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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)

INVESTMENT FRAMEWORK AGREEMENT

This announcement is made by the Company (provisional liquidators appointed) (for restructuring purposes only) pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance.

THE FRAMEWORK AGREEMENT

As disclosed in the Company's announcement dated 21 January 2019, joint provisional liquidators (“**JPLs**”) were appointed to the Company pursuant to an order granted by the Supreme Court of Bermuda on 18 January 2019 (Bermuda Time).

Subsequent to their appointment, on 27 January 2019 (after trading hours), the Company and the Investor entered into the 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 (“**Transitional Loan**”) 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.

Details of the Framework Agreement are set out below.

Date: 27 January 2019

Parties: (i) The Company; and
(ii) The Investor

One of the Company's independent non-executive Director, Dr. Lam Lee G ("**Dr Lam**"), is a director of the Investor effective from 28 January 2019. He has confirmed to the Company that he has (i) no significant influence nor control on the board of the Investor; (ii) no shareholding in the Investor; and (iii) no involvement in the negotiation, decision making and signing of any agreement between the Company and the Investor (including but not limited to the Framework Agreement).

Save as aforesaid, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Investor and its ultimate beneficial owners are Independent Third Parties.

Formal Loan Agreement

The Company, the Investor and the JPLs shall draft a formal loan agreement ("**Loan Agreement**") on terms acceptable to each of the parties setting out the detailed terms of the Transitional Loan, including the following preconditions:

- (i) That the JPLs seek approval from the Supreme Court of Bermuda ("**Bermuda Court**") for entering into the Loan Agreement and the repayment of the Transitional Loan will be a cost of the provisional liquidation.
- (ii) The JPLs agreed that the payment of their fees should be after the repayment of the Transitional Loan (including any interests accrued and unpaid) except for an amount not exceeding HK\$1 million per month (and any excesses with the Investor's prior consent) which will be paid from part of the proceeds of the Transitional Loan.
- (iii) Subject to the approval of the Bermuda Court of the Loan Agreement, the Investor (or its nominee) agrees to provide the Company with the Transitional Loan in an aggregate amount of HK\$70 million.
- (iv) The HK\$70 million Transitional Loan shall only be used to pay the JPLs fees, legal and other expenses relating to the debt restructuring, resumption of trading in shares on the Main Board of the Stock Exchange and other professional fees and operating expenses. The JPLs shall obtain the prior approval from the Investor before making any drawdowns. Such expense may include the costs required to maintain the key construction personnel and intellectual property of HCCA and HCCC, including the relevant construction licenses and systems.
- (v) The Company, the JPLs and the Investor shall control the aggregate amount of costs and expenses incurred for provisional liquidation/winding so as to not to exceed the Transitional Loan, except for that portion of the JPLs fees to be paid after the repayment of the Transitional Loan including any accrued interests.
- (vi) Interest will be accrued to the Investor at 12% per annum compounded on a daily basis.

Construction business support

During the period of the Framework Agreement, the Investor, if it is satisfied that it is in the interest of restructuring the Group as a whole, will provide non-financial support to the Company's construction business to assist HCCA and HCCC to:

- (i) complete its contracts or minimise any claims against HCCA and HCCC or the Company.
- (ii) maintain its key construction personnel and intellectual property including licenses and systems.

Exclusivity

From the date on which the Transitional Loan is first advanced by Investor to the date on which the Framework Agreement is terminated in accordance with its terms (“**Term**”), the Investor will have an exclusive dealing period in order to complete its due diligence and complete the restructuring as contemplated.

Resumption working committee

The Company shall establish a resumption committee after signing of the Framework Agreement. The members of the resumption committee should include the representatives from the Investor, the JPLs and the Company's management team for the purpose of formulating and monitoring the debt restructuring plan and resumption proposal.

Future working capital and Conditions Precedent

Subject to certain conditions precedent, including but not limited to the following preconditions, the Investor (and/or its nominee) agrees to invest no less than HK\$1.56 billion to subscribe for newly issued shares and/or convertible bonds of the Company, mainly for financing the Company's working capital for business operations but not for repayment of existing debts.

