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SUNDART HOLDINGS LIMITED

承達集團有限公司

(incorporated under the laws of British Virgin Islands with limited liability)

(Stock Code: 1568)

CONTINUING CONNECTED TRANSACTIONS

MASTER SUPPLY AGREEMENT

On 4 November 2016, Dongguan Sundart entered into the Master Supply Agreement with Sundart Beijing (for itself and on behalf of its subsidiaries), pursuant to which, Dongguan Sundart agreed to supply interior decorative products, including but not limited to fire-rated timber door and wooden furniture, to the Purchaser Group for a term commencing from 4 November 2016 and ending on 31 December 2018.

LISTING RULES IMPLICATIONS

Dongguan Sundart is a wholly owned subsidiary of the Company.

As at the date of this announcement, Sundart Beijing is beneficially owned as to 75% and 25% by Jangho Hongkong and Jangho Co., respectively. Jangho Hongkong and Jangho Co. are controlling shareholders of the Company. Each of Sundart Beijing and its subsidiaries is an associate of each of Jangho Hongkong and Jangho Co. and is therefore a connected person of the Company. As such, the Transactions constitute continuing connected transactions of the Company under the Listing Rules.

As each of the applicable percentage ratios (other than profits ratio) in respect of the Transactions is more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 4 November 2016, Dongguan Sundart entered into the Master Supply Agreement with Sundart Beijing (for itself and on behalf of its subsidiaries), pursuant to which, Dongguan Sundart agreed to supply interior decorative products, including but not limited to fire-rated timber door and wooden furniture, to the Purchaser Group for a term commencing from 4 November 2016 and ending on 31 December 2018.

MASTER SUPPLY AGREEMENT

- Date : 4 November 2016
- Duration : 4 November 2016 to 31 December 2018, unless terminated earlier in accordance with the Master Supply Agreement
- Parties : (a) Dongguan Sundart; and
(b) Sundart Beijing (for itself and on behalf of its subsidiaries)
- Nature of the Supply Transactions : Dongguan Sundart agreed to supply interior decorative products, including but not limited to fire-rated timber door and wooden furniture, to the Purchaser Group.
- Each Supply Transaction shall be effected and governed by the relevant supply contracts to be entered into between Dongguan Sundart and Sundart Beijing in accordance with the terms of the Master Supply Agreement. If there is any conflict between the terms of a supply contract and the Master Supply Agreement, the latter shall prevail.
- Pricing basis : The pricing of the products to be supplied under the Master Supply Agreement shall be negotiated on an arm's length basis between Dongguan Sundart and Sundart Beijing and be on terms similar to, or more favourable (in terms of the interests of Dongguan Sundart) than those agreed between Dongguan Sundart and its independent third party customers, with reference to the costs of the relevant products incurred or to be incurred by Dongguan Sundart and subject to a reasonable profit margin requirement.

- Payment terms : In respect of each of the Supply Transactions and unless otherwise agreed by Dongguan Sundart and Sundart Beijing, the relevant purchase price should be paid to Dongguan Sundart in the following manner:
- (a) 30% of the purchase price should be paid on the date of signing of the relevant supply contract as prepayment;
 - (b) 65% of the purchase price should be paid within 30 days after the acceptance (or deemed acceptance) of the relevant products by Sundart Beijing in accordance with the Master Supply Agreement; and
 - (c) 5% of the purchase price should be paid after the expiry of the defects liability period (being two years after the practical completion of the projects for which the relevant products are procured by Sundart Beijing), without any interest, as retention money.

INTERNAL CONTROL

In order to ensure that the terms for the Supply Transactions are similar to, or more favourable (in terms of the interests of Dongguan Sundart) than those agreed between Dongguan Sundart and its independent third party customers, the Company has adopted the following measures:

1. in general, the gross profit margin of the Supply Transactions is expected to range from 10% to 20%, which is arrived at after considering, *inter alia*, the prevailing market conditions and the gross profit margin of similar transactions conducted between Dongguan Sundart and independent third parties;
2. the relevant finance personnel of the Group will conduct regular checks to review and assess whether the Supply Transactions are conducted in accordance with the terms of the Master Supply Agreement to ensure that the price charged for a specific Supply Transaction is fair and reasonable under the then prevailing market conditions and in accordance with the aforesaid pricing policy; and
3. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Transactions.

PREVIOUS TRANSACTIONS AND HISTORICAL AMOUNTS

Prior to entering into the Master Supply Agreement, Dongguan Sundart had conducted the Previous Transactions since July 2016, whereby Dongguan Sundart supplied sample products to the Purchaser Group for its projects. The Previous Transactions had been conducted on normal commercial terms and in the ordinary and usual course of business of the Group. As at 3 November 2016, the aggregate transaction amount of the Previous Transactions was approximately HK\$2.8 million.

