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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)

#### **CONNECTED TRANSACTION**

#### **INVESTMENT IN PROPERTY HOLDING COMPANIES; AND CONFIRMATION OF NON-COMPETITION UNDERTAKINGS**

##### **CONNECTED TRANSACTION**

The Board announces that on 29 March 2017, the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor to acquire the Sale Shares (representing 5% of entire issued share capital of the Target Company) for a cash consideration of HK\$19,750,000 (subject to adjustment).

The Target Company is the holding company of the Target Group (comprising the Target Company and the Investee Companies) which owns the Properties.

Mr. Lau is the chairman, an executive Director and substantial shareholder of the Company. The Vendor is wholly-owned by Mr. Lau. Accordingly, the Investment constitutes a connected transaction for the Company under the Listing Rules. As the highest applicable percentage ratios in respect of the Investment is more than 0.1% but less than 5%, the Investment is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are less than 5%, the Investment does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

##### **CONFIRMATION OF NON-COMPETITION UNDERTAKINGS**

The Company wishes to provide supplementary information in relation to the confirmation of non-competition undertakings by its controlling shareholders of the Company mentioned in the annual report of the Company for the year ended 31 March 2016. The controlling shareholders provided Confirmation to the Board confirming that they had duly complied with the Undertakings for the year ended 31 March 2016. In addition, the Company requested and obtained the Information. The independent non-executive Directors, based on their review of the Confirmation, noted that no engagement in competing business had been reported by the controlling shareholders of the Company during the year ended 31 March 2016; and there was no particular situation rendering the full compliance of the Undertakings being questionable.

Reference is made to the announcement of the Company dated 20 October 2016 in relation to the memorandum of understanding signed between the Company and the Target Company to explore the opportunities of co-operation for the development of certain pieces of land in Hong Kong held by the Target Group.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

29 March 2017

### **Parties**

Vendor: Sky Ease Holdings Limited, a company wholly-owned by Mr. Lau and principally engaged in investment holding.

Purchaser: Capital Plus Group Limited, a wholly-owned subsidiary of the Company and principally engaged in investment holding.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, being 5% of entire issued share capital of the Target Company.

Upon Completion, members of the Target Group will not become subsidiaries of the Company and their financial results will not be consolidated into the financial results of the Group.

The Target Company is the holding company in the Target Group which owns the Properties. The assets to be acquired and the consideration determined pursuant to the Sale and Purchase Agreement do not include the Excluded Company, which is principally engaged in business other than property holding or investment. The Excluded Company shall be disposed of by the Target Group to the Vendor or its associate at a nominal value as allowed under the Sale and Purchase Agreement.

### **Consideration**

The consideration of HK\$19,750,000 (subject to adjustment but shall be capped at HK\$19,750,000) for the Investment was agreed after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the valuation of the Properties in the aggregate of HK\$432,000,000 as at 20 March 2017 in the valuation report issued by an independent valuer (the "**Valuation Report**"); and (ii) the unaudited net liabilities (excluding the Properties) of the Target Group as at 20 March 2017.

The consideration is payable by the Group in cash in full upon completion of the Investment by cashier's order in favour of the Vendor (or other persons as the Vendor may direct) drawn from a licensed bank in Hong Kong or wire transfer, which will be funded by internal resources of the Group.

According to the terms of the Sale and Purchase Agreement, the consideration shall be adjusted if the NAV as determined by reference to the Completion Accounts is less than the NAV as determined by reference to the Management Accounts in which case, the consideration shall deduct an amount equal to such difference.

