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If you have sold or transferred all of your shares in **Zhongchang International Holdings Group Limited** represented by physical share certificate(s) or otherwise (including on the Stock Exchange), you should immediately forward this circular, to the purchaser(s) or transferee(s) or to the bank, the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser(s) or transferee(s).

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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**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 8 to 25 of this circular.

17 September 2021

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DEFINITIONS

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

“Acquisition”	the acquisition of the High Morality Group by the Group, which was completed in 1 March 2019 pursuant to the Sale and Purchase Agreement
“Acquisition Circular”	the circular of the Company dated 10 January 2019
“Acquisition Completion Date”	the date of completion of the Acquisition, namely, 1 March 2019
“Agile Scene”	Agile Scene Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Alleged Zhenjiang Tiangong SPA”	an equity transfer agreement dated 2 December 2017 that is alleged to have been entered into by Shanghai Yuexin as purchaser, Zhenjiang Tiangong as the target company, Sansheng Real Estate as Shanghai Yuexin’s guarantor, and the Plaintiffs as the vendors for the sale and purchase of the entire equity interest in Zhenjiang Tiangong at a consideration of RMB478.7 million, and the subject of the Civil Claim
“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
“Assets Preservation Notice”	a notice on the result of the assets preservation and duration (財產保全結果及期限告知書) from the Zhenjiang Court dated 30 September 2020
“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
“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
“Civil Claim”	the civil claim taken out by the Plaintiffs against Shanghai Yuexin as first defendant, Sansheng Real Estate as second defendant and Zhenjiang Tiangong as third defendant in relation to an alleged breach of the Alleged Zhenjiang Tiangong SPA

DEFINITIONS

“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)
“Director(s)”	director(s) of the Company
“Disposal”	disposal of 100% equity interest held by Zhoushan Mingyi in Shanghai Yuexin pursuant to the Equity Transfer Agreement and Supplemental Agreements
“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
“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
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guarantor” or “Sansheng Real Estate”	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”	High Morality Limited, a company incorporated in the BVI with limited liability acquired from the Original Vendor pursuant to the Sale and Purchase Agreement on the Acquisition Completion Date and an indirect wholly-owned subsidiary of the Company
“High Morality Group”	High Morality and its subsidiaries, namely, Shenwei HK, Zhoushan Mingyi, Shanghai Yuexin and Zhenjiang Tiangong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	shareholders who did not have any material interest in the Acquisition as contemplated under the Sale and Purchase Agreement and the Put Option at the time of approval of the exercise of the Put Option
“Latest Practicable Date”	15 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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
“Phase II of the Project”	three parcels of land situated at the junction of Hubin Road and Changxiang Road, Dantu New District, Zhenjiang City, the PRC under 不動產權證書蘇(2019)鎮江市不動產權第43879號、43891號及43890號(原國用(2011)第1234、1236及1239號) (state-owned land use right certificates No. 43879, 43891 and 43890 (previously numbered as No. 1234, 1236 and 1239 of 2011*))
“Plaintiffs”	the plaintiffs under the Civil Claim, being Mr. Chen Lingen (陳林根) and Ms. Chen Xiaohua (陳小華)
“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 circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan

DEFINITIONS

“Previous Announcements”	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”	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 the Original Vendor to acquire the Put Option Share and the Put Option Loan (if any) from Agile Scene
“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 Share”	all the issued share in High Morality held by Agile Scene immediately before Put Option Completion to be transferred to the Original Vendor pursuant to the exercise of the Put Option
“Relevant Land Parcel”	means one of the land parcels forming part of land in Zhenjiang City, the PRC held by Zhenjiang Tiangong

DEFINITIONS

“Relevant Period”	means the period between 7 May 2019 and 26 June 2019 (inclusive)
“Relevant Zhenjiang Tiangong SPA”	the sale and purchase agreement dated 2 December 2017 entered into among Plaintiffs as vendors and Shanghai Yuexin as purchaser in relation to the acquisition of the entire equity interest in Zhenjiang Tiangong by Shanghai Yuexin at the consideration of approximately RMB184.4 million
“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 in relation to High Morality
“Sansheng Hongye”	Sansheng Hongye (Hong Kong) Limited (三盛宏業(香港)有限公司), a company incorporated in Hong Kong with limited liability which was previously the immediate controlling Shareholder and a subsidiary of Shanghai Sansheng prior to the enforcement of a share charge by China Cinda (HK) in October 2019 in relation to all shares then held by Sansheng Hongye in the Company, as more particularly described in the announcement dated 24 October 2019 of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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”	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

DEFINITIONS

“Shanghai Yuexin Group”	Shanghai Yuexin and its sole subsidiary, Zhenjiang Tiangong
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Shenwei HK”	Shenwei (Hong Kong) Limited (申燁(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”	a statutory working day in the PRC (excluding Saturdays, Sundays and public holidays)
“Zhenjiang Court”	Jiangsu Province Zhenjiang City Intermediate People’s Court (江蘇省鎮江市中級人民法院) in the PRC
“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

* For identification purpose only

DEFINITIONS

“%” per cent.

In this circular, unless the context otherwise requires, the terms “core connected person(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)” and “substantial shareholder(s)”, if used, shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

Unless otherwise specified in this circular, translations of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1.00 to HK\$1.20. 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.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

Reference to the singular number includes references to the plural and vice versa and references to one gender include every gender.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Chen Zhiwei (*Chairman*)
Ms. Ku Ka Lee (*Chief Executive Officer*)
Mr. Tang Lunfei

Registered Office:

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Non-Executive Directors:

Dr. Huang Qiang
Mr. Wong Chi Keung, Kenjie
Ms. Yu Dan

Principal Place of Business

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Tower Two, Times Square
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Hong Kong

Independent Non-Executive Directors:

Mr. Liew Fui Kiang
Mr. Liu Xin
Mr. Yip Tai Him

17 September 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION DISPOSAL OF THE ENTIRE EQUITY INTEREST OF SHANGHAI YUEXIN

I. INTRODUCTION

Reference is made to the announcement of the Company dated 10 August 2021 in relation to the entry into the Equity Transfer Agreement and the Supplemental Agreements for the purposes of the Disposal.

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.

LETTER FROM THE BOARD

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 Latest Practicable Date) to approve the Disposal. Therefore, no general meeting of the Company will be convened to approve the Disposal.

The purpose of this circular is to provide you with, among other things, further details of the terms of the Disposal.

II. BACKGROUND

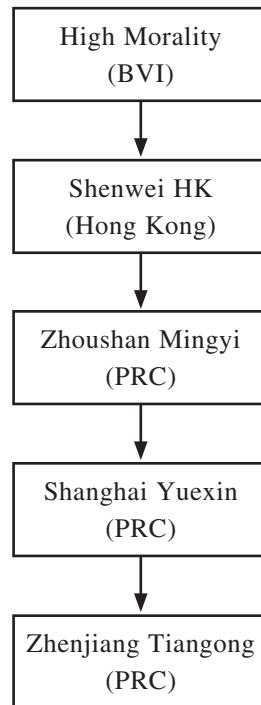
References are made to (i) the Put Option Circular in relation to the exercise of the Put Option; (ii) the Poll Results Announcement of the Company dated 5 January 2021; and (iii) the Previous Announcements.

