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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)

**TERMINATION OF MAJOR TRANSACTION IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL
IN AND THE SHAREHOLDER'S LOAN DUE BY
COGENT SPRING LIMITED
MAJOR TRANSACTION
ENTERING INTO THE NEW SP AGREEMENT
RELATING TO
DISPOSAL OF PROPERTY**

Financial Adviser



Euto Capital Partners Limited

Reference is made to the Previous Announcement in respect of, inter alia, a major transaction in relation to the disposal of the entire issued share capital in and the shareholder's loan due by the Target Company.

NEW SP AGREEMENT

Subsequent to the entering into the Provisional Agreement, on 28 April 2017 (after the trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Termination Deed and the New Vendor, a wholly-owned subsidiary of the Vendor and the New Purchaser, a wholly-owned subsidiary of the Purchaser entered into the New SP Agreement simultaneously, pursuant to which the Vendor and the Purchaser agreed to change the transaction structure from sale and purchase of the Target Company (which is in essence holding the Property) to the sale and purchase of the Property directly.

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 31 May 2017 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

BACKGROUND

Reference is made to the Previous Announcement in respect of, inter alia, a major transaction in relation to the disposal of the entire issued share capital in and the shareholder's loan due by the Target Company.

Subsequent to entering into the Provisional Agreement, the Vendor and the Purchaser further negotiated and decided to change the transaction structure from sale and purchase of the Target Company (which is in essence holding the Property) to the sale and purchase of the Property directly due to the reasons set out in the paragraphs headed "Reasons for the Disposal and entering into the New SP Agreement".

In light of the above, on 28 April 2017 (after the trading hours), the Vendor and the Purchaser entered into the Termination Deed and the New Vendor, a wholly-owned subsidiary of the Vendor and the New Purchaser, a wholly-owned subsidiary of the Purchaser entered into the New SP Agreement simultaneously, pursuant to which the Vendor and the Purchaser agreed to change the transaction structure from sale and purchase of the Target Company (which is in essence holding the Property) to the sale and purchase of the Property directly.

THE TERMINATION DEED

On 28 April 2017 (after the trading hours), in light of the New Vendor and the New Purchaser agreeing to enter into the New SP Agreement, the Vendor and the Purchaser entered into the Termination Deed, pursuant to which:

- (a) the Vendor and the Purchaser agreed to terminate the Provisional Agreement with effect from the date of the Termination Deed; and
- (b) each of the Vendor and the Purchaser irrevocably and unconditionally releases, waives, relinquishes and absolutely and forever discharges and release each of the other parties of and from any and all obligations, claims, debts, covenants, liabilities, losses, damages, actions and causes of action of any kind or nature whatsoever, whether known or unknown, anticipated or unanticipated, suspected or unsuspected, that it may have against the other party arising from or under or otherwise in relation to the Provisional Agreement.

THE NEW SP AGREEMENT

On 28 April 2017 (after the trading hours), the New Vendor and the New Purchaser entered into the New SP Agreement for the sale and purchase of the Property.

Date: 28 April 2017

Parties: (a) the New Vendor: Cogent Spring Limited, an indirect wholly-owned subsidiary of the Company

(b) the New Purchaser: Diamond Ocean Investments Limited

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

The Property

The Property is located at Nos. 107-109, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Property is currently used as the principal office of the Group in Hong Kong.

The Consideration

The purchase price is the sum of HK\$760,000,000.00 of which:

- (i) a sum of HK\$50,000,000.00 being initial deposit and in part payment of the purchase price has been paid directly by the New Purchaser to the New Vendor or the Company prior to the signing of the New SP Agreement; and
- (ii) a sum of HK\$100,000,000.00 being further deposit and in further part payment of the purchase price shall be paid by the New Purchaser to the Company on the signing of the New SP Agreement; and
- (iii) the balance of the purchase price in the sum of HK\$610,000,000.00 shall be paid on completion of the Disposal.

The Consideration was determined after arm's length negotiation between the New Vendor and the New Purchaser with reference to market value.

