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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)

US\$300 MILLION 8.75% SENIOR NOTES DUE 2018

(Stock Code: 5513)

US\$150 MILLION 8.50% SENIOR NOTES DUE 2019

(Stock Code: 5607)

INSIDE INFORMATION IN RELATION TO THE NOTICE OF SALE OF A SUBSIDIARY PURSUANT TO A LOAN AGREEMENT

This announcement is made by Hsin Chong Group Holdings Limited (“**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

On 3 January 2019, the Company received a letter (“**Letter**”) from solicitors (“**Solicitors**”) of Ultimate Achieve Developments Limited (“**Ultimate Achieve**”) informing that the Company that:

1. There was a loan agreement dated 4 August 2017 entered into between the Company as borrower and VMS Investment Group Limited (“**VMS**”) as lender in respect of a loan of HK\$580,000,000 (“**Loan**”).
2. There was a share charge dated 4 August 2017 (“**Share Charge 1**”) relating to the shares of Hsin Chong Aster Building Services Limited made by Hsin Chong Construction (BVI) Ltd as chargor in favour of VMS as chargee as security to secure the Loan.
3. There was a share charge dated 4 August 2017 (“**Share Charge 2**”) relating to the shares of Hsin Chong Aster Building Services (Asia) Limited made by Hsin Chong Aster Building Services Limited as chargor in favour of VMS as chargee as security to secure the Loan.

4. There was a notice of default dated 17 December 2018 served by the Solicitors on Hsin Chong Construction (BVI) Ltd on its failure (in its capacity as chargor) to make payment of the secured indebtedness in full to VMS, a failure of which constitutes an event of default under Share Charge 1.
5. There was a notice of default dated 17 December 2018 served by the Solicitors on Hsin Chong Aster Building Services Limited on its failure (in its capacity as chargor) to make payment of the secured indebtedness in full to VMS, a failure of which constitutes an event of default under Share Charge 2.
6. There was an assignment agreement dated 18 December 2018 made between VMS as assignor Ultimate Achieve as assignee whereby VMS has assigned, amongst others, all its rights, titles and interests in, to or in respect of the Loan, the Loan Agreement, Share Charge 1 and Share Charge 2 to Ultimate Achieve (including, without limitation, the power of sale under each of Share Charge 1 and Share Charge 2).
7. The security created by Share Charge 1 and Share Charge 2 becomes enforceable upon occurrence of the said event of default which is continuing and thus at any time thereafter the security becomes enforceable by Ultimate Achieve as lender and chargee who may without further notice or authority, sell, dispose of or realise all or any part of the shares in Hsin Chong Aster Building Services Limited and Hsin Chong Aster Building Services (Asia) Limited and may apply the proceeds of any of such sale, disposition or realization in or towards the discharge of the costs thereby incurred and of the secured indebtedness in such manner as it in its absolute discretion thinks fit.
8. The entire share capital of Hsin Chong Aster Building Services Limited (“**Shares Sale**”) was sold and delivered on 31 December 2018 to Efficient League Limited, a company incorporated in the British Virgin Islands, as purchaser for a consideration of up to HK\$60,000,000.
9. A sum of HK\$20,000,000 representing a portion of the purchase price of the Shares Sale is being held in escrow and to be paid out upon the release of all the bank guarantees made by Hsin Chong Aster Building Services Limited and Hsin Chong Aster Building Services (Asia) Limited (as the case may be) in favour of HSBC, East West Bank and Nanyang Commercial Bank (together, the “**Banks**”). It is also understood that if any one of the bank guarantees is not released by the Banks on or before 31 January 2019, the said sum of HK\$20,000,000 held in escrow shall be returned to Efficient League Limited whereupon the Shares Sale shall be deemed sold at a reduced consideration of HK\$40,000,000.

To the best knowledge, information and belief of the Directors, the Loan Agreement is the same as the loan agreement pursuant to which VMS served the notices of default as disclosed in the Company’s announcement dated 24 December 2018. The Directors were not aware of Shares Sale until the Company received the Letter on 3 January 2019 as indicated above.

The Company has been contacting the Solicitors to ascertain if the purchaser (being Efficient League Limited) and its ultimate beneficial owner are 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 the directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates. However, as at the date of this announcement, the Company has not yet received the reply from the Solicitors.

The Company will seek legal advice on the matter. Further announcement will be made as and when appropriate.

CONTINUED SUSPENSION OF TRADING IN THE SHARES AND DEBT SECURITIES

Trading in the ordinary shares and debt securities of the Company has been suspended since 3 April 2017 and will continue to be suspended until further notice. Holders of the shares and debt securities of the Company and potential investor are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 11 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.