Background to the Sale and Purchase Agreement and the Put Option granted thereunder

The Group had originally completed the acquisition of the High Morality Group from the Original Vendor on 1 March 2019 (namely, the Acquisition Completion Date) through its subsidiary, Agile Scene. At such time, the Original Vendor was a wholly-owned subsidiary of Sansheng Hongye, the then controlling Shareholder of the Company. Sansheng Hongye, was wholly-owned by Shanghai Sansheng, which was in turn ultimately controlled by Mr. Chen Jianming (in part through Sansheng Real Estate). Shanghai Yuexin and its subsidiary, Zhenjiang Tiangong, were part of the High Morality Group at the time of the Acquisition. Under the terms of the Sale and Purchase Agreement, the Original Vendor granted the Put Option to Agile Scene which, when exercised, entitled Agile Scene to require the Original Vendor to acquire High Morality and the Put Option Loan.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the corporate structure of the High Morality Group is as follows:



Change in Controlling Shareholders

On 21 October 2019, China Cinda (HK) enforced a share mortgage provided by Sansheng Hongye in relation to 843,585,747 Shares, representing 74.98% of the total issued shares of the Company at such relevant time and as at the Latest Practicable Date. As a result of such enforcement, Sansheng Hongye ceased to be the immediate controlling Shareholder, while China Cinda (HK) became the immediate controlling Shareholder.

The Civil Claim

Prior to the Acquisition, on 2 December 2017, Shanghai Yuexin entered into a sale and purchase agreement for the acquisition of Zhenjiang Tiangong from the Plaintiffs. Based on the circular of the Company dated 10 January 2019, the consideration under this sale and purchase agreement was RMB184.4 million (namely, the Relevant Zhenjiang Tiangong SPA).

LETTER FROM THE BOARD

On 15 October 2020, Zhenjiang Tiangong received copies of a formal civil claim and ancillary documents relating thereto taken out by the Plaintiffs in relation to the alleged breach of an equity transfer agreement dated 2 December 2017 that was allegedly entered into between Shanghai Yuexin as purchaser, Zhenjiang Tiangong as the target company, Sansheng Real Estate as a purchaser's guarantor, and the Plaintiffs as the vendors for the sale and purchase of the entire equity interest in Zhenjiang Tiangong by Shanghai Yuexin on 2 December 2017 for a consideration of RMB478.7 million (namely, the Alleged Zhenjiang Tiangong SPA). Separately, Zhenjiang Tiangong also received a notice on the result of the assets preservation and duration (財產保全結果及期限告知書) from the Zhenjiang Court dated 30 September 2020 (namely, the Assets Preservation Notice) in relation to the Civil Claim. It was alleged under the Civil Claim that out of the total consideration amount of RMB478.7 million allegedly due under the Alleged Zhenjiang Tiangong SPA, only RMB393,980,593.74 was paid on or on behalf of Shanghai Yuexin, and the balance of RMB84,719,406.26 remained outstanding and payable to the Plaintiffs.

The Civil Claim concerns the alleged failure by Shanghai Yuexin, Zhenjiang Tiangong and/or Sansheng Real Estate to settle the balance of the purchase price under the Alleged Zhenjiang Tiangong SPA. However, the terms of the Alleged Zhenjiang Tiangong SPA appear to be different to that of the Relevant Zhenjiang Tiangong SPA, the latter of which were referred to in the previous public disclosures of the Company. As such, there is a distinct possibility of two different alternate agreements having been entered into in relation to the acquisition of Zhenjiang Tiangong by Shanghai Yuexin in December 2017 by the same parties, each bearing different consideration values.

On 20 November 2020, Zhenjiang Tiangong received a copy of an application from the Plaintiffs under the Civil Claim to the Zhenjiang Court for the withdrawal of the Civil Claim and revocation of the Assets Preservation Notice by the Plaintiffs for purposes of out of court negotiation. On 23 November 2020, the Company further received a notice of civil ruling issued by the Zhenjiang Court providing that the aforesaid application for withdrawal of the Civil Claim had been approved as of 20 November 2020. As at the Latest Practicable Date, the Company has not engaged in any negotiations referred to in the aforesaid withdrawal application.

The suspected dissipation of the Dissipated Funds

Zhenjiang Tiangong is principally engaged in property development in the PRC and holds the land in Zhenjiang, which was planned to be developed into a mixed-use residential and commercial development, namely, the Project. For such purposes, Shanghai Rongzhen was engaged as the main contractor for the Project. Based on the information available to the Company, RMB173 million was paid as prepayment of construction costs to Shanghai Rongzhen.

LETTER FROM THE BOARD

Following the completion of the mandatory general offer of the Company, the current executive Directors were appointed to the Company. In August 2020, it came to the attention of the Company that there was a suspicion that certain construction prepayments made to Shanghai Rongzhen by Zhenjiang Tiangong prior to the change in control of the Company in October 2019 had been dissipated. On 16 October 2020, the Company further received information and supporting documents from Shanghai Rongzhen which alleged that:

- (a) Shanghai Rongzhen and Shanghai Sansheng had entered into a series of agreements between 7 May 2019 and 26 June 2019 (namely, the Relevant Period) whereby RMB170.5 million out of the monies paid to Shanghai Rongzhen as prepayments by Zhenjiang Tiangong was transferred by Shanghai Rongzhen to Shanghai Sansheng; and
- (b) Shanghai Sansheng had represented itself as the controlling shareholder of Zhenjiang Tiangong during the Relevant Period, and that the aforementioned series of agreements were entered into to facilitate the funding requirements of Shanghai Sansheng.

On 15 January 2021, a special investigation committee of the Board was formed for the purposes of investigating the allegations under the Civil Claim and the suspected dissipation of the Dissipated Funds. The Company disclosed the preliminary findings and recommendations of the special investigation committee in an announcement dated 31 March 2021. Based on the preliminary findings and recommendation of the special investigation committee, on 17 June 2021, the Company sent legal demand letters to each of Shanghai Rongzhen and Shanghai Sansheng demanding the return of the Dissipated Funds. On 23 June 2021, Shanghai Rongzhen (acting through its solicitors) provided a response to such demand letter, in which it stated that, among other things, as Shanghai Rongzhen had been instructed by Shanghai Sansheng to transfer construction pre-payments received by it from Zhenjiang Tiangong to Shanghai Sansheng, Shanghai Rongzhen did not itself dissipate the Dissipated Funds, and that the Company should pursue Shanghai Sansheng to ascertain the truth of the matter. As the investigation of the special investigation committee is ongoing, the Company is still currently considering its further course of action as regards such response. As at the Latest Practicable Date, the Company has not yet received any response from Shanghai Sansheng in relation to the aforementioned demand letter. The Company will consider taking further legal recourse for the purposes of recovering the Dissipated Funds based on the outcome of the investigation of the special investigation committee, and their recommendations, as and when such investigation is concluded. As disclosed in the annual report of the Company for the financial year ended 31 December 2020 published on 30 April 2021 and the supplemental announcement of the Company on 10 May 2021, prior year adjustments were made to the consolidated financial statements of the Company for the year ended 31 December 2019 such that impairment allowance was provided for the full amount of RMB173 million (representing the total amount of such prepaid construction costs and of which the Dissipated Funds forms part).

LETTER FROM THE BOARD

The investment of the Group into the High Morality Group

As at 30 June 2021, based on the unaudited management accounts the Company's total investment in the High Morality Group was approximately HK\$478.3 million, including the cost for the acquisition of High Morality and Put Option Loan (being all the outstanding loan owed by members of the High Morality Group as if completion of the transfer of the Put Option Share and Put Option Loan had taken place on 30 June 2021) of approximately HK\$248.5 million. For the avoidance of doubt, between the Acquisition Completion Date and the Latest Practicable Date, the Group did not make any other subsequent capital injection into the High Morality Group or procure any member of the High Morality Group to obtain any further external loan facilities. Based on the unaudited management accounts of the Group, the total loss incurred by the Company in relation to the investment in the High Morality Group was HK\$421.5 million as at 30 June 2021. Such losses mainly comprise the writing off of pre-paid construction costs to Shanghai Rongzhen in the amount of RMB173 million (equivalent to approximately HK\$196.87 million), finance costs in the amount of approximately HK\$183.92 million, impairment losses (under expected credit loss model) of approximately HK\$13.07 million, staff costs of approximately HK\$7.52 million, advertising expenses of approximately HK\$7.34 million, service fees of approximately HK\$4.40 million and other administrative expenses of HK\$8.37 million.

