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HSIN CHONG GROUP HOLDINGS LIMITED

新昌集團控股有限公司

(provisional liquidators appointed)

(for restructuring purposes only)

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

QUARTERLY ANNOUNCEMENT

This announcement is made by Hsin Chong Group Holdings Limited (provisional liquidators appointed) (for restructuring purposes only) (“**Company**” and together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09 and Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Law of Hong Kong).

References are made to the announcement of the Company dated 22 February 2019 (“**Announcement**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement

I. RESUMPTION PROGRESS

As disclosed in the Announcement and the Company’s announcement 25 March 2019, the Stock Exchange stated the following conditions for the resumption of trading in the shares of the Company:

- (a) address all Audit Issues identified by PwC;
- (b) inform the market of all material information for shareholders and investors to appraise the Company’s position including the implication of the Audit Issues 2, 3 and 4 identified by PwC to the Group’s assets, financial and operational position; and;
- (c) demonstrate its compliance with the Rule 13.24 of the Listing Rules; and
- (d) demonstrate that its directors meet the standard of competence with their position as directors of a listed issuer to fulfil duties of skill, care and diligence as required under Rule 3.08 of the Listing Rules.
- (e) have the winding up petitions against the Company withdrawn or dismissed and the provisional liquidators discharged; and

(f) publish all outstanding financial results and address any audit modifications.

As disclosed in the Announcement, Audit Issues 3 and 4 have been removed in the financial results of the Company for the year ended 31 December 2017 as announced in its audited financial results announcement dated 25 March 2018 and the factors considered by BDO Limited (i) for not expressing a disclaimer opining on Audit Issues 3 and 4; and (ii) on how Audit Issues 1 and 2 can be resolved have also been disclosed therein.

As further disclosed in the Announcement, the Company is currently following up on the arrangement to resolve Audit Issue 2. As a measure to resolve Mr. Zhou's Transactions, on 23 March 2018, the Company and relevant subsidiary of the Company, namely Hsin Chong (China), entered into the Settlement Agreement with Beijing Xuan He, and Zhong Wu Xin He, pursuant to which, Beijing Xuan He and Zhong Wu Xin He agreed to repay to Hsin Chong (China), within 4 months from the Settlement Agreement, all outstanding amounts arising from the Trust Loan borrowed by Hsin Chong (China) from Tianjin Trust.

Pursuant to the Settlement Agreement, in order to finance the repayment of the Trust Loan, Beijing Xuan He and Zhong Wu Xin He undertook to (i) sell the property mortgaged by Zhong Wu Xin He to Tianjin Trust ("**BJ Property**"); (ii) procure a third party to provide the loan amount to Hsin Chong (China) for repayment of the Trust Loan; or (iii) procure a third party to purchase the RMB247.5 million and RMB129 million loans borrowed by Beijing Xuan He and Zhong Wu Xin He from Hsin Chong (China) and repay the said loans to Hsin Chong (China). Upon repayment of the Trust Loan in accordance with any of the above methods, Hsin Chong (China) and the Company's liabilities and obligations under the Trust Loan shall be fully released and discharged. In case of payment by a third party to Hsin Chong (China) for repayment of the Trust Loan, Hsin Chong (China) shall no longer be liable for repayment to the third party.

As at the date of this announcement, Beijing Xuan He and Zhong Wu Xin He have not yet settled the balances due to the Company. To recover such balances and with the aim to effectively eliminate the risk exposed by the Mr. Zhou's Transactions, on 23 July 2018, the Company's PRC lawyers have issued demand letters to Beijing Xuan He and Zhong Wu Xin He to demand for repayment. The Company has continued negotiations with Beijing Xuan He and Zhong Wu Xin He for repayment of loan or amicable solutions. The Company has also considered cost-effective measures to achieve the recovery process.

The Company has also been actively negotiating with potential investors to provide funding or investment in the Company to support its operation and development, in order to address Audit Issue 1 and to demonstrate its compliance with Rule 13.24 of the Listing Rules. As various negotiations are still undergoing, the Company is in the course of formulating and yet to finalise a resumption proposal as at the date hereof.

The table below set out the progress of the negotiations so far conducted with the potential investors.

