

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hsin Chong Group Holdings Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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\$100 MILLION 6% CONVERTIBLE BONDS DUE 2017

(Stock Code: 5579)

US\$300 MILLION 8.75% SENIOR NOTES DUE 2018

(Stock Code: 5513)

US\$150 MILLION 8.50% SENIOR NOTES DUE 2019

(Stock Code: 5607)

- (1) MAJOR TRANSACTION IN RELATION TO
THE NEW SP AGREEMENT RELATING TO
DISPOSAL OF PROPERTY;
(2) PROPOSED RE-ELECTION OF A DIRECTOR;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser



Euto Capital Partners Limited

A letter from the board of directors of the Company is set out on pages 3 to 8 of this circular.

A notice convening a special general meeting (the "SGM") of the Company to be held at 2nd Floor, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Hong Kong on Monday, 31 July 2017 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so desire, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

12 July 2017

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“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
“Completion Date”	31 July 2017 or the fourteenth (14th) date after the general meeting of the Company for the shareholders’ approval of the New SP Agreement and the transactions contemplated thereunder as required by the Listing Rules, whichever is later
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the amount of HK\$760,000,000.00
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Property by the New Vendor to the New Purchaser pursuant to the New SP Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	B.I. Appraisals Limited, the qualified valuer registered in Hong Kong
“Latest Practicable Date”	6 July 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New SP Agreement”	the agreement for sale and purchase dated 28 April 2017 entered into between the New Vendor and the New Purchaser in relation to the sale and purchase of the Property
“New Purchaser”	Diamond Ocean Investments Limited (鑽海投資有限公司), a company incorporated in Hong Kong and is wholly and beneficially owned by the Purchaser

DEFINITIONS

“New Vendor” or “Target Company”	Cogent Spring Limited, a company incorporated in Hong Kong, is wholly and beneficially owned by the Vendor and the registered owner of the Property
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“Property”	the property located at Nos. 107-109, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong
“SGM”	the special general meeting of the Company to be convened and held on 31 July 2017 to consider and, if thought fit, to approve, among other matters, the New SP Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



HSIN新昌
CHONG

HSIN CHONG GROUP HOLDINGS LIMITED

新昌集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

Executive Directors:

Ir Joseph CHOI Kin Hung (*Chief Executive Officer*)
Mr. Wilfred WU Shek Chun (*Chief Risk Officer*)
Mr. Eric TODD

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. LIN Zhuo Yan (*Non-executive Chairman*)
Mr. YAN Jie
Mr. CHEN Lei
Mr. CHUI Kwong Kau
Mr. LUI Chun Pong

Principal place of business

in Hong Kong:
Hsin Chong Center
107-109 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong

Independent Non-executive Directors:

Mr. CHENG Sui Sang
Ms. LEE Jai Ying
Mr. George YUEN Kam Ho
Mr. LAI Chik Fan

12 July 2017

To the Shareholders

Dear Sir or Madam,

- (1) MAJOR TRANSACTION IN RELATION TO
THE NEW SP AGREEMENT RELATING TO
DISPOSAL OF PROPERTY;
(2) PROPOSED RE-ELECTION OF A DIRECTOR;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement dated 28 April 2017 regarding the Disposal. The purpose of this circular is to provide you with the information relating to, amongst others, (i) further details of the New SP Agreement and the transactions contemplated thereunder; (ii) proposed re-election of director; and (iii) a notice for convening the SGM to approve the transactions.

LETTER FROM THE BOARD

THE NEW SP AGREEMENT

On 28 April 2017 (after the trading hours), the New Vendor and the New Purchaser entered into the New SP Agreement for the sale and purchase of the Property.

Date: 28 April 2017

Parties: (a) the New Vendor: Cogent Spring Limited, an indirect wholly-owned subsidiary of the Company

(b) the New Purchaser: Diamond Ocean Investments Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the New Purchaser and its ultimate beneficial owners are independent of the Company and its connected persons.

The Property

The Property is located at Nos. 107-109, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Property is currently used wholly as the principal office of the Group in Hong Kong, with no part of it leased out as at the Latest Practicable Date.

The Consideration

The purchase price is the sum of HK\$760,000,000.00 of which:

- (i) a sum of HK\$50,000,000.00 being initial deposit and in part payment of the purchase price has been paid directly by the New Purchaser to the New Vendor or the Company prior to the signing of the New SP Agreement; and
- (ii) a sum of HK\$100,000,000.00 being further deposit and in further part payment of the purchase price shall be paid by the New Purchaser to the Company on the signing of the New SP Agreement; and
- (iii) the balance of the purchase price in the sum of HK\$610,000,000.00 shall be paid on completion of the Disposal.

The Consideration was determined after arm's length negotiation between the New Vendor and the New Purchaser. The New Vendor proposed a selling price with reference to the valuation of the Property of HK\$585,000,000.00 as at the valuation date prepared by the Independent Valuer and a premium which was considered beneficial to the Group and would suit the financial needs of the Group, and finally agreed at the Consideration between the parties after negotiation. Since the Consideration represents a premium of 29.9% to the valuation amount, the Board considers the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions precedent

Completion of the sale and purchase of the Property shall be subject to and conditional upon:-

- (i) the Company having obtained the necessary approval by the Shareholders of the New SP Agreement and the transactions contemplated thereunder as required by the Listing Rules; and
- (ii) the New Vendor having shown, proved and given good title of the Property in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219).

