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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF A SUBSIDIARY

THE DISPOSAL

On 17 November 2022, the Seller, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Share Purchase Agreement pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$37.8 million. Upon Completion, the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's consolidated financial statements.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

THE DISPOSAL

On 17 November 2022, the Seller, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Share Purchase Agreement pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$37.8 million.

The Share Purchase Agreement

The principal terms of the Share Purchase Agreement are set out as follows:

- (1) Date : 17 November 2022
- (2) Seller : GLORY SPRING INVESTMENTS LIMITED
- (3) Purchaser : AIM FAR INTERNATIONAL LIMITED
- (4) Assets to be disposed of : the Sale Shares
- (5) Consideration : HK\$37.8 million

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser with reference to (i) the unaudited net asset value of the Target Company of HK\$17.8 million as at 15 November 2022; (ii) the development and future prospects of the business of the Target Company; (iii) the registered general building contractor status of the Target Company; (iv) the Inter-Company Loan; and (v) the reasons and benefits as set out in the section headed "Reasons for and Benefits of the Disposal" of this announcement.

- (6) Completion : Completion took place simultaneously upon signing of the Share Purchase Agreement.

Deed of Tax Indemnity

The Company (as Covenantor) and the Purchaser entered into the Deed of Tax Indemnity on 17 November 2022, pursuant to which the Company would indemnify the Purchaser from and against (i) the amount of tax falling on the Target Company or other tax liability arising under the Inland Revenue Ordinance up to the Completion Date; (ii) any costs, expenses or other liabilities which the Purchaser may incur in connection with the settlement of any tax claims of the Inland Revenue Department of the Government of Hong Kong under the Deed of Tax Indemnity, any legal proceedings in which judgement is given for the Purchaser in relation to tax claims or the enforcement of any such settlement or judgement; and (iii) any amount which the Target Company becomes liable to pay by virtue of the provisions of the Estate Duty Ordinance, subject to the terms and limitations therein.

Deed of Indemnity

The Company (as Covenantor), the Purchaser and the Target Company entered into the Deed of Indemnity on 17 November 2022, pursuant to which the Company would indemnify the Purchaser, the Target Company and each of their respective members, directors, officers, employees, agents, representatives, affiliates, subsidiaries, legal successors and permitted assigns from and against losses in connection with (i) any material information contained in the due diligence documents delivered by the Seller to the Purchaser being untrue or misleading in material respects or being omitted by the Seller; (ii) any material misrepresentation or material breach by the Seller of or any inaccuracy, untruth or omission of material information of, any representation or warranty made by the Seller; (iii) any material breach of, negligent performance of or any material failure to perform, satisfy or fulfill any covenant, undertaking or agreement by the Seller; and (iv) any liabilities arising from any loans or credit facilities granted to the Target Company prior to and including the Completion Date, subject to the terms and limitations therein.

POST-COMPLETION ARRANGEMENTS

Inter-Company Loan

In order for the Target Company to maintain the minimum working capital as a contractor on the List of Approved Contractors for Public Works administered by the Development Bureau of the Government of Hong Kong, Sundart Timber has granted the Inter-Company Loan of HK\$5 million to the Target Company.

Pursuant to a deed made between the Government of Hong Kong, Sundart Timber and the Target Company dated 24 February 2012, the Inter-Company Loan shall not be repaid or reduced unless prior notice is given to the other parties thereto. The Inter-Company Loan has not been repaid by the Target Company to Sundart Timber as at the Completion Date.

The Inter-Company Loan and all rights, title and interests therein and thereto shall absolutely belong to Sundart Timber and the Seller shall procure Sundart Timber to communicate and liaise, on behalf of the Target Company, with the representatives of the Government of Hong Kong for the purpose of seeking and enforcing the immediate repayment in full of the Inter-Company Loan to Sundart Timber.

The Target Company shall, and the Purchaser shall procure the Target Company to, hold the Inter-Company Loan on trust for Sundart Timber until the full amount of which is repaid to Sundart Timber by the Target Company.

On the date on which the Government of Hong Kong agrees to the above repayment request, the Target Company shall, and the Purchaser shall procure the Target Company to, forthwith, and in any event not later the fifth day after such date, repay the Inter-Company Loan in full to Sundart Timber.

Outstanding Contracts of the Target Company

After the Completion Date, the Seller shall, amongst others, continue to manage, administer and monitor each Outstanding Contract until it is fully performed by the Target Company to the satisfaction of the Employer of the respective Outstanding Contract, and use its best efforts to ensure each Outstanding Contract is carried out and fully performed to the satisfaction of the Employer and/or the Architect of the respective Outstanding Contract.