The exercise of the Put Option

For the reasons more particularly set out under the section headed "Reasons for and Benefits of the Exercise of the Put Option to Dispose High Morality Group" in the Put Option Circular, the Board resolved to exercise the Put Option to dispose the entire interest of High Morality by requiring the Original Vendor to purchase the entire interest in High Morality and the Put Option Loan. On 5 January 2021, the Company convened a special general meeting of Shareholders for the purposes of considering, and if thought fit, approving the exercise of the Put Option, and on the same date, the Shareholders (for avoidance of doubt, all Shareholders were considered Independent Shareholders for such purposes) passed the resolution in favour of exercising the Put Option.

As provided in the Previous Announcements, while the 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.

Accordingly, on 25 June 2021, the Group commenced the Public Tender for the disposal of 100% equity interest held by Zhoushan Mingyi in Shanghai Yuexin on Shanghai UAEE. Under the Public Tender, the Minimum Consideration was RMB1.0 million.

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.

LETTER FROM THE BOARD

III. 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, based on advice provided by the PRC legal adviser to the Company, Zhoushan Mingyi retains the legal, valid, binding and enforceable right to take 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. For the avoidance of doubt, based on advice provided by the PRC legal adviser to the Company, this right is legal, valid, binding and enforceable on the Purchaser.

LETTER FROM THE BOARD

It is further agreed between the parties to the Supplemental Agreements that, among other things:

- (a) in the event that the Purchaser disposes of any of its equity interest in Shanghai Yuexin or any of its assets, or disposes of its equity interest in Zhenjiang Tiangong or any of its assets, or the Project is liquidated, the Purchaser agrees that the proceeds would first be used to repay the debts owed by Shanghai Yuexin and Zhenjiang Tiangong to Shanghai Aijian, then to pay project construction funds, expenses of other external financing, taxes and other payables, following which, any remaining proceeds would be applied towards repayment of shareholder loans owed by Shanghai Yuexin and Zhenjiang Tiangong to the Group to the Company or any of its subsidiaries or such other party designated by Zhoushan Mingyi.
- (b) in the event that any of the equity interest and/or assets of Shanghai Yuexin and Zhenjiang Tiangong are disposed of or the Project is liquidated by the Purchaser, the parties to the Supplemental Agreement agree that after deducting all amounts with statutory priority to the shareholders loans provided by the Group to the Shanghai Yuexin Group as at the date of the Supplemental Agreement, Shanghai Yuexin and Zhenjiang Tiangong can opt to apply the proceeds towards other repayment to Zhoushan Mingyi or such other party designated by it.
- (c) once such sales of the Project reach 85% threshold in terms of the saleable GFA, the Purchaser and its associates will carry out its liquidation at such relevant time. The Directors understand that such threshold is in line with the market practice in the property market in the PRC and is based on the commercial agreement between the parties, having regard to, among others, the property market in Zhenjiang.
- (d) each of the Purchaser, Shanghai Yuexin and Zhenjiang Tiangong will provide necessary assistance and cooperation in the event that Zhoushan Mingyi or any of its associates engage in legal recourse for the purposes of recovering the Dissipated Funds. Other than those actions taken by the Company in the section headed “Background – The suspected dissipation of the Dissipated Funds” above, the Company may take further actions in the future (including such actions as recommended by the final report of the special investigation committee of the Company, whose investigation regarding the Dissipated Funds and the circumstances leading to the Civil Claim is ongoing) to recover the Dissipated Funds, and the Company anticipates that it may require the Purchaser, Shanghai Yuexin and/or Zhenjiang Tiangong to provide such assistance and cooperation at such relevant time.

LETTER FROM THE BOARD

Based on the above, following liquidation of the Project or in the event of sale of any of the equity interest or assets of Shanghai Yuexin and Zhenjiang Tiangong, the Company expects that the Group may be able to recover the shareholders' loans and other amounts due to it. In the meantime, the Company will closely monitor the construction progress and the sales under the Project after completion of the Disposal, and will further consider taking legal recourse as and when it considers that it is appropriate for the purposes of recovering amounts due to the Group from the Shanghai Yuexin Group and/or enforcement of its rights under the Equity Transfer Agreement and the Supplemental Agreements.

(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, together with the Supplemental Agreements, 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 such 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.

LETTER FROM THE BOARD

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 this circular, 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.

The Company has notified Shanghai Aijian, being a lender to each of Shanghai Yuexin and Zhenjiang Tiangong, respectively, of the Disposal and the transactions contemplated thereunder and Shanghai Aijian has confirmed that they have no objection to the transactions contemplated under the Disposal.

(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 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.

LETTER FROM THE BOARD

IV. INFORMATION ABOUT SHANGHAI YUEXIN GROUP

The principal business of the 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 of Zhenjiang Tiangong by Shanghai Yuexin 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 became 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.

Based on the construction land planning permit (建設用地規劃許可證), Phase II of the Project has an aggregate site area of 109,087 sq.m (of which, 46,561.3 sq.m has been removed from the relevant real estate title certificates during subdivision of the underlying land as at the time of registration of such subdivision, the relevant PRC legal authorities recognised that such 46,561.3 sq.m related part of the site area of the underlying land that had been developed and sold together with property developments to buyers, and accordingly, the new real estate title certificates relating to the underlying land set out an aggregate site area excluding such 46,561.3 sq.m. of land) and, with total planned aboveground 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. The underground GFA of Phase II of the Project comprises approximately 70,580.65 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. For further details regarding Phase II of the Project, please refer to Appendix I – Property Valuation. For further details regarding the subdivision of the underlying land of Phase II of the Project, please refer to the section headed “Renewal of the Facilities” in the announcement of the Company dated 27 January 2021.

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).

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As at 30 June 2021, 209 residential units out of total 1,132 units of the Phase II of the Project were presold and proceeds from presale of the residential units amounted to approximately RMB247.0 million (equivalent to approximately HK\$296.9 million). As at 30 June 2021, the carrying value of the Zhenjiang Project was approximately RMB542.8 million (equivalent to approximately HK\$652.4 million). As for the construction of the remaining two phases of the Phase II of the Project (which together comprise approximately 61.2% of the saleable GFA under Phase II of the Project), due to severe disruption caused by the COVID-19 pandemic, the construction progress was severely disrupted, and as a result, the second phase of Phase II of the Project only commenced in August 2021. Based on latest construction plan, construction for the third phase of Phase II of the Project is expected to commence in March 2022. For avoidance of doubt, construction of Phase II of the Project would only be completed when its third construction phase has been completed.

The Shanghai Aijian loans

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 (but before the acquisition of the High Morality Group by the Group), 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. This comprises (a) the total principal amount of RMB469.4 million drawn down from the aforesaid loan facilities, of which RMB398.4 million bears interest at a rate of 11% per annum and RMB71 million bears interest at a rate of 23% per annum, and (b) such interest accrued and yet unpaid on the aforesaid principal amount as at 31 December 2020. Save for the aforementioned principal amount, the Shanghai Yuexin Group did not draw down any further loans from any other loan facilities between the Acquisition Completion Date and up to the Latest Practicable Date. As at the Latest Practicable Date, (1) the land use rights with respect to undeveloped portions of the Relevant Land Parcel; and (2) the entire equity interest in Zhenjiang Tiangong have been mortgaged to secure the aforesaid loan amounts due from the Shanghai Yuexin Group to Shanghai Aijian. All such security provided relates to assets and properties held by the Shanghai Yuexin Group, and accordingly, none of which will be released in connection with the completion of the Equity Transfer Agreement. 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.

