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ZHONGZHENG INTERNATIONAL COMPANY LIMITED

中證國際有限公司

(formerly known as eForce Holdings Limited 意科控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

**(1) VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE DISPOSAL OF
THE ENTIRE EQUITY INTEREST IN
HONG KONG ZHONGZHENG CITY INVESTMENT LIMITED;
(2) PROPOSED OFF-MARKET SHARE BUY-BACK;
(3) APPLICATION FOR WHITEWASH WAIVER; AND
(4) SPECIAL DEAL**

Financial adviser to the Company



Optima Capital Limited

**Independent Financial Adviser
to the Independent Board Committee and
the Independent Shareholders**

ALTUS CAPITAL LIMITED

Reference is made to the announcements of the Company dated 25 May 2021 and 25 August 2021 respectively in respect of a memorandum of understanding and a supplemental memorandum of understanding respectively entered into between the Company and HK Huijin in relation to a possible sale by the Group of its interests in the Investment Company to HK Huijin. On 24 September 2021 (after trading hours of the Stock Exchange), the Disposal Agreement was entered into among GPI, the Company, HK Huijin and Qianhai Zhongzheng to effect the Disposal.

BACKGROUND

The First Acquisition

Reference is made to the circular of the Company dated 21 December 2018 and the announcement of the Company dated 2 January 2019. On 14 September 2018, GPI (a direct wholly-owned subsidiary of the Company) and Qianhai Zhongzheng entered into the First Acquisition Agreement, whereby GPI agreed to acquire and Qianhai Zhongzheng agreed to sell, or procure to sell, the entire issued share capital of the Investment Company, a company principally engaged in primary land development in Luanping County, Hebei Province, the PRC. In accordance with the terms of the First Acquisition Agreement, GPI completed the First Acquisition to acquire the Investment Company from HK Huijin, which was the seller as procured by Qianhai Zhongzheng, at a final consideration of RMB517,026,686 (as adjusted in accordance with the terms of the First Acquisition Agreement). Such consideration was satisfied by GPI as to (i) RMB257,026,686 in cash and (ii) as to RMB260,000,000 by allotment and issue of the 1st Acquisition Consideration Shares (being 1,938,248,881 Shares) by the Company to HK Huijin.

The Second Acquisition

Reference is made to the circular of the Company dated 18 September 2019 and the announcement of the Company dated 19 March 2020. On 6 July 2019, Ruifeng, Qianhai Zhongzheng, Huateng, Dongguan Project Company and Nanjing Project Company entered into the Second Acquisition Agreement whereby Ruifeng agreed to acquire and Qianhai Zhongzheng agreed to sell the entire equity interest in Huateng at the consideration of RMB200,000,000. The aforesaid consideration was satisfied by the Company issuing the P-Note to Qianhai Zhongzheng upon completion of the Second Acquisition Agreement, which remains outstanding as at the date of this announcement, and is a subject of the terms of the Disposal Agreement as further described below. At the time of completion of the Second Acquisition, Dongguan Project Company and Nanjing Project Company were principally engaged in the property development projects located in Dongguan City and Nanjing City, the PRC, respectively.

THE DISPOSAL

The Disposal Group is principally engaged in (i) primary land development in Luanping County, Hebei Province, the PRC; and (ii) property development projects located in Nanjing City and Dongguan City, the PRC.

On 24 September 2021 (after trading hours), the Company, GPI as vendor, HK Huijin as purchaser and Qianhai Zhongzheng entered into the Disposal Agreement, the salient terms of which are as follows:

- (i) GPI agreed to sell to HK Huijin the entire equity interests it holds in the Investment Company, being the Sale Shares;
- (ii) in consideration for GPI agreeing to sell the Sale Shares, HK Huijin and/or Qianhai Zhongzheng and/or parties procured by Qianhai Zhongzheng (as the case may be) will, on the Completion Date, make cash payment and payments in kind to GPI as follows:
 - (a) payment of HK\$308,432,023 in cash by HK Huijin to GPI;
 - (b) the assignment by Qianhai Zhongzheng of the P-Note of RMB200,000,000 (equivalent to approximately HK\$240,000,000) to the Company (as nominee of GPI) for cancellation and set-off; and
 - (c) the transfer of the 1st Acquisition Consideration Shares by Goldstone and Zhongzheng Investment (as procured by HK Huijin and Qianhai Zhongzheng) to the Company (as nominee of GPI). (The 1st Acquisition Consideration Shares represents approximately 18.08% of the total number of existing issued Shares of the Company); and
- (iii) the Disposal Group Loans (as further explained below) provided by the Group to the Disposal Group in the aggregate principal amount of approximately HK\$139 million outstanding as at the date of the Disposal Agreement and the interest accrued up to the date of repayment shall be settled within two months from the Completion Date. As at 31 August 2021, the amount of the unpaid interest accrued was HK\$17,097,000.

