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HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF EQUITY INTEREST IN SUPERIOR CHOICE HOLDINGS LIMITED

INTRODUCTION

The Company announces that on 28 February 2019, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Seller, entered into the SPA, pursuant to which the Purchaser agreed to purchase and the Seller agreed to sell the Property for a total consideration of HK\$700,000,000 by way of sale and purchase of the Shares and the Shareholder Loans. The Target Group owns the Property, known as “CentreHollywood”, located at No. 151 Hollywood Road, Hong Kong.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio set forth under Rule 14.07 of the Listing Rules in respect of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is therefore subject to the reporting and disclosure requirements under Chapter 14 of the Listing Rules.

Completion of the Transaction is conditional upon the satisfaction or, if applicable, waiver of certain conditions. Accordingly, there is no assurance that the Transaction will take place or as to when it will take place. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company. If in doubt, investors are recommended to consult their professional adviser(s).

INTRODUCTION

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THE SPA

Date

28 February 2019

Parties

- (a) Jinshang International Investment Company Limited (晉商國際投資有限公司), as Seller; and
- (b) Fundamental Assets IV Limited, as Purchaser.

Transaction

The Purchaser agreed to purchase and the Seller agreed to sell the Shares and the Shareholder Loans.

Property purchase price

The purchase price for the Property shall be HK\$700,000,000. It is based on an independent valuation report commissioned by the Company in relation to the Property and was arrived at after arm’s length commercial negotiations between the Seller and the Purchaser.

Terms of payment

Payment upon signing of the SPA

The following payments will be made upon the signing of the SPA:

- (a) a sum of HK\$70,000,000, being part of the earnest money previously paid by the Purchaser to the Seller’s Lawyers as stakeholders in relation to the Transaction, to be released to the Seller by the Seller’s Lawyers upon signing of the SPA; and
- (b) a sum of HK\$30,000,000, being the balance of the earnest money as mentioned above, to be released to the Seller by the Seller’s Lawyers upon signing of the SPA.

Payment upon Completion

Upon Completion, the Purchaser shall pay to the Seller's Lawyers the aggregate amount of HK\$600,000,000, of which HK\$3,000,000 will be held by the Seller's Lawyers as stakeholders until the post-completion adjustments of the Purchase Price are settled (see below).

Post-Completion adjustments

Within 10 business days after Completion, the Seller shall provide the Purchaser with a set of unaudited consolidated completion accounts of the Target Group for review. The Seller and the Purchaser shall then agree the net current asset value of the Target Group, and an adjustment (if applicable) shall be made by effecting a payment from the Purchaser to the Seller to account for the net current asset value if such value is a positive figure, or a payment from the Seller to the Purchaser in the absolute value of the net current asset value if such value is a negative figure.

Within 60 days after Completion, the Purchaser may at its sole discretion elect to procure the Target to instruct its auditors to audit the consolidated completion accounts provided by the Seller. The audited completion accounts will then be reviewed and verified by another auditor as nominated under the SPA. If there is any discrepancy between the net current asset value of the Target Group as set out in the draft completion accounts provided by the Seller and that set out in the audited and verified completion accounts, a further adjustment will be made by effecting a payment from the Seller to the Purchaser to account for such discrepancy if the former exceeds the latter, or vice versa if the latter exceeds the former.

Conditions Precedent

The Purchaser is not obliged to proceed to Completion unless the following Conditions Precedent have been satisfied:

- (a) there has been no material adverse change to the accounting, financial and legal status of the Target Group; and
- (b) there has been no breach of any Fundamental Warranties.

Warranties

The Seller has given certain warranties for various aspects of the Target Group, including for example in relation to the Seller's power and capacity, ownership of Shares, the Shareholder Loans, the Property, the Target Group's Property Business, employees, taxes, contracts and litigation.