LETTER FROM THE BOARD

V. FINANCIAL INFORMATION OF THE SHANGHAI YUEXIN GROUP

The unaudited financial information of Shanghai Yuexin Group for the two financial years ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 are as follows:

	For the year ended		For the six
	31 December		months ended
	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue ^{Note 1}	–	–	–
Net loss before taxation	(233,930)	(98,053)	(47,721)
Net loss after taxation	(237,657)	(98,053)	(47,721)
		As at	As at
		31 December	30 June
		2020	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Non-current assets		493	285
Current assets			
– Properties for sale		586,684	621,409
– Prepayments, deposits and other receivables		23,124	30,243
– Cash and bank balances		21,017	93,611
– Other current assets		7,262	7,259
		638,087	752,522
Current liabilities			
– Trade and other payables ^{Note 3,4}		(348,709)	(510,617)
– Other borrowings		(469,400)	(469,400)
– Amount due to an immediate holding company		(36,033)	(36,033)
– Amount due to an intermediate holding company		(146,968)	(146,969)
– Other current liabilities		(5,598)	(5,637)
		(1,006,708)	(1,168,656)
Net liabilities ^{Note 2}		(368,128)	(415,849)

LETTER FROM THE BOARD

Notes:

1. 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, 31 December 2020 and six months ended 30 June 2021 respectively.
2. The substantial losses comprise finance costs incurred for the other borrowings (namely loans due to Shanghai Aijian) and impairment loss under expected credit loss model arising from other receivables. The net liabilities comprise other borrowings and trade and other receivables (including contract liabilities arising from sale of properties for sale (namely the amounts received from pre-sale of property units under the Project which are accounted for as contract liabilities) and trade payables which comprise of construction costs) of Shanghai Yuexin and its sole subsidiary, less the carrying amount of properties for sale and cash and bank balances.
3. The trade and other payables of Shanghai Yuexin Group mainly comprises (i) trade payables of approximately RMB100.07 million as at 31 December 2020 and RMB79.78 million as at 30 June 2021, being construction costs payable as at such dates, respectively; (ii) contract liabilities of approximately RMB125.40 million as at 31 December 2020 and RMB247.1 million as at 30 June 2021, being proceeds received from pre-sale of properties as at 31 December 2020 and 30 June 2021, respectively, and the increase from 31 December 2020 to 30 June 2021 was attributable to the sale of properties under development during the intervening period; (iii) other payables and accrued interests of approximately RMB80.96 million as at 31 December 2020 and RMB126.32 million as at 30 June 2021, being accrued interest amounts payable to Shanghai Aijian pursuant to loans due to it. As the Shanghai Yuexin Group did not settle outstanding interest amounts payable, such amount increased in 30 June 2021 as compared to 31 December 2020; and (iv) other amounts of approximately RMB42.28 million as at 31 December 2020 and RMB57.42 million as at 30 June 2021, which mainly include urban infrastructure utilities fees paid in connection with the construction of the Project, surety monies paid in connection with the construction of the Project, pledge of properties in the name of Zhenjiang Tiangong to support borrowings of third parties that had been established prior to the Acquisition (for further details regarding this matter, please see note 4 below), and other accruals and payables. For avoidance of doubt, the unaudited financial figures for the trade and other payables of Shanghai Yuexin Group as set out in the table above do not include the Dissipated Funds, which have been written off as a result of impairment provision being made for certain construction prepayments to Shanghai Rongzhen (of which the Dissipated Funds forms part) for the consolidated audited financial statements of the Company for the year ended 31 December 2019 as a prior year adjustment. For further details regarding such prior year adjustment, please refer to the annual report of the Company for the financial year ended 31 December 2020 as published on 30 April 2021 and the announcement of the Company on 10 May 2021.
4. As disclosed in the Acquisition Circular under the terms of the Acquisition, the Group did not acquire certain excluded properties that were held by Zhenjiang Tiangong, among which six were historically pledged to a finance company in the PRC as security for loans granted to two individuals who were related parties of a former shareholder of Zhenjiang Tiangong prior to the entry into the Sale and Purchase Agreement. Under the terms of the Sale and Purchase Agreement, the Original Vendor had the discretion and responsibility to arrange for the sale of all such excluded properties and Agile Scene would use its reasonable endeavors to procure Zhenjiang Tiangong to facilitate such sale and to transfer proceeds of such sale (net of net of relevant costs, expenses and taxes incurred in relation to the disposal and the maintenance costs for such properties) to the Original Vendor. Further, pursuant to the Sale and Purchase Agreement, if there is any claim from any parties in relation to or arising from such excluded properties at any time after the completion of the Acquisition against any member of the High Morality Group, the Original Vendor shall indemnify and keep Agile Scene fully indemnified on demand against all losses, expenses and liabilities which Agile Scene or the High Morality Group may suffer or incur as a result thereof or in connection therewith. The excluded properties were not taken into account in the calculation of the consideration paid by the Group under the Sale and Purchase Agreement under the Acquisition. As such excluded properties remained in the name of Zhenjiang Tiangong following completion of the acquisition of the High Morality Group and as at the Latest Practicable Date, for the purposes of compiling the financial statements of Zhenjiang Tiangong and the consolidated audited financial statements of the Company during the intervening period, under the application of HKFRS, these excluded properties needed to be recognized as assets of Zhenjiang Tiangong. At the same time, due to the existence of pledges on certain of the excluded properties (which, to the knowledge and understanding of the Company, can be enforced by the relevant finance company in the PRC based on their respective terms), on application of HKFRS, provision was made such that the carrying amount of these pledged excluded properties were accounted under the “trade and other payables” line item of the financial statements of Zhenjiang Tiangong and of the Group. For illustrative purposes only, as at 31 December 2020 and as at 30 June 2021, respectively, the unaudited net book value of the abovesaid excluded properties for Shanghai Yuexin Group was RMB2,512,408.95, which represents the carrying amount of all excluded properties of RMB21,422,005.38 less the carrying amount of such excluded properties which have been pledged for borrowings of the aforesaid third parties, being RMB18,909,596.43. For further details, please refer to the section headed “The Agreement – Excluded Properties” of the Acquisition Circular.

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VI. FINANCIAL IMPACT AND USE OF PROCEEDS

As at 30 June 2021, the book value (i.e. consolidated net liabilities) of the Shanghai Yuexin Group was approximately RMB415.8 million (equivalent to approximately RMB499.0 million) as provided in the unaudited consolidated management accounts of the Shanghai Yuexin Group prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS), while the Minimum Consideration, being the consideration for the Disposal under the Equity Transfer Agreement, is RMB1.0 million. For illustration purposes only, the Disposal is expected to result in an unaudited gain of 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 aforesaid 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.

Upon completion of the disposal of the entire interest of Shanghai Yuexin, the Company will cease to have any interest in Shanghai Yuexin and Zhenjiang Tiangong, and these companies will cease to be subsidiaries of the Company and their results will no longer be consolidated into the accounts of the Group.

VII. 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.

Based on the Company’s review of publicly available research data, in 2020, the COVID-19 pandemic has severely adversely affected the residential property sales in Zhenjiang, the PRC. This was reflected by the slow sales progress and payment collection in relation to sales of property units in the Project. At the same time, as disclosed in the section headed “I. Background” in this circular above, the amount of RMB173 million in construction funds is suspected to have been dissipated by a previous controlling shareholder of the Company, Shanghai Sansheng, leading to disruption of the construction progress. As at 30 June 2021, the consolidated financial statements of the Shanghai Yuexin Group indicated that the Shanghai Yuexin Group was insolvent, with a debt-to-asset ratio of 155.2%.