If any of the foregoing conditions is not fulfilled (or waived by the New Purchaser) on or before the Completion Date, the New SP Agreement shall cease and be terminated. Neither party shall have any obligations and liabilities toward the others (save and except the stamp duty payable which shall be borne by the New Purchaser solely) provided that all the deposit(s) paid shall be returned by the New Vendor or the New Vendor's solicitors to the New Purchaser forthwith. Depending on the results of review of the title deeds of the Property provided by the New Vendor, the New Purchaser may consider waiving condition precedent (ii) set out above in the event that there are only immaterial issues identified by the New Purchaser on the title deeds that do not have material adverse effect in respect of the title of the Property.

As at the Latest Practicable Date, none of the conditions precedent above have been fulfilled or waived by the New Purchaser and the New Purchaser has no intention to waive any of them.

Completion

Upon compliance with or fulfilment (or wavier) of all the conditions set out above, completion shall take place on or before the Completion Date.

TENANCY AGREEMENT

Upon completion of the Disposal, the Group and the New Purchaser will enter into a tenancy agreement, whereby the Group will lease back the Property for the Group's use for a term of 2 years commencing from the Completion Date. The monthly rent payable by the Group will be HK\$2,216,667.00 (exclusive of Government rent, rates, management fee, air-conditioning charges, other fees and outgoings) (being approximately HK\$26 per square feet on 88,487 square feet of the total gross floor area of the Property) during the term of the tenancy agreement with no renewal clause. At the time when the Group enters into the tenancy agreement with the New Purchaser, a rental deposit of HK\$6,650,001.00, being three months of the rent, will be payable by the Group to the New Purchaser.

LETTER FROM THE BOARD

The above terms of the tenancy agreement were negotiated on an arm's length basis with reference to the common terms for leasing of industrial building on the market and the prevailing rent on the market for similar premises. To the best knowledge and information of the Directors, for industrial premises around the location of the Property, the tenancies generally run for around 2 to 3 years and monthly rentals are in the range between HK\$15 and HK\$21 per square feet on gross floor area. Although the rental per square feet under the tenancy agreement is slightly higher than the market range, the Company is of the view that such premium is still reasonable and justifiable as (i) staying in the Property after the Disposal can avoid large scale and burdensome relocation of the Group's office and thus can save the Group significant relocation costs and time and (ii) the availability of whole building for lease is scarce, which means the Group will be difficult in finding a comparable premises that suit the need of the Group's office use in terms of scale, convenience and economy of scale. As the negotiated terms of the tenancy agreement as mentioned above are in line with the market terms, the Board considers the terms of the tenancy agreement are fair and reasonable and in the interest of the Company and the shareholders as a whole.

It is currently intended that when approaching the expiry of the lease term of 2 years, the Group will consider if it should negotiate for renewal of the lease based on the terms negotiated at that time.

REASON FOR THE DISPOSAL

The Disposal provides a good opportunity for the Group to realise its investment with considerable gain. Further, as the Group will lease back the Property from the New Purchaser for a term of 2 years for continue use as its principal place of business in Hong Kong, the Disposal will only have minimal impact to the Group's operations.

FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The net book value of the Property as at the date of the latest audited financial statement, that is, 31 December 2016, amounted to HK\$570,000,000.00. Based on the Consideration of HK\$760,000,000.00, the Group is expected to receive a gain on disposal of approximately HK\$182,400,000.00 after the deduction of expenses. Based on the Consideration of HK\$760,000,000.00 and the associated estimated direct cost of the Disposal of approximately HK\$7,600,000.00, the Group is expected to receive a net proceeds of approximately HK\$752,400,000.00 from the Disposal. The Group currently intends to use (i) not less than HK\$579 million (subject to the actual outstanding amount accrued) of the proceeds to repay loans secured by the mortgage of the Property upon Completion and (ii) the balance as general working capital and for repayment of liabilities.

Upon Completion, the total assets and liabilities of the Group will be reduced by the assets and liabilities attributable to the Property. It is estimated that upon completion of the Disposal, the Group will record (i) increase in total assets of approximately HK\$182,400,000.00; and (ii) no decrease in liabilities. Apart from the monthly rental of HK\$2,216,667.00 payable during the term of the tenancy agreement to be entered with the New purchaser, the Disposal has no material effect on the earnings of the Company.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP, THE NEW VENDOR AND THE NEW PURCHASER

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

The New Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in commercial property holding.

As advised by the New Purchaser, the New Purchaser is principally engaged in investment holding.

IMPLICATION OF THE LISTING RULES

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. VMS Investments Group Ltd. which is holding 434,484,000 Shares as at the Latest Practicable Date has, through its associated company, provided to the New Vendor a loan which was secured by a mortgage over the Property. As such, VMS Investments Group Ltd. would abstain from voting at the SGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder (other than VMS Investments Group Ltd.) has a material interest in the Disposal and is required to abstain from voting for the resolution to approve the Disposal at the SGM.

PROPOSED RE-ELECTION OF A DIRECTOR

In accordance with the code provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.

