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## **Ngai Shun Holdings Limited**

**毅信控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01246)**

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 49% OF THE ISSUED SHARE CAPITAL OF PEARL SWIRLS LIMITED**

#### **THE AGREEMENT**

On 25 July 2016 (after trading hours), the Company as the vendor entered into the Agreement with the Purchaser, pursuant to which the Company conditionally agreed to dispose of, and the Purchaser conditionally agreed to purchase, 49% of the issued share capital of Pearl Swirls, at a total consideration of HK\$80,000,000 (subject to adjustment), which will be offset by part of the Debt owing to the Purchaser by the Company.

#### **LISTING RULES IMPLICATIONS**

As more than one of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Dr. Wong and Mr. Lam are directors of Ngai Shun Construction and hence are connected persons of the Company at the subsidiary level. As the Purchaser is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam, the Purchaser therefore is an associate of each of Dr. Wong and Mr. Lam and is a connected person of the Company. The Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Given that (i) the Board has approved the Disposal; and (ii) the independent non-executive Directors have confirmed that (A) the terms of the Disposal are fair and reasonable; (B) the Disposal is on normal commercial terms or better; and (C) the Disposal is in the interests of the Company and the Shareholders as a whole, the Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

An EGM will be convened and held for the Shareholders to approve the Agreement and the transactions contemplated thereunder. The Purchaser and its associates (including Fabulous Business Limited, which is interested in 106,000,000 Shares as at the date of this announcement, representing approximately 1.64% of the total issued share capital of the Company) are required to abstain from voting on the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no other Shareholder is involved in or interested in the Disposal which is required to abstain from voting on the relevant resolution(s) to approve the Disposal at the EGM.

## **GENERAL**

A circular containing, among other things, (i) further details of the Agreement and the Disposal; and (ii) a notice of the EGM, will be despatched to the Shareholders on or before 15 August 2016 in accordance with the relevant requirements of the Listing Rules.

**Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or, as the case may be, waiver) of the conditions precedent under the Agreement. The Disposal may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.**

On 25 July 2016 (after trading hours), the Company as the vendor entered into the Agreement with the Purchaser, pursuant to which the Company conditionally agreed to dispose of, and the Purchaser conditionally agreed to purchase, 49% of the issued share capital of Pearl Swirls, at a total consideration of HK\$80,000,000 (subject to adjustment), which will be offset by part of the Debt owing to the Purchaser by the Company. The principal terms and conditions of the Agreement are summarised below:

## **THE AGREEMENT**

Date: 25 July 2016

Parties: (a) the Company, as the vendor; and  
(b) the Purchaser, as the purchaser.

Dr. Wong and Mr. Lam are directors of Ngai Shun Construction and hence are connected persons of the Company at the subsidiary level. As the Purchaser is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam, the Purchaser therefore is an associate of each of Dr. Wong and Mr. Lam and is a connected person of the Company.

Subject matter: The Company conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire, the Sale Shares, being 49% of the issued share capital of Pearl Swirls.

Consideration: The consideration for the Sale Shares shall be HK\$80,000,000 and offset by part of the Debt owing to the Purchaser by the Company at Completion subject to the following adjustment:

- (a) in the event that 49% of the audited net asset value of Ngai Shun Construction as at the date of Completion (the “**Completion NAV**”) is higher than HK\$62,600,000, the consideration shall be the higher of (A) the aggregate of (i) HK\$80,000,000 and (ii) the excess of 49% of the Completion NAV over HK\$62,600,000; and (B) HK\$80,000,000; or
- (b) in the event that 49% of the Completion NAV is equal to or lower than the amount of HK\$62,600,000, the consideration shall remain at the sum of HK\$80,000,000.

The additional amount payable to the Company as a result of the adjustment above shall be settled by the Purchaser within 10 calendar days after the issue of the Completion Account by way of offsetting the Debt (after deducting the amount of HK\$80,000,000). If such additional amount exceeds the amount of the Debt (after deducting the amount of HK\$80,000,000), the excess shall be paid by the Purchaser to the Company in cash within 10 calendar days after the issue of the Completion Account.

The consideration was determined after arm’s length negotiations between the Company and the Purchaser taking into account the audited net asset value of Ngai Shun Construction.

Conditions precedent: Completion shall be conditional upon the satisfaction of the following conditions:

- (i) the warranties provided by the Company remaining true and accurate in all respects and not misleading in any respect as at Completion;
- (ii) Pearl Swirls allotting and issuing 99 shares to the Company;
- (iii) the Shareholders approving the Agreement and all the transactions contemplated under the Agreement;
- (iv) all consents, approvals, permits, or authorisations (as the case may be) that are necessary pursuant to applicable laws, regulations or rules for the execution, implementation and Completion of the Agreement having been obtained, and all such consents, approvals, permits and authorisations not having been revoked or withdrawn; and
- (v) all consents or approvals that are necessary pursuant to the implementation and Completion of the Agreement having been obtained from the Stock Exchange, and such consents or approvals not having been revoked or withdrawn.

Completion: Completion shall take place the Business Day immediately after all the conditions precedent have been fulfilled or waived, or such other date as the Company and the Purchaser shall agree in writing, provided that such date shall in no event be later than 29 September 2016 (or such other date as may be agreed amongst the Company and the Purchaser).

Upon Completion, the Company and the Purchaser will hold 51% and 49% of the issued share capital of Pearl Swirls respectively, and Pearl Swirls will remain to be a subsidiary of the Company.

## INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam. To the best of the Directors' knowledge, the Purchaser is an investment holding company.

## INFORMATION ON THE COMPANY

The Company, through its subsidiaries, is principally engaged in the foundation business, property development business, investment securities and provision of catering services.