Tax indemnity

At Completion, the Seller shall provide the Tax Deed to indemnify the Purchaser, the Target and the Target Subsidiary in relation to liabilities to (i) any tax on profit or income or other similar liabilities to the IRD, (ii) any withholding tax, and (iii) any interest, penalties, costs, charges or expenses relating to taxation or the deprivation of any tax relief, which fall on the Target Group and becomes payable before Completion or results from activities before Completion, subject to such other terms and conditions as are customary to transactions of a similar nature.

Seller's conduct between signing of the SPA and Completion

The Seller is subject to a number of negative covenants in relation to its conduct between signing of the SPA and Completion. These include, for example, covenants that the Seller shall not make changes to the nature of the Target Group's Property Business, issue shares, declare or pay dividends, incur indebtedness, create guarantees or indemnities for other persons, dispose of the Property or create any Encumbrance over it, or do anything else that would result in any Seller's warranty becoming incorrect or misleading at any time before Completion.

Completion

Completion shall take place on or before 28 February 2019 (or such other date as may be agreed by the Seller and Purchaser).

The Seller and the Purchaser shall provide completion deliverables to each other by Completion as are customary to transactions of a similar nature.

Termination

- (a) The Purchaser may terminate the SPA by a notice to the Seller in writing if:
- (i) any Conditions Precedent has not been met and so it is relieved of the obligation to proceed to Completion; or
 - (ii) it is ready and willing to carry out the obligations related to the Completion Arrangements but the Seller fails to perform its obligations related to the Completion Arrangements, or has indicated that it will be unable to do so,

and if the Purchaser exercises such right to terminate the SPA, it shall be entitled to a refund of the Deposit and Part Payment. If such right to terminate is exercised upon the occurrence of circumstance (ii) above, the Purchaser is also entitled to such loss and damages as the Purchaser may suffer in relation to such termination.

- (b) The Seller may terminate the SPA by a notice to the Purchaser in writing if it is ready and willing to perform the obligations related to the Completion Arrangements but the Purchaser fails to perform its obligations related to the Completion Arrangements, or has indicated that it will be unable to do so. If the Seller exercises such right to terminate the SPA, it shall be entitled to forfeit the Deposit and resell the Shares and/or the Shareholder Loans or procure the Target Group to resell the Property – any increase in price on the resale shall belong to the Seller or the Target Group (as the case may be).

Limitation of the Seller's liabilities

The Seller's aggregate liability under the SPA is limited to 100% of the Purchase Price in the case of a breach of any Fundamental Warranties, or 25% of the Purchase Price if no such breach is involved (i.e. in relation to the breach of other warranties only).

INFORMATION ABOUT THE TARGET GROUP AND THE PROPERTY

The Target

The Target is a company incorporated in the British Virgin Islands with limited liability and as at the date of this announcement is a direct wholly-owned subsidiary of the Seller. The Target is the sole shareholder of the Target Subsidiary, which is the sole legal and beneficial owner of the Property. Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company.

A summary of the audited financial information of the Target (on a consolidated basis) for the two years ended 31 March 2018 is set out below:

	For the year ended 31 March 2018	For the year ended 31 March 2017
	<i>HK\$</i>	<i>HK\$</i>
Net profit before taxation and extraordinary items	16,815,620	101,954,493
Net profit after taxation and extraordinary items	17,745,138	100,703,624

As at 31 March 2018, the audited net asset value of the Target Group (on a consolidated basis) amounted to approximately HK\$330,140,844.

The Target Subsidiary

The Target Subsidiary is a company incorporated in Hong Kong with limited liability whose principal business activity is holding and leasing out the Property, and is a wholly-owned subsidiary of the Target. The Target Subsidiary is the registered and the sole legal and beneficial owner of the Property. Upon Completion, the Target Subsidiary will become an indirect wholly-owned subsidiary of the Company.

