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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 IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN SHANGHAI YUEXIN

Reference is made to (i) the Put Option Circular in relation to the exercise of the Put Option; (ii) the Poll Results Announcement of the Company dated 5 January 2021; and (iii) the Previous Announcements.

As provided in the Previous Announcements, while the Independent Shareholders had approved the exercise of the Put Option and the Company had sent a written notice to the Original Vendor informing them of the exercise of the Put Option on 5 January 2021, on 6 January 2021, the Company received a response from the Original Vendor and the Guarantor providing that (i) the Original Vendor and the Guarantor will not be able to settle the consideration under the exercise of the Put Option, and (ii) the Company may sell all or part of High Morality or High Morality Group as the Company and Agile Scene deems fit. On 25 June 2021, Shanghai Yuexin commenced the Public Tender for the disposal of 100% equity interest held by Zhoushan Mingyi in Shanghai Yuexin on Shanghai UAEE.

The Bidding Period ended on 22 July 2021. The Board is pleased to announce that on 26 July 2021, the Company received notice from the Shanghai UAEE that one successful bidder, the Purchaser, had been identified. On 10 August 2021, Zhoushan Mingyi as the vendor and the Purchaser as the purchaser entered into the Equity Transfer Agreement and the Supplemental Agreements for the purposes of the Disposal. Upon completion of the Disposal, Shanghai Yuexin and Zhenjiang Tiangong will cease to be subsidiaries of the Company.

As one or more of the applicable size test percentage ratio in relation to the Disposal exceeds 25% but all of the applicable size test percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing, among other things, (i) further information on the Disposal; and (ii) other information required under the Listing Rules, will be despatched to the Shareholders on or before 31 August 2021.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders have a material interest in the Disposal, and accordingly none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the Disposal. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval from China Cinda (HK) (which is beneficially interested in approximately 74.98% of the issued share capital of the Company as at the date of this announcement) to approve the Disposal. Therefore, no general meeting of the Company will be convened to approve the Disposal.

BACKGROUND

Reference is made to (i) the Put Option Circular in relation to the exercise of the Put Option; (ii) the Poll Results Announcement of the Company dated 5 January 2021; and (iii) the Previous Announcements.

As provided in the Previous Announcements, while the Independent Shareholders had approved the exercise of the Put Option and the Company had sent a written notice to the Original Vendor informing them of the exercise of the Put Option on 5 January 2021, on 6 January 2021, the Company received a response from the Original Vendor and the Guarantor providing that (i) the Original Vendor and the Guarantor will not be able to settle the consideration under the exercise of the Put Option, and (ii) the Company may sell all or part of High Morality or High Morality Group as the Company and Agile Scene deems fit. On 25 June 2021, Shanghai Yuexin commenced the Public Tender for the disposal of 100% equity interest held by Zhoushan Mingyi in Shanghai Yuexin on Shanghai UAEE.

The Bidding Period ended on 22 July 2021. The Board is pleased to announce that on 26 July 2021, the Company received notice from the Shanghai UAEE that one successful bidder had been identified. On 10 August 2021, Zhoushan Mingyi and the Purchaser entered into the Equity Transfer Agreement and Supplemental Agreements for the purposes of the Disposal.

PRINCIPAL TERMS OF THE DISPOSAL UNDER THE EQUITY TRANSFER AGREEMENT AND SUPPLEMENTAL AGREEMENTS

- (a) **Date:** Each of the Equity Transfer Agreement and the Supplemental Agreements were entered into on 10 August 2021.
- (b) **Parties to the Equity Transfer Agreement:**
 - (1) Zhoushan Mingyi as the seller of 100% equity interest in Shanghai Yuexin
 - (2) The Purchaser as the successful bidder and purchaser

Each of the Supplemental Agreements were entered into among Zhoushan Mingyi, the Purchaser, Shanghai Yuexin and Zhenjiang Tiangong.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

(c) Subject Matter of the Equity Transfer Agreement and the Supplemental Agreements

100% equity interest in Shanghai Yuexin and its sole subsidiary, Zhenjiang Tiangong, together with all the assets held and liabilities owed by the Shanghai Yuexin Group, save as provided below. Under the Equity Transfer Agreement and the Supplemental Agreements, during the period between, Zhoushan Mingyi retains the right to legal recourse (including, but not limited to the right to these principal amounts and any interest accruing thereto, liquidated damages, other damages and other fees and expenses incurred in connection with securing its rights) as regards (a) the aggregate amount of RMB183.5 million provided by the Company and its subsidiaries to Shanghai Yuexin Group as shareholder's loans; and (b) the aggregate amount of RMB170.5 million, representing the amount of Dissipated Funds during the period between the date of the Supplemental Agreements until the date on which Zhoushan Mingyi waives such right to legal recourse or the date on which its right to legal recourse as regards the aforesaid amounts are fully realised, whichever is earlier.

