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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 RENEWAL OF TENANCY AGREEMENTS

The Board announces that on 27 July 2020, SWBP and SWEE, wholly-owned subsidiaries of the Company, as tenants, entered into the New Tenancy Agreements with the Landlords, to renew the leases of Premises for a term of 2 years from 1 August 2020 to 31 July 2022 (both days inclusive).

Each of the Landlords is a private company owned by either one or a combination of Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka, Ms. Leung Lai So, each of whom a Director, and Ms. Lau Pui Shan, a director of SWBP. Mr. Lau Chun Ming and Ms. Leung Lai So together have approximately 71.43% interests in the issued share capital of the Company. One or more of the applicable percentage ratios in respect of the estimated value of the right-of-use assets to be recognised by the Group under the New Tenancy Agreements are more than 0.1% and less than 5%. Accordingly, the transactions contemplated under the New Tenancy Agreements constitute connected transactions under Chapter 14A of the Listing Rules and are required to be disclosed by this announcement, but are exempt from circular and independent shareholders' approval pursuant to Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 19 July 2017 containing details of the Expiring Tenancy Agreements. The Expiring Tenancy Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules and the lease terms will expire on 31 July 2020. On 27 July 2020, SWBP and SWEE, wholly-owned subsidiaries of the Company, as tenants, entered into the New Tenancy Agreements with the Landlords, to renew the leases of Premises for a term of 2 years from 1 August 2020 to 31 July 2022 (both days inclusive).

NEW TENANCY AGREEMENTS

Landlord (collectively the “**Landlords**”)

Tenancy Agreement (A)	:	Cheer Crown
Tenancy Agreement (B)	:	Cheer Wealth
Tenancy Agreement (C)	:	East Ascent
Tenancy Agreement (D)	:	Cheer Profit
Tenancy Agreement (E)	:	Long Ascent
Tenancy Agreement (F)	:	Healthy World

Tenant

Tenancy Agreements (A), (B), (C) & (D)	:	SWBP
Tenancy Agreements (E) & (F)	:	SWEE

Premises (collectively the “**Premises**”)

Tenancy Agreement (A)	:	RP of Lot Nos. 1313 and 1317 in DD106, Yuen Long, New Territories, Hong Kong
Tenancy Agreement (B)	:	Flat A, 29/F, Block 1, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong
Tenancy Agreement (C)	:	Carparking Space No. 62, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong
Tenancy Agreement (D)	:	Carparking Space No. 63, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong
Tenancy Agreement (E)	:	Flat C, 16/F, Block 2 and Private Carparking Space No. 61, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong
Tenancy Agreement (F)	:	Flat C, 15/F, Block 2 and Private Carparking Space No. 60, Parc Palais, 18 Wylie Road, Ho Man Tin, Kowloon, Hong Kong

Lease term

Tenancy Agreements (A), (B), (C), (D), (E) & (F)	:	Twenty-four (24) calendar months commencing from 1 August 2020 and ending on 31 July 2022 (both days inclusive)
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Rent

Tenancy Agreement (A)	:	HK\$180,000 per month
Tenancy Agreement (B)	:	HK\$73,000 per month
Tenancy Agreement (C)	:	HK\$3,800 per month
Tenancy Agreement (D)	:	HK\$3,800 per month
Tenancy Agreement (E)	:	HK\$50,000 per month
Tenancy Agreement (F)	:	HK\$50,000 per month

Aggregate rent payable : HK\$8,654,400

**Management fee, rates
and government rent** : To be paid by the Landlords

Termination : Terminable by tenant after first twelve months of tenancy with one month's written notice or payment of one month's rent in lieu of notice

PRINCIPAL ACTIVITIES OF THE GROUP AND THE LANDLORDS

The Company is an investment holding company and the Group is principally engaged in foundation works and ancillary services.

The principal activity of each of the Landlords is property investment.

REASON FOR RENEWAL OF TENANCY AGREEMENTS

The premises leased under Tenancy Agreement (A) have been used as open storage and service depot for the Group's machinery and equipment over the past 10 years or more. The premises leased under Tenancy Agreements (B), (C), (D), (E) and (F) have been provided to certain Directors, including Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So, for use as quarters and private car parking spaces over the past 10 years or more. As the Expiring Tenancy Agreements will expire on 31 July 2020, the Group renewed the leasing of these Premises for a term of 2 years commencing from 1 August 2020 with a view to continue the Group's present usage purpose of these Premises.