The Property

The Property comprises all those pieces or parcels of ground registered in the Land Registry as The Remaining Portion of Sub-Section 1 of Section E of Inland Lot No.853, The Remaining Portion of Sub-Section 2 of Section E of Inland Lot No.853 and The Remaining Portion of Section E of Inland Lot No.853 together with the messuages, erections and buildings thereon known as “CentreHollywood” (formerly known as “iZi” and “Yee Hing Loong Commercial Building”), No.151 Hollywood Road, Hong Kong and the appurtenances thereto.

INFORMATION ABOUT THE GROUP AND THE PARTIES TO THE SPA

The Company and the Group

The Company is a company incorporated under the laws of Bermuda with limited liability, and is an investment holding company. The Group’s principal business includes foundation piling and site investigation, property development and investment and investment business.

The Seller

The Seller is a company incorporated in the British Virgin Islands with limited liability. The Seller’s principal business activity is investment holding.

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands whose principal business activity is investment holding.

The Seller’s guarantor

The ultimate legal and beneficial owner of the Seller has separately given a guarantee to the Purchaser, under which the owner agrees to guarantee, in favour of the Purchaser, the due and punctual performance and observance by the Seller of all its obligations and undertakings, and to indemnify the Purchaser in respect of any breach by the Seller of any of its obligations and undertakings under the SPA, the Tax Deed and the Shareholder Loan Assignment Deed.

Seller independence

To the best of the directors’ knowledge, information and belief having made all reasonable enquiry, the Seller and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company. The Company has also requested and obtained a Confirmation Letter of Independence from the ultimate legal and beneficial owner of the Seller.

REASONS FOR THE TRANSACTION AND FINANCIAL IMPLICATIONS THEREOF

Based on the unaudited consolidated management accounts of the Company, as at 31 December 2018, the Group had total cash of approximately HK\$4.90 billion (including fixed deposits and non-pledged bank balances of approximately HK\$3.43 billion, pledged bank balances of approximately HK\$0.04 billion and restricted cash of approximately HK\$1.43 billion) and the unaudited total asset of the Company was approximately HK\$17.3 billion. As disclosed in the announcement of the Company dated 1 February 2019, the Company estimates that the net cash proceeds from the disposal of the entire issued share capital of Twinpeak Assets Limited and the shareholder loans owing by Twinpeak Assets Limited (the “Disposal Transaction”) will be approximately HK\$3.6 billion (subject to finalisation). The consideration for the Property is HK\$700 million.

The Board considers that the Transaction provides an opportunity for the Company to leverage its experience in the property market and utilise the internal financial resources of the Group towards a stable income-generating asset, with a view to achieving sustainable growth and development of the Company as a whole.

The Board believes that the price and rental for office premises in Central, being one of prime locations in Hong Kong, will be able to maintain their growth momentum. The Property is intended for investment purpose. The Transaction will provide capital appreciation potential to the Company, and the Property, if leased, will enable the Company to generate rental income and strengthen its income base.

Taking into account the abovementioned factors, the Directors consider that the terms of the SPA (and the transactions contemplated under it) are made on normal commercial terms and are fair and reasonable, and that entering into the SPA and the Transaction is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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Completion of the Transaction is conditional upon the satisfaction or, if applicable, waiver of certain conditions. Accordingly, there is no assurance that the Transaction will take place or as to when it will take place. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company. If in doubt, investors are recommended to consult their professional adviser(s).

