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SAM WOO HOLDINGS LIMITED

三和集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2322)

**(1) MAJOR DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF SAM WOO GROUP LIMITED;
AND
(2) PROPOSED SPECIAL DIVIDEND**

THE DISPOSAL

The Board is pleased to announce that on 8 October 2010, the Disposal Agreement was entered into between the Company and the Purchaser with regard to (i) the disposal of the Sale Shares, being the entire issued share capital of SWG; and (ii) the assignment of Loans, by the Company for a consideration of HK\$140 million, subject to adjustments.

Upon completion of the Reorganisation, SWG will be the holding company of the Disposal Group which will engage in the provision of foundation works and the trading of foundation works related machinery and equipment.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules are more than 25% but less than 75%, the Disposal constitutes a major disposal for the Company under Chapter 14 of the Listing Rules. The Purchaser is a substantial Shareholder holding approximately 56.29% of the issued share capital of the Company as at the date of this announcement and is indirectly owned by a discretionary trust of which Ms. Leung, an executive Director, is a beneficiary. Accordingly, the Purchaser is a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules.

Pursuant to the Listing Rules, the transactions contemplated under the Disposal will be subject to the reporting, announcement and Independent Shareholders' approval at the SGM. The Purchaser and its associates will abstain from voting in respect of the resolution approving the Disposal Agreement and the transactions contemplated thereunder.

USE OF PROCEEDS AND PROPOSED SPECIAL DIVIDEND

The net proceeds of the Disposal after deducting all relevant expenses is estimated to be approximately HK\$139 million. The Board proposes that, subject to the Completion, the Proposed Special Dividend of not less than HK\$140 million (subject to finalisation) will be distributed to the Qualifying Shareholders. Based on 3,020,000,000 Shares in issue as at the date of this announcement, the Proposed Special Dividend shall not be less than HK\$0.046 per Share (subject to finalisation). The Proposed Special Dividend will be paid in cash out of the Company's reserves, partly contributed by the net proceeds to be received from the Disposal, to the Qualifying Shareholders. The Dividend Distribution can be offset against part of the Consideration payable by the Purchaser.

GENERAL

An independent board committee of the Company, comprising all the independent non-executive Directors will be established to consider the terms of the Disposal Agreement and to advise the Independent Shareholders on whether the Disposal and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

A circular containing inter alia, (i) details of the Disposal; (ii) the letter from an independent financial adviser to both the independent board committee of the Company and the Independent Shareholders; (iii) the recommendation of the independent board committee of the Company to the Independent Shareholders; and (iv) the notice of SGM, will be despatched to the Shareholders on or before 29 October 2010.

The Board is pleased to announce that on 8 October 2010, the Disposal Agreement was entered into between the Company and the Purchaser with regard to (i) the disposal of the Sale Shares, being the entire issued capital of SWG; and (ii) the assignment of Loans, by the Company for a consideration of HK\$140 million, subject to adjustments.

Summarised below are the principal terms of the Disposal Agreement.

THE DISPOSAL AGREEMENT

Date

8 October 2010

Parties

- (i) Actiease Assets Limited, being the Purchaser.

The Purchaser is a substantial Shareholder and is indirectly owned by a discretionary trust of which Ms. Leung, an executive Director, is a beneficiary. The Purchaser is accordingly a connected person of the Company under the Listing Rules.

- (ii) the Company, being the Vendor.

Subject of the Disposal

The Sale Shares and the Loans. According to the unaudited financial statements of SWG as at 31 March 2010 and as if the Reorganisation has been completed on 31 March 2010, SWG together with its subsidiaries, were indebted to the Company in the amount of approximately HK\$25,483,000.

Consideration

The Consideration of HK\$140 million for the Disposal was determined after arm's length negotiations between the Purchaser and the Company with reference to (i) a preliminary valuation of the Disposal Group by an independent valuer as at 8 September 2010 on which the asset-based approach has been adopted; (ii) the unaudited amount of indebtedness owed by the Disposal Group to the Company as at 31 March 2010 (as if the Reorganisation has been completed on 31 March 2010); and (iii) the future prospects of the Disposal Group. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) consider that the Consideration is fair and reasonable.

Pursuant to the Disposal Agreement, the Consideration will be payable in the following manners:

- (i) HK\$7 million (the **"Initial Deposit"**), representing 5% of the Consideration, shall be payable in cash as initial deposit within seven (7) Business Days after the signing of the Disposal Agreement;

- (ii) HK\$92 million shall be payable in cash or by issuing the Promissory Note to the Vendor or its nominee on the Completion Date; and
- (iii) the remaining balance of HK\$41 million (the “**Remaining Balance**”) shall be payable in cash to the Vendor or its nominee on the Completion Date.