The independent non-executive Directors are of the view that the consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **Conditions Precedent**

The completion of the Investment is subject to the following conditions:

- (i) the Purchaser having completed the due diligence review on the Target Group and being satisfied with the results thereof;
- (ii) the Target Group not having received any notice or order for, or the Purchaser has not adduced documentary evidence of, compulsory acquisition or notice or order of resumption and acquisition by the government or any other competent authority affecting the Properties on or before completion, and if having so received, the same has been discharged to the absolute satisfaction of the Purchaser (in its sole and absolute discretion) on or before completion;
- (iii) the Vendor having a good title to the Sale Shares, free from all encumbrances save for the encumbrances created by the existing security documents executed by the Target Group, the Vendor and Mr. Lau in favour of the existing mortgagees of the Properties;
- (iv) the Vendor having proved that the Target Group has a good title to each of the Properties in accordance with the Conveyancing and Property Ordinance (Cap.219 of the Laws of Hong Kong);
- (v) all the Vendor's warranties remaining true and accurate as of the date of completion;
- (vi) there not having occurred any event or series of events since the date of the Sale and Purchase Agreement which, individually or collectively, would probably have a material adverse effect on the Target Group or which would materially affect the Target Company's ability to perform its obligations under the Sale and Purchase Agreement; and
- (vii) all necessary consents and approvals required to be obtained on the part of the Company under the Listing Rules and/or other applicable laws or regulations in relation to the Investment having been obtained.

If the above conditions are not fulfilled (or waived) on or before 31 March 2017 (or such other date as agreed in writing by the Purchaser and the Vendor), either party shall be entitled to terminate the Sale and Purchase Agreement and no party shall have any further liability (without prejudice to the rights of the parties in respect of any antecedent breaches).

## **COMPLETION**

The completion of the Investment shall take place on the date specified by the parties in writing which shall not be later than the 10th business day after the day on which the last of the conditions precedent set out in the paragraph “Conditions Precedent” above has been fulfilled (or where applicable waived).

## **INFORMATION OF THE TARGET GROUP AND THE PROPERTIES**

The principal business of the Target Group is property investment, with the Properties as its major assets and rental income as its major income.

### *Information of the Target Company and the Investee Companies*

#### **(1) The Target Company**

The Target Company is an investment holding company incorporated in BVI on 16 August 2016 with limited liability and is wholly-owned by the Vendor. As at the date of this announcement, apart from holding the entire issued share capital of Ga Fun, Big Favour and Power Up, the Target Company does not have any business operation.

#### **(2) Ga Fun**

Ga Fun is an investment holding company incorporated in BVI on 12 August 2016 with limited liability and is wholly-owned by the Target Company. As at the date of this announcement, apart from holding 99.9996% of the entire share capital of Cheer Crown, Ga Fun does not have any business operation.

#### **(3) Big Favour**

Big Favour is an investment holding company incorporated in BVI on 31 October 2016 with limited liability and is wholly-owned by the Target Company. As at the date of this announcement, apart from holding the entire issued share capital of CCPH, Big Favour does not have any business operation.

#### **(4) Power Up**

Power Up is an investment holding company incorporated in BVI on 26 October 2016 with limited liability and is wholly-owned by the Target Company. As at the date of this announcement, apart from holding the entire issued share capital of Crown Star, Power Up does not have any business operation.

**(5) Cheer Crown**

Cheer Crown is incorporated in Hong Kong on 7 October 1983 with limited liability and is owned as to 99.9996% and 0.0004% by Ga Fun and Mr. Lau. The principal business of Cheer Crown is properties investments and in particular the holding and letting of the Properties. As at the date of this announcement, apart from holding and letting of the Properties, Cheer Crown does not have any business operation.

**(6) CCPH**

CCPH is incorporated in Hong Kong on 21 October 2013 with limited liability and is wholly-owned by Big Favour. As at the date of this announcement, CCPH has not commenced business.

**(7) Crown Star**

Crown Star is incorporated in Hong Kong on 24 June 2016 with limited liability and is wholly-owned by Power Up. As at the date of this announcement, Crown Star has not commenced business.

The unaudited net profit before and after tax of the Target Group for the financial year ended 31 March 2016 were approximately HK\$1,700,000 and HK\$1,500,000 respectively (2015: HK\$21,000,000 and HK\$20,400,000 respectively). The unaudited net liabilities (excluding the Properties) of the Target Group as at 20 March 2017 was approximately HK\$36,800,000 (31 March 2016: net assets (excluding the Properties) of HK\$62,300,000).

