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Sun International Group Limited

太陽國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8029)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION OF 66.5% INTEREST IN A COMPANY ENGAGED IN IRON MINING AND EXPLOITATION IN INDONESIA

The Board announces that the Purchaser, a wholly-owned subsidiary of Company, entered into the non-legally binding MOU with the Vendor in relation to the Possible Acquisition. Under the MOU, the Group intends to acquire and the Vendor intends to dispose the Sale Shares and the Sale Loan.

Upon completion of the Possible Acquisition, the Target Group will be principally engaged in mining and exploitation of iron resources in Indonesia. The Target Group will have already obtained the exploitation licences for the Mine which is situated at Aceh, Republic of Indonesia by the time of completion.

The Board wishes to emphasize that the MOU is not legally binding and the Possible Acquisition may or may not proceed. If the Formal Agreement is entered into, the Possible Acquisition may constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules. Shareholders and potential investors are urged to exercise caution when dealings in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules.

The Board announces that the Purchaser, a wholly-owned subsidiary of Company, entered into the non-legally binding MOU with the Vendor in relation to the Possible Acquisition.

THE MOU

Date: 26 February 2010

Parties:

- (i) Vendor: Topfull Group Limited
- (ii) Purchaser: Galileo Capital Group (BVI) Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Major terms of the MOU

Under the MOU, the Group intends to acquire and the Vendor intends to dispose of (i) the Sale Shares, and (ii) the Sale Loan.

Due Diligence Review

The Purchaser will commence the due diligence review and analysis of the Target Group and the Mine as soon as practicable, and will, in any event, finish such review and analysis within 180 days after the execution the MOU.

Exclusivity Period

Under the MOU, it is also agreed that neither the Target nor the Vendor will during the Exclusivity Period negotiate with any party other than the Purchaser or its affiliates for the Possible Acquisition. Under the MOU, it is also intended that the Purchaser and the Vendor will also negotiate in good faith towards each other and enter into the Formal Agreement within the Exclusivity Period.

Deposit

Pursuant to the MOU, the Purchaser will not provide any deposit or earnest money to the Vendor.

Consideration

The consideration for the Possible Acquisition (including the method of payment) shall be subject to further negotiation between the parties to the MOU. It is preliminarily agreed to be HK\$210,000,000, which is to be satisfied by the Purchaser in the following manner:

- (1) as to HK\$50,000,000 by payment in cash upon the signing of the Sale and Purchase Agreement to the Vendor or its nominees by way of a cashier's order issued in favour of the Vendor or its nominee(s), or by way of telegraphic transfer in immediately available funds to a bank account designated by the Vendor;
- (2) as to HK\$55,000,000 by payment in cash on Completion to the Vendor or its nominees by way of a cashier's order issued in favour of the Vendor or its nominee(s), or by way of telegraphic transfer in immediately available funds to a bank account designated by the Vendor; and
- (3) as to HK\$105,000,000 by procuring the Holding Company to issue the Promissory Notes in favour of the Vendor or its nominees.

Profit Guarantee

The Formal Agreement will include a term to the effect that the Vendor will irrevocably warrant and guarantee to the Purchaser that the audited consolidated net profits of the Target Group after tax and any extraordinary or exceptional items will not be less than HK\$40,000,000 for the financial year ending 31 December 2010 (the “**2010 Guaranteed Profit**”). If the actual audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group for the financial year ending 31 December 2010 (the “**2010 Actual Profit**”) is less than the 2010 Guaranteed Profit, then the Vendor shall pay to the Purchaser the shortfall on a dollar to dollar basis in cash calculated as follows:

$$\text{Shortfall} = (\text{HK\$40,000,000} - \text{2010 Actual Profit}) \times 3.75 \times 0.665$$

The Formal Agreement will also include a term to the effect that the Vendor will irrevocably warrant and guarantee to the Purchaser that the audited consolidated net profits of the Target Group after tax and any extraordinary or exceptional items will not be less than HK\$80,000,000 for the financial year ending 31 December 2011 (the “**2011 Guaranteed Profit**”). If the actual audited consolidated net profits after tax and any extraordinary or exceptional items of the Target Group for the financial year ending 31 December 2011 (the “**2011 Actual Profit**”) is less than the 2011 Guaranteed Profit, then the Vendor shall pay to the Purchaser the shortfall on a dollar to dollar basis in cash calculated as follows:

$$\text{Shortfall} = (\text{HK\$80,000,000} - \text{2011 Actual Profit}) \times 3.75 \times 0.665$$

Conditions

It is currently contemplated by the parties to the MOU that completion of the Possible Acquisition is conditional upon, among other things:

- (1) the Purchaser being satisfied with the results of the due diligence review on the Target Group and the Mine;
- (2) the Shareholders (who are not required to abstain from voting on the relevant resolutions pursuant to the GEM Listing Rules, the memorandum and articles of association of the Company and other regulatory requirements) passing at its extraordinary general meeting an ordinary resolution approving the Formal Agreement and the transactions contemplated thereunder;
- (3) if required, the Purchaser obtaining a valuation report (in form and substance satisfactory to the Purchaser) from a firm of independent valuer appointed by the Purchaser opining on the value of the Company, P.T. Waja and/or the Mine (as the case may be) being not less than HK\$300,000,000;
- (4) if required, the Purchaser obtaining a technical report (in form and substance satisfactory to the Purchaser) from a firm of independent technical adviser appointed by the Purchaser opining on the quality and reserves of the Mine;
- (5) without prejudice to condition (2) above, all necessary approvals, consents, licenses and authorisation required to be obtained on the part of the Target, the Vendor and the Purchaser in relation to the Formal Agreement and the transactions contemplated hereunder having been obtained;