The amount of the Promissory Note payable by the Purchaser under (ii) above can be offset against the Dividend Distribution on a dollar for dollar basis. The Purchaser undertakes to and/or procure CKL and Nice Fair to, utilize the entire amount of the Dividend Distribution to repay all or part of the Promissory Note on the date of payment of the Dividend Distribution. In the event that the amount of the Dividend Distribution is insufficient to redeem the amount due under the Promissory Note, the Purchaser shall pay the shortfall to the Vendor in cash on the date of payment of the Dividend Distribution. For the purpose of this, the Purchaser irrevocably authorizes and instructs the Vendor to withhold the entire Dividend Distribution and on behalf of the Purchaser, apply the same to repay any amount due under the Promissory Note on the date of payment of such Dividend Distribution without further notice from the Purchaser. The Purchaser shall indemnify the Vendor for all losses and damages, if any, arising from such authorization and instructions.

In the event that the amount of HK\$92 million under (ii) above is paid by the Purchaser in cash, all provisions and references to the Promissory Note in the Disposal Agreement shall not be applicable.

In the event that the Tangible NAV as shown in the Completion Accounts is less than the unaudited Tangible NAV as at 30 September 2010, the Consideration will be adjusted downwards by an amount equal to such shortfall on a dollar for dollar basis and will be offset against the Remaining balance. For the avoidance of doubt, in the event that the Tangible NAV as shown in the Completion Accounts equals to or more than the Tangible NAV as at 30 September 2010, no adjustment to the Consideration will be made.

Conditions precedent of the Disposal Agreement

Completion is conditional upon fulfillment of the following conditions:

- (i) the completion of the Reorganisation;
- (ii) the passing of the resolution by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder;
- (iii) the passing by the Shareholders of an ordinary resolution approving the Proposed Special Dividend;

- (iv) the compliance of all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) in relation to the transactions contemplated under the Disposal Agreement; and
- (v) the release of the corporate guarantees provided by the Company in favour of any members of the Disposal Group having been completed.

None of the aforesaid conditions can be waived by the Vendor. If the conditions are not fulfilled within six months after the date of the Disposal Agreement or such later date as agreed between the Company and the Purchaser, the Disposal Agreement shall be terminated. In such event, the Company shall return the Initial Deposit to the Purchaser and neither party shall have any rights nor obligations against the other under the Disposal Agreement except for any antecedent breach.

Completion

Completion shall take place within fourteen (14) Business Days after (but excluding) the day on which all conditions precedent are fulfilled, or at such other time as may be agreed by the parties.

TERMS OF THE PROMISSORY NOTE

Issuer	:	the Purchaser
Principal amount	:	HK\$92 million
Maturity date	:	The date falling one (1) year from the date of issue of the Promissory Note
Interest rate	:	Non-interest bearing
Redemption	:	The Purchaser has the right to redeem the whole or any part of the outstanding principal amount of the Promissory Note at any time prior to the maturity date of the Promissory Note provided that the Purchaser shall give to the holder of the Promissory Note not less than 3 Business Days prior written notice specifying the date of redemption and the amount of Promissory Note to be redeemed.

INFORMATION ON THE DISPOSAL GROUP

SWG, incorporated in BVI, is an investment holding company and a wholly-owned subsidiary of the Company. Currently, the subsidiaries of SWG are engaged in the provision of foundation works, the trading of foundation works related machinery and equipment and vessel chartering. Upon completion of the Reorganisation, SWG will be the holding company of the Disposal Group which will engage in the provision of foundation works and the trading of foundation works related machinery and equipment. Details of the subsidiaries of SWG are set out as below:

Name of companies	Principal activities
SW Engineering Equipment	Leasing and trading of machinery and equipment
SW Construction & Engineering	Trading of used foundation works related machinery and equipment
SW Bore Pile Foundation	Provision of foundation works
SW Construction	Provision of foundation works
SW Civil Contractors	Provision of civil engineering works
SW Civil Works	Inactive
SW Finance	Inactive
SW Foundation	Inactive
SW Group Holdings	Inactive
SW Offshore Engineering	Inactive
SW Ship Management	Inactive
三和集團有限公司	Inactive

Set out below is the unaudited consolidated financial information of the Disposal Group:

	For the year ended 31 March	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	(394)	(28,623)
Net profit/(loss) after taxation	34	(22,723)

	As at
	31 March 2010
	<i>HK\$'000</i>
Net assets	87,749

Upon Completion, members of the Disposal Group will cease to be subsidiaries of the Company and the Company will have no more shareholding in the Disposal Group. Accordingly, the financial results of the Disposal Group will not be consolidated into the Group's financial statements after Completion. The Company and its subsidiaries (other than the Disposal Group) will engage in the business of vessel chartering.

