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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
DISPOSAL OF 51% OF THE ISSUED SHARE CAPITAL OF
PEARL SWIRLS LIMITED

Financial Advisers

 **KINGSTON CORPORATE FINANCE**



Grand Harbour Corporate Finance Limited

THE AGREEMENT

On 18 July 2017 (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, 51% of the issued share capital of Pearl Swirls, at a total consideration of HK\$80,000,000 (subject to adjustment).

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but is 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.

As at the date of this announcement, the Purchaser is interested in 49% of Pearl Swirls and is therefore a connected person of the Company at the subsidiary level. As (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, and (c) the Disposal is in the interest 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 are interested in 115,300,000 Shares, representing approximately 1.27% of the total issued share capital of the Company as at the date of this announcement, are required to abstain from voting on the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, further details about the Agreement and the Disposal, and a notice of the EGM, will be despatched to the Shareholders on or before 9 August 2017.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment (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 reminded to exercise caution when dealing in the Shares and other securities of the Company.

On 18 July 2017 (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, 51% of the issued share capital of Pearl Swirls, at a total consideration of HK\$80,000,000 (subject to adjustment). The principal terms of the Agreement are summarised below:

THE AGREEMENT

Date: 18 July 2017 (after trading hours)

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

As at the date of this announcement, the Purchaser is interested in 49% of Pearl Swirls, a 51% owned non-wholly owned subsidiary of the Company. Accordingly, the Purchaser is a substantial shareholder of a non-wholly owned subsidiary of the Company and is a connected person of the Company at the subsidiary level.

Subject matter: The Company has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares, being 51% of the issued share capital of Pearl Swirls.

Consideration: The consideration for the Sale Shares is HK\$80,000,000 and was determined by the parties after arm's length negotiations taking into account, amongst others, the net asset value of Ngai Shun Construction, a wholly-owned subsidiary of Pearl Swirls.

The consideration will be subject to the following adjustment:

- (a) in the event that 51% of the audited net asset value of Ngai Shun Construction as at the date of Completion (the "**Completion NAV**") is higher than HK\$52,748,000, the consideration will be the higher of (A) the aggregate of (i) HK\$80,000,000 and (ii) the excess of 51% of the Completion NAV over HK\$52,748,000; and (B) HK\$80,000,000; or
- (b) in the event that 51% of the Completion NAV is equal to or lower than the amount of HK\$52,748,000, the consideration will remain at the sum of HK\$80,000,000.

The Completion Account will be made available by the Company to the Purchaser within 60 calendar days after the date of Completion.

The consideration will be settled as follows:

- (i) a sum of HK\$10,000,000 is payable upon the signing of the Agreement;
- (ii) such outstanding amount owing to the Purchaser under the Loan will be used to set off against part of the consideration at Completion; and
- (iii) the remaining balance of the consideration after deducting such amount in (i) and (ii) above will be payable in cash by the Purchaser at Completion.

The additional amount payable to the Vendor as a result of the adjustment to the consideration will be settled by the Purchaser by way of cash within 10 calendar days of the issue of the Completion Account.

Conditions precedent: Completion is 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) the Shareholders approving the Agreement and all the transactions contemplated thereunder;

- (iii) 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
- (iv) 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.

If for any reasons that the conditions precedent to the Agreement are not satisfied (or for condition (i), not waived by the Purchaser) by 29 September 2017 or such later date as may be agreed between the Company and the Purchaser, the Agreement will lapse whereupon the first instalment of the consideration received will be refunded, without interest, to the Purchaser within five (5) Business Days of such termination. Upon such termination, no party shall have any liability and obligation to the other parties, save in respect of the refund of the first instalment of the Consideration to the Purchaser and any antecedent breaches of the Agreement.

Completion:

Completion shall take place the next Business Day immediately following the day on which 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 2017 (or such other date as may be agreed amongst the Company and the Purchaser).

Upon Completion, the Company will no longer hold any interest in Pearl Swirls, and Pearl Swirls will cease to be a subsidiary of the Company.

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 51% owned subsidiary of the Company.