Mr. LAI Chik Fan ("Mr. Lai") was appointed as an Independent Non-executive Director with effect from 8 June 2017. He has also been appointed as a member of the nomination, remuneration and audit committees of the Board with effect from 8 June 2017.

Accordingly, Mr. Lai is subject to election at the SGM. His biographical details are set out in Appendix III to this circular.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the SGM

The SGM is scheduled to be held on Monday, 31 July 2017. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 26 July 2017 to Monday, 31 July 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 25 July 2017.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at 2nd Floor, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Hong Kong on Monday, 31 July 2017 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return enclosed proxy form in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 11:00 a.m. on Friday, 28 July 2017. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM, or any adjournment thereof if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll, subject to certain exceptions. Accordingly, the chairman of the SGM shall demand the resolutions to be put to vote by poll.

To the best of the Directors' knowledge, information and belief, no Shareholder is required to abstain from voting on the resolution to approve, among other things, the New SP Agreement and the transactions contemplated thereunder at the SGM as at the Latest Practicable Date.

RECOMMENDATION

The Directors (including the Independent Non-executive Directors) consider that the New SP Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and, accordingly recommend the Shareholders to vote in favour of the relevant resolution as set out in the notice of SGM at the forthcoming SGM.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

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.

Yours faithfully

For and on behalf of the Board of
Hsin Chong Group Holdings Limited
LIN Zhuo Yan

Non-executive Chairman and Non-executive Director

I. FINANCIAL SUMMARY

Financial Information Incorporated by Reference

Details of the financial information of the Group for each of the three financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively have been set out on pages 98 to 214 and pages 111 to 204 of the Company's annual reports for the financial years ended 31 December 2015 and 31 December 2016 respectively, and are incorporated by reference into this circular. The said annual reports of the Company have been posted on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company at www.hsinchong.com.

Please refer to the hyperlinks as state below:

2016 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0428/LTN20170428642.pdf>

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0510/LTN20160510273.pdf>

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0420/LTN20150420621.pdf>

II. INDEBTEDNESS

As at the close of business on 31 May 2017, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following borrowings:

	<i>HK\$ million</i>
Bank overdrafts	9.70
Bank loans	1,062.80
Convertible bonds	54.20
Senior notes	3,487.50
Other borrowings	<u>7,300.80</u>
	<u><u>11,915.00</u></u>

Out of such borrowings of approximately HK\$11,915.00 million, (i) approximately HK\$11,442.00 million and approximately HK\$473 million are guaranteed borrowings and unguaranteed borrowings respectively; while (ii) approximately HK\$7,417.50 million and approximately HK\$4,497.50 million are secured borrowings and unsecured borrowings respectively.

As disclosed in the Company's announcement dated 29 May 2017, as of 22 May 2017, the Company has approximately HK\$1,096 million outstanding bank loans and HK\$3,542 million outstanding notes and bonds. The Company has continued to be in active discussions with its lenders with a view to adjusting the schedule for its payment obligations under various facilities, where payment has already fallen due. There were certain financial covenants and ratios requirements under various facilities that the Company was unable to meet ("**Covenants Issue**").

The Company has been actively addressing the delay in payment and the aforesaid Covenants Issue with the lenders. Certain banks have nonetheless made demands on the Group in the exercise of their rights under the relevant facility agreements. The Company has successfully negotiated with a number of relevant banks to withdraw such demands while negotiations continue with regard to others. The Company has also taken steps to explore preliminary standstill arrangements where appropriate.

As disclosed in the Company's announcement dated 26 May 2017, the Company issued a 6% convertible bonds due 2017 up to US\$100 million 6% convertible bonds to be due in 2017 (the "**2017 Bonds**"). Pursuant to the terms and conditions of the 2017 Bonds, a "**Relevant Event**" occurs when, among other things, the Shares are suspended for trading for a period exceeding 30 consecutive Trading Days on the Stock Exchange. Notice is being given by the Company to the holders of the 2017 Bonds that a Relevant Event occurred. The holder of the 2017 Bonds will have the right at such holder's option, to require the Company to redeem all but not some only of such holder's 2017 Bonds on 1 August 2017 (the "**Relevant Event Redemption Date**") at their principal amount together with interest accrued to the Relevant Event Redemption Date, in accordance with the respective terms and conditions of the 2017 Bonds. Upon redemption of any of the bonds, such redeemed bonds will be cancelled. In addition, (subject to being indemnified and/or secured and/or pre-funded by holders of the 2017 Bonds) the trustee of the 2017 Bonds may or shall if requested in writing by holders of not less than 25% in principal amount of the 2017 Bonds then outstanding or if so directed by an extraordinary resolution declare the principal and interest of the 2017 Bonds to be immediately due and payable. The Company is in active discussion with the trustee and certain holders of bonds to avoid such declaration.

Further, as disclosed in the Company's announcement dated 22 May 2017, there was a delay in payment of the half-yearly interest (the "**Interest**") on the senior notes by the Company with principal amount of US\$300 million which bear interest of 8.75% per annum and repayable semiannually (the "**Notes**"). Subsequently on 14 June 2017, the Company wishes to update the shareholders of the Company that the Company has remitted the funds to settle the Interest today. The Company has also notified Citicorp International Limited, the trustee of the Notes, of our payment of the Interest, details of which are set out in the announcement dated 14 June 2017.

