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HSIN CHONG GROUP HOLDINGS LIMITED

新昌集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

US\$100 MILLION 6% CONVERTIBLE BONDS DUE 2017

(Stock Code: 5579)

US\$300 MILLION 8.75% SENIOR NOTES DUE 2018

(Stock Code: 5513)

US\$150 MILLION 8.50% SENIOR NOTES DUE 2019

(Stock Code: 5607)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL IN
AND
THE SHAREHOLDER'S LOAN DUE BY
COGENT SPRING LIMITED**

Financial Adviser



Euto Capital Partners Limited

THE DISPOSAL

The Board is pleased to announce that on 19 April 2017 (before trading hours of the Stock Exchange), the Vendor, a wholly owned subsidiary of the Company, and the Purchaser entered into the Provisional Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Shareholder's Loan at the Consideration of HK\$760,000,000.00.

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company.

THE LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder has a material interest in the Disposal and is required to abstain from voting for the resolution to approve the Disposal, should the Disposal be put forward to the shareholders to approve at a general meeting of the Company.

GENERAL

A circular containing, amongst others, details of the Disposal and the valuation report of the Property will be despatched to the Shareholders in accordance with the requirements of the Listing Rules on or before 19 May 2017 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

INTRODUCTION

On 19 April 2017 (before trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Provisional Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Shareholder's Loan at the Consideration.

THE DISPOSAL

The Provisional Agreement

Date: 19 April 2017

Parties: (a) the Vendor: Hsin Chong Construction (BVI) Ltd, a wholly-owned subsidiary of the Company

(b) the Purchaser: Diamond Ocean International Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to the Provisional Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase:

- (i) the Sale Shares, representing the entire issued share capital of the Target Company; and
- (ii) the Shareholder's Loan, being all debts owing by the Target Group to the Vendor as at the Completion Date.

The Consideration

The Consideration for the Sale Shares and Shareholder's Loan is HK\$760,000,000.00, which will be satisfied by the Purchaser to the Vendor in the manner as follows:–

- (a) HK\$50,000,000.00 being the initial deposit shall be paid by the Purchaser to the Vendor or the Company on or before the signing of the Provisional Agreement.
- (b) HK\$26,000,000.00 being the further deposit above shall be paid by the Purchaser to the Vendor's solicitors as stakeholder on or before 5 May 2017.
- (c) The Vendor and the Purchaser shall negotiate in good faith and use all their respective reasonable endeavours to enter into a formal agreement for the sale and purchase of the Sale Shares and the Shareholder's Loan ("**Formal SPA**") mutually agreed by the Vendor and Purchaser on or before 5 May 2017 which shall incorporate the terms, warranties and representations customary to transactions similar to the one contemplated herein based on the principal terms set out therein. In the event that the Vendor and the Purchaser shall fail to reach agreement on the terms of the Formal SPA on or before the said date of 5 May 2017, the Provisional Agreement shall remain valid and of full force and effect and the parties thereto shall continue to fulfill their respective obligations hereunder.
- (d) HK\$76,000,000.00 being the further payment shall be paid by the Purchaser to the Vendor's solicitors as stakeholder on or before 5 June 2017.
- (e) HK\$38,000,000.00 being the further payment shall be paid by the Purchaser to the Vendor's solicitors as stakeholder on or before 4 August 2017.

- (f) All the further deposit and all further payments payable by the Purchaser shall be paid to the Vendor's solicitors as stakeholder who shall not release the said deposit to the Vendor unless it is proved to the satisfaction of the Purchaser's solicitors that the Sale Shares shall be free from any charge and encumbrance.
- (g) HK\$570,000,000.00 being the balance of the Purchase Price shall be paid by the Purchaser to the Vendor on or before 29 December 2017 at before 2:30 p.m. when completion for the sale and purchase therein shall take place at the office of the Vendor's solicitors.