- (6) the obtaining of a legal opinion (in form and substance satisfactory to the Purchaser) issued by a firm of Indonesian lawyers appointed by the Purchaser in relation to the transactions contemplated under the Formal Agreement, as well as the legality, validity and binding effect of the mining services agreement, loan agreement, share pledge and mineral sale agreement as contemplated under conditions (7), (8), (9) and (10) below;
- (7) the Target having entered into the mining services agreement with P.T. Waja, under which the Target will provide mining and exploitation and other related services to P.T. Waja, such services agreement shall be in form and substance satisfactory to the Purchaser;
- (8) the current Indonesian shareholders of P.T. Waja having entered into a loan agreement (under which a certain sum will be borrowed by such Indonesian shareholders) with the Target, and a share charge for charging all the shares of P.T. Waja they hold in favour of the Target, such loan agreement and share charge shall be in form and substance satisfactory to the Purchaser;
- (9) the Target having entered into the mineral sale agreements with P.T. Waja, under which the Target will procure buyers for the iron resources exploited from the Mine, such mineral sale agreement shall be in form and substance satisfactory to the Purchaser;
- (10) the current Indonesian shareholders of P.T. Waja having entered into a option deed (in form an substance satisfactory to the Purchaser) with the Target, pursuant to which the Target will be granted a call option so that it can acquire all the issued share capital of P.T. Waja; and
- (11) all the warranties given by the Vendor in the Formal Agreement remaining true and accurate.

Non legally-binding effect

Save for the provision for the grant of the Exclusivity Period by the Vendor to the Purchaser, the major terms of the MOU do not constitute legally-binding commitment on any parties thereto in respect of the Possible Acquisition. The Possible Acquisition will be subject to the execution and completion of the Formal Agreement.

Information of the Target Group

Each of the Target and P.T. Waja is a company incorporated in the Republic of Indonesia and is principally engaged in the iron mining business in the Republic of Indonesia. The Target Group will have obtained the exploitation licences for the Mine which is situated at Aceh, Republic of Indonesia by the time of completion.

After preliminary review conducted by a technical adviser to the Target, it is estimated that the Mine contains approximately 30 million tonnes of iron ore reserves. The technical adviser has also suggested feasible approaches to extract such iron reserves. However, this investigation results is still subject to further investigation by the technical adviser.

Reasons for the Possible Acquisition

Since mid-2009, the Group has been engaged in the iron mining business in Indonesia. Owing to the persistent high economic growth and high demand for natural resources in Asia, the Directors consider that the iron mining industry is likely to prosper in future. The Possible Acquisition will enable the Group to strengthen its participation in the iron mining industry in Indonesia. It is expected that the Possible Acquisition will have a synergetic effect on the current iron mining operations of the Group.

The Board wishes to emphasize that the MOU is not legally binding and the Possible Acquisition may or may not proceed. If the Formal Agreement is entered into, it is expected that the Possible Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

DEFINITIONS

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

“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong for general banking business
“Company”	Sun International Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Exclusivity Period”	the period from the date of the MOU to the date falling 180 days from the date of the MOU, in which the Vendor will not negotiate with any party other than the Purchaser for the Possible Acquisition
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mine”	the mine located in Aceh Republic of Indonesia with an area of approximately 50 hectares
“MOU”	the non-legally binding memorandum of understanding dated 26 February 2010 entered into between the Purchaser and the Vendor setting out the preliminary understanding in relation to the Possible Acquisition

“Possible Acquisition”	the possible acquisition by the Group from the Vendor of (i) the Sale Shares and (ii) the Sale Loan as contemplated in the MOU
“Promissory Notes”	the unsecured zero-coupon promissory notes in the principal sum of HK\$105,000,000 due on the day following the expiry of the twelfth (12th) month after the date of Completion
“P.T. Waja”	P.T. Waja Niaga, a company incorporated in the Republic of Indonesia with limited liability, which is to be wholly beneficially owned by the Target before completion of the Possible Acquisition
“Purchaser”	Galileo Capital Group (BVI) Limited, a wholly-owned subsidiary of the Company which is principally engaged in investment holdings
“Sale Loan”	66.5% of all the obligations, liabilities and debts owing or incurred by the Target to the Vendor on or at any time prior to the completion of the Possible Acquisition whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on completion of the Possible Acquisition
“Sale Shares”	66.5% of the equity interest of the Target, which is currently beneficially owned by the Vendor
“Shareholders”	holders of the issued Shares of the Company from time to time
“Shares”	ordinary shares of HK\$0.04 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	P.T. Topfull Indonesia, a company incorporated in the Republic of Indonesia with limited liability, which is beneficially owned as to 95% by the Vendor and as to 5% by another third party independent of the Company and its connected persons
“Target Group”	the Target, P.T. Waja and its subsidiaries
“Vendor”	Topfull Group Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.
“HK\$”	Hong Kong dollars

By Order of the Board
Sun International Group Limited
Mr. Chau Cheok Wa
Executive Director

Hong Kong, 28 February 2010

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Chau Cheok Wa, Mr. Tang Hon Kwong, Ms. Cheng Mei Ching and Mr. Lee Chi Shing, Caesar and three independent non-executive Directors, namely, Mr. Fung Kwok Ki, Mr. Poon Lai Yin, Michael and Mr. Ng Tat Fai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company’s website at <http://www.sun8029.com>.