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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 TERMINATION AGREEMENT AND NEW BUSINESS COOPERATION FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 27 October 2017 in relation to the continuing connected transactions under the Old Business Cooperation Framework Agreement entered into by Sundart Beijing (for itself and on behalf of its subsidiaries), an indirect wholly-owned subsidiary of the Company, and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) on the same day.

TERMINATION AGREEMENT

On 29 May 2019, Sundart Beijing (for itself and on behalf of its subsidiaries) and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) entered into the Termination Agreement to terminate the Old Business Cooperation Framework Agreement.

NEW BUSINESS COOPERATION FRAMEWORK AGREEMENT

On 29 May 2019, the Company (for itself and on behalf of its subsidiaries) and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) entered into the New Business Cooperation Framework Agreement for the period commencing on 29 May 2019 and ending on 31 December 2021. The New Business Cooperation Framework Agreement will be subject to The Group's Annual Caps and Jangho Group's Annual Caps. Save for the parties, the term and the governing law of the New Business Cooperation Framework Agreement, there is no difference in the major provisions under the Old Business Cooperation Framework Agreement and the New Business Cooperation Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Company was owned as to 51.88% by Reach Glory, an indirect wholly-owned subsidiary of Jangho Co.. As such, Jangho Co. is a substantial shareholder of the Company and thus Jangho Co. is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and, accordingly, the transactions contemplated under the New Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios of The Group's Annual Caps and Jangho Group's Annual Caps (whether calculated on an individual basis or aggregated) is more than 0.1% but less than 5%, the transactions under the New Business Cooperation Framework Agreement constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, annual review and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the transactions under the New Business Cooperation Framework Agreement will be conducted in the ordinary and usual course of business of the Group, and that the terms thereof have been negotiated on an arm's length basis and are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties which are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

TERMINATION AGREEMENT

Reference is made to the announcement of the Company dated 27 October 2017 in relation to the continuing connected transactions under the Old Business Cooperation Framework Agreement entered into by Sundart Beijing (for itself and on behalf of its subsidiaries), an indirect wholly-owned subsidiary of the Company, and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) on the same day. Under the Old Business Cooperation Framework Agreement, (i) Jangho Group agreed to subcontract to Sundart Beijing Group, and Sundart Beijing Group agreed to provide, fitting-out services under the projects undertaken by Jangho Group; and (ii) Sundart Beijing Group agreed to subcontract to Jangho Group, and Jangho Group agreed to provide, specialised works and/or technical advisory services, which any member of Jangho Group is qualified to provide, under the projects undertaken by Sundart Beijing Group for the period from 27 October 2017 to 31 December 2019.

On 29 May 2019, Sundart Beijing (for itself and on behalf of its subsidiaries) and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) entered into the Termination Agreement to terminate the Old Business Cooperation Framework Agreement. The parties agreed that neither party will have any claim against the other in relation to the Old Business Cooperation Framework Agreement.

Upon termination of the Old Business Cooperation Framework Agreement, the Company (for itself and on behalf of its subsidiaries) and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) entered into the New Business Cooperation Framework Agreement, whereby the transactions under the Old Business Cooperation Framework Agreement will continue under the New Business Cooperation Framework Agreement. The New Business Cooperation Framework Agreement will expire on 31 December 2021, and be subject to the annual caps for the transactions thereunder. Accordingly, the Directors are of the view that the termination of the Old Business Cooperation Framework Agreement has no adverse effect to the Company.

Mr. Liu Zaiwang, a non-executive Director and a controlling shareholder of the Company, has abstained from voting on the Board resolution for approving the entering into, and the terms, of the Termination Agreement due to conflict of interests. Save as mentioned above, none of the Directors has any material interest in the Termination Agreement and hence no other Director has abstained from voting on such Board resolution.

CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW BUSINESS COOPERATION FRAMEWORK AGREEMENT

Principal terms of the New Business Cooperation Framework Agreement

A summary of the principal terms of the New Business Cooperation Framework Agreement is set out below:

Date

29 May 2019

Parties

- (1) The Company (for itself and on behalf of its subsidiaries); and
- (2) Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group).