Upon Completion, the Investment Company will cease to be a subsidiary of the Company and the financial results of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group. And none of Qianhai Zhongzheng, Goldstone, Zhongzheng Investment, HK Huijin and/or their associates will continue to hold any of the 1st Acquisition Consideration Shares or the P-Note.

Immediately after Completion having taken place, the P-Note will be set-off or otherwise eliminated and cancelled on a group consolidated basis between GPI and the Company, and the 1st Acquisition Consideration Shares will be repurchased and cancelled by the Company (as a Share Buy-back by the Company which will be more particularly described below) in compliance with the applicable laws, rules and regulations.

The net cash proceeds after deduction of the related expenses from the Disposal of HK\$7.5 million are estimated to be HK\$300,932,023. Pursuant to the terms of the Disposal Agreement, the Disposal Group Loans in the aggregate principal amount of HK\$139,099,000 will be repaid to the Company within two months from the Completion Date. The Company intends to apply the total net cash proceeds of HK\$440,031,023 (excluding the accrued interest which will be repaid together with the principal amount of the Disposal Group Loans) as to (i) HK\$250,000,000 for the repayment of the Company Debt owed to Mr. Lim (a substantial Shareholder and non-executive Director) by the Company as more particularly described below; (ii) HK\$110,000,000 for the development of the healthcare and household business of the Group; (iii) HK\$20,000,000 for the repayment of part of the borrowings of the Remaining Group; and (iv) the remaining balance of HK\$60,031,023 for general working capital or settlement of the unpaid accrued interest of the Company Debt. The amount of accrued interest payable on the Disposal Group Loans to be received by the Company will be used as general working capital of the Remaining Group.

Upon Completion, the Remaining Group will be principally engaged in manufacturing and trading of healthcare and household products, money lending business and coal mining business.

REGULATORY REQUIREMENTS

Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company will make an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least 75% of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company to be held for such purposes.

Takeovers Code

Application for Whitewash Waiver

As at the date of this announcement, Mr. Leung is interested in a total of 4,233,534,364 Shares, representing approximately 39.48% of the issued share capital of the Company. Assuming there will be no changes in the shareholdings of Mr. Leung and the issued share capital of the Company from the date of this announcement to Completion before the Share Buy-back by the Company, immediately upon the Share Buy-back having taken place, the number of issued Shares will be decreased from 10,721,666,832 to 8,783,417,951. Accordingly, the percentage shareholding of Mr. Leung will be increased from 39.48% before the Share Buy-back to approximately 48.20% after the Share Buy-back. In the circumstances, an obligation will arise on the part of Mr. Leung to make a general offer for all the Shares (other than those already owned or agreed to be acquired by Mr. Leung) pursuant to Rule 26 of the Takeovers Code. An application will be made by Mr. Leung to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for a waiver of his obligation to make a general offer for the Shares which would otherwise arise as a result of the Share Buy-back by the Company. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll.

Special Deal

As the Company Debt Repayment is not capable of being extended to all the other Shareholders, the Company Debt Repayment shall constitute a “*special deal*” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. The Executive will normally consent to the special deal provided that (i) the Independent Financial Adviser publicly states in its opinion that its terms are fair and reasonable, and (ii) it is approved by the Independent Shareholders at the SGM by way of poll. An application will be made to the Executive for its consent to the Special Deal pursuant to Note 5 to Rule 25 of the Takeovers Code.

Listing Rules

Very Substantial Disposal and Connected Transaction

As one of the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules.

