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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\$300 MILLION 8.75% SENIOR NOTES DUE 2018

(Stock Code: 5513)

US\$150 MILLION 8.50% SENIOR NOTES DUE 2019

(Stock Code: 5607)

ANNOUNCEMENT IN RELATION TO UPDATE ON FINANCIAL CONDITION

This announcement is made by Hsin Chong Group Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09, 13.19 and 37.47B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company refers to its financial condition as reported in the Company’s annual result announcement dated 23 March 2018 and wishes to keep the shareholders and investors of the Company informed of the following recent developments that may have important implications on the Company’s financial condition:

- (i) The Company is currently in discussions with Poly Property Group Co., Limited (Stock Code: 00119) (the “**Potential Investor**”), which has expressed an interest in investing in the Company’s equity securities. The potential investment may result in the Potential Investor becoming a substantial shareholder of the Company (i.e holding more than 10%, but less than 30% of the Company’s ordinary shares) (the “**Potential Investment**”). The Potential Investor has commenced its due diligence exercises for the Potential Investment, but no legally binding agreement in relation to the Potential Investment has been entered into as at the date of this announcement. To the best of the Company’s knowledge, information and belief, the Potential Investor is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

- (ii) On 30 April 2018, the Company signed a framework agreement (the “**Framework Agreement**”) with Kaisa Group Holdings Ltd. (Stock Code: 01638) (the “**PRC Real Estate Partner**”) in relation to strategic business cooperation regarding the Company’s real estate projects in China, with the Guangdong Foshan project as the first project under this cooperation (the “**Strategic Business Cooperation**”). The Strategic Business Cooperation may include: (i) the development, construction and sales management of the Company’s PRC real estate projects and (ii) the operational management of the commercial properties associated with the PRC real estate projects. The detailed terms and conditions of the cooperation for each of the Company’s individual real estate projects will be determined by specific agreements to be signed for each and every one of the real estate projects, after the PRC Real Estate Partner has completed its due diligence review of the projects, which must be completed within 30 days after the relevant information has been provided to it. The Strategic Business Cooperation, when implemented on the Group’s real estate projects, will enable the Group to turn around and speed up the development and sales of the projects, therefore provide significant cash flow for its operations. To the best of the Company’s knowledge, information and belief, the PRC Real Estate Partner is a third party independent of the Company and its connected persons (as defined in the Listing Rules).
- (iii) The Company has appointed Moelis & Company and Kirkland & Ellis as its financial and legal adviser, respectively, to assist the Company in evaluating its options and to work towards a consensual solution for its upcoming debt maturities. The advisers have already commenced constructive dialogue with several major holders of the Company’s senior notes. Further announcements in this regard will be made in due course.
- (iv) The Company continues to manage its overdue borrowings and certain probable cross-defaults that such overdue borrowings may have been triggered under its other onshore and offshore loans as reported in the above-mentioned annual results announcement. As a result of such probable defaults, the Company may currently be in default under the US\$300 million 8.75% Senior Notes due 2018 and the US\$150 million 8.50% Senior Notes due 2019. The Company is in close liaison with the lenders concerned (some of which had, as at the date of this announcement, issued formal demands, taken steps and actions in pursuing the Group for such overdue borrowings) with a view to identifying mutually satisfactory solutions given the latest developments as disclosed above.

The Company believes that completion of the Potential Investment and/or the Strategic Business Cooperation would have significant positive implications on the Company's financial condition. However, it remains uncertain whether the Potential Investment and Strategic Business Cooperation will be completed. In particular, the implementation of the business initiatives highlighted in points (i) and (ii) above will be dependent on the Group identifying and implementing a consensual solution to its impending debt maturities. Further announcement(s) in respect of the Potential Investment and the Strategic Business Cooperation will be made by the Company as and when appropriate or required in accordance with the Listing Rules.

CONTINUED SUSPENSION OF TRADING IN THE SHARES AND DEBT SECURITIES

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. Conditions of the resumption of trading have been set out in the Company's announcement dated 12 June 2017.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

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

Hong Kong, 2 May 2018

As at the date of this announcement, the Board comprises Mr. LIN Zhuo Yan as the Non-executive Chairman and Non-executive Director; Ir Dr Joseph CHOI Kin Hung (Chief Executive 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, Mr. George YUEN Kam Ho and Mr. LAI Chik Fan as Independent Non-executive Directors.