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

A summary of the unaudited financial information of the Pearl Swirls Group for each of the two years ended 31 March 2017 is set out below:

	For the year ended 31 March	
	2016	2017
	unaudited	unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before tax	6,138	(26,523)
Profit/(loss) after tax	4,740	(24,246)

As at 30 June 2017, the Pearl Swirls Group had an unaudited consolidated net asset value of approximately HK\$95.3 million.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

Upon Completion, Pearl Swirls and Ngai Shun Construction will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the Group's consolidated financial statements.

Part of the consideration for the Disposal will be used to repay and discharge the Loan and the Company will receive the balance of the consideration in cash. Subject to final audit, it is expected that the Company will realise a gain on disposal of approximately HK\$31.4 million, which was determined by the carrying value of the Sale Shares.

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.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The foundation piling industry in Hong Kong has been adversely affected by the political environment in Hong Kong and experienced a downfall since 2015. There had been serious delays in approving new infrastructure projects by the Legislative Council of Hong Kong and the Legco Finance Committee. The delays have resulted in fewer public projects, which together with the increased competition in the private sector, have eroded the profit margin of the foundation piling business.

As it is not expected that there will be any strong growth in the foundation piling business in the short and medium term, and that the foundation piling business in public sectors may decrease even further, the Directors (including the independent non-executive Directors) are of the view that the Disposal would be in the interest of the Company, as the Group could divert more resources in developing the Group's property development and healthcare holiday resort development business and other potential business opportunities. Moreover, 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.

Given that the Agreement was concluded after arm's length negotiations, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement are entered on normal commercial terms and are fair and reasonable, and the Disposal is in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in the business of investment holding.

INFORMATION ON THE COMPANY

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

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but is 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.

As at the date of this announcement, the Purchaser is interested in 49% of Pearl Swirls and is therefore a connected person of the Company at the subsidiary level. As (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, and (c) the Disposal is in the interest 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 are interested in 115,300,000 Shares, representing approximately 1.27% of the total issued share capital of the Company as at the date of this announcement, are required to abstain from voting on the relevant resolution to approve the Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, further details about the Agreement and the Disposal, and a notice of the EGM, will be despatched to the Shareholders on or before 9 August 2017.

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.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment (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 reminded to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 18 July 2017 entered into between the Company and the Purchaser;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	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”	the 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 2017 and ending on the date of Completion as prepared by the auditor of Ngai Shun Construction or such other Hong Kong Certified Public Accountants as appointed by the Company;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the sale of the Sale Shares by the Company to the Purchaser pursuant to the terms of the Agreement;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, 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;
“Loan”	the loan with a principal amount of HK\$120,000,000 that carries interest at the rate of 5% per annum extended by the Vendor to the Purchaser pursuant to the loan agreement entered into by the Vendor and the Purchaser on 3 March 2015, which as at 18 July 2017, has an outstanding amount (principal and interest) of HK\$51,425,957 owing by the Vendor to the Purchaser;

“Ngai Shun Construction”	Ngai Shun Construction & Drilling Company Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Pearl Swirls;
“Pearl Swirls”	Pearl Swirls Limited, a company incorporated in the British Virgin Islands with limited liability, which is a 51% owned subsidiary of the Company as at the date of this announcement;
“Pearl Swirls Group”	Pearl Swirls and Ngai Shun Construction;
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Purchaser”	Excellent Speed Limited, a company incorporated in the British Virgin Islands with limited liability;
“Sale Shares”	51 shares in Pearl Swirls, representing 51% of the issued share capital of Pearl Swirls;
“Share(s)”	the ordinary 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; and
“%”	per cent.

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

Hong Kong, 18 July 2017

As at the date of this announcement, the Company has (i) two executive Directors, namely Mr. Mock Wai Yin and Dr. Wong Yun Kuen; (ii) one non-executive Director, namely Mr. Chui Kwong Kau; and (iii) three independent non-executive Directors, namely Mr. Lam Chi Wai, Mr. Eric Todd and Mr. Chai Chi Man.

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