(d) Consideration

The consideration for the Disposal is RMB1.0 million, which is the same as the Minimum Consideration indicated in the Public Tender. The Minimum Consideration was determined based on the asset valuation report and audit report of Shanghai Yuexin Group as at 31 December 2020. The Directors consider that the Minimum Consideration is fair and reasonable. The consideration for the Disposal will be paid in one lump sum by the Purchaser through Shanghai UAEE, as summarised further below.

(e) Conditions precedent

Completion of the Equity Transfer Agreement, is conditional upon the following conditions precedent:

- (i) the due execution and delivery of each of the Equity Transfer Agreement and the Amended Articles;
- (ii) Shanghai Yuexin having obtained shareholders' approval in relation to the equity transfer under the Equity Transfer Agreement and the amendment of its articles of association;
- (iii) Zhoushan Mingyi and the Purchaser each having obtained its internal approvals in relation to the equity transfer under the Equity Transfer Agreement;

- (iv) all regulatory approvals required for the signing, execution and performance of the Equity Transfer Agreement and the Amended Articles having been duly obtained, and the relevant regulatory authorities not having any material comments nor amendments on the content of the Equity Transfer Agreement and the Amended Articles;
- (v) all representations and warranties under the Equity Transfer Agreement remaining true, accurate, complete and not misleading; and
- (vi) the Company having obtained the approval of its shareholders in relation to the Equity Transfer Agreement.

Additionally, the parties to the Equity Transfer Agreement agreed that only after receipt of the consideration monies under the Equity Transfer Agreement and issuance of the transaction circular of the Company to be issued by the Company in accordance with Chapter 14 of the Listing Rules in relation to the Disposal, will Zhoushan Mingyi cooperate with the Purchaser to complete the updating of the shareholder's register of Shanghai Yuexin and the requisite registration procedures, and provide Shanghai Yuexin's relevant constitutional documents, records and other information to the Purchaser.

(f) Completion

The Purchaser has already paid a deposit of RMB300,000 to participate in the Public Tender, and such amount will be applied towards payment of the consideration under the Disposal pursuant to the Equity Transfer Agreement. Under the Equity Transfer Agreement, subject to fulfilment of the conditions thereto, the Purchaser is required to pay the balance of the consideration, being RMB700,000 within five Working Days (namely, on or before 17 August 2021) of the signing of the Equity Transfer Agreement to Shanghai UAEE to be temporarily held by them on behalf of Zhoushan Mingyi. The certificate of property transaction will be issued by Shanghai UAEE after receipt of all fees due to it and the full amount of the consideration under the Equity Transfer Agreement. Shanghai UAEE will then transfer all of the consideration monies to Zhoushan Mingyi within three Working Days of the issuance of the certificate of property transaction. Upon completion of the Disposal, Shanghai Yuexin and Zhenjiang Tiangong will cease to be subsidiaries of the Company.

Among others, if the conditions precedent to completion under the Equity Transfer Agreement are not all fulfilled within 30 Working Days of the date of the Equity Transfer Agreement, either party to the Equity Transfer Agreement may opt to terminate the Equity Transfer Agreement (save for provisions relating to, among others, announcement restrictions, termination provisions, notice and exclusion of rights of third parties) and neither party may claim against the other on the basis of the Equity Transfer Agreement (save in relation to antecedent breach).

