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SAM WOO CONSTRUCTION GROUP LIMITED

三和建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code : 3822)

PROFIT WARNING

This announcement is made by Sam Woo Construction Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders (the “**Shareholders**”) of the Company and potential investors that, based on currently available information, the Group expects a substantial drop in profits for the six months ended 30 September 2016 of not less than 60% as compared to that of the corresponding period last year. The decrease was mainly due to decrease in contract revenue and decline in the overall profit margin of the projects undertaken by the Group as compared with those projects in the corresponding period last year.

As disclosed in the annual results and annual report of the Group last published for the year ended 31 March 2016 (“**Annual Report**”), despite that the relatively large contract size of Hospital Expansion project, more than half of the contract value was related to non-bored pile works, which were subcontracted out and the margin of these subcontracting works was relatively low. Based on information currently available, the Hospital Expansion project is expected to complete by the end of 2019. Besides, the Group was unable to win a new contract over the past twelve months which affected the utilisation of the foundation equipment and workforce that had returned from Macau to Hong Kong after the completion of Composite Development Project at the end of 2015. In addition, the overall profit of the Group was further suppressed by the overhead costs related to depreciation of equipment and wages of labour.

As discussed in the Annual Report, the delays in funding approval of public works and infrastructure projects caused by filibusters in the Legislative Council have contributed towards intense price competition for tenders in the construction market. Furthermore, the number of tenders available for the Group to compete for has been limited. The management will be mindful of the market condition going forward and consider to scale-down its workforce if the outlook and timetable for the launch of those major commercial and public infrastructure

projects in the pipeline as discussed in the Annual Report remained uncertain in the near future. In addition, the Board may, where considered appropriate, explore opportunities in property investment or property development sector to broaden the business spectrum of the Group. The Board believes that synergy can be achieved by leveraging the existing experience and resources possessed by the Group.

The information contained in this announcement is only a preliminary assessment based on the latest available unaudited management accounts of the Group, which have not been audited or confirmed by the Company's auditors. The Company is in the process of preparation for the interim results of the Group for the period ended 30 September 2016 which are expected to be published by the end of November 2016.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Sam Woo Construction Group Limited
Lau Chun Ming
Chairman

Hong Kong, 20 October 2016

As at the date of this announcement, the executive directors of the Company are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So; the independent non-executive directors of the Company are Professor Wong Sue Cheun, Roderick, Mr. Chu Tak Sum and Mr. Ip Tin Chee, Arnold.