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Chuang's Consortium International Limited

(莊士機構國際有限公司)

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 367)

**UPDATE ANNOUNCEMENT**

**(I) VERY SUBSTANTIAL DISPOSAL**

**AND**

**(II) DISCLOSEABLE TRANSACTION:**

**DISPOSAL OF A PROPERTY HOLDING COMPANY**

**AND**

**ACQUISITION OF THE PRC PROPERTY**

Reference is made to the announcement of Chuang's Consortium International Limited (the "**Company**") dated 15 June 2016, the circular of the Company dated 20 July 2016 (the "**Circular**"), the poll results announcement of the Company dated 8 August 2016 and the voluntary announcement of the Company dated 20 November 2018 (the "**Announcement**") in relation to, among other matters, the disposal of the entire equity interests in, and the shareholder's loan to, Chateau 15 Investments Limited, an indirect wholly-owned subsidiary of the Company, which holds a property development project located at No. 15 Gough Hill Road, The Peak, Hong Kong. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those stated in the Circular and the Announcement.

On 9 June 2016, the Vendor, the Purchaser, the Company and the Purchaser's Guarantor (the "**Parties**") entered into the SP Agreement in relation to the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser for a consideration of HK\$2,100 million (subject to adjustment). Up to the date of this announcement, in accordance with the terms of the SP Agreement, (i) the Deposit and the First Part Payment of HK\$315 million in cash were received by the Group in June 2016 upon signing of the SP Agreement; (ii) the Second Part Payment of HK\$315 million in cash was received by the Group in July 2018 upon the completion of the external stone cladding works of the Development; and (iii) part of the Third Part Payment, being HK\$420 million by way of the PRC Property Transfer, was received by the Group in November 2018, details of which were set out in the Announcement. Accordingly, the Group had received a total of HK\$1,050 million in relation to the Disposal up to the date of this announcement and the balance of the Disposal Consideration (including the remaining Third Part Payment of HK\$420 million in cash) to be received by the Group amounts to HK\$1,050 million (the "**Balance of the Disposal Consideration**").

On 26 November 2018, the Parties amended certain terms of the SP Agreement by way of a supplemental agreement (the “**Supplemental Agreement**”). Set out below is a summary of the main amendments made to the SP Agreement (the “**Amendments**”):

	<b>Original terms of the SP Agreement</b>	<b>The Amendments</b>
Subject matter of the sale and purchase	Under the SP Agreement, the Sale Shares (i.e. the entire equity interests in the Target Company) and the Sale Loan (i.e. the entire amount of shareholder’s loan due from the Target Company to the Vendor) would be sold to the Purchaser.	A newly incorporated holding company in the British Virgin Islands (with the Vendor as the sole shareholder) (the “ <b>New Target Company</b> ”) will become the sole shareholder of the Target Company and will acquire the Sale Loan. The entire issued share capital of the New Target Company (the “ <b>New Sale Share</b> ”) and the entire amount of the principal, interest (if any) and other sums and indebtedness due, owing or payable to the Vendor by the New Target Company (the “ <b>New Sale Loan</b> ”) will be sold to the Purchaser.
Fittings and Finishes Works	The Vendor would be required to carry out fittings and finishes works at the Development (“ <b>F&amp;F Works</b> ”) after obtaining the occupation permit.	The Vendor is not required to carry out any F&F Works after obtaining the occupation permit.
Disposal Consideration	The Disposal Consideration was HK\$2,100,000,000.	The Disposal Consideration has been reduced by HK\$70,000,000 (the “ <b>Reduction</b> ”) to HK\$2,030,000,000.

	<b>Original terms of the SP Agreement</b>	<b>The Amendments</b>
Payment terms of the Balance of the Disposal Consideration	<p>As disclosed in the Circular, HK\$420 million in cash will be paid by the Purchaser to the Vendor within 7 Business Days after the Purchaser is notified in writing by the Vendor of the issue of the occupation permit of the Development. The Purchaser may request for payment to be deferred by not more than 30 days with interest to be accrued on such deferred period. Interest is calculated at the rate equivalent to 130% of the best lending rate on Hong Kong Dollar loan per annum from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited accrued on daily basis. As the PRC Property Transfer is completed before its due date for payment, the Purchaser will be entitled to Early Payment Credits to offset Late Payment Debits (if any), details of which were set out in the Announcement.</p> <p>The last instalment of the Disposal Consideration in the amount of HK\$630 million would be paid by the Purchaser to the Vendor in cash on the Completion Date.</p>	<p>The entire Balance of the Disposal Consideration less the Reduction amounting to HK\$980 million will be paid in cash by the Purchaser to the Vendor within 30 days after the Purchaser is notified in writing by the Vendor of the issue of the occupation permit of the Development. The Purchaser may request for payment to be deferred by not more than 30 days with interest to be accrued on such deferred period. Interest is calculated at the rate equivalent to 140% of the best lending rate on Hong Kong Dollar loan per annum from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited accrued on daily basis. The Purchaser agreed to waive the rights to claim and use any Early Payment Credits arising from the PRC Property Transfer.</p>