Date of announcement	Name of the investors	Nature of the investment / cooperation	Status of the negotiations
2 May 2018 and 22 February 2019	Poly Property Group Co., Limited (Stock Code: 00119) (" Poly ")	The potential investment may result in Poly becoming a substantial shareholder of the Company (i.e holding more than 10%, but less than 30% of the Company's ordinary shares).	Poly 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.
2 May 2018 and 22 February 2019	Kaisa Group Holdings Ltd. (Stock Code: 01638) (" Kaisa ")	The cooperation is in the form of a strategic business Cooperation, which 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.	Kaisa has commenced its due diligence exercises for the cooperation, but no legally binding agreement in relation to the cooperation has been entered into as at the date of this announcement. Kaisa has provided a written confirmation giving up its first right of refusal to sign the Foshan Framework Agreement.

Date of announcement	Name of the investors	Nature of the investment / cooperation	Status of the negotiations
19 September 2018, 22 November 2018, 5 December 2018 and 22 February 2019	Beijing Enterprises City Development Limited (“ Project Partner ”)	The Company and the Project Partner entered into the PRC Property Project Framework Agreement, pursuant to which the Company and the Project Partner have conditionally agreed to jointly develop several property projects.	The Company entered into the Phase I Co-operation Master Agreement with the Project Partner, in relation to the subscription by the Project Partner of 51% of the respective enlarged equity interests in 7 project companies

Date of announcement	Name of the investors	Nature of the investment / cooperation	Status of the negotiations
30 January 2019 and 22 February 2019	Poly Opulence Limited	The Company and the Investor entered into the Framework Agreement (“ Framework Agreement ”), pursuant to which the Investor, to assist the Company and the JPLs’ objective of a holistic restructuring of the Group, agrees to provide funds according to the Framework Agreement to facilitate the restructuring of the Company and to subscribe for new Shares and/or convertible bonds at a price and on terms to be agreed when the Company has completed the debt restructuring process and resumed trading in Shares on the Main Board of the Stock Exchange.	Negotiation is in process but no other legally binding agreement subsequent to the Framework Agreement has been entered into as at the date of this announcement.

Further announcement in relation to the resumption proposal or any material update on the resumption progress will be made as and when appropriate in accordance with the Listing Rules.

II. SENIOR NOTES

As disclosed in the Announcement, the 2018 Notes issued by the Company fell due for redemption on 18 May 2018. The Company has not paid the amounts outstanding under the 2018 Notes to the account of the trustee of the 2018 Notes.

As further disclosed in the Company's announcement dated 22 January 2019, the 2019 Notes issued by the Company fell due for redemption on 22 January 2019. The Company has not paid the amounts outstanding under the 2019 Notes to the account of the trustee of the 2019 Notes.

The Company has met with certain holders of the Notes and their advisors to discuss their views on a potential consensual restructuring of the Notes. The Company will work closely with the JPLs (as defined in the section headed "**CURRENT STATUS OF THE COMPANY AND ITS VARIOUS SUBSIDIARIES**") to identify and implement a consensual solution.

III. CURRENT STATUS OF THE COMPANY AND ITS VARIOUS SUBSIDIARIES

A. Joint Provisional Liquidators of the Company

As disclosed in the Announcement, on 19 February 2019 (Bermuda Time), Osman Mohammed Arab and Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited were appointed as joint provisional liquidators (“**JPLs**”) of the Company by the Bermuda Court (the “**Appointment Order dated 19 February 2019**”).

Upon the JPLs’ application, the Bermuda Court issued a letter of request dated 28 February 2019 (“**Letter of Request**”) to the High Court of Hong Kong to, among other things, recognize the JPLs Appointment Order dated 19 February 2019 and the appointment of the JPLs. A recognition order was granted by the High Court of Hong Kong on 28 March 2019 inter alia, that the appointment of the JPLs be recognised by the High Court of Hong Kong and that so long as the Company remains in provisional liquidation in Bermuda, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs, or its property within the jurisdiction of High Court of Hong Kong, except with leave of the High Court of Hong Kong and subject to such terms as the High Court of Hong Kong may impose; and such powers (including restructuring powers) of the JPLs as set out in the Letter of Request to the fullest extent possible under the Hong Kong law.

