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ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
中昌國際控股集團有限公司
(incorporated in Bermuda with limited liability)
(Stock code: 859)

MAJOR TRANSACTION
(1) TERMINATION OF AGREEMENT
AND
(2) ENTRY INTO NEW DISPOSAL AGREEMENT
IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY
INTEREST IN HANGZHOU MINGLUN

Reference is made to the announcement (the “**Disposal Announcement**”) of Zhongchang International Holdings Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 7 April 2020 in relation to the disposal of the entire equity interest in Hangzhou Minglun. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Disposal Announcement.

TERMINATION OF THE AGREEMENT

As disclosed in the Disposal Announcement, if any of the conditions precedent under the Agreement is not fulfilled by 30 June 2020 (or such later date as may be agreed among the parties to the Agreement), the Agreement shall lapse. As at the close of business on 30 June 2020, certain conditions precedent under the Agreement remain not satisfied, accordingly, the parties agreed to terminate the Agreement.

ENTRY INTO THE NEW DISPOSAL AGREEMENT

As the original parties to the Agreement, namely Zhoushan Mingyi (as the vendor under the Agreement), Hangzhou Minglun (as the target under the Agreement) and Dongtou Property (as the purchaser under the Agreement) still intend to cooperate and proceed with the transactions relating to Hangzhou Minglun, they, together with Dongwang Project Management, entered into the New Disposal Agreement on 30 June 2020.

The principal terms of the New Disposal Agreement are set out as follows:

Date

30 June 2020

Parties

- (i) Zhoushan Mingyi (i.e. the Vendor)
- (ii) Hangzhou Minglun (i.e. the Target)
- (iii) Dongtou Property
- (iv) Dongwang Project Management (i.e. the Purchaser)

Termination of the Agreement

The Parties agreed and confirmed that (i) the Agreement was terminated immediately upon execution of the New Disposal Agreement and (ii) there was no breach of the terms of the Agreement by the parties thereto; and (iii) each of them agreed to waive their respective rights to claim or seek other remedy against the other for matters arising out of or in connection with the Agreement.

Asset to be disposed

Pursuant to the New Disposal Agreement, the Vendor conditionally agreed to sell and Dongwang Project Management conditionally agreed to purchase the Sale Interest, which represents the 100% equity interest in the Target and all rights and obligations attached to such equity interest (including but not limited to the obligation to repay the entire shareholder's loan of approximately RMB23.86 million owed by the Target to the Group).

As disclosed in the Disposal Announcement, the principal asset of the Target is the property interest in the Land under the Transfer Agreement. Further details of the Target and the Land are set out in the section headed "Information of the Target and the Land" below.

Consideration and manner of cooperation

Pursuant to the New Disposal Agreement, among others:

- i. In respect of the Sale Interest, the Consideration shall be RMB180,248,710, which shall consist of (a) the Share Purchase Price of RMB156,387,710 and (b) the Loan Purchase Price of RMB23,861,000.
- ii. Within 2 days from the signing of the New Disposal Agreement, the Deposit kept in the Account as escrow money and partial payment for the consideration pursuant to the Agreement shall be returned to Dongtou Property; and within 2 business days from the return of the Deposit, Dongtou Property shall terminate its joint control over certain materials of Hangzhou Minglun (including company chop, licences, company documents and bank account details).
- iii. Following the return of the Deposit and the opening of the Joint Account, Dongwang Project Management shall provide the Dongwang Loan by depositing (a) RMB30,000,000 as the 1st instalment into the Joint Account within 3 Business Days from the opening of the Joint Account and (b) RMB156,000,000 as the 2nd instalment into the Joint Account on or before 5 July 2020. The Dongwang Loan shall be only used by the Vendor to pay the remaining balance of purchase price of the Land, the relevant tax and levy for late payment (if any) of approximately RMB174.7 million (the “**Remaining Land Acquisition Cost**”). Furthermore, if there is any relevant governmental authority requires the Target to pay a security deposit before commencement of construction on the Land, the Purchaser will further provide a loan to the Target.
- iv. The Share Purchase Price shall be exclusive of the Remaining Land Acquisition Cost and shall not be adjusted by any change in the Remaining Land Acquisition Cost (e.g. due to increase in levy for late payment) or the Dongwang Loan. The Dongwang Loan has a tenor commencing from the date of actual contribution to 4 July 2021 and an zero interest rate and the principal shall be fully repaid by the Target upon maturity. Upon Completion, the Dongwang Loan shall be solely assumed and repaid by the Target to the Purchaser.
- v. Upon the Purchaser providing the 1st instalment of the Dongwang Loan to the Joint Account, the company chop, licence, company documents and bank account details of Hangzhou Minglun shall be kept in a designated location agreed by all Parties and jointly controlled by the Vendor and the Purchaser.
- vi. Upon the Purchaser providing the 2nd instalment of the Dongwang Loan, the Vendor shall provide an equity pledge over its 100% equity interest in the Target (the “**Target Equity Pledge**”) in favour of the Purchaser and cooperate with the Purchaser to complete the registration of the equity pledge.

