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## **HSIN CHONG CONSTRUCTION GROUP LTD.**

**新昌營造集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00404)**

### **SECOND SUPPLEMENTAL ACQUISITION AGREEMENT**

Reference is made to the announcements (the “**Announcements**”) of Hsin Chong Construction Group Ltd. (the “**Company**”) dated 15 April 2013 and 30 July 2013 and the circular of the Company dated 30 May 2013 (the “**Circular**”) in relation to, among others, the Acquisition, the Placing and the Conversion Undertaking. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as ascribed to them in the Announcements and the Circular.

Pursuant to the Acquisition Agreement, the Consideration was RMB780 million (equivalent to approximately HK\$975 million) as subsequently adjusted in the event that the Net Debt is larger than zero and shall be reduced by the amount of excess Net Debt (i.e. when the aggregate liabilities of the Target Group exceeds RMB600 million as shown on the Completion Accounts). The RMB600 million represents the amount of liabilities of the Target Group agreed to be assumed by the Group upon Completion.

In anticipation of Completion, the Purchaser has been provided with the draft Completion Accounts. On 16 September 2013, a second supplemental agreement (the “**Second Supplemental Acquisition Agreement**”) was entered into among the Purchaser, Sky Realty, Mr. LAM and Mr. ZHOU, to effect the matters referred to below.

As at the date of this announcement, the Acquisition Agreement is still subject to a number of conditions and the main one being the Purchaser obtaining all necessary finance for the settlement of the Consideration on terms satisfactory to the Purchaser. Such condition precedent will be satisfied upon completion of the Placing. It has been indicated to the Company that the Placing Shares to be placed could raise up to HK\$1.35 billion, before expenses. The Placing is still conditional and the Company has applied for the listing of and permission to deal in 1.35 billion Placing Shares. As stated in the Circular, the net proceeds from the Placing will be used to satisfy the Consideration; the Redemption; and business development and general working capital of the Group in that order subject to the final amount of net proceeds raised. Completion of the Placing is expected to take place simultaneously with completion of the Acquisition.

## **SECOND SUPPLEMENTAL ACQUISITION AGREEMENT**

Pursuant to the Second Supplemental Acquisition Agreement, the cash consideration would be reduced from HK\$975 million to HK\$965.37 million as a result of the excess Net Debt being HK\$9.63 million (but less than the RMB10 million as permitted under the Acquisition Agreement). The cash consideration of HK\$965.37 million (subject to adjustments set out below) would be remitted by the Purchaser in accordance with the Acquisition Agreement to such bank accounts as designated by the Vendors.

Part of the RMB600 million liabilities to be assumed by the Purchaser is represented by a HK\$375 million loan due from the Target Company to Sky Realty (one of the Vendors) (the “**HK\$375 million Loan**”). Agreement has been made to the effect that HK\$375 million due from the Target Company to Sky Realty will, instead of being paid on Completion, be left outstanding until such time as the Company is able to obtain financing acceptable to it. Such HK\$375 million due from the Target Company to Sky Realty will also be subject to such deductions, thereby reducing the amounts payable to Sky Realty, in respect of payment to further capitalise the Target Company in order to meet certain liabilities that were incurred before Completion and certain payments to contractors or suppliers (the amounts of which can only be verified in due course) if such claims are made against and paid by the CJV. Both Vendors agree that an aggregate amount of HK\$296 million out of the HK\$375 million Loan shall, on Completion, be offset against the promissory notes due from the Vendors to the Target Company prior to Completion, so that immediately after such offset on Completion, only HK\$79 million of the HK\$375 million Loan remains payable to Sky Realty (the “**HK\$79 million Residual Loan**”). Of the HK\$79 million Residual Loan, the Purchaser has a right at any time to make, or cause the Target Company to make, deductions from the HK\$79 million Residual Loan equal to any claims which the Purchaser may have under the Acquisition Agreement (including the supplemental agreements and deeds of indemnities relating thereto). As part of Completion, the Vendors have to provide to the Purchaser sufficient evidence to verify certain payables of the CJV as at Completion to the satisfaction of the Purchaser. In the

event that such contingent liabilities are finally determined to be less than the amounts due to Sky Realty, then the balance will be paid to Sky Realty in due course. In the event such amounts are more than the amounts due to Sky Realty, then such excess shall be deducted, at Completion, from the cash consideration of HK\$965.37 million payable by the Purchaser under the Second Supplemental Agreement as referred to above.