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance lease or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 May 2017 being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

III. WORKING CAPITAL

Taking into account present financial resources available to the Group and the estimated net proceeds generated from the Disposal, the working capital available to the Group is not sufficient for the Group's requirements for at least 12 months from the date of this circular. To address the aforesaid situation, the Group has adopted the following measures, including:

1. Making its best endeavor to complete the disposal of certain subsidiaries of the Group which currently hold certain assets in Foshan, Beijing and Guangzhou with which the Group has entered into memorandum of understanding with interested buyers and the gross consideration received will be HK\$4,917 million and part of the proceeds will be used to repay the borrowings of the Group.
2. Continuing to be in active discussions with its lenders with a view to adjusting the schedule for its payment obligations under various facilities, where payment has already fallen due, and to explore preliminary standstill arrangements where appropriate.
3. Exploring the possibility to issue another senior notes of USD300 million on 18 May 2018 in order to redeem the USD300 million Senior Notes which will be mature on 18 May 2018.

IV. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

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

As disclosed in its annual report for the year ended 31 December 2016, the auditors of the Company indicated certain disclaimers of opinion including uncertainties relating to going concern. The Company is making its best endeavor to address these issues. Further, it has established strategies and plans to achieve continued growth through strengthening its financial position, focusing resources on the core construction business and developing complementary new businesses to diversify its business portfolio.

The Group will continue to strengthen its strong market position and business base in Hong Kong and support the Government in its infrastructure and building plans. It will also continue its tradition of excellence by serving high end private sector customers to meet their high expectation levels. The Group has been a major player in Macau's infrastructural development, and look forward to participating further with the award of more new contracts.

In order to strengthen its financial position to meet the maturity of short term debts, the Group is taking an overall review of its PRC property portfolio and will adopt a cautious approach towards the development of these properties in 2017. With the multiple sources of generating funds and proceeds from proposed disposal of assets (including the Disposal), the Group believes that its gearing and profitability would be improved by the end of 2017.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from B.I. Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Property as at 19 April 2017.



B. I. Appraisals Limited
保柏國際評估有限公司

Registered Professional Surveyors, Valuers & Property Consultants
22nd Floor, China Overseas Building,
No. 139 Hennessy Road, Wanchai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com
Website: www.biappraisals.com

12 July 2017

The Board of Directors
Hsin Chong Group Holdings Limited
Hsin Chong Center
107-109 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

**RE: HSIN CHONG CENTER, NOS. 107 – 109 WAI YIP STREET, KWUN TONG,
KOWLOON, HONG KONG**

In accordance with the instructions from Hsin Chong Group Holdings Limited (hereinafter referred to as the “Company”) for us to carry out a valuation of the captioned property (hereinafter referred to as the “Property”), which is held by a subsidiary of the Company (hereinafter together referred to as the “Group”), we confirm that we have carried out inspection, conducted land searches at the Land Registry, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 19 April 2017 (hereinafter referred to as the “Date of Valuation”).

It is our understanding that this valuation document is to be used by the Company for disclosure purpose in relation to the proposal disposal of the Property.

This letter, forming part of our valuation report, identifies the property being valued, explains the basis and methodology of our valuation and lists out the assumptions and title investigation which we have made in the course of our valuation, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation has been carried out in accordance with The HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In valuing the Property, which is held and occupied by the Group, we have adopted the Direct Comparison Approach assuming the Property is available for sale in its existing state with the benefit of immediate vacant possession and by making reference to comparable transactions as available in the relevant markets.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Property is sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect its value. In addition, no account has been taken of any option or right of pre-emption concerning or effecting a sale and no forced sale situation in any manner is assumed in our valuation.

In valuing the Property, the Government Lease of which has expired before 30 June 1997, we have taken into account the provisions contained in the Basic Law of the Hong Kong Special Administrative Region that such lease has been extended without any additional payment of premium until 30 June 2047 and that an annual rent equivalent to three per cent of the ratable value of the Property will be charged from the date of extension.

We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that the Property is finished and maintained in reasonable condition commensurate with its age and use and is in its original layout without any unauthorized alteration and all consents, approvals, required licenses, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Property upon which our valuation is based.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

TITLE INVESTIGATION

We have carried out title searches at the Land Registry for the Property. However, we have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents have been used for reference only. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Property that is assumed to be good and marketable.

LIMITING CONDITIONS

The Property was inspected on 10 May 2017 by Mr. Ken W. C. Tsang, an assistant manager of our firm who has more than 15 years of experience in the valuation of properties in Hong Kong and the People's Republic of China. We have inspected the exterior and, where possible, the interior of the Property. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not conducted any on-site measurements to verify the correctness of the site and floor areas of the Property but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificate attached are based on information contained in the documents provided to us by the Group and are, therefore, only approximations.

We have relied to a considerable extent on the information and advice given or made available to us by the Group and the relevant government authorities on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, and all other relevant matters. We have not seen original planning consents and have assumed that the Property is erected, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars (HK\$).

REMARKS

We hereby confirm that we have neither present nor prospective interests in the Group, the Property or the value reported herein.

Our Valuation Certificate is enclosed herewith.

Yours faithfully,

For and on behalf of

B.I. APPRAISALS LIMITED

William C. K. Sham

Registered Professional Surveyor (G.P.)

