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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)**

**UPDATE ON THE PRELIMINARY FINDINGS OF THE SPECIAL  
INVESTIGATION COMMITTEE**

References are made to the announcements of Zhongchang International Holdings Group Limited (the “**Company**”) dated 15 October 2020, 16 October 2020, 20 November 2020 and 23 November 2020 in relation to, among other things, litigation involving certain members of the High Morality Group (being subsidiaries of the Company) (“**Litigation**”) and the suspected dissipation of the Dissipated Funds; the announcement of the Company dated 15 January 2021 in relation to the formation of a special investigation committee (the “**Announcements**”); and the circular of the Company dated 14 December 2020 (the “**Circular**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Circular unless the context requires otherwise.

On 30 March 2021, the PRC counsel has provided legal opinions to the Company, reporting to the Company on the preliminary investigation results by the PRC counsel in relation to the suspected dissipation of the Dissipated Funds by Shanghai Sansheng and the entry into the Alleged Zhenjiang Tiangong SPA (the “**Legal Opinions**”). Based solely on interviews conducted, and documents and information received and reviewed by the PRC counsel, the PRC counsel is of the view that:

*a. in relation to the suspected dissipation of the Dissipated Funds:*

- prepayments made by Zhenjiang Tiangong to Shanghai Rongzhen, which were subsequently transferred by Shanghai Rongzhen to Shanghai Sansheng, totaling RMB170.5 million (the “**Prepayments**”) were made without following the internal procedures of the Group;
- by allowing the Prepayments to be made, persons who were then responsible for the Prepayments may have committed the offence of illegal misappropriation of money and duty embezzlement;

- the suspected dissipation of the Dissipated Funds harmed the interests of the Group, and the Group may have a claim against Shanghai Sansheng for the repayment of the Prepayments;
- the Group may have a claim against Shanghai Rongzhen for repayment of overpaid construction costs; and

*b. in relation to the Alleged Zhenjiang Tiangong SPA:*

- due to the withdrawal of the Civil Claim, it is uncertain whether the Relevant Zhenjiang Tiangong SPA or the Alleged Zhenjiang Tiangong SPA is the sale and purchase agreement that reflects the true intention of the parties when the acquisition of Zhenjiang Tiangong was negotiated.

The Special Investigation Committee held a meeting to discuss the findings of the Special Investigation Committee, including but not limited to contents of documents reviewed and the Legal Opinions, and has reported the following preliminary findings to the Board:

*a. in relation to the suspected dissipation of the Dissipated Funds:*

- demand Shanghai Rongzhen to repay the construction costs overpaid by Zhenjiang Tiangong;
- commence civil legal proceedings against Shanghai Sansheng to recover the Prepayments;
- file criminal reports with the relevant PRC authorities against the then controller, directly responsible person and/or person-in-charge of Zhenjiang Tiangong for suspected misappropriation of money and duty embezzlement; and

*b. in relation to the Alleged Zhenjiang Tiangong SPA:*

- evaluate the feasibility of commencing separate proceedings against the Plaintiffs for failure of the Plaintiffs to perform their legal obligations under the Relevant Zhenjiang Tiangong SPA and/or the Alleged Zhenjiang Tiangong SPA.

The Board has on 31 March 2021 resolved to adopt the above recommendations of the Special Investigation Committee.

Further announcement(s) will be made by the Company regarding the development and results of the investigation undertaken by the Special Investigation Committee as and when appropriate.

By order of the Board  
**Zhongchang International Holdings Group Limited**  
**Chen Zhiwei**  
*Chairman and Executive Director*

Hong Kong, 31 March 2021

*As at the date of this announcement, the Board comprises Mr. Chen Zhiwei (Chairman), Ms. Ku Ka Lee, Mr. Tang Lunfei and Ms. Huang Limei as executive directors; Dr. Huang Qiang and Mr. Wong Chi Keung, Kenjie as non-executive directors; and Mr. Liew Fui Kiang, Mr. Wong Wai Leung and Mr. Yip Tai Him as independent non-executive directors.*

\* *for reference purposes only*