Scope of services to be provided

Jangho Group agreed to subcontract to the Group, and the Group agreed to provide, fitting-out services under the projects undertaken by Jangho Group.

The Group agreed to subcontract to Jangho Group, and Jangho Group agreed to provide, specialised works and/or technical advisory services, which any member of Jangho Group is qualified to provide, under the projects undertaken by the Group.

Term

The period commencing on 29 May 2019 and ending on 31 December 2021.

Pricing principles

For any provision of services contemplated under the New Business Cooperation Framework Agreement (the “**Relevant Transactions**”), separate written agreements governing the details thereof shall be entered into between the Contractual Parties in accordance with the terms of the New Business Cooperation Framework Agreement in all material respects. The Relevant Transactions shall be conducted in the ordinary course of business and on normal commercial terms and refer to (or more favourable to the Group than) the terms made available to an Independent Third Party in similar transactions.

The Contractual Parties shall adhere to the following pricing principles in determining the pricing for each of the Relevant Transactions:

- (a) the pricing will be determined following arm’s length negotiation between the Contractual Parties with reference to the prevailing market price for the provision of services of comparable nature and scale;
- (b) for any fitting-out services the Group undertaken from Jangho Group, the gross profit margin of the Group shall be no less than 10%; and
- (c) for any specialised works and/or technical advisory services to be subcontracted by the Group, the designated personnel of the Group will be responsible for (i) monitoring the prevailing market price in respect of such works and/or services; (ii) analysing the costs and expenses; and (iii) reporting to the management of the Group. In general, quotation from at least two Independent Third Parties for the provision of the same works and/or services will be obtained to ensure the pricing is fair and reasonable.

Payment terms

Payment for the Relevant Transaction shall be settled by way of cheque, wire transfer or in such other manner as agreed between the Contractual Parties and the payment shall be made upon the provision of the relevant invoice.

Annual caps

The respective annual caps of the amounts for the services to be provided by the Group or Jangho Group under the New Business Cooperation Framework Agreement for the period from 29 May 2019 to 31 December 2021 are as follows:

	From 29 May 2019 to 31 December 2019 (HK\$ million)	From 1 January 2020 to 31 December 2020 (HK\$ million)	From 1 January 2021 to 31 December 2021 (HK\$ million)
1. The Group’s Annual Caps	30	40	40
2. Jangho Group’s Annual Caps	70	100	100

In considering the respective annual caps for the transactions under the New Business Cooperation Framework Agreement, the Directors have considered a number of factors including: (i) the historical and prevailing market price for the relevant services; (ii) the historical transaction amount for the provision of services of comparable nature and scale; and (iii) the anticipated demand of the respective services to be provided by the relevant parties.

INFORMATION OF THE GROUP AND JANGHO GROUP

The Group is one of the leading integrated fitting-out contractors in Hong Kong, Macau and the PRC, principally engaged in the provision of 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.

Jangho Co. is a company established in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (stock code: 601886). The businesses of Jangho Group mainly include the manufacturing and installation of curtain walls, general building construction and provision of interior design services and healthcare services.

REASONS FOR AND BENEFITS OF THE NEW BUSINESS COOPERATION FRAMEWORK AGREEMENT

Jangho Group is a well established group focusing on the businesses of manufacturing and installation of curtain walls, general building construction and provision of interior design services and healthcare services whereas the Group has substantial experience in the fitting-out industry. The business cooperation between the Group and Jangho Group can strengthen the synergy effect between both parties, which is mutually beneficial given that they can not only enhance the business relationships with existing customers, but also attract new customers by utilising their respective expertise. The Board believes that by entering into the New Business Cooperation Framework Agreement, the opportunities for securing tenders shall be increased which will in turn make positive contribution to the Group's operating revenue.

The Directors have been carefully monitoring the historical amount of relevant transactions under the Old Business Cooperation Framework Agreement. Based on such historical amount of the relevant transactions and the anticipated continuing business growth in Hong Kong and Macau, the Directors are of the view that the New Business Cooperation Framework Agreement will streamline the continuing connected transactions in relation to the provision and receipt of the services described above and facilitate the compliance with relevant requirements under the Listing Rules.