- vii. Within 2 Business Days from completing of the steps mentioned in (vi) above, funds in the Joint Account shall be applied to pay for the Remaining Land Acquisition Cost by the Target.
- viii. The Target shall obtain the title certificate for the Land within 7 Business Days from payment of the Remaining Land Acquisition Cost and the Purchaser is entitled to participate in and supervise the process.
- ix. Within 10 Business Days from the Target obtaining the title certificate for the Land, the Purchaser shall pay the Consideration to a bank account jointly operated by the Vendor and the Purchaser to be opened under the name of the Vendor at a designated bank (the “**Escrow Account**”).
- x. Upon payment of the Consideration, the Purchaser shall cooperate with the Vendor to terminate the Target Equity Pledge and the Vendor, the Purchaser and the Target shall cooperate in completing the registration of the change of ownership in the Target. Within 1 Business Day of completing such registration, the Purchaser shall terminate its control over the Escrow Account and the Vendor shall be solely entitled to use the funds in the Escrow Account.
- xi. Upon receipt of the Consideration in the Escrow Account and the Purchaser’s termination of its control over the Escrow Account, the joint control over the company chop, licence, company documents and bank account details etc. of the Target shall terminate and such materials shall be released to the Purchaser.
- xii. The Transaction shall be subject to the approval from relevant regulatory authorities (including but not limited to the Stock Exchange and (where applicable) the SFC) and the Shareholders.

Basis of the Consideration

Pursuant to the New Disposal Agreement, the Consideration for the Sale Interest is approximately RMB180.25 million (equivalent to approximately HK\$196.47 million) which was determined after arm’s length negotiations between the Purchaser and the Vendor after taking into account (i) the unaudited net asset value of the Target of approximately RMB149.1 million (equivalent to approximately HK\$162.5 million) as at 31 December 2019; (ii) the amount of the shareholder’s loan owed by the Target to the Group of approximately RMB23.86 million (equivalent to approximately HK\$26.01 million) as at the date of the New Disposal Agreement; and (iii) the reference value of the Land (assuming that proper title of certificate has been granted and the Land can be freely transferrable) as at 31 December 2019 preliminarily assessed by Vincorn Consulting and Appraisal Limited, an independent professional valuer, using market approach.

Completion

Completion shall take place upon the receipt of the Consideration in the Escrow Account and the Purchaser's termination of its control over the Escrow Account. Upon Completion, the Target will cease to be a subsidiary of the Company, and its financial results will cease to be consolidated into the financial statements of the Company.

Termination

The New Disposal Agreement provides that, among others:

- i. After receipt of the Dongwang Loan in the Joint Account and payment of the Remaining Land Acquisition Cost, the Transaction shall terminate and the New Disposal Agreement shall lapse if:
 - a. the Transfer Agreement is terminated by the relevant authority; or
 - b. the title certificate for the Land cannot be obtained 1 month after its target date; or
 - c. there is a failure to obtain the relevant approval by the Shareholders, the Stock Exchange and (where applicable) the SFC and internal approval by the Vendor and the Target by 25 September 2020; or
 - d. after receipt of the Consideration in the Escrow Account, the registration of the transfer of ownership in the Target cannot be completed (other than due to default on the part the Vendor); or
 - e. after completion of the registration of the transfer of ownership in the Target (to the name of the Purchaser), any governmental bodies require the Parties to re-register the ownership in the Target in the name of the Vendor, and

