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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE DISPOSAL

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

THE MOU

The Board announces that on 9 November 2018 (after trading hours), the Company and the Purchaser entered into the MOU, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Group subject to entering into of the Formal Agreement.

The Potential Disposal or other transactions contemplated under the MOU are subject to, among others, further negotiation concerning the entering into of a Formal Agreement. At present stage, the terms and conditions of the Formal Agreement are yet to be finalized and agreed between the Company and the Purchaser. As such, the Potential Disposal or other transactions contemplated under the MOU may or may not proceed. Further announcement(s) in respect of the Potential Disposal or any other transactions contemplated under the MOU shall be made by the Company in the event that any Formal Agreement has been entered into.

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THE MOU

On 9 November 2018 (after trading hours), the Company and the Purchaser entered into the MOU, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Group. Details of the MOU are set out below.

Date: 9 November 2018

Parties: (i) the Company; and

(ii) the Purchaser.

The Purchaser is a company incorporated in Hong Kong. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Subject to the parties entering into the Formal Agreement and the due diligence to be carried out by the Purchaser, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Group.

For details of the Target Group, please refer to the section headed “**INFORMATION ON THE TARGET GROUP**”.

Consideration

The consideration for the Potential Disposal is expected (which shall be subject to further negotiation between the parties) to be HK\$250,000,000, which shall be paid in the following manner:

- (a) Up to HK\$150,000,000 shall be paid by the Purchaser, on behalf of the Company, directly to settle each existing verified liability of the Target Group following the signing of the MOU. In the event the liability is lower than HK\$150,000,000, any excess sum shall be paid to the Company together with the \$100,000,000 referred below.
- (b) HK\$100,000,000 shall be used as acquisition of entire issue share capital of the Target Group together with all future contracts, goodwill, receivable from its project engaged and all its assets of the Target Group.

Financial Support

Pursuant to the MOU, the parties agree that:

- (a) HK\$50,000,000 shall be offered to the Company by the Purchaser as a loan of 2 years with interest of 6% per annum.
- (b) The Company shall have the option to buy back 49% of the Target Group at a price of HK\$125,000,000 within 15 months from the date of the MOU with the Purchaser's consent is obtained.
- (c) Within four days of the date of the MOU, the Purchaser shall (i) pay a refundable deposit of HK\$20,000,000 to the Company's designated lawyers in Macau or (ii) effect a subscription of bonds in the sum of HK\$20,000,000 to be issued by the Company.

Due diligence

The parties agree that due diligence is to be completed within 7 working days. During the period of due diligence, the Purchaser shall use its best endeavours to effect bank credit facilities or bank guarantee and performance bond for the benefit of the Target Group to fulfill the requirements of new contractual requirements which the Target Group contemplates.

Exclusive period

For a period of 60 days from the date of signing this MOU, none of the Company, its shareholders, its directors, or its officers, shall conduct or solicit any discussions or negotiations with any third party regarding any sale of a material number of shares in the Target Group or any sale of a material part of the business and assets of the Target Group, unless approved in advance by the Purchaser in writing.

Legal effect

Save for those provisions relating to the exclusivity and confidentiality, the remaining provisions of the MOU does not have any legal effect.

INFORMATION ON THE TARGET GROUP

The Target Group is mainly engaged in business of building construction and civil engineering.

REASONS AND BENEFITS FOR ENTERING INTO THE MOU

The Company is principally engaged in building construction, civil engineering, electrical and mechanical installation, property development and investment.

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

As disclosed in the Company's announcement dated 18 May 2018, the Company was in a difficult financial situation as it had not paid the amounts outstanding under the US\$300 million 8.75% senior notes to the account of the trustee of the notes when they due for redemption on 18 May 2018. The Directors consider that the Potential Disposal would provide a good opportunity for the Group to realise its investment to alleviate the aforesaid financial situation.

The terms of the MOU were arrived at after arm's length negotiations between the Company and Purchaser. The Directors consider that the transaction contemplated by the MOU are on normal commercial terms and the terms of the MOU are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Potential Disposal or other transactions contemplated under the MOU are subject to, among others, further negotiation concerning the entering into of a Formal Agreement. At present stage, the terms and conditions of the Formal Agreement are yet to be finalized and agreed between the Company and the Purchaser. As such, the Potential Disposal or other transactions contemplated under the MOU may or may not proceed. Further announcement(s) in respect of the Potential Disposal or any other transactions contemplated under the MOU shall be made by the Company in the event that any Formal Agreement has been entered into.

DEFINITIONS

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

“Board”	the board of Directors
“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 (Stock Code: 404)
“Connected person(s)”	has the meaning as ascribed thereto under the Main Board Listing Rules

“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Potential Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Main Board”	Main Board of the Stock Exchange
“MOU”	the memorandum of understanding dated 9 November 2018 entered into by the Company and the Purchaser setting out the preliminary understanding for the Potential Disposal
“Potential Disposal”	the proposed disposal of the entire equity interest in the Target Company by the Company to the Purchaser subject to the entering into of the Formal Agreement
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Purchaser”	DMDM Limited, which is a limited liability company incorporated in Hong Kong
“Share(s)”	the ordinary share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Group”

Includes the following companies:

1. HCCG Building and Civil Engineering (Macau) Limited
2. HCCG Building & Civil Engineering (Malaysia) SDN, BHD
3. HCCG Building & Civil Engineering (Saipan) Limited
4. Hsin Chong Building & Civil Engineering (Cambodia) Co, Limited
5. Hsin Chong Engineering (Macau) Limited
6. Ever Apex Construction (Macau) Company Limited
7. Ever Gain Limited
8. Ever Work Construction Limited
9. Zhuhai Hengqin New Area HCCG Construction Management Co Ltd

By order of the Board of
Hsin Chong Group Holdings Limited
WANG Guozhen
Vice Chairman and Executive Director

Hong Kong, 9 November 2018

As at the date of this announcement, the Board comprises Mr. LIN Zhuo Yan as the Nonexecutive Chairman and Non-executive Director; Mr. WANG Guozhen (Vice Chairman), 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, Dr. LAM Lee G. and Dr. LO Wing Yan William, JP as Independent Non-executive Directors.