tiger Crown shall not, sell, transfer, mortgage or pledge all or any of the Shares owned by it to any other persons or cause or permit the occurrence of any events which may damage or reduce its rights under the Shares owned by it to attend and vote at any general meetings of the Company;
- (b) Tiger Crown shall, and Mr. Chan shall procure Tiger Crown to, appoint a representative to attend the EGM and vote in favour of the resolution approving the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

Each of Mr. Ng and Mr. Wong had also irrevocably undertaken to the Purchaser, inter alia, that:

- (a) on or prior to the date of the EGM, he shall not sell, transfer, mortgage or pledge all or any of the Shares owned by him to any other persons or cause or permit the occurrence of any events which may damage or reduce its/his rights under the Shares owned by him to attend and vote at any general meetings of the Company;

(b) he shall attend the EGM in person or by proxy and vote in favour of the resolution approving the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, further details of the Agreement, the Shareholders' Agreement and the transactions contemplated thereunder, together with a notice of EGM and other information as required under the Listing Rules, will be despatched to the Shareholders on or before 6 June 2012.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Agreement”	the sale and purchase agreement dated 16 May 2012 entered into between the Company and the Purchaser in relation to the Disposal
“associate(s)”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors
“Beijing Jangho”	北京江河幕牆股份有限公司 (Beijing Jangho Curtain Wall Co., Ltd.), a joint stock company incorporated in the PRC principally engaged in the business of the research, design, production of and construction of curtain walls and related consultation service, the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601886)
“BVI”	British Virgin Islands
“Company”	Sundart International Holdings Limited, the shares of which are listed on the Stock Exchange (Stock Code: 2288)
“Completion”	completion of the Disposal in accordance with the Agreement
“Completion Accounts”	the unaudited consolidated balance sheet of the Disposal Group as at the Completion Accounts Date and the unaudited consolidated income statement of the Disposal Group for the period from 1 February 2012 to the Completion Accounts Date and all the notes and records thereto, as certified to be true by two directors of Sundart Holdings
“Completion Accounts Date”	the last day of the calendar month immediately preceding the Completion Date
“Completion Date”	the date when Completion shall take place, being the fifth business day after all the Conditions have been satisfied or such other date as may be agreed in writing between the Company and the Purchaser
“Conditions”	the conditions precedent to Completion as set out in the section titled “Conditions to Completion” in this announcement

“Director(s)”	the director(s) of the Company, including independent non-executive directors
“Disposal”	the disposal of 4,335 shares of US\$1 each in Sundart Holdings (representing 85% of the issued share capital of Sundart Holdings) by the Company to the Purchaser in accordance with the terms and conditions of the Agreement
“Disposal Group”	Sundart Holdings and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Agreement, the Shareholders’ Agreement and the transactions contemplated thereunder
“Global Offering”	the offering of Shares for subscription by the public in Hong Kong and the placing of the Shares with professional, institutional and other investors as described in the Prospectus
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KLR Holdings”	Kailong REI Holdings Limited, an associate of the Remaining Group
“Kwun Tong Project”	the redevelopment project of the property located at 135-137 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong owned by Vital Success
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Chan”	Mr. Chan William, an executive Director and a substantial Shareholder
“Mr. Leung”	Mr. Leung Kai Ming, an executive Director and the chief operating officer of the Company
“Mr. Ng”	Mr. Ng Tak Kwan, an executive Director and a substantial Shareholder
“Mr. Wong”	Mr. Wong Kim Hung Patrick, a non-executive Director and a Shareholder
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of this announcement
“Prospectus”	the prospectus of the Company dated 11 August 2009

“Purchaser”	Jangho Curtain Wall Hongkong Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Beijing Jangho
“Remaining Group”	the Group immediately after Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	4,335 shares of US\$1 each in Sundart Holdings, representing 85% of the issued share capital of Sundart Holdings
“Share(s)”	share(s) HK\$0.01 each in the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among the Company, the Purchaser and Sundart Holdings at Completion
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sundart Guarantees”	the guarantees given by the Company in connection with bank facilities of approximately HK\$1,296,150,000 granted to the Disposal Group as at 31 January 2012
“Sundart Holdings”	Sundart Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“STP Guarantee”	the guarantee existing as at the date of the Agreement which is given by Sundart Timber Products Company Limited in connection with a bank facility of approximately HK\$737,500,000 granted by DBS Bank (Hong Kong) Limited to Vital Success in June 2011
“Tiger Crown”	Tiger Crown Limited, a company wholly-owned by the Company’s executive Director Mr. Chan, which is a substantial Shareholder
“US\$”	United States dollars, the lawful currency of the United States
“Vital Success”	Vital Success Development Limited, a member of the Remaining Group which is owned by the Company as to 65%
“2011 Annual Report”	the 2011 annual report of the Company published in July 2011
“2011 Interim Report”	the 2011 interim report of the Company published in December 2011

“%”

per cent.

By order of the Board
Sundart International Holdings Limited
CHAN William
Chairman

Hong Kong, 16 May 2012

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 (Chief Operating Officer) and Mr. Yip Chun Kwok as Executive Directors, Mr. Wong Kim Hung, Patrick as Non-executive Director, and Mr. To King Yan, Adam, Mr. Wong Hoi Ki and Mr. Ho Kwok Wah, George as Independent Non-executive Directors.

English names of the PRC established companies in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.