if no new agreement is reached by the Parties after 20 days from the occurrence of any of the above events, the Target and the Vendor shall, within 10 Business Days from the Purchaser serving a written notice, return all principal under the Dongwang Loan and the Consideration (if any) to the Purchaser together with an interest payment calculated at the rate of 16% per annum divided by the actual number of day(s) of the relevant funds from the Purchaser which is held or used by the Target and/or the Vendor.
- ii. If any Party breaches its obligation under the New Disposal Agreement and fails to rectify such breach, the non-defaulting Party(ies) shall be entitled to terminate the New Disposal Agreement.

- iii. If the Vendor or the Target delays in fulfilling their respective obligations (for example, obtaining the title certificate for the Land by the target date and completing the registration of transfer in ownership of the Target), the defaulting Party shall be liable to pay a base penalty equal to 0.06% of the aggregate of the Consideration and the Dongwang Loan for each day of delay. If the delay persists for more than one month, the Purchaser shall be entitled to terminate the New Disposal Agreement unilaterally and the Vendor and the Target shall return all payments made by the Purchaser (including the Consideration and the Dongwang Loan) and pay a penalty equal to 20% of the of the aggregate of the Consideration and the Dongwang Loan within 7 Business Days upon notice from the Purchaser as well as compensate the Purchaser for all direct and indirect loss and the cost for enforcing its rights, while the base penalty continues to accrue until all sum has been paid or returned.
- iv. If the Purchaser delays in fulfilling its obligations (including timely payment of the Consideration and contribution of the Dongwang Loan), it shall be liable to pay a base penalty equal to 0.06% of the aggregate outstanding amount for each day of delay. If the delay persists for more than 10 days, the Vendor shall be entitled to terminate the New Disposal Agreement unilaterally and the Purchaser shall pay a penalty equal to 20% of the aggregate of the outstanding amount within 5 Business Days upon notice from the Vendor as well as compensate the Vendor for all direct and indirect loss and the cost for enforcing its rights, while the base penalty continues to accrue until all sum has been paid or returned.
- v. If the Vendor discusses or reaches any agreement (whether oral or written) with any third party in relation to the Transaction after the effective date of the New Disposal Agreement, the Vendor shall pay a penalty of RMB20 million to the Purchaser.

INFORMATION OF THE TARGET AND THE LAND

The Target

The Target is an indirect wholly-owned subsidiary of the Company as at the date of this announcement and a special purpose vehicle established in the PRC on 31 May 2019 for the purpose of holding the Land. Apart from the acquisition of the Land, the Target has not conducted any other substantive business operations since its establishment.

The Land

Reference is made to the Disposal Announcement for details of location and development plan of the Land.

As at the date of this announcement, development works on the Land have not yet commenced. The Land was acquired by the Target from Lin'an Resources Bureau through a public tender process in June 2019 at the consideration of RMB347.6 million (equivalent to approximately HK\$378.9 million). The Group had made a partial payment of approximately RMB173.8 million (equivalent to approximately HK\$189.4 million) (the “**Partial Payment**”) as of the date of this announcement. The Remaining Land Acquisition Cost payable on or before 7 July 2020 is approximately RMB174.7 million.

Financial information

Based on the unaudited management accounts of the Target as at 31 December 2019, the unaudited net asset value of the Target amounted to approximately RMB149.1 million (equivalent to approximately HK\$162.5 million), the principal asset of which is the Partial Payment and the principal liability of which is the shareholder's loan owed to the Group of approximately RMB23.86 million (equivalent to approximately HK\$26.01 million). As development works at the Land have not yet commenced, the Target did not record any revenue for the period from the date of establishment to 31 December 2019. The Target recorded loss (both before and after tax) of approximately RMB0.9 million (equivalent to approximately HK\$1.0 million) for the period from 31 May 2019 (being the date of its establishment) to 31 December 2019.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As disclosed in the Disposal Announcement, completing the Transaction and receipt of the Consideration would allow the Group to, among others, (1) recoup in full the investment costs in the Target, and (2) fund the general working capital and operating expenses of the Group. As contemplated under the New Disposal Agreement, the funds required for the Remaining Land Acquisition Cost will be covered by the Dongwang Loan and as a result, the Group does not need to commit significant financial resources to complete the acquisition of the Land pursuant to the terms of the Transfer Agreement.