## INFORMATION ON THE PEARL SWIRLS GROUP

Pearl Swirls is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Pearl Swirls is a direct wholly-owned subsidiary of the Company.

Ngai Shun Construction is a company incorporated in Hong Kong with limited liability and is principally engaged in foundation business in Hong Kong as a foundation subcontractor. Ngai Shun Construction is a direct wholly-owned subsidiary of Pearl Swirls.

A summary of the unaudited financial information of the Pearl Swirls Group for the two years ended 31 March 2016 is set out below:

	<b>For the year ended 31 March 2015 unaudited <i>approximately</i> HK\$'000</b>	<b>For the year ended 31 March 2016 unaudited <i>approximately</i> HK\$'000</b>
Profit before tax	97,404	6,138
Profit after tax	81,418	4,740

As at 30 June 2016, the Pearl Swirls Group had an unaudited consolidated net asset value of approximately HK\$116.8 million.

The foundation industry in Hong Kong has been adversely affected by the political environment and experienced a downfall during the financial year of 2016. There was a serious delay in approving new infrastructure projects by the Legislative Council of Hong

Kong and Legco Finance Committee 2015–16 sessions. Although 72 projects totalling HK\$67.5 billion has been scheduled to submit for budget approval, only projects totalling of HK\$7.6 billion were approved up to May 2016.

## **FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP**

Upon Completion, the Company and the Purchaser will hold 51% and 49% of the issued share capital of Pearl Swirls respectively, and Pearl Swirls and Ngai Shun Construction will remain as subsidiaries of the Company and their financial results will continue to be consolidated into the Group's consolidated financial statements.

The consideration for the Disposal will be offset by part of the Debt owing to the Purchaser by the Company and there will be no cash proceed received from the Disposal. The Company expects to recognise gain on disposal of approximately HK\$22.8 million (before transaction costs) as a result of the Disposal, taking into account the net asset value of Ngai Shun Construction as at 30 June 2016. The actual gain or loss on the Disposal may be different from the above and will be determined based on the financial position of the Company on the date of Completion and the review by the Company's auditors upon finalisation of the consolidated financial statements of the Group.

None of the Directors has any material interest in the Agreement and the Disposal and therefore, none of them has abstained from voting on the Board resolution(s) which approved the Agreement and the Disposal.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors are of the view the Disposal will benefit the Company by directly reducing its debts and interests and also improve the liquidity and overall financial position of the Company. The construction boom in last few years also allowed more subcontractors to be listed to enlarge their business size. Together with the impact of fewer public projects, there is increased competition in the private sector and the Group needs to adjust its pricing strategy to have more discounts in the tenders, which further affect the profit margin. The Directors expect that the foundation business in public sectors may decrease further and the Group therefore intends to allocate more resources in developing the Group's property development business and other potential business opportunities.

The Group's property development business represents the acquired property project located in a parcel of land situated on the western shores of 南湖 (Nanhu Lake<sup>#</sup>), Yueyang, Hunan province, the PRC, as disclosed in the circular of the Company dated 6 November 2015 and completion of which took place on 24 November 2015. The Company is also looking for other potential acquisition opportunities to enhance the prospect of the Group.

The Directors consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

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## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Agreement”	the conditional sale and purchase agreement dated 25 July 2016 entered into between the Company and the Purchaser in relation to the disposal of the Sale Shares by the Company
“Board”	the board of Directors
“Business Day(s)”	means a day other than a Saturday, Sunday or public holiday in Hong Kong
“Company”	Ngai Shun Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange

“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms of the Agreement
“Completion Account”	the audited accounts of Ngai Shun Construction for the period commencing from 1 April 2016 and ending on the date of Completion as prepared by the auditor of Ngai Shun Construction or such other Hong Kong Certified Public Accounts as appointed by the Company
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Debt”	the aggregate sum of HK\$128,357,826 which the Company is indebted to the Purchaser as at the date of the Agreement, pursuant to the loan agreement entered into between the Company and the Purchaser on 3 March 2015 and the drawdown notice given by the Company to the purchaser on 5 March 2015
“Director(s)”	the directors of the Company
“Disposal”	the sale of the Sale Shares by the Company to the Purchaser pursuant to the terms and conditions of the Agreement
“Dr. Wong”	Dr. Wong Sai Chung
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the transactions as contemplated under the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lam”	Mr. Lam Wing Sum
“Ngai Shun Construction”	Ngai Shun Construction & Drilling Company Limited, a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of Pearl Swirls as at the date of this announcement
“Pearl Swirls”	Pearl Swirls Limited, a company incorporated in the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of the Company
“Pearl Swirls Group”	Pearl Swirls and Ngai Shun Construction
“PRC”	the People’s Republic of China
“Purchaser”	Excellent Speed Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 50% by Dr. Wong and as to 50% by Mr. Lam

“Sale Shares”	49 ordinary shares of Pearl Swirls, representing 49% of the issued share capital of Pearl Swirls held by the Company immediately before the Completion
“Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“%”	per cent

# *The English names of the Chinese entitles are translation of their Chinese names and are included herein for identification purpose only.*

By order of the Board  
**Ngai Shun Holdings Limited**  
**Mock Wai Yin**  
*Executive Director and Chairman*

Hong Kong, 25 July 2016

*As at the date of this announcement, the Company has (i) three executive Directors, namely Mr. Mock Wai Yin, Mr. Wang Xin and Dr. Wong Yun Kuen; (ii) one non-executive Director, namely Mr. Chui Kwong Kau, and (iii) four independent non-executive Directors, namely Mr. Lam Chi Wai, Ms. Lau Mei Ying, Ms. Thadani Jyoti Ramesh and Mr. Eric Todd.*

*In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.*