Having considered the terms of the Equity Transfer Agreement and the Supplemental Agreements, the Directors (including the independent non-executive Directors) consider that the terms of the aforesaid documents are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ABOUT SHANGHAI YUEXIN GROUP

Shanghai Yuexin is a company established in the PRC in November 2017 with limited liability for the sole purpose of acquiring Zhenjiang Tiangong. On 13 December 2017, Shanghai Yuexin acquired the entire equity interest in Zhenjiang Tiangong (including the unsold units of Phase I of the Project) at a consideration of approximately RMB184.4 million. The acquisition was financed by facilities provided by Shanghai Aijian in the principal amount of RMB248.4 million (equivalent to approximately HK\$280.7 million), and at the time of such acquisition, Shanghai Yuexin was not a member of the Group. Shanghai Yuexin subsequently become a member of the Group upon completion of the Sale and Purchase Agreement, which took place on 1 March 2019.

Zhenjiang Tiangong is a company established in the PRC in April 2001 with limited liability and is principally engaged in property development in the PRC through the Project. The Project is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai and adjacent to community resources such as academic institutions, municipal offices, ecological parks, shopping malls and a hospital. It is also situated at the high-end residential district in Zhenjiang City.

Phase II of the Project has an aggregate site area of 109,087 sq.m and with total planned GFA of approximately 160,000 sq.m, including residential area of approximately 151,700 sq.m, commercial area of approximately 3,900 sq.m and ancillary area of approximately 2,400 sq.m. Phase II of the Project is expected to comprise 22 villas, 13 high rise residential towers and spaces for retail and ancillary facilities such as kindergarten.

Zhenjiang Tiangong obtained the pre-sale permit for the first phase of the Phase II of the Project in August 2019. As at 31 December 2020, 131 residential units out of total 1,132 units of the Phase II of the Project have been presold and proceeds from presale of properties amounted to approximately RMB125.3 million (equivalent to approximately HK\$148.9 million).

As disclosed in the Previous Announcements, prior to completion of Shanghai Yuexin's acquisition of Zhenjiang Tiangong, Shanghai Yuexin had obtained a loan facility granted by Shanghai Aijian in the amount of RMB308 million to finance the acquisition of Zhenjiang Tiangong, and subsequent to completion of such acquisition, Zhenjiang Tiangong also obtained a construction loan facility in the amount of RMB392 million to finance construction costs of the Project. As at 31 December 2020 the total amounts (including accrued interests) owed by Shanghai Yuexin Group to Shanghai Aijian amounted to approximately RMB550.4 million. Since then, Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingtai and Shanghai Aijian have entered into renewal agreements for the renewal of the aforesaid loan facilities on 27 January 2021 such that the final maturity date of those facilities was extended to 13 February 2022.

FINANCIAL INFORMATION OF SHANGHAI YUEXIN GROUP

The unaudited financial information of Shanghai Yuexin Group for the two financial years ended 31 December 2019 and 2020 are as follows:

	For the year ended	
	31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue <i>note</i>	–	–
Net loss before taxation	(233,930)	(98,053)
Net loss after taxation	(237,657)	(98,053)
		As at
		31 December
		2020
		<i>RMB'000</i>
Net liabilities		(368,128)

Note: Shanghai Yuexin and its sole subsidiary, Zhenjiang Tiangong, are primarily engaged in investment holding and property development, respectively, and did not generate any revenue for the years ended 31 December 2019 and 2020 respectively.

FINANCIAL IMPACT OF THE DISPOSAL

For illustration purposes only, the unaudited gain expected to be derived from the Disposal is approximately RMB416.8 million (equivalent to approximately HK\$500.0 million), representing the difference between the amount of consideration for the Disposal (i.e. the Minimum Consideration) and the unaudited consolidated net liabilities value of Shanghai Yuexin Group as at 30 June 2021. The actual amount of gain arising from the Disposal is subject to audit. The actual amount of the gain to be recognized by the Group can only be determined when the consolidated net liabilities value of Shanghai Yuexin Group as at the completion date of the Disposal is ascertained, and therefore may be different from the aforesaid expected unaudited gain amount. The Company intends to apply the proceeds of the Disposal towards general working capital purposes.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Reference is made to the section headed “Reasons for and Benefits of the Exercise of the Put Option to Dispose High Morality Group” in the Put Option Circular. As Shanghai Yuexin is the holding company of Zhenjiang Tiangong, which is in turn the holding company for the Project, the factors as more particularly set out in the aforementioned section of the Put Option Circular are also applicable to the Disposal. The Disposal, if it materialises, will allow the Company to divest of the debts and liabilities owed by Shanghai Yuexin and Zhenjiang Tiangong, respectively, and to realise its investment in the Project. As referred to in the aforesaid section of the Put Option Circular, the valuation of Phase II of the Project as at 30 June 2020 appraised by an independent professional valuer was RMB796 million. Since then, the Group has performed a further valuation of Phase II of the Project and its valuation as at 31 December 2020 appraised by an independent professional valuer was RMB574 million.