The Landlords offered to renew the leases of Premises at the existing rental rates. The Group had made reference to market rental of other comparable premises in nearby location recently, as published/quoted by the property agencies or currently leased by the Group, and decided to accept and enter into the New Tenancy Agreements.

The Directors (including the independent non-executive Directors) are of the opinion that the terms and conditions of the New Tenancy Agreements are made on normal commercial terms or better and are fair and reasonable. They also believe that the New Tenancy Agreements are entered into in the ordinary and usual course of business and in the interests of the Company and the Group and the Company's shareholders as a whole. The executive Directors, Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka and Ms. Leung Lai So, abstained from voting on the board resolution approving the New Tenancy Agreements in view of their conflict of interests or potential interests in the New Tenancy Agreements.

CONNECTED TRANSACTIONS

Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka, Ms. Leung Lai So, each a Director, and Ms. Lau Pui Shan, a director of SWBP, have the following beneficial interests in the Landlords.

Landlord	Shareholdings
Cheer Crown	: Lau Chun Ming approximately 95%, the Company approximately 5%
Cheer Wealth	: Lau Chun Ming approximately 100%
East Ascent	: Lau Chun Ming 50%; Leung Lai So 25%; Lau Pui Shan 25%
Cheer Profit	: Lau Chun Ming 50%; Leung Lai So 25%; Lau Pui Shan 25%
Long Ascent	: Lau Chun Ming 50%; Lau Chun Kwok 49%; Leung Lai So 1%
Healthy World	: Lau Chun Ming 50%; Lau Chun Ka 50%

Mr. Lau Chun Ming and Ms. Leung Lai So together also have approximately 71.43% interests in the issued share capital of the Company. Each of the Landlords is therefore a connected person to the Company as defined under Chapter 14A of the Listing Rules and accordingly, the transactions contemplated under the New Tenancy Agreements constitute connected transactions under Chapter 14A of the Listing Rules.

The HKFRS applicable to the Group include HKFRS 16 "Leases" which has come into effect on 1 January 2019. In accordance with HKFRS 16 "Leases", the Group will recognise the value of the right-of-use assets on its balance sheet in connection with the New Tenancy Agreements, these transactions will be regarded as acquisition of assets by the Group pursuant to the Listing Rules. The aggregate values of the right-of-use asset to be recognised by the Group under the Lease Agreements were estimated to be approximately HK\$8,304,000, being the present value of the aggregate lease payments using the rate applicable at the commencement date of the New Tenancy Agreements in accordance with HKFRS 16. The discount rate of 4% is applied to compute the present value of aggregate lease payments under the New Tenancy Agreements. The above figure is unaudited and may be subject to adjustment in the future.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use assets to be recognised by the Group under the New Tenancy Agreements are more than 0.1% and less than 5%, the entering into of the New Tenancy Agreements are subject to announcement requirements but are but are exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise required, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Cheer Crown”	Cheer Crown Limited
“Cheer Profit”	Cheer Profit International Enterprise Limited
“Cheer Wealth”	Cheer Wealth International Development Limited
“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
“Directors”	the directors of the Company
“East Ascent”	East Ascent Enterprise Limited
“Expiring Tenancy Agreements”	the tenancy agreements all dated 19 July 2017 between each of the Landlords and SWBP or SWEE, which terms will expire on 31 July 2020
“Group”	the Company and its subsidiaries
“Healthy World”	Healthy World Investment Limited
“HKFRS”	Hong Kong Financial Reporting Standards
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Ascent”	Long Ascent Development Limited

“New Tenancy Agreements”	the tenancy agreements all dated 27 July 2020 between each of the Landlords and SWBP or SWEE for 2 years commencing from 1 August 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SWBP”	Sam Woo Bore Pile Foundation Limited, a wholly-owned subsidiary of the Company
“SWEE”	Sam Woo Engineering Equipment Limited, a wholly-owned subsidiary of the Company

By order of the Board
Sam Woo Construction Group Limited
CHAN Sun Kwong
Company Secretary

Hong Kong, 27 July 2020

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.