China Real Estate Appraiser

MRICS, MHKIS, MCIREA

Executive Director

Notes:

- (1) *Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 35 years' experience in the valuation of properties in Hong Kong and has over 20 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific region.*
- (2) *Inspection of the Property was carried out on 10 May 2017 by Mr. Ken W.C. Tsang, Assistant Manager, who has more than 15 years' experience in the valuation of properties in Hong Kong and the People's Republic of China.*

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in Existing State as at 19 April 2017
Hsin Chong Center, Nos. 107 – 109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Hsin Chong Center, built on a site formed by 4 parcels of land with a total site area of approximately 1,170.57 s.m. (12,600 sq.ft.) in about 1966 and renovated in around 1999, is a 10-storey industrial/office (“I/O”) building with ancillary car parking spaces. It is located on the northeastern side of Wai Yip Street, close to its junction with Tai Yip Street within Kwun Tong District of Kowloon.	The Property is wholly occupied and used by the Group as its principal office in Hong Kong.	HK\$585,000,000 (100% interest attributable to the Group: HK\$585,000,000)
Kwun Tong Inland Lot Nos. 570, 571, 572 and 573 (the “Lots”)	<p>Pursuant to the “additions and alterations” plans approved on 14 October 1998 and on 29 February 2016, the ground floor of the Property accommodates 2 lift lobbies, car parking spaces and loading/unloading bays. The 1st and 2nd floors accommodate car parking spaces, whereas the 3rd, 5th to 10th floors (the 4th floor omitted) are designated for industrial/office uses.</p> <p>The total gross floor area of the Property is approximately 7,849.06 sq.m. (84,487 sq.ft.).</p> <p>The Property falls within an area currently zoned as “Other Specified Uses (Business)” on the Approved Kwun Tong (South) Outline Zoning Plan No. S/K14S/20 gazetted on 21 August 2015.</p> <p>The Lots are held under respective Government Leases for common terms of 99 years less 3 days from 1 July 1898, which have been statutorily extended until 30 June 2047.</p> <p>The total annual Government Rent payable for the Property is an amount equivalent to 3% of the rateable value for the time being of the Property.</p>		

Notes:

- 1) The registered owner of the Property is Cogent Spring Limited, which is an indirect wholly owned subsidiary of the Company, via an assignment dated 4 July 2011, registered vide Memorial No.11072901540031.
- 2) The Property is subject to the following encumbrances registered in the Land Registry:
 - (a) Deed of Variation of Crown Leases of KTIL 570, 571, 572 and 573 dated 4 July 1969, registered vide Memorial No. UB686339;
 - (b) Modification Letter dated 30 August 1999, registered vide Memorial No. UB7865629;
 - (c) Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 17 November 2011, registered vide Memorial No. 11121301060043; and
 - (d) Second Legal Charge/Mortgage in favour of The Bank of East Asia, Limited dated 2 April 2012, registered vide Memorial No. 12041701130061.

- 3) The use and development of the Lots are controlled by the respective Government Leases, which have been modified by the Modification Letter dated 30 August 1999 vide Memorial No. UB7865629. The major conditions in relation to the development control as stated in the Government Leases modified by the Modification Letter are summarized as follows:
- The said piece or parcel of ground and the adjoining lots or any part of the lots or any building or part of any building erected or to be erected shall not be used for any purpose other than for industrial or godown or both, office ancillary and directly related to an industrial (or godown) operation, or any combination of the above, excluding any offensive trades.
 - Maximum building height of 170 feet (approximately 51.82 metres) above the Hong Kong Principal Datum.
 - The total gross floor area of any building or buildings erected or to be erected on the lots shall not be less than 4,596 sq.m. (49,471 sq.ft.) and shall not exceed 7,660 sq.m. (82,452 sq.ft.).
 - Separate entrances and lift lobbies for goods and passengers shall be provided.
 - No right of ingress or egress of motor vehicles except between the points X and Y through Z.
- 4) We have considered the re-development potential of the subject site with reference to the current land lease restrictions, town plan zoning and building regulations and understood that the potential can be maximized through applications for lease modification, town plan zoning and building plans approval to the respective governing authorities of the Lands Department, the Town Planning Board and the Buildings Department to release the development controls. However, time cost and additional capital expenditures (such as land premium) will become decisive factors for any re-development plan. We have been advised by the Company that the Group currently does not have any intention to re-develop the Property. Hence, we have prepared our valuation on the basis of its existing state.
- 5) In the course of our valuation, we have collected and considered 9 comparable transactions of properties in the neighbourhood, details of which are summarized as follows:

Ref	Date	Property	Year Built	Approximate Gross Floor Area (s.f.)	Consideration (HK\$)	Unit Rate (HK\$/s.f.)
Properties for Industrial/Office Uses						
(a)	8 May 2017	Whole of 9/F, China Aerospace Centre, 143 Hoi Bun Road	1996	10,589	75,000,000	7,083
(b)	5 April 2017	Unit 1 on 9/F, Nanyang Plaza, 57 Hung To Road	1995	2,740	17,000,000	6,204
(c)	27 May 2016	Whole of 29/F (including flat roof), Nanyang Plaza, 57 Hung To Road	1995	11,800 (excluding the flat roof area)	100,000,000	8,475
Properties for Industrial or Industrial/Godown Uses						
(d)	28 February 2017	Whole of 16/F, Godowns 01, 02 and 03, Workshop 08 and Store Room on 17/F and 3 light van parking spaces on 1/F of Kwong Sang Hong Centre, 151-153 Hoi Bun Road	1992	34,497	146,000,000	4,232
(e)	15 February 2017	Unit A on 2/F, World Tech Centre, 95 How Ming Street	1992	14,608	86,000,000	5,887
(f)	19 October 2016	Whole 19/F, "No. 1 Hung To Road", 1 Hung To Road	1994	23,619	138,000,000	5,843

