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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)



SYNERGIS HOLDINGS LIMITED

新昌管理集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 02340)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTION MAJOR TRANSACTION

IN RELATION TO THE DISPOSAL OF 51% INTEREST IN THE SHARE CAPITAL OF DRIVEN POWER MANAGEMENT LIMITED

SALE AND PURCHASE AGREEMENT

Reference is made to the voluntary joint announcement of HCGH and Synergis dated 15 September 2016 in relation to the possible disposal of controlling stake in the ISP Business.

HCGH and Synergis jointly announce that on 21 September 2016 (after trading hours), Synergis and the Purchaser entered into the SP Agreement, pursuant to which Synergis has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares at the consideration of HK\$179.0 million, which shall be payable by the Purchaser to Synergis in cash on the Completion Date.

Driven Power is an investment holding company and its subsidiaries are principally engaged in the ISP Business in Hong Kong, the PRC and Macau. Upon Completion, Driven Power and each of its subsidiaries will cease to be subsidiaries of Synergis and its entire issued shares will be held as to 49% by Synergis and as to 51% by the Purchaser.

LISTING RULES IMPLICATIONS

Major transaction for Synergis

Synergis is a non-wholly owned subsidiary of HCGH. As one or more of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for Synergis under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Synergis Directors, after having made all reasonable enquiries, as at the date of this joint announcement, no Synergis Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the SP Agreement and the transactions contemplated thereunder.

Discloseable transaction for HCGH

As one or more of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for HCGH under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened for the Synergis Shareholders to consider and, if thought fit, to pass the resolution to approve the SP Agreement and the transactions contemplated thereunder.

As time is needed to prepare the relevant financial and other information to be included in the circular in accordance with the relevant requirements of the Listing Rules, a circular containing, among other things, (i) further details of the SP Agreement and the transactions contemplated thereunder; and (ii) a notice of the SGM, is expected to be despatched by Synergis to the Synergis Shareholders on or before 21 October 2016.

As the Disposal is subject to the satisfaction and/or waiver of the Conditions in the SP Agreement and therefore, may or may not proceed, HCGH Shareholders, Synergis Shareholders and potential investors are advised to exercise caution when dealing in the securities of HCGH and Synergis.

Reference is made to the voluntary joint announcement of HCGH and Synergis dated 15 September 2016 in relation to the possible disposal of controlling stake in the ISP Business.

HCGH and Synergis jointly announce that on 21 September 2016 (after trading hours), Synergis and the Purchaser entered into the SP Agreement, pursuant to which Synergis has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares at the consideration of HK\$179.0 million, which shall be payable by the Purchaser to Synergis in cash on the Completion Date.

THE SP AGREEMENT

The principal terms of the SP Agreement are as follows:

Date

21 September 2016 (after trading hours)

Parties

- (1) Synergis as the vendor; and
- (2) The Purchaser as the purchaser.

The Purchaser is an investment holding company incorporated in the BVI with limited liability. As at the date of this joint announcement, it is wholly-owned by VMSIG, which in turn is an existing shareholder of HCGH holding approximately 7.01% of the issued share capital of HCGH as at the date of this joint announcement. To the best knowledge, information and belief of the HCGH Directors and the Synergis Directors, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Subject Matter

Synergis has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares in accordance with the terms and conditions of the SP Agreement.

Consideration

The consideration for the Sale Shares is HK\$179.0 million and shall be payable by the Purchaser to Synergis in cash on the Completion Date.

The consideration represents approximately 9.1 times of the unaudited financial information of net profit after taxation and allocated corporate overheads of the ISP Business for the year ended 31 December 2015 in the amount of approximately HK\$38.7 million. As at 30 June 2016, the value of the ISP Business was approximately HK\$352.0 million comprising net tangible assets of the Target Group of approximately HK\$142.0 million and goodwill and intangible assets of the ISP Business of approximately HK\$210.0 million.

