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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)

DISCLOSEABLE TRANSACTION

On 17 December 2018, Hsin Chong and BK Construction entered into the Supplemental Agreement, pursuant to which BK Construction will take over Hsin Chong's 65% contractual interest in the contractual Joint Venture formed between Hsin Chong and BK Construction.

As one or more of the applicable percentage ratios for the Transaction under Rule 14.07 of the Listing Rules exceeds 5% but all applicable percentage ratios are below 25%, the Transaction constitutes a discloseable transaction for the Company subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

Date: 17 December 2018

Parties (1) Hsin Chong; and
(2) BK Construction

BK Construction is a company incorporated in United Kingdom with limited liability. BK Construction is a wholly-owned subsidiary of Build King, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 240). Build King and its subsidiaries are principally engaged in civil engineering.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, each of BK Construction, Build King and Build King's controlling shareholders is independent of and not connected with the Company or any of its connected persons.

Subject matter

Pursuant to the JV Agreement in November 2013, Hsin Chong and BK Construction formed a contractual, Joint Venture in the interest percentage of 65% and 35% respectively in respect of, amongst others, preparation of tender and undertaking the Project. The Joint Venture was awarded the Contract in respect of the Project and the Contract was entered into between the Hong Kong Government, Hsin Chong and BK Construction in June 2016.

Pursuant to the Supplemental Agreement, BK Construction agreed to take over all Hsin Chong's rights and interests over the Joint Venture, the Contract and the Project. Immediately after the execution of the Supplemental Agreement, Hsin Chong will cease to have any rights or interest in the Joint Venture, the Contract or the Project, save and except for the rights arising under the Supplemental Agreement. Upon BK Construction taking over Hsin Chong's rights and interests over the Joint Venture, the Joint Venture will be solely controlled by BK Construction and the financial information of the Joint Venture will cease to be consolidated into the Company's consolidated accounts.

Subject to the approval from the Hong Kong Government, the Contract will be novated from the Joint Venture to BK Construction. Hsin Chong will also enter into the relevant novation, agreement, assignment or other documents in respect of the Project as BK Construction may require.

Consideration

BK Construction will pay an aggregate amount of up to HK\$53,600,000 to Hsin Chong in respect of the Transaction in the following manner:

- (i) after Hsin Chong has executed all documents required to change the signatory of the bank accounts of the Joint Venture to BK Construction, BK Construction will extend a interest-free loan of HK\$20,000,000 to Hsin Chong for a period of 21 days. After the 21-day interest free period, the loan will carry interest at a rate 3% above the Best Lending Rate of The Hongkong and Shanghai Banking Corporation Limited from time to time;
- (ii) upon execution of all the novation, agreement, assignment or other document mentioned in the paragraph headed "Subject Matter" above (the "**Relevant Documents**"), the loan in the amount of HK\$20,000,000 extended pursuant to paragraph (i) will be discharged; and
- (iii) upon getting the approval from the Hong Kong Government and novating the Contract to BK Construction, and within 21 (twenty one) days of the execution of the Relevant Documents, the balance of HK\$33,600,000 will be paid to Hsin Chong.

INFORMATION OF THE JOINT VENTURE

Set out below are financial information of the Joint Venture:

	For the Financial year ended 31 December 2016 (unaudited) HK\$'000	For the Financial year ended 31 December 2017 (unaudited) HK\$'000
Revenue	112,435	259,268
Profit / (Loss) for the year	(4)	25,868

Based on the management account of the Joint Venture, the unaudited total asset value and net asset value of the Joint Venture as at 31 December 2017 were approximately HK\$180.2 Million and HK\$21.6 Million, respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

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 Transaction would provide a good opportunity for the Group to realise its investment to alleviate the aforesaid financial situation.

The terms of the Supplement Agreement were arrived at after arm's length negotiations between the Company and Purchaser. The Directors consider that the Transaction is on normal commercial terms and the terms of the Transaction is fair and reasonable and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the Transaction under Rule 14.07 of the Listing Rules exceeds 5% but all applicable percentage ratios are below 25%, the Transaction constitutes a discloseable transaction for the Company subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“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)
“Hsin Chong”	Hsin Chong Construction Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company.
“BK Construction”	Build King Construction Limited, a company incorporated in United Kingdom with limited liability a wholly-owned subsidiary of the Build King
“Build King”	Build King Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 240)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Contract”	the contract entered into between the Hong Kong Government and the Joint Venture in respect of the Project
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture”	an unincorporated joint venture named Hsin Chong-Build King JV established pursuant to the JV Agreement
“JV Agreement”	the joint venture agreement dated 21 November 2013 entered into between BK Construction and Hsin Chong in relation to the formation of the Joint Venture
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which shall for the purposes of this announcement does not include Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan
“Project”	the design and construction of Kowloon East Regional Headquarters and Operational Base cum Ngau Tau Kok Divisional Police Station

“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the JV Agreement dated 17 December 2018 entered into between Hsin Chong and BK Construction
“Transaction”	the transactions contemplated under the Supplemental Agreement
“%”	per cent “%” per cent

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

Hong Kong, 2 January 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), Mr. Wilfred WU Shek Chun (Chief Risk Officer) and Mr. Eric TODD as Executive Directors; Mr. YAN Jie, Mr. CHEN Lei and Mr. CHUI Kwong Kau 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.