ANNUAL CAPS FOR THE MASTER SUPPLY AGREEMENT

The maximum annual transaction amounts for the Transactions for the three years ending 31 December 2018 are RMB30 million, RMB100 million and RMB100 million, respectively. Such maximum annual transaction amounts were determined in accordance with:

1. the anticipated demand for interior decorative products of the Purchaser Group, taking into account the current project pipeline of the Purchaser Group; and
2. the production capacity of Dongguan Sundart.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER SUPPLY AGREEMENT

Sundart Beijing is an established interior fitting-out contractor in the PRC. By entering into the Master Supply Agreement, Dongguan Sundart could establish, maintain and develop a long-term relationship with Sundart Beijing and thereby procure a stable source of revenue for the Group.

The Directors (including the independent non-executive Directors) are of the view that the Master Supply Agreement has been entered into in the ordinary and usual course of business of the Group and consider that the terms of the Master Supply Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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As at the date of this announcement, Sundart Beijing is beneficially owned as to 75% and 25% by Jangho Hongkong and Jangho Co., respectively. Jangho Hongkong and Jangho Co. are controlling shareholders of the Company. Each of Sundart Beijing and its subsidiaries is an associate of each of Jangho Hongkong and Jangho Co. and is therefore a connected person of the Company. As such, the Transactions constitute continuing connected transactions of the Company under the Listing Rules.

As each of the applicable percentage ratios (other than profits ratio) in respect of the Transactions is more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

As Mr. LIU Zaiwang is a controlling shareholder of Sundart Beijing, he has abstained from voting on the Board resolution to approve the Master Supply Agreement. Save for Mr. LIU, none of the Directors has any material interest in the Master Supply Agreement or is required to abstain from voting on the relevant Board resolution to approve the same.

GENERAL

The Group is one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. In addition, the Group also generates revenue from (i) alteration and addition and construction works in Hong Kong; and (ii) manufacturing, sourcing and distribution of interior decorative materials.

Dongguan Sundart is principally engaged in the business of manufacturing and distribution of interior decorative materials in the PRC.

Sundart Beijing and its subsidiaries are principally engaged in the provision of interior fitting-out works in the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	SUNDART HOLDINGS LIMITED (承達集團有限公司) (stock code: 1568), a BVI business company with limited liability incorporated in the BVI, the Shares of which have been listed on the Main Board of the Stock Exchange since 29 December 2015
“connected person”	has the meaning as ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongguan Sundart”	東莞承達家居有限公司 (Dongguan Sundart Home Furnishing Co., Ltd.), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	any person(s) who is/are not a connected person of the Company, “independent third party customer(s)” shall be construed accordingly
“Jangho Co.”	江河創建集團股份有限公司 (Jangho Group Co., Ltd.), a joint stock limited liability company established in the PRC (the A shares of which have been listed on the Shanghai Stock Exchange (stock code: 601886) since 18 August 2011) and a controlling shareholder of the Company
“Jangho Hongkong”	Jangho Curtain Wall Hongkong Limited (江河幕牆香港有限公司), a limited liability company incorporated in Hong Kong, a wholly-owned subsidiary of Jangho Co. and a controlling shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“Master Supply Agreement”	the master supply agreement (總供貨協議) dated 4 November 2016 and entered into between Dongguan Sundart and Sundart Beijing (for itself and on behalf of its subsidiaries), in relation to the supply of interior decorative products, including but not limited to fire-rated timber door and wooden furniture, by Dongguan Sundart to the Purchaser Group
“PRC”	the People’s Republic of China, which for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan
“Previous Transactions”	the transactions in relation to the supply of sample interior decorative products, including but not limited to fire-rated timber door and wooden furniture, by Dongguan Sundart to the Purchaser Group prior to the entering into of the Master Supply Agreement
“Purchaser Group”	Sundart Beijing and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company with nil nominal value
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sundart Beijing”	北京承達創建裝飾工程有限公司 (Sundart Engineering & Contracting (Beijing) Limited), a limited liability company established in the PRC and is beneficially owned as to 75% and 25% by Jangho Hongkong and Jangho Co., respectively as at the date of this announcement
“Supply Transactions”	the transactions contemplated under the Master Supply Agreement
“Transactions”	collectively, the Previous Transactions and Supply Transactions
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
SUNDART HOLDINGS LIMITED
 承達集團有限公司
NG Tak Kwan

Executive Director and Chief Executive Officer

Hong Kong, 4 November 2016

As of the date of this announcement, the executive Directors are Mr. NG Tak Kwan, Mr. LEUNG Kai Ming, Mr. XIE Jianyu, Mr. NG Chi Hang and Mr. PONG Kam Keung; the non-executive Director is Mr. LIU Zaiwang and the independent non-executive Directors are Mr. TAM Anthony Chun Hung, Mr. HUANG Pu and Mr. LI Zheng.