INFORMATION ON THE PURCHASER

The Purchaser was incorporated in BVI and its principal activities are investment holding.

The Purchaser is a substantial Shareholder holding approximately 56.29% of the issued share capital of the Company as at the date of this announcement and is indirectly owned by a discretionary trust of which Ms. Leung, an executive Director, is a beneficiary. The Purchaser is accordingly a connected person of the Company under the Listing Rules.

USE OF PROCEEDS AND PROPOSED SPECIAL DIVIDEND

The net proceeds of the Disposal after deducting all relevant expenses is estimated to be approximately HK\$139 million. The Company intends to use the net proceeds from the Disposal for the distribution of the Proposed Special Dividend.

The Board proposes that, subject to the Completion and approval by the Shareholders at the SGM, the Proposed Special Dividend of not less than HK\$140 million (subject to finalisation) will be distributed to the Qualifying Shareholders. Based on 3,020,000,000 Shares in issue as at the date of this announcement, the Proposed Special Dividend shall not be less than HK\$0.046 per Share (subject to finalisation). The Proposed Special Dividend will be paid in cash out of the Company's reserves, partly contributed by the net proceeds to be received from the Disposal, to Qualifying Shareholders. The Dividend Distribution can be offset against part of the Consideration payable by the Purchaser. An

ordinary resolution will be put forward at the SGM for approving the Proposed Special Dividend.

According to the annual report of the Company for the year ended 31 March 2010, the Company had distributable reserves of approximately HK\$98.7 million. The distribution of the Proposed Special Dividend is conditional upon, inter alia, the Completion.

Further details, including the finalised amount of the Proposed Special Dividend to be declared and payable by the Company, will be set out in the circular.

REASONS FOR AND BENEFIT OF THE DISPOSAL AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of foundation works, trading of foundation works related machinery and equipment and vessel chartering.

For the year ended 31 March 2010, revenue from the Group's foundation works increased to approximately HK\$57.2 million whereas no revenue was recorded for the year ended 31 March 2009. The improvement in revenue for this business segment was attributable to new projects awarded to the Group in the second half of the financial year of 2010 and collection of settlement for variation works on a previously completed project. The Group had not received any revenue for the trading business of machinery and equipment for the two years ended 31 March 2010. With a continuous recovery in the local economy, there have been a number of major infrastructure projects announced and the Group has been actively tendering for construction projects. However, the Group faces intense competition on pricing and increasing project costs. During the past few years, some of the Group's foundation works related machinery and equipment have not been fully utilized. In view of the uncertainties on successful award of projects in the future, the potential project risks which will adversely affect the Group's profitability and the fixed cost, mainly financial costs, on maintaining the related machinery and equipment, the Directors consider that it is in the interest of the Company and its Shareholders to dispose of the business of the provision of foundation works and trading of foundation works related machinery and equipment.

For illustration purposes only, a gain of approximately HK\$34 million (subject to audit) is expected to arise from the Disposal, being the Consideration after deducting (i) the unaudited consolidated net asset value of the Disposal Group and loans owed by the Disposal Group to the Company as at 31 March 2010; and (ii) any transactions costs directly attributable to the Disposal including professional and other related expenses. Shareholders and investors should note that the actual gain on the Disposal will be different from the above as the then net asset value of the Disposal Group will be different on the Completion Date.

Based on the above, the Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the terms of the Disposal Agreement and the transactions contemplated therein are fair and reasonable and the Disposal is in the interests of Shareholders as a whole.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules are more than 25% but less than 75%, the Disposal constitutes a major disposal for the Company under Chapter 14 of the Listing Rules. The Purchaser is a substantial Shareholder holding approximately 56.29% of issued share capital of the Company at the date of this announcement and is indirectly owned by a discretionary trust of which Ms. Leung, an executive Director, is a beneficiary. The Purchaser is accordingly a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules.

Pursuant to the Listing Rules, the transactions contemplated under the Disposal will be subject to the reporting, announcement and Independent Shareholders' approval at the SGM. The Purchaser and its associates will abstain from voting in respect of the resolution approving the Disposal and the transaction contemplated thereunder.

GENERAL

An independent board committee of the Company, comprising all the independent non-executive Directors, will be established to consider the terms of the Disposal Agreement and advise the Independent Shareholders as to whether the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole.

An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

A circular containing inter alia, (i) details of the Disposal; (ii) the letter from an independent financial adviser to both the independent board committee of the Company and the Independent Shareholders; (iii) the recommendation of the independent board committee of the Company to the Independent Shareholders; and (iv) the notice of SGM, will be despatched to the Shareholders on or before 29 October 2010.

