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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)

MAJOR AND CONNECTED TRANSACTION relating to the acquisition of 100% interest in a vessel-holding company

The Board is pleased to announce that on 1 December 2005, the Purchaser, a wholly-owned subsidiary of the Company entered into the S&P Agreement with the Vendor, Mr. Lau Chun Ming, for the acquisition of the Sale Share, being one registered share with no par value in the share capital of Master View, representing the entire issued share capital of Master View, at a nominal consideration of HK\$1. The Vendor is a Director and the controlling shareholder of the Company by virtue of the interests of his spouse in the Company. Completion is subject to the fulfillment of certain conditions precedent, details of which are set out below.

The Acquisition constitutes a major and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and is therefore subject to the reporting and announcement requirements, and the approval of the Independent Shareholders at a general meeting under Chapters 14 and 14A of the Listing Rules. An independent board committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iii) its recommendation on whether the Independent Shareholders should vote in favour of the resolution to approve the Acquisition. In addition, an independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iii) its recommendation on whether the Independent Shareholders should vote in favour of the resolution to approve the Acquisition.

A circular of the Company containing, amongst other things, further details in relation to the Acquisition, the financial information of the Group and Master View, the Valuation Report, the letter of advice from the independent financial adviser, the letter from the independent board committee setting out its view on the Acquisition and a notice of the SGM, will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

THE ACQUISITION

The S&P Agreement

Date

1 December 2005

Parties

Vendor: Mr. Lau Chun Ming, the controlling shareholder of the Company by virtue of the interests of his spouse in the Company, and a Director

Purchaser: Sam Woo Group Limited, a wholly-owned subsidiary of the Company

Assets to be acquired

Under the S&P Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Share, being one registered share with no par value in the share capital of Master View, representing the entire issued share capital of Master View. Master View was incorporated in the Republic of Marshall Islands on 8 December 2004 and is wholly-owned by the Vendor. The Sale Share is currently subject to a share charge in favour of an independent third party lender (the "Independent Lender") to secure the Independent Lender's Loan. The Independent Lender's Loan was extended to Master View in October 2005 for the purpose of refinancing another loan obtained by Master View in February 2005 for the acquisition of the Vessel. The final maturity date of the Independent Lender's Loan is 13 January 2006. There is no plan for extending the Independent Lender's Loan upon its expiry on 13 January 2006. The Directors expect that the Independent Lender's Loan will be fully settled by 13 January 2006 out of Master View's internal resources or facilities to be obtained from another independent financial institution or other third parties. The Independent Lender has given its consent to the Vendor to enter into the S&P Agreement for the sale and purchase of the Sale Share.

Master View is a vessel holding company. It is the registered and beneficial owner of a motor vessel named "Asian Atlas" which is registered under the laws and flag of the Republic of the Marshall Islands and was built in 1975 in Sweden, with a length of approximately 225 metres, a breadth of approximately 41 metres, a depth of approximately 13 metres and a gross tonnage of 38,571 tons. Based on the Management Accounts, the book value of the Vessel as at 30 September 2005 was approximately US\$8.5 million (equivalent to approximately HK\$66 million). Based on the Valuation Report, the fair market value of the Vessel as at 31 October 2005 was HK\$86 million. The Sale Share was allotted and issued by Master View to the Vendor for US\$1.00 and the original

acquisition cost of the Vessel by Master View from an independent third party on 11 February 2005 was US\$8.7 million (equivalent to approximately HK\$68 million). The total assets value of Master View as at 30 September 2005 was approximately US\$9,740,475.49 (equivalent to approximately HK\$75,976,000) based on the Management Accounts.

The Vessel has been undergoing repair and maintenance works since its acquisition by Master View for the purposes of renewing various certificates with Det Norske Veritas, one of the recognized classification society. Interest expenses were also incurred in respect of the Independent Lender's Loan and Vendor's Loan. Master View has commenced its operations since October 2005 and therefore no turnover has been recorded and a net loss was incurred from the date of its incorporation to 30 September 2005. Based on the Management Accounts, the unaudited net loss of Master View was approximately US\$2.64 million (equivalent to approximately HK\$20.6 million) for the period from 8 December 2004, being the date of incorporation, to 30 September 2005. Based on the Management Accounts, the unaudited net liabilities of Master View as at 30 September 2005 were approximately US\$2.64 million (equivalent to approximately HK\$20.6 million). The assets of Master View comprised mainly of the Vessel and bunker while the liabilities of Master View comprised mainly of the Independent Lender's Loan of a principal amount of US\$3 million (equivalent to approximately HK\$23.4 million) and the Vendor's Loans which amounted to US\$7.17 million (equivalent to approximately HK\$55.9 million) as at 30 September 2005.