Taking into account the above and that on one hand, the Group’s properties in Hong Kong have all been secured for financing and the shares in Zhenjiang Tiangong as well as properties held by it have been mortgaged to secure loans from Shanghai Aijian, and on the other hand, it is currently estimated that to complete the construction of the Project, the Group will require an additional RMB593.0 million to finance the Project, the Board is of the view that the Company will not be able to obtain sufficient facilities to complete construction of the Project.

LETTER FROM THE BOARD

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.

VIII. 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.

IX. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Subsequent to the Disposal, the Group will focus its efforts on its remaining business, being the property leasing business in Hong Kong, which has generated approximately HK\$28,955,000, HK\$39,179,000 and HK\$36,990,000, respectively, in revenue for the Group for the nine months ended 31 December 2018, the year ended 31 December 2019 and the year ended 31 December 2020, respectively.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the investment properties of the Group are situated in the prime shopping district of Causeway Bay and the Group. Set out below is a table summarising the valuation of the investment properties portfolio of the Group in Hong Kong as at 31 December 2020:

	Valuation of investment properties as at 31 December 2020 HK\$'000	Revenue for the year ended 31 December 2020 HK\$'000	Revenue for the year ended 31 December 2019 HK\$'000	Revenue for the nine months ended 31 December 2018 HK\$'000
Causeway Bay				
Jardine Center, No.50 Jardine's Bazaar ⁽¹⁾	1,450,000	27,690	29,715	22,438
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar ⁽²⁾	95,000	2,159	2,311	1,753
First Floor, Nos.38 and 40 Jardine's Bazaar ⁽²⁾	14,000	491	468	262
Ground Floor including Cockloft, No.41 Jardine's Bazaar ⁽²⁾	126,000	2,834	2,834	1,948
Ground Floor, No.57 Jardine's Bazaar ⁽²⁾	128,000	2,836	2,848	2,307
Mid-levels				
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road ⁽²⁾	50,000	980	994	247
Total	1,863,000	36,990	39,179	28,955

Notes:

(1) Ginza-style building

(2) Street-shop

Moreover, the Group will continue to seek for new business opportunities in Hong Kong and in the PRC, including but not limited to (a) conducting feasibility studies and pursuing opportunities for providing project management service for the real estate projects to penetrate its presence and for the expansion in real estate project management business in the PRC and Hong Kong, (b) investment or acquisition of new investment properties in Hong Kong, and (c) improvement of existing investment properties to further enhance their value and potential rental income (such as refurbishing such investment properties to upgrade their client portfolio), in order to broaden the Company's source of revenue and earnings base.

LETTER FROM THE BOARD

X. 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.

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 Latest Practicable Date) to approve the Disposal. Therefore, no general meeting of the Company will be convened to approve the Disposal.

XI. THE BOARD'S VIEWS AS REGARDS THE DISPOSAL

The Board considers that the terms for the Disposal as set out under the Equity Transfer Agreement and Supplemental Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

XII. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the property interests to be disposed of by the Group. Terms defined in this appendix applies to this appendix only

Vincorn Consulting and Appraisal Limited

Units 1602-4, 16/F
FWD Financial Centre
No. 308 Des Voeux Road Central
Hong Kong

**The Board of Directors**

Zhongchang International Holdings Group Limited
Suite 1711, Tower 2,
Times Square,
No.1 Matheson Street,
Causeway Bay,
Hong Kong

17 September 2021

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in The People's Republic of China (“**The PRC**”) to be disposed of by Zhongchang International Holdings Group Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the property interests as at 31 July 2021 (the “**Valuation Date**”).

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

Our valuation has been undertaken on the basis of Market Value. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowances have been made for any charges, mortgages or amounts owing on the property interests, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the values of the property interests.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of the land use rights.

VALUATION METHODOLOGY

When valuing the property interests to be disposed of by the Group, we have adopted Market Approach to assess the gross development value of the proposed development, which is then adjusted with considerations of the outstanding development costs, the outstanding development periods and the potential profit margins.

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by The PRC legal adviser of the Group, JunHe LLP, regarding the titles of the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter and the valuation certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter and the valuation certificate.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property interests in The PRC. We have also accepted advice given to us on matters such as identification of the property, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The properties were inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the properties. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the properties and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the properties and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (“**RMB**”).

The valuation certificate is attached hereto.

Yours faithfully,

For and on behalf of

Vincorn Consulting and Appraisal Limited

Vincent Cheung

BSc(Hons) MBA FRICS MHKIS RPS(GP)

MCIREA MHKSI MISCM MHIREA

RICS Registered Valuer

Registered Real Estate Appraiser & Agent PRC

Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 24 years of experience in the valuation of properties of this magnitude and nature in the subject region.

VALUATION CERTIFICATE

Property Interests to be Disposed of by the Group in The PRC

Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 31 July 2021
Nanshan Qianshuiwan Phase II, South of Changxiang Road and West of Hubin Road, Dantu District, Zhenjiang, Jiangsu Province, the PRC	<p>The property comprises three parcels of land, on which a residential and commercial development will be developed.</p> <p>As per the Real Estate Title Certificates, the subject site has a site area of approximately 62,525.70 square metres (“sq.m.”). As per the information provided by the Group, the property has a proposed gross floor area (“GFA”) of approximately 230,583.45 sq.m., of which the aboveground GFA and the underground GFA are approximately 160,002.80 sq.m. and 70,580.65 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term expiring on 13 November 2077 and 2 November 2078 for residential uses, and 13 November 2047 and 2 November 2048 for commercial uses.</p>	As per our on-site inspection and the information provided by the Group, the property is currently undergoing construction works, which is expected to be completed in about 2024.	<p>RMB582,000,000</p> <p>(RENMINBI FIVE HUNDRED AND EIGHTY TWO MILLION)</p> <p>100% Interest to be Attributable to the Group Before Disposal:</p> <p>RMB582,000,000</p> <p>(RENMINBI FIVE HUNDRED AND EIGHTY TWO MILLION)</p>

Notes:

- The property was inspected by Noah Liu Probationer of RICS on 26 April 2020.
- The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MRICS MHKIS RPS(GP) MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.
- Pursuant to two State-owned Land Use Rights Grant Contracts, entered into between Zhenjiang State-owned Land Resources Bureau and Danyang City Tiangong Real Estate Development Co. Ltd (“**Danyang City Tiangong**”), the land use rights of the master lot with a total site area of 142,704.00 sq.m. were granted to Danyang City Tiangong for terms of 70 years for residential uses and 40 years for commercial uses at a consideration of RMB72,500,000.

The details of the State-owned Land Use Rights Grant Contracts are summarized below:-

Lot No.	Date of Instrument	Site Area (sq.m.)	Consideration (RMB)
07-1-5	16 February 2007	120,295.00	59,000,000
08-1-8	26 June 2008	22,409.00	13,500,000
Total		142,704.00	72,500,000

4. Pursuant to three Real Estate Title Certificates, dated 6 April 2019 and issued by Zhenjiang State-owned Land Resources Bureau, the land use rights of the master lot with a site area of 109,087.00 sq.m. were granted to Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd (“**Zhenjiang Tiangong**”) for various terms.

The details of the Real Estate Title Certificates are summarized below:

Certificate No.	Site Area (sq.m.)	Land Use Rights Expiry Date	Use
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043890	85,264.00	Residential: 13 November 2077 Commercial: 13 November 2047	Residential and Commercial
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043879	14,316.00	Residential: 2 November 2078 Commercial: 2 November 2048	Residential and Commercial
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043891	9,507.00	Residential: 13 November 2077 Commercial: 13 November 2047	Residential and Commercial

A portion of the master lot held under Real Estate Title Certificate, Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043890, was further subdivided into few parcels. Pursuant to two Real Estate Title Certificates, dated 29 January 2021 and issued by Zhenjiang Natural Resources and Planning Bureau, the land use rights of a portion of the master lot with a total site area of 38,702.70 sq.m. were granted Zhenjiang Tiangong for various terms.