On 25 April 2019, the JPLs made an application to the Bermuda Court by way of summons for an order granting them with additional management powers. On 29 April 2019, the Bermuda Court made an order granting the JPLs the additional powers sought (the “**Additional Powers Order**”). The additional powers granted to the JPLs pursuant to the Additional Powers Order includes, inter alia, the power to enter into agreement(s) with third parties and/or creditors of the Company for funding subject to the approval of the Court. The Additional Powers Order also directs the Company’s directors and the management to consult with and seek prior written approval from the JPLs prior to signing and/or entering into any agreement in relation to the restructuring.

On 3 May 2019 (Bermuda Time), the Bermuda Court ordered to adjourn the winding up petition hearing to 26 July 2019.

B. Appointment of receivers of subsidiaries of the Company

As disclosed in the Announcement, on 20 December 2018, the Company received a letter from Ho Man Kit and Kong Sze Man Simone (“**Receivers**”) informing that they had been appointed by Ultimate Achieve Developments Limited (“**Ultimate Achieve**”) on 20 December 2018 as joint and several receivers and managers of the issued share capital of three subsidiaries, being Hsin Chong Construction Company Limited (“**HCCC**”), Hsin Chong Construction (Asia) Limited (“**HCCA**”) and Hsin Chong Construction (BVI) Ltd (“**HCCBVI**”).

On 21 January 2019, the Company was notified that, among other matters, the entirety of the 150,000 shares issued by HCCBVI were transferred to Ho Man Kit (as nominee and trustee for Ultimate Achieve).

C. Appointment of joint liquidators of HCCBVI

On 4 February 2019, the Company received a letter from RSM Corporate Advisory (Hong Kong) Limited stating that, among others:

1. HCCBVI was placed into liquidation on 24 January 2019 by way of a qualifying resolution passed at a meeting of the member held on 24 January 2019;
2. Charlotte Caulfield of KRyS Global (“**Ms Caulfield**”) and Lai Wing Lun (“**Mr Lai**”) of RSM Corporate Advisory (Hong Kong) Limited were appointed as joint liquidators of HCCBVI (“**HCCBVI Liquidators**”) on 24 January 2019 pursuant to Sections 159(2) and 161 of the Insolvency Act 2003 (“**Act**”); and
3. The appointment of Mrs Caulfield and Mr Lai as the Joint Liquidators was confirmed by passing the resolution at the adjourned / rescheduled meeting of creditors of HCCBVI on 28 February 2019.

Further announcement will be made to update the holder of securities of the Company and potential investors on the purported liquidation of HCCBVI.

D. Winding up petitions

Regarding the petitions filed against the Company and its subsidiaries, the Company wishes to update the holders of shares and securities of the Company that, at as the date of this announcement, the Company is aware of four winding up petitions filed against the Company and its subsidiaries, with details set out in the table below:

Previous Announcements	Case Number	Petitioner	The company against whom the petition was filed	Hearing Date
28 August 2018, 31 October 2018, 14 November 2018, 12 December 2018, 14 January 2019, 24 January 2019, 29 January 2019 and 22 February 2019	HCCW 239/2018	Ng Chiu Construction Company Limited	HCCC	15 May 2019*
8 November 2018, 14 January 2019, 24 January 2019, 29 January 2019 and 22 February 2019	HCCW 316/2018	Kitchen Infinity Corp. Limited	HCCA	15 May 2019*
21 January 2019 and 22 February 2019	Proceedings No 16 of 2019 (In Bermuda)	VMS Investment Group Limited	The Company	3 May 2019 (which was further adjourned to 26 July 2019)

Previous Announcements	Case Number	Petitioner	The company against whom the petition was filed	Hearing Date
24 January 2019 and 22 February 2019	HCCW 17/2019	Aspect Consulting Asia Limited	HCCC	13 March 2019 (which was dismissed by the order of the High Court of Hong Kong on 18 March 2019)
21 January 2019, 24 January 2019 and 22 February 2019	HCCW 28/2019	Synergis Holdings Limited	The Company	20 March 2019 (which was adjourned to 8 May 2019 and was further adjourned to 14 August 2019)
N/A	HCCW 56/2019	Majestic Engineering Company Limited	HCCC	24 April 2019 (which was withdrawn by the order of the High Court of Hong Kong on 24 April 2019)

* The Company is aware that Osman Mohammed Arab and Lai Wing Lun, both of RSM Hong Kong, being two of the JPLs were appointed as joint and several provisional liquidators of HCCA and HCCC and such appointments were extended until further order of the High Court of Hong Kong.