The Vessel has successfully renewed its classification status in September 2005 and Master View has put the Vessel into shipping operations in October 2005. Master View's principal source of income will be from chartering of the Vessel. The Vessel will be chartered to both independent third parties and members of the Group to facilitate its machinery trading and foundation construction businesses.

Acquisition consideration

The Consideration for the sale and purchase of the Sale Share is HK\$1. It was determined after arm's length negotiations between the parties with reference to the unaudited adjusted net liabilities of Master View of approximately US\$165,000 (equivalent to approximately HK\$1.3 million). Such unaudited adjusted net liabilities were calculated based on the unaudited net liabilities of Master View as at 30 September 2005 of approximately US\$2.64 million (equivalent to approximately HK\$20.6 million) as adjusted for the surplus of approximately US\$2.48 million (equivalent to approximately HK\$19.3 million) arising from the difference between the fair market value of HK\$86 million of the Vessel as at 31 October 2005 based on the Valuation Report and the book value of US\$8.5 million (equivalent to approximately HK\$66 million) of the Vessel as at 30 September 2005 based on the Management Accounts. The Consideration shall be settled in cash upon Completion.

The Directors consider that the Consideration is fair and reasonable so far as the Company and its shareholders is concerned.

Completion

Completion of the S&P Agreement is conditional upon, among others,

- (i) the Purchaser being satisfied with the results of the due diligence review of Master View's assets, liabilities, activities, operations, prospects and affairs;
- (ii) the Purchaser having obtained a legal opinion to be issued by lawyers in the Republic of the Marshall Islands, in such form and substance to the Purchaser's satisfaction, in respect of, among other matters, the due incorporation and subsistence of Master View and its ownership in the Vessel;
- (iii) all requisite approvals, consents, authorizations and licences in relation to the Acquisition from the relevant governmental authorities or other third parties being obtained (if required); and
- (iv) the approval from the Independent Shareholders approving the S&P Agreement and the transactions contemplated thereby.

In the event the conditions referred to above not having been fulfilled or, as the case may be, waived by the Purchaser on or before 12:00 noon on 16 January 2006 or such later date as the Purchaser may agree, the obligations of the parties under the S&P Agreement will cease and determine and neither party shall have any claim under the S&P Agreement against the other save in respect of any antecedent breach of the S&P Agreement.

Completion shall take place at 10:00 a.m. on the second business day after the date on which all the conditions set out in the S&P Agreement have been satisfied.

Reasons for the Acquisition

The Group is principally engaged in foundation works, leasing and trading of machinery and equipment for foundation works. The Group leases foundation works related machinery and equipment which can be applied to both land and marine foundation construction.

For the year ended 31 March 2005, the Group had audited turnover and segment loss of approximately HK\$55.8 million and HK\$14.5 million respectively from its foundation work projects. On the other hand, the trading of machinery and equipment had an audited turnover and segment income of HK\$6.7 million and HK\$5.2 million respectively for the year ended 31 March 2005. In view of the escalating prices of essential construction materials, including steel, concrete, fuel and lubricant, combined with the weakened construction market in Hong Kong, which resulted in impaired profitability of construction projects, instead of competing for unprofitable foundation work projects, the management intends to place the Group's focus on the trading of construction machinery, to specialize on marine foundation projects and to explore potential marine engineering and ocean transport ventures. Accordingly, the Directors consider that the acquisition of the Vessel for carrying marine engineering machines will complement the Group's strategy in developing its marine foundation projects. Furthermore, the Vessel will also enable the Group to mobilize its resources and enhance its competitive edge to undertake construction projects and machinery trading businesses overseas.

The Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the S&P Agreement are fair and reasonable.