*Information of the Properties*

According to the Valuation Report, the Properties comprise two land parcels in Yuen Long zoned Residential (Group E)1 and Residential (Group D) (the “**Residential Lands**”), respectively, and one land parcel in Fanling zoned Industrial (Group D) (the “**Industrial Land**”). The total gross floor area of the Residential Lands was about 14,270 square metres and the area of the Industrial Land was about 1,860 square metres.

According to the Valuation Report, the aggregate market value of the Properties as at 20 March 2017 was HK\$432,000,000.

The Residential Lands were acquired by the Target Group at the consideration of approximately HK\$15,000,000 in 1997 and HK\$8,500,000 in 2003 respectively. The Industrial Land was acquired by the Target Group at the consideration of approximately HK\$4,600,000 in 1997.

As at 20 March 2017, the unaudited book value of the Properties in the financial statements of the Target Group was approximately HK\$38,800,000.

## **REORGANISATION OF THE TARGET GROUP**

It is expected that the Target Group will undergo a reorganisation such that (i) each of the Properties may be held by Cheer Crown or a different company of the Target Group; (ii) the Excluded Company shall be disposed of by the Target Group to the Vendor or its associate (other than a company of the Target Group) at a nominal value; and (iii) certain existing security documents executed by the Target Group may be released and replaced by new security documents to be executed by the Target Group to create similar encumbrances over the Properties and additional assets of the Target Group as security for the outstanding amounts owing by the Target Group to its lenders.

According to the terms of the Sale and Purchase Agreement, (i) the Purchaser shall be fully informed of each step of the reorganisation prior to its implementation; (ii) the reorganisation shall be carried out strictly in accordance to the Purchaser's consents; and (iii) the Properties shall remain within the Target Group after the reorganisation.

## **REASONS FOR THE INVESTMENT**

The Company, through its subsidiaries, is an established contractor principally engaged in the provision of foundation works and ancillary services.

As referred to in the annual report of the Group for the year ended 31 March 2016 and the interim report for the six months period ended 30 September 2016, 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. Therefore, the Group has been exploring options to diversify its income stream to compensate the impact associated with the downturn in public and large-scale construction project pipeline. The Group has been evaluating opportunities in the property investment and property development sector. The Directors believe that the Investment may enable the Group to broaden its business spectrum and source of profits. Besides, the Directors anticipate that the Group can leverage its expertise, skills and experience to participate in the construction works in the development of the Properties (where appropriate) which may help improve its revenue and profits as a contractor as well.

The Directors (including the independent non-executive Directors) consider that the terms of the Investment are on normal commercial terms and fair and reasonable after arm's length negotiations between the parties, and the Investment is in the interests of the Company and its Shareholders as a whole.

## **BOARD APPROVAL**

The Vendor is wholly-owned by Mr. Lau and he has material interest in the Sale and Purchase Agreement. On this basis, Mr. Lau and his associates, including his spouse Ms. Leung Lai So and his brothers Mr. Lau Chun Kwok and Mr. Lau Chun Ka, all being executive Directors of the Company, abstained from voting in the resolution for approving the Sale and Purchase Agreement.

All the other Directors, namely all of the three independent non-executive Directors, have reviewed and approved the Sale and Purchase Agreement.



## LISTING RULES IMPLICATIONS

Mr. Lau is the chairman, an executive Director and substantial shareholder of the Company. The Vendor is wholly-owned by Mr. Lau. Accordingly, the Investment constitutes a connected transaction for the Company under the Listing Rules. As the highest applicable percentage ratios in respect of the Investment is more than 0.1% but less than 5%, the Investment is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are less than 5%, the Investment does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

## CONFIRMATION OF NON-COMPETITION UNDERTAKINGS

Reference is made to the annual report of the Company for the year ended 31 March 2016, the controlling shareholders have confirmed to the Company of their compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 15 September 2014 (the “**Undertakings**”), pursuant to which the controlling shareholders have undertaken not to and have undertaken to procure their respective close associates not to engage or involve in any business which competes directly or indirectly with the principal business of the Company at the time, the details of which were set out in the prospectus of the Company dated 29 September 2014. The Company wishes to provide supplementary information in relation to the non-competition undertakings by its controlling shareholders. On 27 June 2016, the controlling shareholders provided written confirmation (the “**Confirmation**”) to the Board confirming that they and their close associates had duly complied with the Undertakings for the year ended 31 March 2016. In addition, the Company requested and obtained the information of the companies owned by the controlling shareholders of the Company (the “**Information**”). The independent non-executive Directors, based on their review of the Confirmation, noted that no engagement in competing business had been reported by the controlling shareholder of the Company during the year ended 31 March 2016; and there was no particular situation rendering the full compliance of the Undertakings being questionable.