E. Various orders against the Group in the PRC

(i) Orders Against Beijing Zhong Ji

On 14 March 2019, 北京中基信和置業有限公司 (Beijing Zhong Ji Xin He Real Estate Co., Ltd.) (“**Beijing Zhong Ji**”), which is a wholly-owned subsidiary of the Company, received a civil judgment (民事裁定書) from the Higher People’s Court of Beijing (北京市高級人民法院) pursuant to the application by Huarong International Trust Co., Ltd. (華融國際信托有限責任公司) to freeze RMB2,579,198,770.55 (“**Relevant Sum**”) of bank balances (or other assets of the same amount) held by:

- (i) the Company;
- (ii) Beijing Zhong Ji, a wholly-owned subsidiary of the Company;
- (iii) Datawin Trading Limited (德勝貿易有限公司)(“**Datawin**”), a wholly-owned subsidiary of the Company; and
- (iv) Hsin Chong Holdings (China) Limited (新昌控股(中國)有限公司), a wholly-owned subsidiary of the Company.

The court has ruled that the bank balances of the above-named companies be frozen.

In case there is a shortfall of the actual bank balances to match the Relevant Sum, the assets under the four companies will be impounded to match the shortfall.

Regarding the duration,

- (i) The freezing order over the bank balances shall be for a period of 1 year.
- (ii) The impounding order over the movable asset shall be for a period of 2 years.
- (iii) The impounding order over the immovable assets and other asset right shall be for a period of 3 years.

(ii) Order Against Datawin

On 28 March 2019, Beijing Zhong Ji received a supplementary enforcement notice (協助執行通知書) from the Higher People’s Court of Beijing (北京市高級人民法院) pursuant to which the Company was informed that the 100% equity interest (in the amount of US\$40million) in Beijing Zhong Ji held by Datawin shall be frozen for 3 years from 15 March 2019 to 14 March 2022.

(iii) Order Against Jia Li Xie Shen

On 3 April 2019, 嘉勵協盛（泰安）置業有限公司 (Jia Li Xie Shen (Taian) Property Limited) (“**Jia Li Xie Shen**”), which is a wholly-owned subsidiary of the Company, received a civil judgment (民事裁定書) from the Higher People’s Court of Tianjin (天津市高級人民法院) pursuant to which the Company was informed that 天津信托有限責任公司 (Tianjin Trust Limited) has applied to the court and the court has ruled that the bank balances amounting to RMB422,939,372 (or other assets in equivalent sum) held under Jia Li Xie Sheng will be frozen over.

On 9 April 2019, the Company received a supplementary enforcement notice (協助執行通知書) from the Higher People’s Court of Tianjin (天津市高級人民法院) pursuant to which the Company was informed that certain land interests in Taian held under Jia Li Xie Shen shall be impounded for 3 years from 9 April 2019 to 8 April 2022.

The Company is seeking advices from its legal advisers in PRC laws in relation to the execution and the compliance of the aforesaid orders. The Company will make further announcement(s) to update the holders of the shares and debt securities of the Company and potential investors as and when appropriate and comply with the requirement of the Listing Rules, if any.

Further announcements will be made to update the holder of securities of the Company and potential investors on the development of the relevant court proceedings.

IV. CONTINUED SUSPENSION OF TRADING IN THE SHARES OF THE COMPANY

Trading in the shares of the Company has been suspended since 3 April 2017 and will continue to be suspended until further notice. Holders of the shares and other securities 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
(provisional liquidators appointed)
(for restructuring purposes only)
WANG Guozhen
Vice Chairman and Executive Director

Hong Kong, 8 May 2019

As at the date of this announcement, the Board comprises Mr. LIN Zhuo Yan as the Non-executive Chairman and Non-executive Director; Mr. WANG Guozhen (Vice Chairman), Ir Dr Joseph CHOI Kin Hung (Chief Executive Officer) and Mr. Wilfred WU Shek Chun (Chief Risk Officer) as Executive Directors; Mr. YAN Jie and Mr. CHEN Lei as Non-executive Directors; and Mr. George YUEN Kam Ho, Dr. LAM Lee G., Dr. LO Wing Yan William, JP and Prof. HUNG Wai Man, JP as Independent Non-executive Directors.