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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)

**UPDATE ON RECENT DEVELOPMENT OF SUSPENSION –
INTERNAL INVESTIGATION REPORT
AND
INDEPENDENT INVESTIGATION COMMITTEE REPORT**

This announcement is made by Hsin Chong Group Holdings Limited (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**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 announcements of the Company dated 9 January 2018, 29 December 2017, 29 November 2017, 31 October 2017, 29 September 2017, 14 August 2017, 12 June 2017, 29 May 2017, 17 May 2017, 5 April 2017 and 3 April 2017, and the 2016 annual results announcement published on 19 April 2017 and the annual report of the Company for the year ended 31 December 2016 (together “**2016 Annual Report**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in Company’s announcement dated 9 January 2018.

COMPLETION OF INTERNAL INVESTIGATION

As stated in the announcement of the Company dated 9 January 2018, the Company has received the draft version of the investigation report issued by Deloitte on 29 December 2017 (the “**Draft Investigation Report**”). Deloitte subsequently issued a final investigation report on 10 January 2018 (the “**Final Investigation Report**”), the content of which is the same, in all material aspects, as that of the Draft Investigation Report.

VIEWS ON THE INVESTIGATION REPORT OF THE INDEPENDENT INVESTIGATION COMMITTEE

The Independent Investigation Committee accepted the factual findings made by Deloitte as documented in the Final Investigation Report, based on which the Independent Investigation Committee have issued its report on 15 January 2018 and in which it has made a number of recommendation to the Board for resolving the Identified Issues.

The table below sets out those recommendations and the status of the implementation as at the date hereof:

| Issue/Recommendation | Measure/Action | Implementation timeline |
|---|--|--|
| 1 Appointment of independent internal control consultant for review | The Company has decided to appoint BDO Financial Services Limited to act as the internal control consultant to conduct a full range internal control review of the Group | The Board is negotiating with BDO Financial Services Limited on the scope of such review and the terms of engagement and expect to confirm the engagement as soon as possible |
| 2 Termination of the duties and powers of Mr. Zhou within the Group | The Company has resolved to remove Mr. Zhou from his positions as directors in the subsidiaries of the Group and terminated his employment with the Group | The Group has taken measures to terminate the employment of Mr. Zhou, and passed the necessary resolutions to remove Mr. Zhou as director of the relevant subsidiaries of the Group, which will become effective upon the completion of the registration with the relevant local authorities |

| Issue/Recommendation | Measure/Action | Implementation timeline |
|---|--|---|
| 3 Establishment of Corporate Governance Committee and Risk Management Committee | The Board has resolved to establish such committees and is instructing professionals to assist in the preparation of the terms of reference thereof | The committees are expected to be established shortly upon the internal control review is completed to take into account any recommendations thereunder |
| 4 Transactions and loans of material nature shall be approved by the Company's management and Chief Financial Officer, subject to usual approval of the Board | The Company agrees with this in principle and is pending the results and recommendations of the internal control review report by the consultant. It is estimated that this will form part of the enhanced internal control system and procedure | N/A |
| 5 Enhance the internal communication mechanism and clear delineation on functions of each Board member and the company secretary | The Company agrees with this in principle and is pending the results and recommendations of the internal control review report by the consultant. It is estimated that this will form part of the enhanced internal control system and procedure | N/A |
| 6 Appoint directors of the Board to the boards of the Company's subsidiaries | The Company has decided to appoint certain Directors to the boards of the major subsidiaries of the Group in order to strengthen internal communication and control and is in the course of deciding the relevant candidates | The appointment is expected to be done within February 2018 |

| Issue/Recommendation | Measure/Action | Implementation timeline |
|--|--|---|
| 7 Take remedial action relating to the connected transactions under Identified Issue I and completion of list of connected persons | The Company is in the process of gathering information and completing the list of connected persons. The Company will also request the counterparties in the future transactions to provide details as to their ownership or/and declare to the Group whether they have any connected relationship with the connected persons of the Group | Such list is expected to be completed by around February 2018 |
| 8 To assess the reasonableness of the loan arrangement under Identified Issue III | The Company has carried out internal assessment and will advise the Board whether such arrangement is desirable | The Board will decide whether such arrangement shall be accepted in future circumstances after the assessment has been made |
| 9 Training to senior management and directors on the Listing Rules and internal control | The Company will arrange for such training sessions on an annual basis in future for the directors and senior management of the Group to ensure that they are being updated of the Listing Rules | The next training session is expected to be held within February 2018 |
| 10 Seeking legal advice on the enforceability of agreements in relation to the loans | The Company is in the process of engaging the PRC legal advisers to advise on the same | Such engagement is expected to be completed in around February 2018 |

| Issue/Recommendation | Measure/Action | Implementation timeline |
|---|--|--------------------------------|
| 11 Seeking legal advice on initiating claims against relevant persons which cause loss to the Group | The Board as advised by the senior management of the Company, consider that there is no actual quantifiable loss caused to the Group so far and hence no such civil action is contemplated at the moment. In the event that the Group identified any actual loss caused, the Company will seek further advice from professional advisers on the possible claims to be made | N/A |

The Company will make further announcement(s) to update the Shareholders and potential investors as to the process of fulfilling the conditions for resumption of trading of its Shares 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. Conditions of the resumption of trading have been set out in the Company's announcement dated 12 June 2017.

Shareholders 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
LIN Zhuo Yan
Non-executive Chairman and
Non-executive Director

Hong Kong, 19 January 2018

As at the date of this announcement, the Board comprises Mr. LIN Zhuo Yan as the Non-executive Chairman and Non-executive Director; 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, Mr. CHUI Kwong Kau and Mr. LUI Chun Pong as Non-executive Directors; and Mr. CHENG Sui Sang, Ms. LEE Jai Ying, Mr. George YUEN Kam Ho and Mr. LAI Chik Fan as Independent Non-executive Directors.