The details of the Real Estate Title Certificates are summarized below:

Certificate No.	Site Area (sq.m.)	Land Use Rights Expiry Date	Use
Su (2021) Zhenjiang Bu Dong Chan Quan Di No. 0005260	32,576.10	Residential: 13 November 2077 Commercial: 13 November 2047	Residential and Commercial
Su (2021) Zhenjiang Bu Dong Chan Quan Di No. 0005262	6,126.60	Residential: 13 November 2077 Commercial: 13 November 2047	Residential and Commercial

5. Pursuant to two Construction Land Use Planning Permits, issued by Zhenjiang Planning Bureau, the proposed land use of the property was approved.

The details of the Construction Land Use Planning Permits are summarized below:

Permit No.	Date of Instrument
Zhen Gui Di Dan (07) No. 024	7 November 2007
Di Zi Di No. 321112200800014	20 October 2008

6. Pursuant to 31 Construction Project Planning Permits, issued by Zhenjiang Natural Resources and Planning Bureau and Zhenjiang Planning Bureau, the proposed development of the property was approved.

The details of the Construction Project Planning Permits are summarized below:

Permit No.	Date of Instrument
321112201900111	28 March 2019
321112201900112	28 March 2019
321112201900113	28 March 2019
321112201900114	28 March 2019
321112201900122	28 March 2019
321112201900115	28 March 2019
321112201900116	28 March 2019
321112201900117	28 March 2019
321112201900118	28 March 2019
321112201900123	28 March 2019
321112201900124	28 March 2019
321112201900119	28 March 2019
321112201900131	28 March 2019
321112201900132	28 March 2019
321112201900133	28 March 2019
321112201900134	28 March 2019
321112201900120	28 March 2019
321112201900125	28 March 2019
321112201900126	28 March 2019
321112201900129	28 March 2019
321112201900121	28 March 2019
321112201900127	28 March 2019
321112201900128	28 March 2019
321112201900130	28 March 2019
321112201900003	14 January 2019
321112201900004	14 January 2019
321112201900005	14 January 2019
321112201900006	14 January 2019
321112201900007	14 January 2019
321112201900135	28 March 2019
321112202000051	11 September 2020

7. Pursuant to three Construction Project Work Commencement Permits, issued by Zhenjiang Dantu District Housing and City and Rural Construction Bureau, the construction of the proposed development of the property was approved to commence.

The details of the Construction Land Use Planning Permits are summarized below:

Permit No.	Date of Instrument
321112201904260101	26 April 2019
321112201902270101	27 February 2019
321112202012010101	1 December 2020

8. Pursuant to eight Pre-sale Permits, issued by Zhenjiang Housing and City and Rural Construction Bureau, the pre-sale of a portion of the property was permitted.

The details of the Pre-sale Permits are summarized below:

Permit No.	Date of Instrument
Zhen Zhu Jian Di No. 192010	25 June 2019
Zhen Zhu Jian Di No. 192041	13 November 2019
Zhen Zhu Jian Di No. 192049	30 December 2019
Zhen Zhu Jian Di No. 202003	21 January 2020
Zhen Zhu Jian Di No. 202005	8 April 2020
Zhen Zhu Jian Di No. 202006	8 April 2020
Zhen Zhu Jian Di No. 202026	11 September 2020
Zhen Zhu Jian Di No. 202027	11 September 2020

9. Pursuant to seven Mortgage Agreements, entered into between Shanghai Aijian Trust Co., Limited (“Shanghai Aijian”) and Zhenjiang Tiangong, the land use rights of a portion of the property were subject to mortgage.

The details of the Mortgage Agreements are summarized below:

Agreement No.	Date of Instrument
SSHY-DY-01-A-01	18 April 2019
SSHY-DY-01-A-02	18 April 2019
SSHY-DY-02-A-01	18 April 2019
SSHY-DY-02-A-02	18 April 2019
SSHY-DY-01-A-分割	27 January 2021
SSHY-DY-02-A-分割 1	27 January 2021
SSHY-DY-02-A-分割 2	27 January 2021

10. The general description and market information of the property are summarized below:
- Location : The property is located at South of Changxiang Road and West of Hubin Road, Dantu District, Zhenjiang, Jjiangsu Province, The PRC.
- Transportation : Nanjing Lukou International Airport and Zhenjiang South Railway Station are located approximately 105.0 kilometres and 4.4 kilometres away from the Property respectively.
- Nature of Surrounding Area : The area is predominately a residential area in Dantu District.
11. We have been provided with a legal opinion regarding the property by JunHe LLP, which contains, inter alia, the following:
- (a) Zhenjiang Tiangong has obtained the state-owned land use rights of the property in accordance with laws;
- (b) Subject to the prior written agreement of the mortgagee, Zhenjiang Tiangong can let, transfer and mortgage the relevant state-owned land use rights; and
- (c) The state-owned land use rights of a portion of the subject site held under Real Estate Title Certificates, Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043879, Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043891 and Su (2021) Zhenjiang Bu Dong Chan Quan Di No. 0005260 are subject to mortgage. The mortgagee is Shanghai Aijian.
12. The gross development value of the property, assuming that it has been completed and it can be freely transferred, as at the Valuation Date was circa RMB1,587,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date were circa RMB585,000,000 and RMB267,000,000 respectively.
13. In the course of our valuation of the property, we have considered and analysed the apartment, house, retail and car parking space sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from RMB7,500 to RMB10,000 per sq.m. for apartment, from RMB12,500 to RMB14,600 per sq.m. for house, from RMB14,815 to RMB20,769 per sq.m. for retail on the basis of GFA, and ranging from RMB78,000 to RMB110,000 per space for car parking space. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rate of the property is RMB8,000 per sq.m. for apartment, RMB13,300 per sq.m. for house, RMB16,400 per sq.m. for retail on the basis of GFA, and RMB94,000 per space for car parking space.

FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the financial information for the last three financial years with respect to the profits and losses, financial record and position, as a comparative table and the latest published statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

Pursuant to a resolution of the Directors passed on 23 April 2018, the financial year end date of the Company has been changed from 31 March to 31 December effective from 31 December 2018. Details regarding change of financial year end date are disclosed in the Company's announcement dated 23 April 2018.

The audited consolidated financial statements of the Group together with the notes on the annual accounts for the year ended 31 March 2018 has been set out in pages 60 to 134 of the 2017/18 annual report of the Company, which was posted on 23 July 2018 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0723/lt20180723157.pdf>).

The audited consolidated financial statements of the Group together with the notes on the annual accounts for the nine months ended 31 December 2018 has been set out in pages 63 to 148 of the 2018 annual report of the Company, which was posted on 17 April 2019 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/lt20190417035.pdf>).

The audited consolidated financial statements of the Group together with the notes on the annual accounts for the year ended 31 December 2019 has been set out in pages 70 to 169 of the 2019 annual report of the Company, which was posted on 11 May 2020 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0511/2020051101378.pdf>).

The audited consolidated financial statements of the Group together with the notes on the annual accounts for the year ended 31 December 2020 has been set out in pages 77 to 181 of the 2020 annual report of the Company, which was posted on 30 April 2021 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043001071.pdf>).

INDEBTEDNESS STATEMENT

As at 31 July 2021, being the latest practicable date for the purpose of the indebtedness statement of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

Bank loans and borrowings

The aggregate unaudited outstanding bank and other borrowings and convertible note of the Group was approximately HK\$1,541,968,000, comprising:

- (i) HK\$977,242,000 bank borrowings which were guaranteed by the Company and were secured by the Group's certain investment properties, equity interest in certain subsidiaries and rental assignments in respect of certain investment properties;
- (ii) RMB469,400,000 (equivalent to approximately HK\$564,726,000) other borrowings from 上海愛建信托有限公司 (Shanghai Aijian Trust Co., Limited*) ("Shanghai Aijian") which were secured by the Group's properties for sale under development and equity interests in a subsidiary; and

As at 31 July 2021, the Group had no outstanding debt securities.