DEFINITIONS

Unless the context otherwise require, the following expressions have the following meanings in this announcement:

“associates”	has the same meaning as defined in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“BVI”	the British Virgin Islands
“CKL”	CKL Development Limited, a company incorporated in BVI and is wholly-owned by Mr. Lau Chun Kwok, an executive Director and the brother-in-law of Ms. Leung
“Company” or “Vendor”	Sam Woo Holdings Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Stock Exchange
“Completion”	completion of the Disposal
“Completion Accounts”	the unaudited pro forma consolidated accounts (including the statement of comprehensive income and the balance sheet) for the period from 1 April 2010 to the date falling on the last date of the calendar month immediately before the Completion Date
“Completion Date”	date of Completion
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Company for the Sale Shares and the assignment of the Loans pursuant to the terms of the Disposal Agreement
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Shares, being the entire issued share capital of SWG, and the assignment of the Loans pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 8 October 2010 entered into between the Purchaser and the Company in respect of the Disposal
“Disposal Group”	the group of companies consisting of SWG and its subsidiaries (after completion of the Reorganisation) including, SW Engineering Equipment, SW Construction & Engineering, SW Bore Pile Foundation, SW Construction, SW Civil Contractors, SW Group Holdings, SW Civil Works, SW Foundation, SW Finance, SW Ship Management, SW Offshore Engineering and 三和集團有限公司, collectively
“Dividend Distribution”	any dividend payable to the Purchaser, CKL and Nice Fair by the Vendor under the Proposed Special Dividend
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the Purchaser and its respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the loans owed by SWG and/or any other members of the Disposal Group to the Vendor on Completion

“Ms. Leung”	Ms. Leung Lai So, an executive Director, the beneficiary of a discretionary trust which indirectly holds the entire issued share capital of the Purchaser and the spouse of Mr. Lau Chun Ming who is an executive Director and Chairman of the Company
“Nice Fair”	Nice Fair Group Limited, a company incorporated in BVI and is wholly-owned by Mr. Lau Chun Ka, an executive Director and the brother-in-law of Ms. Leung
“Promissory Note”	non-interest bearing promissory note in the principal amount of HK\$92 million with a one year term to be issued by the Purchaser to the Vendor upon Completion to satisfy part of the Consideration, the principal terms of which are set out under the section headed “TERMS OF THE PROMISSORY NOTE” in this announcement
“Proposed Special Dividend”	subject to, among other things, and following the Completion, the proposed cash dividend of not less than HK\$140 million by the Company to be declared and distributed to the Qualifying Shareholders on a pro rata basis
“Purchaser”	Actiease Assets Limited, a company incorporated in BVI with limited liability and is the substantial Shareholder holding approximately 56.29% of the issued share capital of the Company
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	the record date to determine entitlements of the Shareholders to the Proposed Special Dividend, which will be determined and announced by the Company
“Reorganisation”	the proposed reorganisation of the Group to be undertaken by the Company for the purpose of the Completion

“Sale Shares”	10,000 shares of US\$1.00 each in the issued share capital of SWG, representing the entire issued share capital of SWG
“SGM”	special general meeting of the Company to be convened to consider, if thought fit, and approve the (i) Disposal Agreement and the transactions contemplated thereunder; and (ii) Proposed Special Dividend
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SW Bore Pile Foundation”	Sam Woo Bore Pile Foundation Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Civil Contractors”	Sam Woo Civil Contractors Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Civil Works”	Sam Woo Civil Works Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Construction”	Sam Woo Construction Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement

“SW Construction & Engineering”	Sam Woo Construction & Engineering Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Engineering Equipment”	Sam Woo Engineering Equipment Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Finance”	Sam Woo Finance Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Foundation”	Sam Woo Foundation Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SWG”	Sam Woo Group Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Group Holdings”	Sam Woo Group (Holdings) Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Ship Management”	Sam Woo Ship Management Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“SW Offshore Engineering”	Sam Woo Offshore Engineering Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement

“三和集團有限公司”	三和集團有限公司, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“Tangible NAV”	being the aggregate of the amount paid up or credited as paid up on the issued share capital of the Disposal Group; and the amount standing to the credit of the consolidated reserves of the Disposal Group, but deducting goodwill or other intangible assets
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 8 October 2010

As at the date of this announcement, the executive Directors are Mr. Lau Chun Ming, Mr. Lau Chun Kwok, Mr. Lau Chun Ka, Ms. Leung Lai So, Mr. Hsu Kam Yee, Simon and Mr. Chan Sun Kwong; the non-executive Director is Mr. Chiu Kam Kun, Eric; the independent non-executive Directors are Dr. Lee Peng Fei, Allen, Professor Wong Sue Cheun, Roderick and Ms. Wong Tsui Yue, Lucy.

** for identification purposes only*