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CHUN WO DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00711)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED DISPOSAL OF 100% INTEREST IN A WHOLLY-OWNED SUBSIDIARY

THE DISPOSAL

The Board announces that on 14 August 2015, the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at a Consideration of HK\$195,000,000 subject to the terms and conditions of the Agreement.

The Target Company holds 10% of the issued share capital of Golden Concept, which in turn holds the Site.

Upon Completion, the Group will cease to have any interest in the Target Company.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company.

Mr. Pang is a non-executive Director and the co-chairman of the Company. Accordingly, Mr. Pang is a connected person of the Company. Mr. Pang is also a director of the Purchaser and entitled to control the exercise of more than 30% of the voting power at the Purchaser. Therefore, the Purchaser is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules.

As such, the Disposal also constitutes a connected transaction of the Company. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal is, in addition to the reporting and announcement requirements, subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, among other things, (i) details of the Agreement and the Disposal contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the Disposal contemplated thereunder; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; (iv) valuation report of the Site; and (v) a notice of the SGM is expected to be despatched to the Shareholders on or before 7 September 2015.

INTRODUCTION

The Board announces that on 14 August 2015, the Vendor entered into the Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at a Consideration of HK\$195,000,000 subject to the terms and conditions of the Agreement.

THE AGREEMENT

Date : 14 August 2015

Parties

Vendor : Chun Wo (BVI) Limited, a direct wholly-owned subsidiary of the Company

Purchaser : Clover Peak Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser is 40% owned by Mr. Pang and the other 40% and 20% owned by two Independent Third Parties respectively. As Mr. Pang is a non-executive Director and the co-chairman of the Company, he is a connected person of the Company. Mr. Pang is also a director of the Purchaser and entitled to control the exercise of more than 30% of the voting power at the Purchaser. Therefore, the Purchaser is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A.07(4) of the Listing Rules.

Subject Matters of the Disposal

Pursuant to the Agreement, the assets to be disposed of would be the Sale Interest which consists of:

- (i) the Sale Share being the entire issued share capital in the Target Company immediately before Completion; and
- (ii) the Sale Loan being the total indebtedness due and owing by the Target Company to the Group and such further amount(s) as may be advanced on or before Completion by the Group to the Target Company.

The Target Company holds 10% of the issued share capital of Golden Concept. Golden Concept is the registered owner of the Site. The shareholders of Golden Concept entered into a shareholders agreement to collaborate in the development of the Site through Golden Concept. Further, the Company entered into the Funding Agreement in favour of the banks to undertake and ensure the funding on pro-rata and several basis, and completion on joint and several basis, for the development of the Site.

Upon Completion, the Group would cease to have any interest in the Target Company which would accordingly cease to be a subsidiary of the Company. The Purchaser will procure the Company be released from the Funding Agreement as soon as possible after Completion and in any events not later than 6 months after Completion.

The Consideration

The Consideration will be payable by the Purchaser in the following manner:

- (i) HK\$19,500,000 being deposit pending Completion and in part payment of the Consideration upon Completion, has been paid by the Purchaser upon the signing of the Agreement; and
- (ii) the remaining balance for the sum of HK\$175,500,000 shall be settled in cash upon Completion.

The Vendor shall refund the said deposit (without cost and interest) to the Purchaser within 14 days if the Agreement is terminated as stipulated under the relevant provisions of the Agreement.

Basis of Determination of Consideration

The total consideration for the Disposal was agreed between the Vendor and the Purchaser after arm's length negotiations on normal commercial terms with reference to (i) the financial information on the Target Company as set out under the paragraph "Financial Information on the Target Company" below; (ii) the valuation of the Site is HK\$3.15 billion as at 7 August 2015, according to an independent valuation performed by A.G. Wilkinson & Associates (Surveyors) Limited, of which 10% interests, HK\$315 million, is held by the Target Company; and (iii) the amount of loan advanced by Golden Concept of approximately HK\$1.20 billion in relation to the Site, of which 10% of such liability, HK\$120 million, is considered and deducted from the Target Company's interests accessed in valuation.