- (i) Completing satisfactory financial and commercial due diligence;
- (ii) The terms of the restructuring proposal agreed to by existing shareholders and creditors of the Company are satisfactory to the Investor;
- (iii) Conditional approval obtained from the Stock Exchange in relation to the resumption of trading in shares of the Company on the Main Board; and
- (iv) Upon completion of restructuring, the Investor is satisfied that the Company has retained applicable licenses and operating capabilities in relation to its construction business.

Relevant rules and regulations

Subject to the applicable listing rules and laws, the following restrictions will apply to the proposed issue of new shares and/or convertible bonds subscribed by the Investor (and/or its nominee). Whereas:

(i) the total shareholding of the Investor or persons acting in concert after the subscription of shares and/or convertible bonds shall not exceed 30% of the total issued shares of the Company and the transaction should adhere to the Codes on Takeovers and Mergers and Share Buy-backs or granted approvals; and

(ii) restricted by the minimum percentage of securities remaining in public float.

Conditions subsequent

During the Term and without prior consent of the Investor, the Company is restricted from (i) issuing any Shares, convertible bonds or other similar securities products which will affect its number of shares issued; (ii) selling any of its assets (to the extent such assets remain within its control); and (iii) entering into restructuring agreement(s) with any of its creditors.

Termination

The Investor retains the right to terminate the Framework Agreement under the following circumstances:

- (i) the Company violates the terms and conditions set out in the Framework Agreement;
- (ii) the Stock Exchange has placed the Company in the delisting process;
- (iii) the Company is unable to restructure its debts or the Investor is not satisfied that the Company can restructure its debts;
- (iv) the Bermuda Court terminated the provisional liquidation; or
- (v) the Investor has provided no less than 10 business days' notice to the Company.

The Company retains the right to terminate the Framework Agreement under the following circumstances:

- (i) the Investor violates the terms and conditions set out in the Framework Agreement; or
- (ii) the Bermuda Court does not approve the entry into the Loan Agreement by the parties thereto.

Any outstanding Transitional Loan (including any accrued interest) will be immediately due and payable upon the termination of the Framework Agreement.

REASONS AND BENEFITS FOR ENTERING INTO THE FRAMEWORK AGREEMENT

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

Trading of the Shares has been suspended since 3 April 2017. Currently, the Company has significant financial burdens and difficulties in repaying its liabilities. Some of its assets have been disposed and joint and several receivers and managers of the issued share capital

have been appointed over Hsin Chong Construction (BVI) Ltd and two construction subsidiaries, being HCCC and HCCA. Winding up petitions have been filed by creditors with the High Court of Hong Kong against HCCC and HCCA.

In light of the above, the Board formed the view that the appointment of JPLs on a “light touch” basis to work with the Company’s management and oversee the implementation of a holistic restructuring of the group was in the best interests of the Company and its creditors as a whole. The purpose of the appointment is for the JPLs to work with the Directors to promote and facilitate a holistic restructuring of the group for the benefit of its creditors and stakeholders.

To assist the Company and the JPLs’ objective of a holistic restructuring of the group, the Investor agrees to provide the Transitional Loan 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.

The terms of the Framework Agreement were arrived at after arm’s length negotiations between the Company and Investor. The Directors consider that the transactions contemplated by the Framework Agreement are on normal commercial terms and the terms of the Framework Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

POTENTIAL RE-DESIGNATION OF A DIRECTOR

In contemplation of the appointment of director to the board of the Investor, Dr. Lam intend to be re-designated from independent non-executive Director to non-executive Director no later than the Transitional Loan or the subscription by the Investor in the Company is materialized, whichever is earlier.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

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.

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 (provisional liquidators appointed) (for restructuring purposes only), 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: 00404)

“Director(s)”	the director(s) of the Company
“Framework Agreement”	the Investment Framework Agreement dated 27 January 2019 entered into by the Company and Investor setting out the investment and financing arrangement with the Company
“Group”	the Company and its subsidiaries
“HCCA”	Hsin Chong Construction (Asia) Limited, a company incorporated in Hong Kong with limited liability
“HCCC”	Hsin Chong Construction Company Limited a company incorporated in the Hong Kong with limited liability
“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
“Investor”	Poly Opulence Limited, being a limited liability company incorporated in the British Virgin Islands
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	the ordinary share(s) of par value of HK\$0.10 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

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, 30 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., Dr. LO Wing Yan William, JP and Prof. HUNG Wai Man, JP as Independent Non-executive Directors.