The Consideration was determined after arm's length negotiation between the parties with reference to the net asset value of the Target Company and the valuation of the Property, which amounted to approximately HK\$570,000,000.00 as at 31 December 2016 based on a valuation report issued by an independent professional valuer.

Accordingly, the Directors consider that the Consideration and the terms and conditions of the Provisional Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Reorganisation

At the request by the Purchaser, the Vendor shall, prior to completion at the Purchaser's own costs including stamp duty and any other reasonable costs and expenses, procure the restructure of the Target Company to become a wholly owned subsidiary of a limited company newly incorporated under the laws of BVI by transferring the Sale Shares from the Vendor to the BVI Company so that the Purchaser shall acquire the Sale Shares via the acquisition of the entire shareholding of the BVI Company from the Vendor on completion. All reasonable costs, expenses and stamp duty payable as a result of the Reorganization should be borne by the Purchaser. The Purchaser undertakes to pay to the Vendor forthwith at the request of the Vendor all stamp duty payable, reasonable costs and expenses arising from the Reorganization.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of, inter alia, the following conditions precedent:

- (a) the Company having obtained the necessary approval by its shareholders of the Provisional Agreement and the transactions contemplated thereunder as required under the Listing Rules;
- (b) the Purchaser having completed its due diligence exercise on the business, financial, legal and other aspects of the Target Company and the BVI Company and satisfied with the results thereof;

- (c) the Vendor having procured the Company to show prove and give good title of the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance, Chapter 219, laws of Hong Kong;
- (d) the Company having obtained the consent from Citicorp International Limited as trustee for the release of the existing corporate guarantee(s) provided by the Company under the US\$300,000,000.00 –8.75% Senior Notes due 2018 and US\$150,000,000.00 –8.5% Senior Notes due 2019 both issued by the Company and having released the said corporate guarantee(s); and
- (e) the Reorganisation, if requested by the Purchaser, has been completed to the reasonable satisfaction of the Purchaser.

If any of the foregoing conditions is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Provisional Agreement shall cease and be terminated. Neither party shall have any obligations and liabilities toward the others (save and except the stamp duty payable, reasonable costs and expenses incurred by the Vendor as a result of the Reorganization which shall be paid by the Purchaser to the Vendor forthwith upon termination of the Provisional Agreement) provided that all the deposit(s) shall be returned by the Vendor or the Vendor's solicitors to the Purchaser forthwith.

TENANCY AGREEMENT

Upon completion of the Disposal, the Group and the Purchaser will enter into a tenancy agreement, whereby the Group will lease back the Property for the Group's use for a term of 2 years commencing from the Completion Date together with an option to renew for a further term of two (2) years. The monthly rent payable by the Group will be HK\$2,400,000.00 (exclusive of Government rent, rates, management fee, air-conditioning charges, other fees and outgoings) during the term of the tenancy agreement. The rent for the extended term under the option shall be HK\$2,880,000.00 (exclusive of Government rent, rates, management fee, air-conditioning charges, other fees and outgoings). At the time when the Group enter into the tenancy agreement with the Purchaser, a rental deposit of HK\$7,200,000.00, being three months of the rent, will be payable by the Group to the Purchaser.

INFORMATION ON THE TARGET COMPANY

The Target Company is an investment holding company, which principally holds the Property.

The Property is located at Nos. 107-109, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong, and it is currently used as the principal office of the Group in Hong Kong.

Financial information of the Target Company

Set out below is the audited financial information of the Target Company for each of the two financial years ended 31 December 2015 and 31 December 2016,

	For the year ended 31 December 2016 <i>(audited)</i> HK\$'000	For the year ended 31 December 2015 <i>(audited)</i> HK\$'000
Profit before taxation	70,167	5,917
Profit after taxation	69,447	4,121

The Target Company recorded unaudited net asset of approximately HK\$342,152,000.00 as at 31 March 2017.

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company. The financial results of the Target Company will no longer be consolidated into the Group's financial statements.