The Directors (excluding the independent non-executive Directors who will give their view after receiving the advice from the IFA) consider that the Consideration is fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Agreement and the transactions contemplated thereunder is conditional upon, among other things, the fulfillment of the following conditions:

- (i) the Company having complied with the relevant Listing Rules' requirements including but not limited to the passing of the Independent Shareholders resolution at the SGM to approve the Agreement and the transactions contemplated herein;
- (ii) the Vendor having obtained the consent of all third parties (including banks and the shareholders of Golden Concept, if required) for the sale of the Sale Share and Sale Loan in respect of the Agreement and the transactions contemplated thereunder; and
- (iii) all the representations, warranties and undertakings made by the Vendor and the Purchaser as at the date of the Agreement and the Completion Date are true, accurate and complete and not misleading in any material aspects.

In the event that any of the above conditions have not been fulfilled on or before the Long Stop Date (or such later date as the Vendor and the Purchaser may agree), the parties shall not be bound to proceed with the Disposal.

Completion

Completion shall take place on the 5th Business Day after the fulfillment of the conditions precedent set out in the Agreement or such other date as agreed in writing between the Vendor and the Purchaser.

FINANCIAL EFFECT OF THE DISPOSAL

After taking into account the Consideration for the Disposal, net carrying amount of the assets and liabilities of the Target Company as at the date of the Agreement, the related transaction costs and taxes, it is estimated that a gain of approximately HK\$29,300,000 will be recorded. The business of the Group will remain the same after the Completion, and the Directors do not anticipate that completion of the Disposal will have a significant effect on the business and performance of the Group.

REASONS FOR AND BENEFITS FROM THE DISPOSAL

The Group is principally engaged in property development and investment, among other activities. The Company currently holds only 10% interests in the Site and had no control on the development of the Site. The Company is of the view that it is in the benefit of the Group to concentrate on property development and investment projects which the Group has control or management. As the development of the Site is still at preliminary stage, it is anticipated that the Company will have to make significant amount of investment in the future.

The net proceeds from the Disposal will be used by the Group for general working capital purpose. Based on the assessment set out in the paragraph headed "Financial Effect of the Disposal" of this announcement, the Company considers that the Disposal provides a good opportunity for the Group to realize its minority interest in the Site.

In view of the above, the Directors (excluding the independent non-executive Directors who will give their view after receiving the advice from the IFA) consider that the Consideration is fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY AND THE SITE

The Target Company

The Target Company is an investment holding company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company. The Target Company holds 10% of the issued share capital of Golden Concept.

The Site

The Site comprise a piece of land situated at Sha Tin Town Lot No. 579 at Area 56A Kau To, Sha Tin, New Territories, Hong Kong with a site area of 354,136 square feet for residential use. The Site is currently under the stage of site formation.

The Company has been holding the indirect interests in Golden Concept which in turn holds the interests of the Site since October 2013.

Financial Information on the Target Company

Set out below is the summary of the unaudited financial information of the Target Company for the two financial years ended 31 March 2014 and 31 March 2015:

	2014	2015
Total assets	HK\$154,203,040	HK\$158,199,990
Net liabilities	HK\$7,402	HK\$12,316
Net loss	HK\$7,410	HK\$4,914

INFORMATION ON THE GROUP AND THE PURCHASER

The Group

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed and traded on the Main Board of the Stock Exchange. The Group is principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and investment, professional services (including provision of security and property management services) and other activities.

The Purchaser

The Purchaser is a company incorporated in BVI with limited liability. The Purchaser is principally engaged in investment holding. The Purchaser is 40% owned by Mr. Pang and the other 40% and 20% owned by two Independent Third Parties respectively.

LISTING RULES IMPLICATION

Pursuant to Chapter 14 of the Listing Rules, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company.

Mr. Pang is a non-executive Director and the co-chairman of the Company. Accordingly, Mr. Pang is a connected person of the Company. Mr. Pang is also a director of the Purchaser and entitled to control the exercise of more than 30% of the voting power at the Purchaser. Therefore, the Purchaser is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules.