	<b>Original terms of the SP Agreement</b>	<b>The Amendments</b>
Completion of the Disposal	<p>Completion of the sale and purchase of the Sale Shares and the Sale Loan shall take place on either: (i) a date falling within 7 Business Days from the expiration of Defects Liability Period wherein no Schedule of Defects has been received by the Vendor in accordance with the terms and conditions of SP Agreement; or (as the case may be) (ii) (a) a date falling within 7 Business Days from the expiration of a Re-Inspection Period wherein no Schedule of Defective Rectification Works has been served on the Vendor or (b) within 22 Business Days after the Purchaser being notified by the Vendor in writing that all defects and defective workmanship raised by the Purchaser or its authorized representatives in the third round of the re-inspections have been rectified, whichever is earlier.</p> <p>It was expected that Completion would take place no earlier than the first quarter of 2020.</p>	<p>Completion of the sale and purchase of the New Sale Share and the New Sale Loan shall take place within 30 days from the date on which the Purchaser being notified in writing by the Vendor that the occupation permit of the Development has been issued, or such later date as requested by the Purchaser but not more than 30 days therefrom.</p> <p>It is expected that Completion will take place in the first quarter of 2019.</p>

The Purchaser shall bear all costs and expenses in relation to the New Target Company (including formation costs for the New Target Company and any stamp duty payable on transferring the Sale Shares and the Sale Loan to the New Target Company), and all costs and expenses incurred by the Group for the preparation of the Supplemental Agreement and the compliance with the Listing Rules in relation to the Supplemental Agreement.

Save for the Amendments and the corresponding and consequential changes, all other terms and conditions of the SP Agreement shall remain unchanged and continue in full force and effect.

## **REASONS FOR, AND THE BENEFITS OF, THE AMENDMENTS**

Superstructure works and external stone cladding works of the Development have been completed. Application for the issuance of the occupation permit of the Development has been made to the relevant authorities on 26 November 2018.

Recently, the Purchaser requested for the change of the subject matter of the transaction to the New Target Company instead of the Target Company in order to facilitate its financing arrangements for the completion of the Disposal. In addition, the Purchaser also requested to complete the Disposal earlier than originally contemplated and would like to proceed to Completion after the occupation permit relating to the Development has been issued without having the Vendor to complete the F&F Works and the relevant rectification works (if any).

As the Vendor is not required to carry out the F&F Works and the related rectification works (if any), an amount of HK\$70 million has been reduced from the Disposal Consideration. The Reduction amount is arrived at after arm's length negotiation between the Parties and has taken into account the following factors:

- (i) the Vendor estimates the cost saving in respect of F&F Works to be about HK\$66.3 million which is arrived at based on the agreed standard and specifications of such fittings and finishes works as laid down in the SP Agreement;
- (ii) under the revised arrangement, there will be no inspection of the F&F Works by the Purchaser and, therefore, there will be no rectification works (if any) required. Accordingly, there may be further cost saving to the Vendor;
- (iii) it is expected that the Vendor will receive part of the Balance of the Disposal Consideration, being approximately HK\$560 million, about one year earlier than the originally contemplated date. Such sum would be readily available to the Group which could (a) be used as capital for investments should opportunities arise; or (b) should no such opportunities arise, be placed as bank deposits to generate additional interest income;
- (iv) it is expected that significant management time could be saved if the Vendor was not required to carry out the F&F Works and the rectification works (if any); and
- (v) as stated above, all costs and expenses in relation to the implementation of the Amendments are borne by the Purchaser.

Having considered the above factors, the Board considers that the Amendments are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

By order of the Board of  
**Chuang's Consortium International Limited**  
**Albert Chuang Ka Pun**  
*Vice Chairman*

Hong Kong, 26 November 2018

*As at the date of this announcement, Mr. Alan Chuang Shaw Swee, Mr. Albert Chuang Ka Pun, Mr. Chong Ka Fung, Mr. Richard Hung Ting Ho, Mrs. Candy Kotewall Chuang Ka Wai, Mr. Geoffrey Chuang Ka Kam and Mr. Chan Chun Man are the Executive Directors of the Company, and Mr. Abraham Shek Lai Him, Mr. Fong Shing Kwong, Mr. Yau Chi Ming, Mr. David Chu Yu Lin and Mr. Tony Tse Wai Chuen are the Independent Non-Executive Directors of the Company.*