The Group is also expected to record a gain from the Transaction (before expenses) of approximately RMB7.3 million (equivalent to approximately HK\$8.0 million), which represents the difference between (i) the Consideration; and (ii) the sum of unaudited net asset value of the Target and the amount of shareholder's loan as at 31 December 2019. The actual gain to be recorded by the Group may be different from the above estimation and is dependent on the actual net asset value of the Target at Completion.

The entry into the New Disposal Agreement would allow the Group to continue to proceed with the Transaction and realize the above expected benefits.

In light of the above, the Directors, including the independent non-executive Directors, consider the terms of the New Disposal Agreement to be on normal commercial terms and fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Vendor

The Vendor is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company and is principally engaged in property development and as at the date of this announcement, it owns 100% equity interest in the Target.

Dongtou Property

Dongtou Property is a company established in the PRC with limited liability in 2015 and is principally engaged in property development. It was awarded as one of the China Specialised Real Estate Company for 2019 (2019 中國特色地產運營優秀企業). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Dongtou Property is ultimately and beneficially owned as to 90.1% by Mr. Chen Dongxu, 7.62% by Ms. Huang Liping and 2.28% by Ms. Chen Cailian, respectively; and (ii) Dongtou Property and its ultimate beneficial owners are third parties independent of the Company and its connected persons and are not interested in any Shares as at the date of this announcement.

Dongwang Project Management

Dongwang Project Management is a company established in the PRC with limited liability in 2020 as a special purpose vehicle for the Transaction and is a direct wholly owned subsidiary of Dongtou Property as at the date of this announcement.

The Company

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The Company acts as an investment holding company and the principal activities of the Group are property leasing and property development.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceeds 25% but are less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As disclosed in the announcement dated 27 May 2020 of the Company, following the close of mandatory unconditional cash offer by Glory Rank Investment Limited (as offeror) (“**Glory Rank**”), Glory Rank controls the voting right of 111,642,295 Shares (representing approximately 9.93% of the entire issued share capital as at the date of this announcement) and China Cinda (HK) Asset Management Co., Limited, the sole shareholder of Glory Rank (“**China Cinda (HK)**”) controls the voting right of 843,585,747 Shares (representing approximately 74.98% of the entire issued share capital of the Company as at the date of this announcement). Accordingly, Glory Rank and China Cinda (HK) as parties acting in concert, collectively control the voting rights of 955,228,042 Shares (representing approximately 84.91% of the entire issued share capital of the Company as at the date of this announcement).

Pursuant to Rule 14.44 of the Listing Rules, Shareholders’ approval may be obtained by written Shareholders’ approval without the need of convening a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction; and (ii) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting of the Company to approve the Transaction.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction and accordingly no other Shareholder is required to abstain from voting on the resolution(s) in respect of the New Disposal Agreement and the transactions contemplated thereunder if the Company were to convene special general meeting.

The Company proposed to seek a written approval of the Transaction from Glory Rank and China Cinda (HK) as a closely allied group of Shareholders. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no special general meeting of the Company will be convened for the purpose of approving the Transaction.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) details of the New Disposal Agreement; (ii) valuation report of the Land; (iii) financial information of the Group; and (iii) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 22 July 2020. However, as no special general meeting will be convened for approving the Transaction, the Circular will be published for Shareholder’s information purpose only and will not contain any notice of the special general meeting.