Ref	Date	Property	Year Built	Approximate	Consideration (HK\$)	Unit Rate (HK\$/s.f.)
				Gross Floor Area (s.f.)		
Properties for Office Uses						
(g)	23 February 2017	Whole 11/F, Rykadan Capital Tower, 135 Hoi Bun Road	2013	12,076	128,000,000	10,600
(h)	16 December 2016	Offices Nos. 6 - 11, 8/F and 4 car parking Spaces on 3/F and 1 light goods vehicles parking space on LG/F of C-Bons International Center, 108 Wai Yip Street	2009	7,411	97,800,000	13,197
(i)	6 September 2016	Offices B1, C, D and E on 22/F, MG Tower, No. 133 Hoi Bun Road	2011	9,093	102,000,000	11,217

The above comparable transactions provide price indications of different types of properties in the neighborhood, indicating the transaction unit prices of properties for industrial/office uses (i.e. Transactions (a) to (c)) ranging from HK\$6,204 to HK\$8,475 per square foot. The comparable transactions also indicate the price level for industrial/office properties is higher than that of the industrial and industrial/godown properties but is lower than that of the office properties.

In the course of our valuation, we have analyzed Transactions (a) to (c) which are transactions of properties in the same type of uses that the Property falls within. Appropriate adjustments have been applied to allow for the qualitative and quantitative differences between the comparable properties and the Property. The market value of the Property as reported above represent an average unit rate of approximately HK\$7,097, which is considered within the price range indicated by comparable Transactions (a) to (c).

- 6) The locality is a long-established industrial area of Kwun Tong in the East Kowloon, which is gradually transforming into a decentralized office hub under the existing Government policy in order to meet the changing needs of the industrial and business sectors. Currently, the area still holds a considerable share of Hong Kong's industrial stock, particularly in the I/O sector. According to the statistics released by the Rating and Valuation Department, at the year end of 2016, the stock of industrial/office properties maintained at 581,700 s.m., with Kwun Tong and Sham Shui Po accounting for 60% of the stock. However, take-up of the total stock for 2016 was negative at 12,300 sq.m. with vacancy rate increased to 8.9%. No new supply is anticipated for the coming 2017 and 2018. In fact, there has not been any new completion of industrial/office building since 2008. It is observed that the trading volume of I/O properties remained low. Though the transacted unit price continued to show mild increment, competition from revitalized/refurbished industrial buildings puts pressure on I/O rents.

To enable the Shareholders to make an informed decision on the re-election of the retiring Directors, we set out below the biographical details of the retiring Director for the information of Shareholders.

Mr. LAI Chik Fan (“**Mr. Lai**”) was appointed as an Independent Non-executive Director with effect from 8 June 2017. He has also been appointed as members of the Nomination, Remuneration and Audit Committees with effect from 8 June 2017.

Mr. Lai, aged 68, possesses extensive professional experience in financial management, securities and capital investment. Mr. Lai holds a Bachelor degree of Science from Indiana State University in the United States. Mr. Lai Chik Fan is the principal of AR Evans Capital Partners Inc. He has more than 35 years of experience in the financial services sector, mainly in stock broking and investment banking. Mr. Lai previously served as advisor to the Board of Directors of Asia Securities Global Ltd. and was CEO of Koffman Financial Holdings Ltd. He had held senior positions at various reputable financial institutions in Hong Kong, including the role of Managing Director at Smith Barney Shearson (Asia) Ltd., Merrill Lynch (Asia Pacific) Limited and Paine Webber Hong Kong Ltd. He was the Group CEO of Chin Tung Financial Holdings which eventually became part of Standard Chartered Asia Ltd. in 1988.

Mr. Lai was a Non-executive Director of CCT Fortis Holdings Limited (stock code: 138) from 8 October 1991 to 29 June 1992, a Non-executive Director of GCL New Energy Holdings Limited (stock code: 451) from 13 February 1992 to 15 May 1992, an Independent Non-executive Director of Shanghai Zendai Property Limited (stock code: 755) from 18 May 2004 to 25 May 2017. Further, he was an Executive Director of Century Ginwa Retail Holdings Limited (stock code: 162) from 11 August 2007 to 9 October 2008 respectively, the shares of which are all listed on the Main Board of the Stock Exchange.

In addition, Mr. Lai was an Independent Non-executive Director of China Demeter Financial Investments Limited (stock code: 8120) from 21 October 2004 to 22 January 2007, and redesignated as a Non-executive Director of China Demeter Financial Investments Limited (stock code: 8120) from 22 January 2007 to 9 August 2007, the share of which is listed on the Growth Enterprise Market of the Stock Exchange.