Save as disclosed of the above additional information in this announcement, the information in the annual report of the Company for the year ended 31 March 2016 remain unchanged.

## TERMS AND DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Big Favour”	Big Favour Investments Limited (大益投資有限公司), a company incorporated under the laws of BVI
“Board”	the board of Directors

“BVI”	the British Virgin Islands
“CCPH”	Cheer Crown Property Holdings Limited (嘉勳地產控股有限公司), a company incorporated under the laws of Hong Kong
“Cheer Crown”	Cheer Crown Limited (嘉勳有限公司), a company incorporated under the laws of Hong Kong
“Company”	Sam Woo Construction Group Limited (三和建築集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Completion Accounts”	the unaudited proforma combined accounts of the Target Group (comprising a proforma income statement and a proforma balance sheet) for the period commencing from 1 April 2016 and ending on, and as at, the date of completion of the Investment, prepared in accordance with HKFRSs
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Crown Star”	Crown Star Industries Limited (冠盛實業有限公司), a company incorporated under the laws of Hong Kong
“Director(s)”	director(s) of the Company
“Excluded Company”	Kowloon Shipyard Limited (九龍船廠有限公司), a company incorporated in Hong Kong with limited liability and as at the date of announcement, an indirectly owned subsidiary of the Target Company
“Ga Fun”	Ga Fun Holdings Limited, a company incorporated under the laws of BVI
“Group”	the Company together with its subsidiaries
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China



“Investee Companies”	namely Ga Fun, Big Favour, Power Up, CCPH, Crown Star and Cheer Crown
“Investment”	the acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Accounts”	the unaudited proforma combined statement of financial position of the Target Group as at 20 March 2017 and the unaudited proforma combined statement of comprehensive income of the Target Group for the period commencing from 1 April 2016 and ending on 20 March 2017, prepared in accordance with HKFRSs
“Mr. Lau”	Mr. Lau Chun Ming, the chairman, an executive Director and substantial shareholder of the Company
“NAV”	the aggregate value of all tangible current assets of the Target Company, on a consolidation basis, which are readily convertible into cash or cash equivalents (including, utilities and other miscellaneous pre-paid deposits, prepaid rates and government rent, and other prepaid expenses relating to the Properties, accrued rental income but excluding the Properties, any intangible assets and other fixed assets and deferred tax) minus the aggregate value of all liabilities (actual, contingent or otherwise, including deposits received by the Target Company under the existing tenancy of the Properties) and provisions made by the Target Company, as at a given date
“Power Up”	Power Up Global Limited (力昇環球有限公司), a company incorporated under the laws of BVI
“Properties”	three land parcels located in Yuen Long and Fanling of Hong Kong respectively, which are owned by Cheer Crown as at the date of this announcement and are the major assets of the Target Group
“Purchaser”	Capital Plus Group Limited, a company incorporated in BVI and wholly-owned by the Company
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Shares dated 29 March 2017 as described in this announcement

“Sale Shares”	250 ordinary share(s) of US\$1.00 each in the share capital of the Target Company
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.0025 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	Gold Champion Enterprises Limited (金冠企業有限公司), a company incorporated in BVI and wholly-owned by Vendor
“Target Group”	the Target Company and Investee Companies (i.e. all subsidiaries of the Target Company other than the Excluded Company)
“Vendor”	Sky Ease Holdings Limited (天安控股有限公司), a company incorporated in BVI and wholly-owned by Mr. Lau
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 29 March 2017

*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.*