VENDOR'S LOANS

It is a condition of the S&P Agreement that upon Completion, Master View as borrower and the Vendor as lender shall enter into a loan agreement ("**Vendor Loan Agreement**") to regulate the terms of the Vendor's Loans. As at 30 September 2005, the aggregate amount of indebtedness owing by Master View to the Vendor was US\$7.17 million. Under the Vendor Loan Agreement, the Vendor's Loans will bear interest at a rate which is 0.5% below the US dollars prime rate from time to time quoted by The Hongkong &

Shanghai Banking Corporation Limited. The Vendor's Loans will be repayable upon the expiry of 24 months after Completion. Master View has the right to prepay the Vendor's Loans at any time prior to maturity in integral multiples of US\$10,000.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio of the assets test (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction under the Listing Rules. In addition, as the Vendor, being a Director, is also the sole shareholder of Master View, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the S&P Agreement is subject to the reporting and announcement requirements and the approval of the Independent Shareholders at a general meeting under Chapters 14 and 14A. The Vendor and Mr Lau Chun Kwok, Mr Lau Chun Ka and Ms Leung Lai So, the brothers and wife of the Vendor, respectively, and their respective associates who/which own in aggregate 75% of the entire issued share capital of the Company, are connected persons of the Company who are materially interested in the Acquisition and are therefore required to abstain from voting on the resolution proposed to be passed for approving the Acquisition and any matters relating thereto.

The Vendor Loan Agreement to be entered into on Completion constitutes financial assistance provided by a connected person. Given that no security is given by the Group in respect of the financial assistance, and the terms of the Vendor Loan Agreement are on normal commercial terms (or better to the Company), the Vendor Loan Agreement is exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

GENERAL

An independent board committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iii) its recommendation on whether the Independent Shareholders should vote in favour of the resolution to approve the Acquisition. In addition, an independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iii) its recommendation on whether the Independent Shareholders should vote in favour of the resolution to approve the Acquisition.

A circular, containing, among other things, further details of the Acquisition, the financial information of the Group and Master View, Valuation Report, the letter of advice from the independent financial adviser, the letter from the independent board committee setting out its view on the Acquisition and a notice of the SGM, will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

DEFINITIONS

"Acquisition"	the acquisition of the entire issued share capital of Master View pursuant to the S&P Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Sam Woo Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2322)
"Completion"	completion of the S&P Agreement in accordance with the terms and conditions of the agreement
"Consideration"	HK\$1, being the total consideration for the purchase by the Purchaser of the entire issued share capital of Master View
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Lender's Loan"	an interest bearing loan advanced by the Independent Lender to Master View and secured by, among others, a charge over the Sale Share, the principal amount outstanding as at 30 September 2005 was US\$3 million
"Independent Shareholders"	Shareholders other than the Vendor and his associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Accounts"	the management accounts of Master View as at 30 September 2005
"Master View"	Master View Co., Ltd., a company incorporated under the laws of the Republic of Marshall Islands with limited liability and wholly-owned by the Vendor
"Purchaser"	Sam Woo Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"S&P Agreement"	the agreement dated 1 December 2005 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Share
"Sale Share"	the one registered share without par value in the share capital of Master View, representing the entire issued share capital of Master View
"SGM"	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Acquisition and any transactions contemplated under the S&P Agreement, and any adjournment thereof
"Share(s)"	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

“Valuation Report”	the valuation report made for the purpose of formulating and expressing an opinion of the fair market value of the Vessel as at 31 October 2005 issued by an independent qualified valuer and dated 30 November 2005
“Vendor”	Mr. Lau Chun Ming, a Director
“Vendor’s Loans”	the advances from time to time made by the Vendor to Master View, the aggregate outstanding principal amount of which was US \$7.17 million as at 30 September 2005
“Vessel”	motor vessel named “Asian Atlas” registered under the laws and flag of the Republic of the Marshall Islands
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

By order of the Board of
SAM WOO HOLDINGS LIMITED
LAU Chun Ming
Director

Hong Kong, 9 December 2005

** for identification purpose only*

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 Mr. Chan Wai Dume.

For the purpose of this announcement, unless otherwise stated, conversion of US\$ into HK\$ or vice versa have been calculated by using an exchange rate of US\$1.00=HK\$7.80.

Please also refer to the published version of this announcement in The Standard.