Lease liabilities

As at 31 July 2021, the Company had lease liabilities of approximately HK\$1,625,000.

Mortgages and Charges

As at 31 July 2021, the Group had pledged the following assets:

1. investment properties in Hong Kong with an aggregate carrying amount of HK\$1,845,600,000 for securing the Group's bank and certain other borrowings;
2. share mortgage of certain subsidiaries for securing their respective bank borrowings;
3. rental assignments in respect of the investment properties held by the Group;
4. properties for sale under development with an aggregate carrying amount of approximately HK\$671,363,000 and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB469,400,000 (equivalent to approximately HK\$564,726,000) from Shanghai Aijian; and
5. properties for sale – completed properties with an aggregate carrying amount of approximately HK\$22,750,000 pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties.

Contingent liabilities

As at 31 July 2021, the Group provided guarantees given to banks in connection with facilities granted to purchasers of the Group's properties – amounts drawn by the purchasers not provided in the consolidated financial statements of approximately HK\$115,434,000.

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's properties for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

Following the publication of the latest audited financial statements of the Company up to and including 31 July 2021, the Group did not incur any material losses in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 July 2021.

Corporate guarantee

As at 31 July 2021, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK\$1,127,000,000.

WORKING CAPITAL

As at the Latest Practicable Date, having made careful enquiries and taking into account of the internal resources of and credit facilities available to the Group as well as the transactions contemplated under the Equity Transfer Agreement and the Supplemental Agreements, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

FINANCIAL AND OPERATING PROSPECTS

During the Reporting Period, the Group recorded rental income from investment properties in Hong Kong of approximately HK\$37.0 million (2019: approximately HK\$39.2 million). The decrease in rental income was mainly attributed to rent concessions granted to tenants and the decline in the occupancy rate during the year ended 31 December 2020 (“FY2020”) caused by the impact of COVID-19 affecting the property leasing business in Hong Kong.

Hong Kong saw its economic recession deepened in FY2020 as the COVID-19 pandemic seriously disrupted the external trade, consumption, especially tourists’ spending, and retail spending in the city. Hong Kong’s GDP contracted by approximately 6.1% in FY2020. Retail spending plunged as social distancing measures severely dampened consumption-related activities in Hong Kong. Lockdown measures also put the inbound tourism to a standstill. Visitor arrivals to Hong Kong plummeted by 93.6% to approximately 3.5 million visitors in aggregate for FY2020. For FY2020, retail sales in Hong Kong dropped by 24.3% year-on-year. The Group’s overall rental reversion in renewals and new lettings became negative for the year of 2020.

With these challenges, the Group remained focused on further bolstering the resilience of its core business of property leasing in Hong Kong, particularly in Causeway Bay, in order to preserve its long-term competitiveness and ensure sustainable development in this challenging market. The investment properties of the Group are situated in the prime shopping district of Causeway Bay in Hong Kong and the Group has continued to refine the diverse-trade tenants mix.

As at 31 December 2020, the investment property portfolio of the Group achieved an occupancy rate of approximately 90.3% (2019: approximately 93.6%). Jardine Center remained as the Group’s core and steady income generator, accounted for approximately 74.9% of the total revenue of the Group during the Reporting Period.

With respect to property development business in the PRC, the Group currently is interested in two property development projects, one being the Phase II of the of the Project (prior to completion of the Disposal) and the other being a 49% interest in Jinyi Yijingyuan located in Jinhua City, Zhejiang Province, PRC. In the first half of 2020, due to severe disruption caused by COVID-19, the timing of sales launch and the construction progress had been distorted with sales and construction activities mostly frozen in the first quarter of 2020. As a result, the pre-sale activities of the properties have been severely affected.

Other than the impact of the COVID-19 pandemic, the tension between the United States of America (“U.S.”) and China remains intense. Furthermore, local consumer sentiment has become more cautious, which has put tremendous pressure on the overall retail sales and related property rental performance.

The economic outlook for the year of 2021 remains uncertain, driven by COVID-19 epidemic effects, the current US-China trade disputes, other domestic political and economic factors. In respect of the property leasing business in Hong Kong, most of the investment properties of the Group are situated in the prime shopping district of Causeway Bay. The Group will continue to refine the diverse-trade tenants mix and to develop strong relationships with our tenants. The Group will also evaluate alternatives to rationalise the Group’s property development business in the PRC. Under the impact of ongoing uncertainties, the Group’s priorities in operation are to maintain stable growth and to act with prudence. The Group will continue to drive the performance of core businesses at a steady pace, to enhance the financial position of the Group and to lay a defensive and solid foundation for the Group’s sustainable growth.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**Directors' and chief executive's interests and short positions in the shares and underlying shares or debentures of the Company or its associated corporations**

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange.

As at the present, each of Mr. Chen Zhiwei, Dr. Huang Qiang and Ms. Yu Dan, each being Directors, are directors of China Cinda (HK), the immediate controlling shareholder of the Company. Ms. Yu Dan is also a senior manager in the finance department of China Cinda (HK). Each of Ms. Ku Ka Lee, a Director and the chief executive officer of the Company, and Mr. Tang Lunfei, a Director, are employed as the managing director and the head of risk and compliance of China Cinda (HK).

Substantial Shareholders' and other persons' interests and short positions in the shares and underlying shares

As at the Latest Practicable Date, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares and underlying shares of the Company:

Name	Capacity	Number of Shares and underlying Shares interested L (long position) S (short position)	Approximate percentage of issued share capital of the Company
China Cinda (HK) ⁽¹⁾⁽²⁾	Beneficial owner	L- 843,585,747	74.98%
Bonds & Sons Holdings Limited ⁽⁴⁾	Beneficial owner	L- 111,642,295	9.93%
Bonds & Sons International Limited ⁽⁴⁾	Interest in controlled corporation	L- 111,642,295	9.93%
Bonds Chan Family Holdings (PTC) Ltd. ⁽⁴⁾	Interest in controlled corporation	L- 111,642,295	9.93%
China Cinda Asset Management Co., Ltd. ⁽¹⁾⁽²⁾	Interest in controlled corporation	L- 843,585,747	74.98%
DCP China Credit Fund I, L.P. ⁽³⁾	Interest of controlled corporation	L- 843,585,747	74.98%
Dignari Capital Partners GP Limited ⁽³⁾	Interest of controlled corporation	L- 843,585,747	74.98%
Tan Mei Zie Grace ⁽³⁾	Interest of controlled corporation	L- 843,585,747	74.98%

Notes:

- (1) China Cinda (HK) is the beneficial owner of 843,585,747 Shares.
- (2) China Cinda Asset Management Co., Ltd. controlled 100% of China Cinda (HK) Holdings Company Limited, which is the sole shareholder of China Cinda (HK) and is deemed under the SFO to be interested in the 843,585,747 Shares held by China Cinda (HK).
- (3) To the best knowledge, information and belief of the Directors, DCP China Credit Fund I, L.P., Dignari Capital Partners GP Limited and Tan Mei Zie Grace are interested in 843,585,747 shares of the Company and/or underlying shares of the Company, among which there are interests in 34,139,680 underlying shares of the Company pursuant to physically settled unlisted derivatives; DCP China Credit Fund I, L.P. controlled 100% of Dragons 616 Limited, whilst DCP China Credit Fund I, L.P. was controlled by Dignari Capital Partners GP Limited, and Tan Mei Zie Grace controlled 99% of Dignari Capital Partners GP Limited.
- (4) To the best knowledge, information and belief of the Directors, Bonds & Sons Holdings Limited is 100% controlled by Bonds & Sons International Limited, which is in turn 100% controlled by Bonds Chan Family Holdings (PTC) Ltd. Accordingly, Bonds Chan Family Holdings (PTC) Ltd. and Bonds & Sons International Limited are deemed under the SFO to be interested in the 111,642,295 Shares held by Bonds & Sons Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who had an interest or a short position in any shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors or their respective close associates had any interest in any business which competes or is likely to compete with the businesses of the Group that need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or their respective associates was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up).