The parties under the Second Supplemental Acquisition Agreement also agree that the delivery of executed legal opinions (and where the PRC legal opinion shall include an opinion on the validity and enforceability of certain waivers and tri-partite novation agreements relating to the Acquisition Agreement and related supplemental agreements) referred to in condition precedent (i), the deed of indemnity referred to in condition precedent (k) and a separate indemnity contemplated by condition precedent (l), of the Acquisition Agreement be deferred and instead form part of the documents to be dated the Completion Date and delivered to the Purchaser pursuant to the Acquisition Agreement.

## **INDEMNITIES**

Completion is subject to, among other things, the following conditions being satisfied (using the same numbering as set out under the paragraph headed “Conditions precedent” in the letter from the Board of the Circular):

- “(k) the execution of a deed of indemnity by the Vendors, the Purchaser and the Warrantors in respect of certain taxation matters; and
- (l) the execution of a separate indemnity from a company (whose identity is agreeable by the Purchaser prior to Completion) in favour of the Purchaser, in connection with the taxes that the Vendors may be subject to in respect of their sale of the Sale Shares (including but not limited to taxes payable under GuoShuiHan 國稅函 [2009] No.698 which has been issued by the tax authorities in the PRC), in form and substance satisfactory to the Purchaser.”

Pursuant to the Second Supplemental Acquisition Agreement, it has been agreed that the indemnity in (k) above be expanded to include, among other things, some other matters relating to certain liabilities (actual or contingent) as evidenced by the Completion Accounts, tax (to the extent not disclosed in the Completion Accounts and are in excess of unutilised tax losses of the CJV carried forward) and certain financing arrangements from the financial institution supporting the CJV in connection with the Property. The additional company which will be giving an indemnity in respect of Chinese taxation (as contemplated in (l) above) is China Infrastructure Group (International) Limited (“**CIG**”), a company wholly-owned by Mr. LAM. CIG has also agreed to give an indemnity in respect of the same matters as covered by the indemnity in (k) above. As a further security for the Purchaser, Ms. MA has also executed a personal guarantee to guarantee all of the obligations of the indemnifiers under the indemnities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CIG and Ms. MA are Independent Third Parties.

The Acquisition Agreement and the Placing Agreement are still subject to conditions and consequently may or may not proceed. Subject to the satisfaction of all conditions or waiver of such conditions, as the case may be, it is agreed that the completion of the Acquisition and the Placing will take place on 23 September 2013 (or such later date as the parties may agree, in any event, not more than 10 Business Days after all the conditions have been fulfilled).

By order of the Board of  
**Hsin Chong Construction Group Ltd.**  
**Barry John BUTTIFANT**  
*Executive Director*

Hong Kong, 16 September 2013

*This announcement is available for viewing on the Stock Exchange's website: <http://www.hkex.com.hk> and the Company's website: <http://www.hsinchong.com>.*

*As at the date of this announcement, the Board comprises Mr. Wilfred WONG Ying-wai (Chairman and Chief Executive Officer), Dr. Catherine CHU, Dr. Barry John BUTTIFANT and Mr. Joseph CHOI Kin-hung as Executive Directors; Dr. Kenneth CHU Ting-kin as Non-executive Director; and Hon. Jeffrey LAM Kin-fung, Hon. Abraham SHEK Lai-him, Mr. Alexander MAK Kwai-wing and Dr. Joseph CHOW Ming-kuen as Independent Non-executive Directors.*

\* *for identification purposes only*