Conditions precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following Conditions:

- (a) the passing of the requisite resolutions by the Synergis Shareholders at the SGM to approve the SP Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, the bye-laws of Synergis and as required by applicable law (as the case may be);
- (b) the reserves and retained profit of the Target Group as at 30 June 2016 in the amount of approximately HK\$118.4 million remaining undistributed as of the Completion Date;
- (c) the licenses and permits of the relevant members of the Target Group as set out in the SP Agreement as at the Completion Date remaining valid and subsisting;
- (d) all restrictions or prohibitions which restrain or prevent Synergis in any way from conducting or limit the power of Synergis to conduct the transactions contemplated under the SP Agreement having been removed, cancelled, lifted, released, discharged or waived (as the case may be) including but not limited to such restrictions or prohibitions imposed by any lending banks or other lenders of Synergis or any member of the Target Group;
- (e) all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for the transaction contemplated under the SP Agreement having been obtained or made;
- (f) the warranties given by Synergis in the SP Agreement remaining true, accurate and not misleading in all material respects when made, and being true, accurate and not misleading on and as of the Completion Date;
- (g) the due diligence and investigation of the Target Group to be carried out by the Purchaser having been completed to the satisfaction of the Purchaser; and
- (h) in the reasonable opinion of the Purchaser, no material adverse effect (as defined in the SP Agreement) having been resulted or is likely to be resulted from the change of any of the key employees (as defined in and set out in the SP Agreement) or the termination of his/her/their employment with the Target Group (as the case may be).

The Purchaser may waive any of the Conditions except Conditions (a), (d) and (e) above at its sole discretion by written notice to Synergis. The remaining Conditions cannot be waived.

If any of the Conditions shall not have been fulfilled (or waived) by the Long Stop Date and in respect of Condition (d) above by the Completion Date, the SP Agreement shall terminate and cease to have effect (save as certain clauses), in which case none of the parties to the SP Agreement shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the SP Agreement).

Completion

Completion shall take place on the Completion Date. Upon Completion, Driven Power and each of its subsidiaries will cease to be subsidiaries of Synergis and its entire issued shares will be held as to 49% by Synergis and as to 51% by the Purchaser.

INFORMATION ON THE TARGET GROUP

As at the date of this joint announcement, Driven Power is a direct wholly-owned subsidiary of Synergis. The Target Group is principally engaged in the ISP Business in Hong Kong, the PRC and Macau.

In addition, as at the date of this joint announcement, the relevant subsidiary of Driven Power is in the process of establishing a new subsidiary in the PRC (i.e. Hsin Shun (Dongguan)).

The table below sets forth the unaudited financial information of the Target Group after taking into account the allocation of corporate overhead for the two financial years ended 31 December 2015:

	Year ended 31 December 2014 (unaudited) <i>HK\$ million</i>	Year ended 31 December 2015 (unaudited) <i>HK\$ million</i>
Net profit before taxation	25.0	47.7
Net profit after taxation	18.6	38.7

The unaudited consolidated net asset value of the Target Group as at 31 December 2015 amounted to approximately HK\$118.3 million.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the BVI with limited liability. As at the date of this joint announcement, it is wholly-owned by VMSIG.

According to the Purchaser, VMSIG is an investment holding company which is ultimately owned by Ms. Mak Siu Hang Viola who has substantive investment experience in various sectors including securities and real estate trading and investment in Hong Kong and the PRC. As at the date of this joint announcement, VMSIG owns approximately 7.01% of the issued share capital of HCGH.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

As at the date of this joint announcement, the Synergis Group is principally engaged in the provision of property management and facility management services, the ISP Business and ancillary business in Hong Kong, the PRC and Macau.

The ISP Business currently conducted by the Target Group was acquired by Synergis through Driven Power from certain subsidiaries of HCGH in 2012 at a total consideration of HK\$257.0 million with a view of re-aligning the respective interests between Synergis and HCGH. To finance the cash portion of the consideration of the acquisition of the ISP Business, Synergis obtained a banking facility of HK\$180.0 million at the interest rate of approximately 3.8% for a term of five years (the “**Acquisition Loan**”) commencing from December 2012. As at the date of this joint announcement, the outstanding amount under such banking facility is HK\$90.0 million and the interest expenses for the three financial years ended from 2013 to 2015 were HK\$6.3 million, HK\$5.4 million and HK\$4.5 million respectively. Since completion of the acquisition, the ISP Business has been a profit generating line of business of the Synergis Group. However, to sustain the current profit level of the ISP Business and further grow the ISP Business in such a highly competitive industry, Synergis will be required to make constant and substantial investment into the ISP Business.

The Synergis Directors consider that it is in the best interests of Synergis and the Synergis Shareholders as a whole to implement the Disposal based on the following reasons:

- the Disposal will enhance Synergis’ overall financial growth;
- the Disposal will allow the Remaining Group to focus and realign its resources to expand the strong property management and facility management services business in Hong Kong, Macau and elsewhere in Southeast Asia;
- it will provide immediate cash of approximately HK\$179.0 million for Synergis, part of which can be applied to settle the Acquisition Loan and will enhance Synergis’ financial position;

- the introduction of the Purchaser as a strategic investor may bring potential clients to the Target Group as it has well-established business networks with companies involving in property development and investment as well as infrastructure and retail businesses in the PRC and Hong Kong; and
- the Purchaser's networks and businesses will be beneficial to the growth in the ISP Business of which Synergis will still own a 49% equity interest.