For such purposes, the Seller shall designate personnel to be involved in the management, performance and operation of each Outstanding Contract and be responsible for the payment of the remuneration of such personnel; and the Purchaser shall ensure that such personnel are provided with all access to such sites, documents and records necessary or desirable for such personnel to carry out their duties.

The Purchaser has undertaken to the Seller that the Target Company shall comply with the minimum number and qualifications of full time management and technical personnel requirements for maintaining the Licences and shall maintain the Licences unless and until the final accounts of the Outstanding Contracts have been completed and all liabilities arising therefrom have been discharged.

All Contract Costs shall be the sole responsibility and liability of the Seller save for those Contract Costs which result from fraud, gross negligence or wilful default or misconduct of the Purchaser.

All Contract Benefits shall absolutely belong and be accountable in full to the Seller as the sole and absolute beneficiary, and (if relevant) the Target Company and/or the Purchaser shall hold such Contract Benefits on trust for the Seller, provided that, to the extent permissible by applicable law, such Contract Benefits may be set off against the Contract Costs.

Without prejudice to the foregoing, the Purchaser shall transfer, assign or deliver up any or all Contract Benefits held on trust by the Target Company or, as the case may be, the Purchaser, to the Seller within one week of the date of receipt of the relevant Contract Benefits by the Target Company, or, as the case may be, the Purchaser.

On and after Completion, the Purchaser shall procure that the Target Company will maintain the Bank Account(s) and separate accounting records to deal with the things and matters referred to in this section so that there shall be a clear separation of the foregoing with the other assets, liabilities, revenues and outgoings of the Target Company without mingling.

Unless and until all final accounts and liabilities of the Outstanding Contracts have been settled and discharged respectively, the Purchaser shall ensure that the Target Company shall maintain the operation of the Bank Account(s) and shall not revoke the existing bank mandates of the Bank Account(s) without the Seller's written consent. The Purchaser shall indemnify the Seller against any and all losses, liabilities and damage payments, costs, fines, penalties or expenses resulting from the closure of the Bank Account(s) and the revocation of the existing bank mandates of the Bank Account(s) in breach of the above obligation.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The financial information of the Target Company prepared in accordance with HKFRS is as follows:

	For the year ended	
	31 December	
	2020	2021
	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net loss before and after tax	15.9	21.8

As at 15 November 2022, the unaudited net asset value of the Target Company was HK\$17.8 million.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company ceased to hold any interest in the Target Company. Accordingly, the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's consolidated financial statements.

The Group is expected to record a gain on Disposal of approximately HK\$20 million. Such gain is estimated based on the difference between (i) the Consideration; and (ii) the unaudited net asset value of the Target Company as at 15 November 2022, taking into account the transaction and professional fees for the Disposal. The actual amount of gain on the Disposal to be recorded by the Group will be subject to review by the auditor of the Company. The Directors do not anticipate that the Completion will have a significant effect on the business and performance of the Group.

USE OF PROCEEDS

The net proceeds from the Disposal (after deducting the expenses directly related to the Disposal) are estimated to be approximately HK\$15 million. The Group considers that such net proceeds can strengthen the cash flow of the Group and intends to use it as general working capital of the Group.

INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in the British Virgin Islands with limited liability, the shares of which are listed on the Stock Exchange. The Group is one of the leading integrated fitting-out contractors in Hong Kong, Macau and the PRC, specialising in providing professional fitting-out works for residential property, commercial building and hotel projects. The Group is also engaged in the provision of alteration and addition and construction works in Hong Kong and manufactures, sources and distributes interior decorative materials internationally.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company immediately before Completion. The principal scope of business of the Target Company immediately before Completion included construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, commercial buildings, hotels and factories in Hong Kong.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in the business of investment holding and the group of the Purchaser is principally engaged in the business of construction.

The ultimate beneficial owner of the Controlling Shareholder of the Purchaser is Ms. Yeung Sau Fung.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors undertake strategic reviews of the Group's investment portfolio from time to time. Having considered (i) that the Group acquired the Target Company in October 2010 to expand its capability as a registered general building contractor for construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, commercial buildings, hotels and factories in Hong Kong at that time; (ii) the number of projects having been carried out by the Target Company during the past 12 years after it was acquired by the Group; (iii) that the Target Company was last awarded works contract in December 2021; and (iv) the impact of the COVID-19 pandemic on the business of the Target Company, the Directors are of the view that the Disposal enables the Group to reallocate financial and management resources into further developing its professional fitting-out works for residential property, commercial building and hotel projects. The Disposal presents an opportunity for the Group to realise its investment in the Target Company and allow the Group to streamline its business direction, enhance the growth potential of the Group and maximise returns to the Shareholders.