DEFINITIONS

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

“Account”	the existing bank account jointly operated by the Vendor and the Dongtou Property opened under the name of Dongtou Property at a designated bank whereas the designated bank seal is within the Vendor’s custody for the purpose of holding the consideration payable by Dongtou Property pending completion in accordance with the terms of the Agreement
“Agreement”	the conditional sale and purchase agreement dated 7 April 2020 entered into among Dongtou Property, the Vendor and the Target in relation to the sale of the Sale Interest by the Vendor to Dongtou Property in accordance with its terms, which was terminated upon 30 June 2020 and following the execution of the New Disposal Agreement
“Board”	the board of Directors
“Company”	Zhongchang International Holdings Group 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: 859)
“Completion”	completion of the Transaction in accordance with the terms and conditions of the New Disposal Agreement
“Consideration”	the aggregate consideration for the Sale Interest of RMB180,248,710, which consists of the Share Purchase Price and the Loan Purchase Price under the New Disposal Agreement
“Director(s)”	the directors of the Company
“Deposit”	the sum of RMB25 million paid by the Purchaser after the opening of the Account as escrow money and partial payment for the consideration under the terms of the Agreement
“Dongtou Property”	東投地產集團有限公司 (Dongtou Property Group Co. Ltd.*), a company established in the PRC with limited liability and ultimately and beneficially owned as to 90.1% by Mr. Chen Dongxu, 7.62% by Ms. Huang Liping and 2.28% by Ms. Chen Cailian

“Dongwang Loan”	A loan of RMB186,000,000 to be provided by the Purchaser to the Target in accordance with the terms of the New Disposal Agreement
“Dongwang Project Management” or “Purchaser”	江西東望項目管理有限公司 (Dongwang Project Management Co. Ltd*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Dongtou Property
“Escrow Account”	the bank account jointly operated by the Vendor and the Purchaser to be opened under the name of the Vendor at a designated bank for the purpose of holding the Consideration payable by the Purchaser pending Completion
“Group”	the Company and its subsidiaries from time to time
“Hangzhou Minglun” or “Target”	杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.*), an indirect wholly-owned subsidiary of the Company as at the date of this announcement and before Completion
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	any person or company and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not connected persons of the Company and is third party independent of the Company and its connected persons in accordance with the Listing Rules
“Joint Account”	the bank account jointly operated by the Vendor, the Target and the Purchaser to be opened under the name of the Target at a designated bank for the purpose of holding the Dongwang Loan payable by the Purchaser pending Completion
“Land”	the parcel of land located in Lin’an District, Hangzhou City, Zhejiang Province, the PRC (浙江省杭州市臨安區)

“Loan Purchase Price”	RMB23,861,000, which equals to the net value of the shareholder’s loan owed by the Target to the Group as of the date of the New Disposal Agreement and forms part of the Consideration
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Parties”	parties to the New Disposal Agreement, namely, the Vendor, the Target, the Purchaser and Dongtou Property and each of them is a “Party”
“New Disposal Agreement”	the conditional sale and purchase agreement (including its schedules and annexes) dated 30 June 2020 entered into among the Purchaser, Dongtou Property, the Vendor and the Target in relation to the sale of the Sale Interest by the Vendor to the Purchaser in accordance with its terms
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 100% equity interest in the Target and all rights and obligations attached to such equity interest (including but not limited to the right to receive repayment of the entire shareholder’s loan owed by the Target to the Group) to be sold by the Vendor to the Purchaser pursuant to the New Disposal Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of the issued share(s) in the capital of the Company
“Share Purchase Price”	RMB156,387,710, which represents the value of 100% equity interest in the Target and forms part of the Consideration
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the proposed sale of the Sale Interest by the Vendor to the Purchaser pursuant to the terms and conditions of the New Disposal Agreement

“Transfer Agreement”	the transfer agreement dated 8 July 2019 entered into between the Target and Lin’an Resources Bureau in relation to the bidding of the Land, the principal terms of which are disclosed in the Company’s announcement dated 24 June 2019 and circular dated 12 July 2019
“Zhoushan Mingyi” or “Vendor”	舟山銘義文化產業投資有限公司 (Zhoushan Mingyi Cultural Assets Investment Co. Ltd.*), an indirect wholly-owned subsidiary of the Company which beneficially owns 100% equity interest in the Target as at the date of this announcement and before Completion
“%”	per cent.

By order of the Board of
Zhongchang International Holdings Group Limited
Ma Yilin
Chairman and Executive Director

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises Mr. Ma Yilin (Chairman), Mr. Chen Zhiwei, Mr. Tang Lunfei and Ms. Huang Limei as executive directors; Mr. Wang Xin and Dr. Huang Qiang as non-executive directors; and Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him as independent non-executive directors.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1.00 to HK \$1.09. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rates or at all.

* *For identification purpose only*