Based on the above, the Synergis Directors consider that the terms of the Disposal are fair and reasonable, and the Disposal is in the best interests of Synergis and the Synergis Shareholders as a whole.

Based on the above, the HCGH Directors consider that the terms of the Disposal are fair and reasonable, and the Disposal is in the best interests of HCGH and the HCGH Shareholders as a whole. The directors of HCGH, which through its wholly-owned subsidiary namely Smart Lane Holdings Limited is interested in approximately 48.59% in the issued share capital of Synergis as at the date of this joint announcement, are supportive to the Disposal and will procure Smart Lane Holdings Limited to vote in favour of the relevant resolutions in the SGM.

Upon Completion, Driven Power and each of its subsidiaries will cease to be subsidiaries of Synergis and their financial results will not be included in the consolidated financial statements of the Synergis Group. It is estimated that, upon Completion, there will be no significant gain or loss from the Disposal by the Synergis Group which is calculated by reference to the sum of (i) the consideration of HK\$179.0 million; and (ii) the carrying value of the Target Group of approximately HK\$179.0 million as at 30 June 2016.

The actual gain or loss arising from the Disposal shall be determined based on the consolidated net asset value of the Target Group as at the Completion Date, and also the amount of expenses actually incurred incidental to the Disposal which may be different from the above.

The net proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately HK\$178.0 million. Synergis intends to apply the net proceeds in the following manner:

- (i) approximately HK\$90.0 million will be used to repay the Acquisition Loan; and
- (ii) the remaining balance will be used as general working capital.

INFORMATION ON HCGH

HCGH is an investment holding company. The principal activities of HCGH's subsidiaries are building construction, civil engineering, electrical and mechanical installation, the ISP Business, property development and investment, provision of property management and facility management services. The provision of property management and facility management services and the ISP Business are undertaken by the Synergis Group.

INFORMATION ON SYNERGIS

Synergis is an investment holding company. As at the date of this joint announcement, the principal activities of the Synergis Group are the provision of property management and facility management services, the ISP Business and ancillary business in Hong Kong, the PRC and Macau.

LISTING RULES IMPLICATIONS

Major transaction for Synergis

Synergis is a non-wholly owned subsidiary of HCGH. As one or more of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for Synergis under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Synergis Directors, after having made all reasonable enquiries, as at the date of this joint announcement, no Synergis Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the SP Agreement and the transactions contemplated thereunder.

Discloseable transaction for HCGH

As one or more of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for HCGH under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened for the Synergis Shareholders to consider and, if though fit, to pass the resolution(s) to approve the SP Agreement and the transactions contemplated thereunder.

As time is needed to prepare the relevant financial and other information to be included in the circular in accordance with the relevant requirements of the Listing Rules, a circular containing, among other things, (i) further details of the SP Agreement and the transactions contemplated thereunder; and (ii) a notice of the SGM, is expected to be despatched by Synergis to the Synergis Shareholders on or before 21 October 2016.

As the Disposal is subject to the satisfaction and/or waiver of the Conditions in the SP Agreement and therefore, may or may not proceed, HCGH Shareholders, Synergis Shareholders and potential investors are advised to exercise caution when dealing in the securities of HCGH and Synergis.

DEFINITIONS

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

“Business Day(s)”	any day (other than a Saturday, Sunday, public holiday in Hong Kong or any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Completion”	completion of the Disposal in accordance with the terms and conditions of the SP Agreement
“Completion Date”	the tenth (10th) Business Day after the day on which the last of the Conditions is fulfilled (or otherwise waived in accordance with the SP Agreement) or such other date as may be agreed by Synergis and the Purchaser on which Completion takes place
“Condition(s)”	the condition(s) of the SP Agreement precedent to Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Disposal”	the proposed disposal of the Sale Shares by Synergis pursuant to the terms and conditions of the SP Agreement
“Driven Power”	Driven Power Management Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of Synergis as at the date of this joint announcement
“Existing Subsidiaries”	collectively: (i) Hsin Chong Trading Limited; (ii) Hsin Chong Construction (Engineering) Limited; (iii) Hsin Chong Interiors (Hong Kong) Limited; (iv) Hsin Chong Construction Contracting Limited;