The Directors are of the view that the terms and conditions of the Share Purchase Agreement are normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms used herein have the following meanings:

“Architect”	in respect of an Outstanding Contract, the professional representative(s) of the Employer of the Outstanding Contract charged with the responsibility to manage and administer the Outstanding Contract and the works performed or carried out by the Target Company thereunder
“Bank Account(s)”	the separate bank account(s) to deal with the things and matters referred to in the section headed “Post-Completion Arrangements – Outstanding Contracts of the Target Company” of this announcement
“Board”	the board of Directors
“Company”	SUNDART HOLDINGS LIMITED 承達集團有限公司, a company incorporated in the British Virgin Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1568)
“Completion”	the completion of the Disposal
“Completion Date”	17 November 2022
“Connected Person(s)”	has the meaning in Rules 14A.07 to 14A.11 of the Listing Rules
“Consideration”	the consideration for the Disposal as described under the paragraph headed “The Share Purchase Agreement – (5) Consideration” of this announcement
“Contract Assets”	in respect of an Outstanding Contract, all assets, property, rights, title, benefits, interests, and matters and things which may be classified or categorised as an asset under the HKFRS, in each case, attributable to, deriving from or arising out of the Outstanding Contract (including, without limitation, all account receivables owing, due and payable by the Employer of the Outstanding Contract)
“Contract Benefits”	all assets, property, revenues, rights, benefits, title and interests deriving from or arising out of the performance of the Outstanding Contracts (including, without limitation, the Contract Assets)

“Contract Costs”	all liabilities, costs, expenses, fees and charges actually incurred or suffered by the Seller, the Target Company and/or the Purchaser (including, without limitation, the Contract Liabilities) arising from things and matters contemplated by any of the Outstanding Contracts
“Contract Liabilities”	in respect of an Outstanding Contract, all liabilities, taxation, and matters and things which may be classified or categorised as a liability under the HKFRS, in each case, attributable to, deriving from or arising out of the Outstanding Contract (including, without limitation, all account payables owing, due and payable by the Target Company under the Outstanding Contract)
“Controlling Shareholder”	has the meaning in Rule 1.01 of the Listing Rules
“Covenantor”	the Company
“Deed of Indemnity”	the deed of indemnity dated 17 November 2022 and entered into between the Covenantor, the Purchaser and the Target Company
“Deed of Tax Indemnity”	the deed of tax indemnity dated 17 November 2022 and entered into between the Covenantor and the Purchaser
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Seller to the Purchaser in accordance with the terms of the Share Purchase Agreement
“Employer”	in respect of an Outstanding Contract, the counterparty or counterparties of the Target Company to the Outstanding Contract
“Estate Duty Ordinance”	the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

“Inter-Company Loan”	the inter-company loan granted by Sundart Timber to the Target Company of HK\$5 million, as detailed in the section headed “Post Completion Arrangements – Inter-Company Loan” of this announcement
“Licences”	the licences and qualifications of the Target Company as at the Completion Date
“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
“Outstanding Contract(s)”	the unfinished and outstanding construction or works contracts of the Target Company and the construction or works contracts under which the subject construction and/or works have been completed but the related practical completion dates as certified by the Architects fall on dates on or after 17 November 2011, as at the Completion Date
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Purchaser”	AIM FAR INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands with limited liability
“Sale Shares”	comprising 17,800,000 ordinary shares of HK\$1 each of the Target Company, and representing the entire issued share capital of the Target Company
“Seller”	GLORY SPRING INVESTMENTS LIMITED, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Share Purchase Agreement”	the share purchase agreement dated 17 November 2022 and entered into between the Seller and the Purchaser in relation to the Disposal
“Shareholders”	the holders of the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sundart Timber”	Sundart Timber Products Company Limited (承達木材製品有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Target Company”	Kin Shing (Leung’s) General Contractors Limited (堅城 (梁氏) 建築有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company immediately before Completion
“%”	per cent.

By order of the Board
SUNDART HOLDINGS LIMITED
承達集團有限公司
Ng Tak Kwan
Chief Executive Officer and Executive Director

Hong Kong, 17 November 2022

As of the date of this announcement, the executive Directors are Mr. Ng Tak Kwan, Mr. Leung Kai Ming, Mr. Xie Jianyu and Mr. Ng Chi Hang; 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.