As such, the Disposal also constitutes a connected transaction of the Company. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal is, in addition to the reporting and announcement requirements, subject to the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, among other things, (i) details of the Agreement and the Disposal contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the Disposal contemplated thereunder; (iii) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; (iv) valuation report of the Site; and (v) a notice of the SGM is expected to be despatched to the Shareholders on or before 7 September 2015.

DEFINITIONS

In this announcement, the following expressions shall (unless the context otherwise requires) have the following meanings:

“Agreement”	the sale and purchase agreement dated 14 August 2015 entered into between the Vendor and the Purchaser in respect of, among other things, the sale and purchase of the Sale Interest
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (except public holidays, Saturdays and Sundays) on which licensed banks are open for business in Hong Kong
“BVI”	the British Virgin Islands

“Company”	Chun Wo Development Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 00711)
“Completion”	completion of the Disposal pursuant to the terms and conditions under the Agreement
“Completion Date”	the 5th Business Day after the fulfillment of the conditions precedent set out in the Agreement or such other date as agreed in writing between the Vendor and the Purchaser
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	consideration of the Disposal, being HK\$195,000,000
“Directors”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest pursuant to the terms and conditions of the Agreement
“Funding Agreement”	a funding agreement entered between Golden Concept, a shareholder of Golden Concept, the Company and the Bank of East Asia, Limited as an agent of both the Bank of East Asia, Limited and United Overseas Bank Limited, dated 27 January 2014
“Golden Concept”	Golden Concept Development Limited, a company incorporated in Hong Kong with limited liability which is owned as to 10% by the Target Company and 90% by five Independent Third Parties
“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 People’s Republic of China
“IFA”	Proton Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chan Stephen Yin Wai, Mr. Kwan Ringo Cheukkai and Mr. Wu William Wai Leung to consider and advise the Independent Shareholders with regard to the Disposal

“Independent Shareholder(s)”	Shareholder(s) other than Mr. Pang and his associates
“Independent Third Party(ies)”	third parties independent of and not connected with the Group and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	on 31 January 2016 (or such later date as the Vendor and the Purchaser may mutually agree)
“Mr. Pang”	Mr. Pang Yat Ting, Dominic, a non-executive Director and the co-chairman of the Company
“Purchaser”	Clover Peak Limited, a company incorporated in BVI with limited liability
“Sale Interest”	collectively, the Sale Share and the Sale Loan
“Sale Loan”	the total indebtedness due and owed by the Target Company to the Group and such further amount(s) as may be advanced on or before Completion by the Group to the Target Company, which amounts to HK\$165,212,306 as at the date of this announcement
“Sale Share”	one fully paid-up ordinary share of par value US\$1.00 of the Target Company, being beneficially owned by and registered in the name of the Vendor, representing 100% of the issued share capital of the Target Company immediately before Completion
“SGM”	the special general meeting of the Company to be convened for, among others, considering and if thought fit, approving the Disposal, the Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Site”	a development site of Sha Tin Town Lot No. 579 at Area 56A Kau To, Sha Tin, New Territories, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Wealth Anchor Investments Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“Vendor”

Chun Wo (BVI) Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement

“%”

per cent

By Order of the Board

CHUN WO DEVELOPMENT HOLDINGS LIMITED

Xu Jianhua, Jerry

Pang Yat Ting, Dominic

Co-Chairman

Co-Chairman

Hong Kong, 14 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Xu Jianhua, Jerry, Ir Dr. Pang Yat Bond, Derrick and Mr. Kwok Yuk Chiu, Clement, the non-executive directors of the Company are Mr. Pang Yat Ting, Dominic, Mr. Zhang Xiaoliang and Mr. Chow Wing Kin, Anthony SBS, JP, and the independent non-executive directors of the Company are Mr. Chan Stephen Yin Wai, Mr. Kwan Ringo Cheukkai and Mr. Wu William Wai Leung.