INFORMATION REGARDING THE GROUP AND PARTIES TO THE EQUITY TRANSFER AGREEMENT

(a) The Group

The Group is principally engaged in property investment and leasing in Hong Kong and property development in the PRC.

(b) Zhoushan Mingyi

Zhoushan Mingyi is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company and the holding company of Shanghai Yuexin immediately prior to completion of the Equity Transfer Agreement. It is principally engaged in investment holding.

(c) The Purchaser

The Purchaser is a limited company established in the PRC as a special purpose vehicle for the Disposal. It is ultimately and beneficially owned as to 80% by Mr. Jin Jianjun and 20% by Mr. Zhong Lingfeng, each of whom being merchants. To the best of the Directors’ knowledge, information and belief after having made all reasonable enquires, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable size test percentage ratio in relation to the Disposal exceeds 25% but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing, among other things, (i) further information on the Disposal; and (ii) other information required under the Listing Rules, will be despatched to the Shareholders on or before 31 August 2021.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders have a material interest in the Disposal, and accordingly, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the Disposal. Therefore, pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval from China Cinda (HK) (which is beneficially interested in approximately 74.98% of the issued share capital of the Company as at the date of this announcement) to approve the Disposal. Therefore, no general meeting of the Company will be convened to approve the Disposal.

DEFINITIONS

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

“Agile Scene”	Agile Scene Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Amended Articles”	the articles of association of Shanghai Yuexin as amended in such form and substance satisfactory to the Purchaser and which is duly signed by the Purchaser
“Bidding Period”	means the bidding period for the Public Tender during which period qualified bidders may indicate interest in acquiring Shanghai Yuexin and to register as interested bidders
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“China Cinda (HK)”	China Cinda (HK) Asset Management Co., Limited, a company incorporated in Hong Kong and the existing immediate controlling Shareholder of the Company
“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)

“Directors”	director(s) of the Company
“Dissipated Funds”	prepayment amounts of construction costs made by Zhenjiang Tiangong to Shanghai Rongzhen in relation to the Project which may have been dissipated by Shanghai Sansheng and which may amount to approximately RMB170.5 million in aggregate
“Disposal”	disposal of 100% equity interest held by Zhoushan Mingyi in Shanghai Yuexin pursuant to the Equity Transfer Agreement and Supplemental Agreements
“Equity Transfer Agreement”	the equity transfer agreement with respect to the Disposal entered into on 10 August 2021 by Zhoushan Mingyi as seller and the Purchaser as the purchaser of 100% equity interest in Shanghai Yuexin
“Group”	the Company and its subsidiaries
“GFA”	gross floor area
“Guarantor”	上海三盛房地產(集團)有限責任公司 (Shanghai Sansheng Real Estate (Group) Company Limited*), a company established in the PRC with limited liability which is owned as to 90% by Mr. Chen Jianming and as to 10% by Mr. Chen Lijun
“High Morality Group”	High Morality and its subsidiaries, which include Shanghai Yuexin and Zhenjiang Tiangong
“High Morality”	High Morality Limited, a company incorporated in the BVI with limited liability acquired from the Original Vendor on 1 March 2019 pursuant to the Sale and Purchase Agreement, an indirect wholly-owned subsidiary of the Company
“Independent Shareholders”	shareholders who did not have any material interest in the acquisition of the High Morality Group as contemplated under the Sale and Purchase Agreement and the Put Option at the time of approval of the exercise of the Put Option
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