Pursuant to his letter of appointment with the Company, Mr. Lai is appointed for a term of 2 years commencing from 8 June 2017 up to and including 7 June 2019 (which is renewable upon expiry). He shall hold office until the SGM, being the first general meeting of the Company after his appointment at which he will be eligible for re-election. Thereafter, he will be subject to retirement by rotation and re-election at least once every three years at annual general meetings pursuant to the Bye-laws of the Company. Mr. Lai, as an Independent Non-executive Director, is entitled to (i) an annual director’s fee of HK\$250,000 to act as an Independent Non-executive Director; (ii) an annual fee of HK\$30,000 to act as a member of the Audit Committee; (iii) an annual fee of HK\$10,000 to act as a member of the Remuneration Committee; and (iv) an annual fee of HK\$10,000 to act as a member of the Nomination Committee. Such remuneration is determined with reference to his duties and responsibilities in the Company, the Company’s remuneration policy and the prevailing market situation (subject to review by the Board from time to time).

Save as disclosed above and as at the Latest Practicable Date of, Mr. Lai does not hold any position in the Company or any of its subsidiaries or have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company. He has not held any directorship in other listed companies in Hong Kong or overseas or other major appointments and qualifications in the past three years. Save as disclosed herein, Mr. Lai does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance as at the Latest Practicable Date.

In relation to Mr. Lai's appointment as an Independent Non-executive Director, save as disclosed above, there is no other information to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities (the "**Listing Rule**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and there is no other matters that need to be brought to the attention of the holders of securities of the Company or the Stock Exchange.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

Interests in Shares and underlying shares of the Company

Name of Directors	Capacity	Number of Shares held	Number of underlying shares held	Total	Approximate percentage of interest in the issued ordinary share capital of the Company (Note 4)
Joseph CHOI Kin Hung	Beneficial Owner	-	1,334,000 (Note 1)	1,334,000	0.023%
LUI Chun Pong	Beneficial Owner	-	750,000 (Note 1)	750,000	0.013%
LIN Zhuo Yan	Interests of controlled corporation	-	2,704,166,666 (Note 2)	2,704,166,666	47.39%
	Interest of spouse	1,466,858,789 (Note 3)	-	1,466,858,789	25.70%

Notes:

1. 1,334,000 and 750,000 underlying shares held by Ir Joseph CHOI Kin Hung and Mr. LUI Chun Pong respectively represented share options granted pursuant to the share option scheme adopted by the Company on 22 May 2008. Details of which as at the Latest Practicable Date are set out as follows:

Name of Directors	Number of outstanding share options held as at the Latest Practicable Date	Exercise price per Share (HK\$)	Exercisable period (dd/mm/yyyy)
Joseph CHOI Kin Hung	1,334,000	1.02	04/12/2010 to 03/12/2019
LUI Chun Pong	750,000	1.29	30/09/2012 to 31/08/2021

2. As at the Latest Practicable Date, Rich Century Development Limited held 2,704,166,666 convertible preference shares in the capital of the Company. Rich Century Development Limited is wholly owned by Lin Zhuo Yan. As such, Rich Century Development Limited is deemed to be a controlled corporation of Lin Zhuo Yan under the SFO.
3. (a) 475,816,993 Shares are held by Neo Summit Limited (“**Neo Summit**”), which is owned by (i) Pinnacle State Real Estate Limited as to 28.89%; (ii) Summit View Holdings Limited (“**Summit View**”) as to 13.33%; (iii) Jones Capital Investments Limited as to 28.89%; and (iv) Becl World Holding Ltd as to 28.89%. Jones Capital Investments Limited is wholly-owned by Ms. MA Kwing, Pony. As such, Neo Summit is deemed to be a controlled corporation of Ms. MA Kwing, Pony under the SFO.
- (b) 991,041,796 ordinary shares are held by Summit View, which is owned as to 50% by Ms. MA Kwing, Pony. As such, Summit View is deemed to be a controlled corporation of Ms. MA under the SFO.
- (c) Mr. LIN Zuo Yan is the spouse of Ms. MA Kwing, Pony and is deemed to be interested under the SFO.
4. There were 5,706,670,104 Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company had registered an interest or a short position in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Group within the two years immediately preceding the date of this circular and are or maybe material:

- (i) the new sale and purchase agreement dated 28 April 2017 entered into between the New Vendor and the New Purchaser, pursuant to which the Vendor and the Purchaser agreed to change the transaction structure from sale and purchase of the Target Company (which is in essence holding the Property) to the sale and purchase of the Property directly;