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the agreement in writing entered into among 佛山三盛房地產有限責任公司 (Foshan Sansheng Real Estate Co., Ltd.*) (“**Foshan Sansheng**”), an indirect wholly-owned subsidiary of Shanghai Sansheng, 佛山快形物業服務有限公司 (Foshan Express Property Service Co., Ltd.*) (“**Foshan Express**”), a subsidiary of the Company and 舟山三盛酒店管理有限公司 (Zhoushan Sansheng Hotel Management Co., Ltd.*) (“**Zhoushan Sansheng**”) on 31 December 2019 in relation to the extension of the latest date for fulfillment of the conditions precedent under the sale and purchase agreement dated 8 August 2019 regarding the acquisition of the entire equity interest in Zhoushan Sansheng by Foshan Express from Foshan Sansheng at the consideration of RMB120.0 million (subject to adjustment) from 31 December 2019 to 30 June 2020;
- (b) the agreement dated 13 February 2020 entered into among Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingyi and Shanghai Aijian in relation to the renewal of the loan facilities granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong with a total outstanding principal amount of RMB469.4 million;
- (c) the conditional sale and purchase agreement dated 7 April 2020 entered into among 東投地產集團有限公司 (Dongtou Property Group Co. Ltd.*) (“**Dongtou Property**”), an independent third party, as the purchaser, Zhoushan Mingyi as the vendor and 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.*) (“**Hangzhou Minglun**”) as the target in relation to the sale of the sale interest to Dongtou Property in accordance with its terms, which was terminated upon 30 June 2020 and following the execution of the agreement as set out in (d) below;
- (d) the conditional sale and purchase agreement (including its schedules and annexes) dated 30 June 2020 entered into among 江西東望項目管理有限公司 (Dongwang Project Management Co. Ltd.*) (“**Dongwang Project**”), a wholly-owned subsidiary of Dongtou Property, as purchaser, Zhoushan Mingyi as the vendor and Hangzhou Minglun as the target in relation to the sale of the 100% equity interest in Hangzhou Minglun by Zhoushan Mingyi to Dongwang Project in accordance with its terms;
- (e) the renewal agreements dated 27 January 2021 entered into between Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingtai and Shanghai Aijian pursuant to which Shanghai Aijian agreed to renew the loan facilities owed by Shanghai Yuexin and Zhenjiang Tiangong to Shanghai Aijian such that the final maturity date of the facilities has been extended to 13 February 2022; and
- (f) the Equity Transfer Agreement and the Supplemental Agreements.

8. LITIGATION

As disclosed in the announcement of the Company dated 15 October 2020, Zhenjiang Tiangong received a civil claim on 15 October 2020 taken out by Mr. Chen Lingen (陳林根) and Ms. Chen Xiaohua (陳小華) as the plaintiffs whereby Shanghai Yuexin and Zhenjiang Tiangong, were named as the first defendant and third defendant, respectively, and Sansheng Real Estate, an independent third party of the Company, as the second defendant in relation to the alleged breach of contract of an equity transfer agreement dated 2 December 2017 alleged to be entered into, among others, Shanghai Yuexin as purchaser, Zhenjiang Tiangong as the target company, Sansheng Real Estate as a purchaser's guarantor, and the Plaintiffs as the vendors for the sale and purchase of the entire equity interest in Zhenjiang Tiangong, the project company for the Project.

In the Civil Claim, the Plaintiffs alleged that the total consideration for the acquisition of the Zhenjiang Tiangong by Shanghai Yuexin amounted to RMB478.7 million, of which, only RMB393,980,593.74 was paid, and the balance of RMB84,719,406.26 was outstanding.

As disclosed in the announcement of the Company dated 20 November 2020, Zhenjiang Tiangong received a copy of an application from the Plaintiffs to the Zhenjiang City Middle People's Court (鎮江市中級人民法院) for the withdrawal of the Civil Claim and revocation of the assets preservation notice by the Plaintiffs for purposes of out of court negotiation. As at 20 November 2020 and the Latest Practicable Date, the Company has not engaged in any negotiations referred to in the withdrawal application with the Plaintiffs.

As disclosed in the announcement of the Company dated 15 January 2021, a special investigation committee of the Board has been established to investigate and report on various matters and events leading to and/or otherwise relating to the Civil Claim (including the entry into the Alleged Zhenjiang Tiangong SPA) and the suspected dissipation of the Dissipated Funds by Shanghai Sansheng. For details, please refer to the Company's announcements dated 15 October 2020, 20 November 2020, 23 November 2020 and 15 January 2021, and the Put Option Circular.

As disclosed in the announcement of the Company dated 31 March 2021 (the “**SIC Preliminary Findings Announcement**”), based on the preliminary investigation results of the PRC counsel to the Company for the investigation, it was found that due to the withdrawal of the Civil Claim, it is uncertain which sale and purchase agreement reflects the true intention of the parties when the acquisition of Zhenjiang Tiangong was negotiated. For further details and the proposed next step, please refer to the SIC Preliminary Findings Announcement. Based on the preliminary findings and recommendation of the special investigation committee, on 17 June 2021, the Company sent legal demand letters to each of Shanghai Rongzhen and Shanghai Sansheng demanding the return of the Dissipated Funds. On 23 June 2021, Shanghai Rongzhen (acting through its solicitors) provided a response to such demand letter, in which it stated that, among other things, as Shanghai Rongzhen had been instructed by Shanghai Sansheng to transfer construction pre-payments received by it from Zhenjiang Tiangong to Shanghai Sansheng, Shanghai Rongzhen did not itself dissipate the Dissipated Funds, and that the Company should pursue Shanghai Sansheng to ascertain the truth of the matter. As the investigation of the special investigation committee is ongoing, the Company is still currently considering its further course of action as regards such response. As at the Latest Practicable Date, the Company has not yet received any response from Shanghai Sansheng in relation to the aforementioned demand letter. The Company will consider taking further legal recourse for the purposes of recovering the Dissipated Funds based on the outcome of the investigation of the special investigation committee, and their recommendations, as and when such investigation is concluded.

As at the Latest Practicable Date, other than as disclosed above, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

9. EXPERT’S QUALIFICATIONS AND CONSENT

The followings are the qualification of the experts who have been named in this circular or have given opinion or advice which is contained in this circular.

Name	Qualification
Vincorn Consulting and Appraisal Limited	Independent property valuer
JunHe LLP	PRC legal adviser

Each of the experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of its opinion, letter and/or valuation report (as the case may be) and the references to their names in the form and context in which they appear.

As at the Latest Practicable Date, each of the experts were not beneficially interested in any direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any members of the Group, or any interests, directly or indirectly, in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up).

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chow Hok Lim, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours during any business days (excluding public holidays) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the Bye-laws of the Company;
- (b) the annual report of the Company for the financial periods/years ended 31 March 2018, 31 December 2018, 2019 and 2020;
- (c) the material contracts referred to in "7. Material Contracts" above in this appendix;
- (d) the letter from the property valuer containing the valuation report;
- (e) the written consent referred to under the section headed "Expert's Qualifications and Consent" in this appendix; and
- (f) this circular.