Save for the parties, the term and the governing law of the New Business Cooperation Framework Agreement, there is no difference in the major provisions under the Old Business Cooperation Framework Agreement and the New Business Cooperation Framework Agreement.

The Directors (including the independent non-executive Directors) consider that the transactions under the New Business Cooperation Framework Agreement will be conducted in the ordinary and usual course of business of the Group, and that the terms thereof have been negotiated on an arm's length basis and are on normal commercial terms or if there are not sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties which are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company was owned as to 51.88% by Reach Glory, an indirect wholly-owned subsidiary of Jangho Co.. As such, Jangho Co. is a substantial shareholder of the Company and thus Jangho Co. is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and, accordingly, the transactions contemplated under the New Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios of The Group's Annual Caps and Jangho Group's Annual Caps (whether calculated on an individual basis or aggregated) is more than 0.1% but less than 5%, the transactions under the New Business Cooperation Framework Agreement constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, annual review and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Liu Zaiwang, a non-executive Director and a controlling shareholder of the Company, has abstained from voting on the Board resolution for approving the entering into, and the terms, of the New Business Cooperation Framework Agreement due to conflict of interests. Save as mentioned above, none of the Directors has any material interest in the New Business Cooperation Framework Agreement and hence no other Director has abstained from voting on such Board resolution.

The Company will disclose information in relation to the New Business Cooperation Framework Agreement in its subsequent published annual report and accounts in accordance with the Listing Rules.

INTERNAL CONTROL PROCEDURES

The Company has formulated a series of measures and policies to ensure the continuing connected transactions be implemented in accordance with the New Business Cooperation Framework Agreement and its pricing policies. Each of the Relevant Transactions under the New Business Cooperation Framework Agreement and the relevant written agreement will be reviewed and approved by the management of the Group to ensure that the terms of such transactions will not deviate from the terms of the New Business Cooperation Framework Agreement as disclosed in this announcement. The relevant finance personnel of the Group will also supervise the implementation of those agreements and the process of the transactions on a regular basis.

In addition, the management of the Group will review its pricing policies on a regular basis. The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions (including the relevant pricing mechanism) and the auditors of the Company will evaluate and review the internal control measures of the Group and the continuing connected transactions under the New Business Cooperation Framework Agreement annually in accordance with the requirements of the Listing Rules as well.

DEFINITIONS

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

“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Parties”	the parties to each of the separate written agreements governing the details of each of the Relevant Transactions
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is/are independent of, and not connected with, the Company or any of its connected persons
“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 on 4 February 1999 (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 Group”	Jangho Co. and its subsidiaries, and for the purpose of this announcement, excluding the Group

“Jangho Group’s Annual Caps”	the maximum annual amount to be paid by the Group to Jangho Group for the services to be provided by Jangho Group under the New Business Cooperation Framework Agreement
“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
“New Business Cooperation Framework Agreement”	a framework agreement on mutual provision of services entered into between the Company (for itself and on behalf of its subsidiaries) and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) dated 29 May 2019
“Old Business Cooperation Framework Agreement”	a framework agreement on mutual provision of services entered into between Sundart Beijing (for itself and on behalf of its subsidiaries) and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) dated 27 October 2017
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Reach Glory”	REACH GLORY INTERNATIONAL LIMITED, a company incorporated in the British Virgin Islands with limited liability on 15 June 2015, an indirect wholly-owned subsidiary of Jangho Co. and a controlling shareholder of the Company
“Shareholder(s)”	the holders of the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“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 on 19 September 2003 and an indirect wholly-owned subsidiary of the Company
“Sundart Beijing Group”	Sundart Beijing and its subsidiaries
“Termination Agreement”	an agreement entered into between Sundart Beijing (for itself and on behalf of its subsidiaries) and Jangho Co. (for itself and on behalf of its subsidiaries, but excluding the members of the Group) dated 29 May 2019

“The Group’s Annual Caps” the maximum annual amount to be paid by Jangho Group to the Group for the services to be provided by the Group under the New Business Cooperation Framework Agreement

“%” per cent

* *All English translation of the Chinese names of the companies established in the PRC is for identification purpose only.*

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, 29 May 2019

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.