- (ii) the sale and purchase agreement dated 18 November 2016 entered into between the Company, Smart Lane Holdings Limited (a direct wholly-owned subsidiary of the Company) and the Champ Key Holdings Limited, in relation to the disposal of certain 169,116,777 ordinary share(s) of HK\$0.10 each in the share capital of Synergis Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2340);
- (iii) the conditional subscription deed dated 18 January 2016 entered into by the Company relating to the subscription by Dr. WONG Ying Wai, for a zero coupon convertible bonds in the aggregate principal amount of HK\$34,000,000;
- (iv) the agreement dated 14 January 2016 entered into by the Company in connection with the Notes Issue in the aggregate principal amount of US\$150 million 8.50% Notes due in 2019;
- (v) the subscription agreement dated 3 November 2015 entered into by the Company relating to the issue and subscription of the 6% convertible bonds due in 2017 in the aggregate principal amount of up to US\$130 million;
- (vi) the sale and purchase agreement dated 14 September 2015 entered into between Hsin Chong Property Holdings Limited (a company directly wholly-owned by the Company) and Mr. LEUNG Wing Sing in respect of the disposal of 32,500 issued and fully paid-up shares of the L&X Investment Industrial Limited for a consideration of HK\$927,801,568, representing 65% of the entire issued share capital of this company;
- (vii) the purchase agreement dated 18 May 2015 entered into by the Company in connection with the Additional Notes Issue in the aggregate principal amount of US\$50 million 8.75% Notes due 2018 to be consolidated and form a single class with the Original Notes;
- (viii) the acquisition agreement dated 3 November 2014 entered into by the Company, in relation to the acquisition of a property development project in the PRC involving the issue of 295,833,333 Consideration Preference Shares on 26 April 2016 and 259,263,039 Consideration Preference Shares on 15 January 2016 respectively.

Save as previously disclosed by the Company and in this circular, no monetary consideration has been passed to or from any member of the Group in relation to the above material contracts.

4. DIRECTORS' COMPETING INTERESTS

As at the latest Practicable Date, Mr. YAN Jie (a Non-executive Director) was the board chairman of 天津物產置業發展有限公司 (“**Tewoo Property**”) engaging in property development in the PRC (the “**Tewoo Business**”). Based on Tewoo Group’s website, in recent years, it has developed and is developing projects of approximately 1.4 million sq.m GFA in total. Tewoo Property is a wholly owned subsidiary of Tewoo Group, which is a substantial shareholder of the Company.

For the purposes of the Listing Rules, Mr. YAN Jie is considered to have interest (by way of directorship) in competing businesses (i.e. property development and investment in the PRC). The operations of Tewoo Property and the Group and their respective management are totally separate and independent. Therefore, the Company has been and continues to carry on its business, management and operation independently of, and at arm’s length from, the Tewoo Business.

Save as disclosed above, as far as the Directors are aware, none of the Directors nor their respective close associates is and was interested in any business which competes or may compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any asset which has since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, no Director had a material interest, either directly or indirectly, in any subsisting contract or arrangement of significance to the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that save as the matters set out in the Company's announcements dated 19 May 2017, 22 May 2017, 24 May 2017, 29 May 2017, 12 June 2017 and 29 June 2017, there has been no material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion contained in this circular:

Name	Qualification
B.I. Appraisals Limited	Valuer

As at the Latest Practicable Date, B.I. Appraisals Limited had (i) no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which it appears.

11. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business in Hong Kong is at Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Chan Chi Fai, David who is a fellow member of the Hong Kong Institute of Certified Public Accountants and holds a Bachelor's degree in Business Administration from the University of Manchester. He has over 29 years of experience in company secretarial management, auditing, finance and corporate governance.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours of the Company at 10/F., Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (c) the annual reports of the Company for each of the two financial years ended 31 December 2015 and 31 December 2016;
- (d) the property valuation report prepared by B.I. Appraisals Limited as set out in Appendix II to this circular;
- (e) the written consent from B.I. Appraisals Limited referred to in the paragraph headed "Experts" in this appendix; and
- (f) this circular.

NOTICE OF SGM



HSIN CHONG GROUP HOLDINGS LIMITED

新昌集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of Hsin Chong Group Holdings Limited (“**Company**”) will be held at 2nd Floor, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Hong Kong on Monday, 31 July 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company. Capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 12 July 2017 (“**Circular**”) unless otherwise indicated.

ORDINARY RESOLUTIONS

(1) “**THAT**

- (a) the agreement for sale and purchase dated 28 April 2017 (the “**Agreement**”) entered into between Cogent Spring Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the company as seller and Diamond Ocean Investments Limited, a Company incorporated in Hong Kong, as the purchaser, in relation to the sale and purchase of the property located at Nos. 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong (a copy of the Agreement is marked “A” and produced to the Meeting and signed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and
- (b) any one or more of the directors of the Company (“**Director**”) be and is/are hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such documents for and on behalf of the Company by hand, or in the case of execution of documents under seal, to do so jointly with any one of a second Director, a duly authorized representative of the Director or the secretary of the Company, and to take such steps as he/she may in his/her absolute discretion considers necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement and the transactions contemplated thereunder.”

- (2) “To re-elect Mr. LAI Chik Fan as an Independent Non-executive Director of the Company.”

By order of the Board
Hsin Chong Group Holdings Limited
LIN Zhuo Yan

Non-executive Chairman and Non-executive Director

Hong Kong, 12 July 2017

NOTICE OF SGM

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*
Hsin Chong Center
107-109 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. The register of members of the Company will be closed from Wednesday, 26 July 2017 to Monday, 31 July 2017, both days inclusive (Hong Kong time), for the purpose of ascertaining shareholders' entitlement to attend and vote at the Meeting. In order to be eligible to attend and vote at the Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 25 July 2017 (Hong Kong time). During the period mentioned above, no transfers of shares will be registered.
5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
6. Where there are joint holders of any shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
8. Pursuant to the Listing Rules, the voting on the ordinary resolution at the Meeting will be conducted by way of poll.