Conditions precedent

Completion of the sale and purchase of the Property shall be subject to and conditional upon:–

- (i) the Company having obtained the necessary approval by the Shareholders of the New SP Agreement and the transactions contemplated thereunder as required by the Listing Rules; and
- (ii) the New Vendor having shown, proved and given good title of the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219).

If any of the foregoing conditions is not fulfilled (or waived by the New Purchaser) on or before the Completion Date, the New SP Agreement shall cease and be terminated. Neither party shall have any obligations and liabilities toward the others (save and except the stamp duty payable which shall be borne by the New Purchaser solely) provided that all the deposit(s) paid shall be returned by the New Vendor or the New Vendor's solicitors to the New Purchaser forthwith.

Completion

Upon compliance with or fulfilment (or waiver) of all the conditions set out above, completion shall take place on or before the Completion Date.

TENANCY AGREEMENT

Upon completion of the Disposal, the Group and the New 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. The monthly rent payable by the Group will be HK\$2,216,667.00 (exclusive of Government rent, rates, management fee, air-conditioning charges, other fees and outgoings) during the term of the tenancy agreement. At the time when the Group enter into the tenancy agreement with the New Purchaser, a rental deposit of HK\$6,650,001.00, being three months of the rent, will be payable by the Group to the New Purchaser.

REASON FOR THE DISPOSAL AND ENTERING INTO THE NEW SP AGREEMENT

Reason for the Disposal

The Disposal provides a good opportunity for the Group to realise its investment with considerable gain. Further, as the Group will lease back the Property from the New Purchaser for a 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.

Reason for entering into the Termination Deed and the New SP Agreement

As set out above, the Vendor and the Purchaser arranged the New Vendor and the New Purchaser respectively to enter into the New SP Agreement as they intended to change the transaction structure from sale and purchase of the Target Company (which is in essence holding the Property) to the sale and purchase of the Property directly with amended terms which include:

- (i) the targeted completion would take place on or before the 31st day of July 2017 (earlier than the original arrangement which would take place in December 2017); and
- (ii) the completion is subject to fewer conditions precedent (in particular no more conditions precedent related to (i) due diligence exercise on the Target Company; (ii) 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; and (iii) the reorganisation) are required.

The Directors, including the independent non-executive Directors, are of the view that (i) the Disposal is fair and reasonable and in the interest of the Group and the Shareholders as a whole and (ii) the changed transaction structure contemplated by the New SP Agreement would increase the deal feasibility.

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 NEW 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 New Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in commercial property holding.

INFORMATION ON THE NEW PURCHASER

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

GENERAL

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. 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 31 May 2017 so as to allow sufficient time for preparation of the relevant information for inclusion in the circular.

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
“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”	31 st day of July 2017 or the fourteenth (14 th) date after the general meeting of the Company for the shareholders’ approval of the New SP Agreement and the transaction contemplated thereunder as required by the Listing Rules, whichever is later
“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 sale of the Property by the New Vendor to the New Purchaser pursuant to the New SP 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
“New SP Agreement”	the agreement for sale and purchase dated 28 April 2017 entered into between the New Vendor and the New Purchaser in relation to the sale and purchase of the Property
“New Purchaser”	Diamond Ocean Investments Limited, a company incorporated in Hong Kong and is wholly and beneficially owned by the Purchaser
“New Vendor” or “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
“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 of the entire issued share capital in and the shareholder’s loan due by the Target Company by the Vendor to the Purchaser as contemplated under the Provisional Agreement
“Previous Announcement”	The announcement dated 19 April 2017 in relation to the disposal of the Target Company
“Purchaser”	Diamond Ocean International Limited, a company incorporated under the laws of BVI and is independent of the Company and its connected persons
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Termination Deed” the termination deed dated 28 April 2017 entered into between the Vendor and the Purchaser in respect of the termination of the Provisional Agreement

“Vendor” Hsin Chong Construction (BVI) Ltd, a company incorporated in BVI and a 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, 28 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.