- (v) Hsin Chong Sourcing Services Limited;
- (vi) Hsin Chong abp Company Limited (the Chinese name of which is being changed as at the date of this joint announcement);
- (vii) Hsin Shun Metal Fabrication Company Limited;
- (viii) Everich Construction (Macau) Limited; and
- (ix) Hsin Chong Sourcing Services (Macau) Limited,

which are the existing subsidiaries, direct and indirect, of Driven Power as at the date of this joint announcement

“HCGH”	Hsin Chong Group Holdings Limited (新昌集團控股有限公司), 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: 404)
“HCGH Director(s)”	the director(s) of HCGH
“HCGH Shareholder(s)”	the shareholder(s) of HCGH
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hsin Shun (Dongguan)”	新順(東莞)金屬制品有限公司 (Hsin Shun (Dongguan) Metal Fabrication Company Limited*), a company to be established in the PRC which shall be owned as to 100% by Hsin Shun Metal Fabrication Company Limited, thus an indirect non-wholly owned subsidiary of Synergis upon establishment
“Independent Third Parties”	third parties independent of and not connected with HCGH and Synergis or any of their connected persons
“ISP Business”	interiors and special projects business conducted by the Target Group which comprises: (i) alteration and addition works and demolition works relating and incidental to such alteration and addition works; (ii) renovation and conservation works;

- (iii) fitting-out works for commercial projects;
- (iv) commercial, residential, retail and institutional special buildings projects;
- (v) maintenance works;
- (vi) construction works with an initial tendering submission amount of no more than HK\$300 million;
- (vii) curtain wall and related aluminum product business and fabrication factory; and
- (viii) material sourcing and procurement, including trading and e-commerce business

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2016, or such other date as may be agreed by Synergis and the Purchaser in writing
“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China which for the purpose of this joint announcement shall exclude Hong Kong, Macau and Taiwan
“Purchaser”	Dimension Vantage Limited, a company incorporated in the BVI with limited liability
“Remaining Group”	Synergis and its subsidiaries immediately after Completion
“Sale Shares”	51 shares of Driven Power, which shall represent 51% of the issued share capital of Driven Power as at Completion
“SGM”	the special general meeting of the Synergis Shareholders to be convened by Synergis to consider and approve the SP Agreement and the transactions contemplated thereunder
“SP Agreement”	the sale and purchase agreement dated 21 September 2016 entered into between Synergis and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Synergis”	Synergis Holdings Limited (新昌管理集團有限公司*), 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)
“Synergis Director(s)”	the director(s) of Synergis
“Synergis Group”	Synergis and its subsidiaries
“Synergis Shareholder(s)”	the shareholder(s) of Synergis
“Target Group”	collectively, (i) Driven Power; (ii) the Existing Subsidiaries; (iii) Hsin Chong – Wah Cheong Joint Venture (01); and (iv) Hsin Chong – Wah Cheong Joint Venture (02); but excluding Hsin Shun (Dongguan)
“VMSIG”	VMS Investment Group Limited, a company incorporated in the BVI with limited liability and the holding company of the Purchaser as at the date of this joint announcement
“%”	per cent.

By order of the board of directors of
Hsin Chong Group Holdings Limited
Lin Zhuo Yan
Non-Executive Chairman

By order of the board of directors of
Synergis Holdings Limited
Joseph Choi Kin Hung
Executive Director and Chairman

Hong Kong, 21 September 2016

As at the date of this joint announcement, the Non-Executive Chairman of HCGH is Mr. Lin Zhuo Yan; the executive directors are Ir. Joseph Choi Kin Hung (Co-Chief Executive Officer), Mr. Zhou Wei (Chief Strategic Officer), Mr. Wilfred Wu Shek Chun (Chief Risk Officer) and Mr. Lui Chun Pong (Chief Financial Officer); the non-executive directors are Mr. Yan Jie, Mr. Chen Lei and Mr. Chui Kwong Kau; and the independent non-executive directors are Mr. Cheng Sui Sang, Ms. Lee Jai Ying, Mr. Kwok, Shiu Keung Ernest and Mr. George Yuen Kam Ho.

As at the date of this joint announcement, the executive directors of Synergis are Ir. Joseph Choi Kin Hung (Chairman), Mr. Terence Leung Siu Cheong (Managing Director) and Mr. Lui Chun Pong; and the independent non-executive directors are Mr. Stephen Ip Shu Kwan, Mr. Kan Fook Yee, Mr. Wong Tsan Kwong and Mr. David Yu Hon To.

* for identification purposes only