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

- “Board” means the board of directors of the Company;
- “Company” means Hong Kong International Construction Investment Management Group Co., Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited;
- “Completion” means completion of the Transaction under the SPA;
- “Completion Arrangements” means arrangements to be made and actions to be carried out by respectively the Seller and the Purchaser by Completion comprising mainly the provision of completion deliverables;
- “Conditions Precedent” means each of the conditions set out in the “Conditions Precedent” section of this announcement;
- “Confirmation Letter of Independence” means a letter dated 26 December 2018 signed and provided by the ultimate beneficial and legal owner of the Seller confirming that, amongst other things:
- (1) she does not fall within the scope of “connected persons” of the Company as set out in the annex to that letter; and
 - (2) she is not an associate of any “connected persons” mentioned in (1) above;
- “Deposit” means the amount of HK\$70,000,000 to be released to the Seller upon signing of the SPA as referred to in the paragraph entitled “Terms of payment” of this announcement;
- “Encumbrance” means any mortgage, charge, pledge, lien, restriction, assignment, hypothecation, security interest, title retention or any other agreement or arrangement the effect of which is the creation of security; or any other interest, equity or other right of any person (including without limitation any right to acquire, option, right of first refusal or right of pre-emption); or any agreement or arrangement to create any of the same;
- “Fundamental Warranties” means certain warranties given by the Seller under the SPA in relation to the ownership of Shares, the shares of the Target Subsidiary, the Shareholder Loans and the Property;

“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“IRD”	means the Inland Revenue Department of Hong Kong;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Part Payment”	means the amount of HK\$30,000,000 to be released to the Seller upon signing of the SPA as referred to in the paragraph entitled “Terms of payment” of this announcement;
“Property”	means No.151 Hollywood Road, Hong Kong, as more particularly described in this announcement;
“Purchaser”	has the meaning set out in the paragraph entitled “Parties” in this announcement, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-subsubsidiary of the Company;
“Purchase Price”	means the total price payable by the Purchaser to the Seller for the Shares and the Shareholder Loans under the SPA;
“Seller”	has the meaning set out in the paragraph entitled “Parties” in this announcement, a company incorporated in the British Virgin Islands with limited liability with the entire equity interest wholly-owned by an independent third party;
“Seller’s Lawyers”	means Lo & Lo Solicitors & Notaries Public, World-wide House, 19 Des Voeux Road Central, Hong Kong;
“Shareholders”	means shareholders of the Company;
“Shareholder Loans”	means three loans owed by the Target and the Target Subsidiary to the Seller;
“Shareholder Loan Assignment Deed”	means a deed to be entered into between the Seller, the Purchaser, the Target and the Target Subsidiary pursuant to the SPA under which the Seller assigned its interests in relation to the Shareholder Loans to the Purchaser;

“Shares”	means all the issued shares of the Target;
“SPA”	means the sale and purchase agreement in relation to the Transaction entered into between the Seller and the Purchaser on 28 February 2019;
“Target”	means Superior Choice Holdings Limited, a company incorporated in the British Virgin Islands;
“Target Group”	means the Target and the Target Subsidiary;
“Tax Deed”	means a tax deed to be entered into between the Seller, the Purchaser, the Target and the Target Subsidiary pursuant to the SPA as described in the paragraph headed “Tax indemnity” in this announcement;
“Target Group’s Property Business”	means holding all the issued shares in the Target Subsidiary which in turn holds and leases out the Property;
“Target Subsidiary”	means Excel Pointer Limited, a company incorporated in Hong Kong, which is a subsidiary of the Target; and
“Transaction”	means the contemplated transaction for the Seller to sell the Shares and the Shareholder Loans to the Purchaser, and for the Purchaser to purchase the Shares and the Shareholder Loans from the Seller.

By order of the Board
**HONG KONG INTERNATIONAL CONSTRUCTION
INVESTMENT MANAGEMENT GROUP CO., LIMITED**
Sun Kin Ho Steven
Co-Chairman

Hong Kong, 28 February 2019

As at the date of this announcement, the executive directors of the Company are Mr. Chen Chao, Mr. Sun Kin Ho Steven, Mr. He Jiafu, Mr. Fung Chiu Chak, Victor, Mr. Liu Junchun, Mr. Huang Qijun, Mr. Guo Ke and Mr. Zhang Peihua; the non-executive directors are Mr. Tang King Shing and Mr. Yang Han Hsiang; and the independent non-executive directors are Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Chong Kin Ho.

Company website: www.hkicimgroup.com