“Minimum Consideration”	means the minimum consideration of RMB1 million, i.e. the initial bidding price under the Public Tender, for the Disposal
“Original Vendor”	Sanshenghongye (BVI) Holdings Limited (三盛宏業(英屬維爾京群島)控股有限公司), a company incorporated in the BVI with limited liability, which had sold the High Morality Group to the Group under the Sale and Purchase Agreement
“Poll Results Announcement”	poll results announcement of the Company dated 5 January 2021 in relation to the special general meeting convened to approve the exercise of the Put Option
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Previous Announcements”	the announcements of the Company dated 6 January 2021 and 19 February 2021 providing updates in relation to the exercise of the Put Option and the Poll Results Announcement; the announcement of the Company dated 27 January 2021 in relation to the renewal of loan facilities owed to Shanghai Aijian by Shanghai Yuexin and Zhenjiang Tiangong; and the announcement of the Company dated 25 June 2021 in relation to the potential disposal of Shanghai Yuexin through the Public Tender
“Project”	南山淺水灣上水苑 (Nanshan Qianshuiwan Shangshuiyuan*), a residential development project undertaken by Zhenjiang Tiangong
“Public Tender”	the public tender in relation to 100% of the equity interest in Shanghai Yuexin held by Zhoushan Mingyi via the Shanghai UAEE
“Purchaser”	Pujiang Jiaze Enterprise Management Co., Ltd* (浦江嘉澤企業管理有限公司), a company incorporated in the PRC with limited liability and which is ultimately and beneficially owned as to 80% by Mr. Jin Jianjun and 20% by Mr. Zhong Lingfeng
“Put Option Circular”	major transaction circular of the Company dated 14 December 2020

“Put Option Loan”	the outstanding loan (if any) owed by any member of the High Morality Group to Agile Scene immediately before completion of transfer of the Put Option Share and the Put Option Loan (if any) to the Guarantor by Agile Scene as a result of the exercise of the Put Option
“Put Option”	the put option granted by the Original Vendor to Agile Scene pursuant to the Sale and Purchase Agreement which, when exercised, entitles Agile Scene to require Original Vendor to acquire the entire interest in High Morality and the Put Option Loan (if any) from Agile Scene
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 December 2018 entered into between the Original Vendor as the seller, Agile Scene as the purchaser and the Guarantor as guarantor
“Shanghai Aijian”	上海愛建信托有限責任公司 (Shanghai Aijian Trust Co., Limited*), an independent financial institution in the PRC
“Shanghai Rongzhen”	上海榮振建設集團有限公司 (Shanghai Rongzhen Constructions Group Co., Ltd*), the main contractor for the Project
“Shanghai Sansheng”	上海三盛宏業投資(集團)有限責任公司 (Shanghai Sansheng Hongye Investment (Group) Company Limited*)
“Shanghai UAEE”	Shanghai United Assets and Equity Exchange*(上海聯合產權交易所有限公司)
“Shanghai Yuexin Group”	Shanghai Yuexin and its sole subsidiary, Zhenjiang Tiangong
“Shanghai Yuexin”	上海岳信企業管理諮詢有限公司 (Shanghai Yuexin Enterprise Management Consultancy Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Zhoushan Mingyi, and an indirect wholly-owned subsidiary of the Company and High Morality prior to the Disposal
“Shareholder(s)”	shareholder(s) of the Company
“Shenwei HK”	Shenwei (Hong Kong) Limited(申煒(香港)有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by High Morality and an indirect wholly-owned subsidiary of the Company

“sq.m”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the supplemental agreements supplementing the terms of the Equity Transfer Agreement each dated 10 August 2021 and each entered into between Zhoushan Mingyi, the Purchaser, Shanghai Yuexin and Zhenjiang Tiangong setting out details of, among others, the right to legal recourse on the part of Zhoushan Mingyi as regards certain loans and other amounts due from Shanghai Yuexin Group to the Group
“Working Day(s)”	a statutory working day in the PRC (excluding Saturdays, Sundays and public holidays)
“Zhenjiang Tiangong”	鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Yuexin, and an indirect wholly-owned subsidiary of the Company and High Morality prior to the Disposal
“Zhoushan Mingtai”	舟山銘泰物業管理有限公司 (Zhoushan Mingtai Property Management Co., Limited*), an indirect wholly-owned subsidiary of the Company
“Zhoushan Mingyi”	舟山銘義文化產業投資有限公司 (Zhoushan Mingyi Cultural Assets Investment Co., Ltd*), a company established in the PRC with limited liability, which is wholly-owned by Shenwei HK and an indirect wholly-owned subsidiary of the Company and High Morality

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

Hong Kong, 10 August 2021

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

* for reference purposes only