REASON FOR THE DISPOSAL

As the Disposal gives a good opportunity for the Group to realise its investment with considerable gain, the Directors, including the independent non-executive Directors, are of the view that the Disposal is fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Further, as the Group will lease back the Property from the Purchaser for a term of 2 years (with an option to renew for a further term of 2 years) for continue use as its principal place of business in Hong Kong, the Disposal will only have minimal impact to the Group's operations.

FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The net book value of the Property as at the date of the latest audited financial statement, that is, 31 December 2016, amounted to HK\$570,000,000.00. Based on the Consideration of HK\$760,000,000.00, the Group is expected to receive a gain on disposal of approximately HK\$182,400,000.00 after the deduction of expenses. Based on the Consideration of HK\$760,000,000.00 and the associated estimated direct cost of the Disposal of approximately HK\$7,600,000.00, the Group is expected to receive a net proceeds of approximately HK\$752,400,000.00 from the Disposal. The Group currently intends to use the proceeds as general working capital.

INFORMATION ON THE GROUP AND THE VENDOR

The Group is principally engaged in building construction, civil engineering, electrical and mechanical installation, property development and investment, and provision of property and facility management services.

The Vendor is a wholly-owned subsidiary of the Company and is principally engaged in commercial property holding.

INFORMATION ON THE PURCHASER

As advised by the Purchaser, the Purchaser is principally engaged in investment holding.

GENERAL

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CONTINUED SUSPENSION OF TRADING IN THE SHARES

Trading in the ordinary shares and debt securities of the Company has been suspended since 3 April 2017 and will continue to be suspended until further notice.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“BVI”	British Virgin Islands
“BVI Company”	a limited company to be incorporated under the laws of BVI which shall become a holding company of the Target Company pursuant to the Reorganisation
“Company”	Hsin Chong Group Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the date on which completion of the sale and purchase contemplated under the Provisional Agreement in accordance with its terms and conditions occurs
“Connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the amount of HK\$760,000,000.00
“Director(s)”	the director(s) of the Company
“Disposal”	The disposal of the Sale Shares and Shareholder’s Loan by the Vendor to the Purchaser as contemplated under the Provisional Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the property located at Nos. 107-109, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong

“Provisional Agreement”	the provisional sale and purchase agreement dated 19 April 2017 entered into between the Vendor and the Purchaser in respect of the Disposal
“Purchaser”	Diamond Ocean International Limited, a company incorporated under the laws of BVI and is independent of the Company and its connected person
“Reorganisation”	a corporate reorganization, at the request of the Purchaser, to be implemented by the Target Company such that upon completion of such reorganization, the Target Company shall become a wholly owned subsidiary of the BVI Company
“Sale Shares”	the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	all debts owing by the Target Group to the Vendor as at the Completion Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Cogent Spring Limited, a company incorporated in Hong Kong, is wholly and beneficially owned by the Vendor and the registered owner of the Property
”Target Group”	means the BVI Company and the Target Company
“Vendor”	Hsin Chong Construction (BVI) Ltd, a company incorporated under the laws of BVI and is wholly-owned subsidiary of the Company

By Order of the Board of
Hsin Chong Group Holdings Limited
LIN Zhuo Yan
Non-executive Chairman

Hong Kong, 19 April 2017

As at the date of this announcement, the Board comprises Mr. LIN Zhuo Yan as the Non-executive Chairman; Ir Joseph CHOI Kin Hung (Co-Chief Executive Officer), Mr. ZHOU Wei (Chief Strategic Officer), Mr. Wilfred WU Shek Chun (Chief Risk Officer) and Mr. Eric TODD as Executive Directors; Mr. YAN Jie, Mr. CHEN Lei, Mr. CHUI Kwong Kau and Mr. LUI Chun Pong as Non-executive Directors; and Mr. CHENG Sui Sang, Ms. LEE Jai Ying, Mr. KWOK, Shiu Keung Ernest and Mr. George YUEN Kam Ho as Independent Non-executive Directors.