The Disposal also constitutes a connected transaction of the Company given the following arrangements to be made between Qianhai Zhongzheng, Zhongzheng Investment and Goldstone in respect of the transfer of the 1st Acquisition Consideration Shares to the Company (as nominee of GPI) upon Completion as contemplated in the Disposal Agreement. The 1st Acquisition Consideration Shares are presently held by Zhongzheng Investment and Goldstone as to 1,259,861,773 Shares and 678,387,108 Shares respectively (representing approximately 11.75% and 6.33% of the issued share capital of the Company respectively). Zhongzheng Investment is a substantial Shareholder and therefore a connected person of the Company under the Listing Rules. As the transaction contemplated under the Disposal Agreement involves, among others, the procurement by Qianhai Zhongzheng of the transfer of the 1st Acquisition Consideration Shares by Zhongzheng Investment and Goldstone to the Company (as nominee of GPI) (which transfer will be subject to the Share Buy-back by the Company), Qianhai Zhongzheng is considered as a “*deemed connected person*” of the Company pursuant to Rule 14A.20(1)(b) of the Listing Rules. By virtue of the Disposal Agreement constituting both a very substantial disposal and a connected transaction of the Company under the Listing Rules, it is therefore subject to the reporting and announcement requirements and the approval by at least 50% of the votes cast by the Independent Shareholders at the SGM by way of poll under Chapters 14 and 14A of the Listing Rules.

Declarations of interest of the Directors

As (i) the shareholding of Mr. Leung, an executive Director and the Chairman of the Company, will be increased from approximately 39.48% to approximately 48.20% upon Completion as a result of the Share Buy-back and he will make application for the Whitewash Waiver to the Executive; (ii) Mr. Qiu, an executive Director, owns 90% equity interest in SZ Xuanxin, a company which in turns owns 46.15% effective interest in Qianhai Zhongzheng; and (iii) Mr. Gao Yuxiang, an executive Director, is a member of the senior management of CITIC Securities (which is the immediate holding company of Goldstone) and the Transactions involves, among others, the transfer of the 1st Acquisition Consideration Shares by Zhongzheng Investment and Goldstone (as procured by Qianhai Zhongzheng) to the Company (as nominee of GPI); and (iv) part of the proceeds from the Disposal will be utilised to repay the Company Debt to Mr. Lim, a non-executive Director, Mr. Leung, Mr. Qiu, Mr. Gao and Mr. Lim are deemed to have material interests in the Disposal Agreement and the Transactions, and have abstained from voting at the Board meeting in relation to the approval of the Disposal Agreement and the Transactions. Except for Mr. Leung, Mr. Qiu, Mr. Gao and Mr. Lim, no other Director is required to abstain from voting at the Board meeting in relation to the approval of the above matters.

GENERAL

Pursuant to Rule 2.1 of the Takeovers Code, an independent board committee comprising all the non-executive Directors shall be established to make recommendations to the Independent Shareholders on whether the terms of the Transactions are fair and reasonable. However, by reason of his interest in the Special Deal, Mr. Lim, although himself a non-executive Director, is considered to have conflicts of interest in participating in the Independent Board Committee. Accordingly, the Independent Board Committee comprising all the independent non-executive Directors only, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, who have no direct or indirect interest in the Transactions, has been established under the Takeovers Code and the Listing Rules to make recommendations to the Independent Shareholders in respect of the terms of the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal. Altus Capital Limited has been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal. By reason of the requirements of the Buy-backs Code, the Takeovers Code and the Listing Rules, (i) Mr. Leung and parties acting in concert with him; and (ii) Mr. Lim, Goldstone and Zhongzheng Investment and their respective associates will abstain from voting in the SGM. Save for these parties, to the best of the information, knowledge and belief of the Directors after having made reasonable enquiries, no other Shareholder is required to abstain from voting on the resolutions approving the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal.

A circular containing, among other things, (i) details of the Transactions; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal; (iv) financial information of the Disposal Group and the Remaining Group; (v) a valuation report of the Disposal Group; and (vi) a notice of the SGM is expected to be despatched to the Shareholders on or before 29 October 2021. Under Rule 8.2 of the Takeovers Code, the said circular is required to be issued within 21 days from the date of this announcement. However, as additional time is required for preparing the information to be included in the circular, the Company will seek the Executive's consent for an extension of the time for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

BACKGROUND

The First Acquisition

Reference is made to the circular of the Company dated 21 December 2018 and the announcement of the Company dated 2 January 2019. On 14 September 2018, GPI (a direct wholly-owned subsidiary of the Company) and Qianhai Zhongzheng entered into the First Acquisition Agreement. Pursuant to the terms of the First Acquisition Agreement, Qianhai Zhongzheng had procured HK Huijin to sell the entire issued share capital of the Investment Company at a final consideration of RMB517,026,686 (as adjusted in accordance with the terms of the First Acquisition Agreement) (i.e. the First Acquisition).

Before and after completion of the First Acquisition, the Investment Company has been principally engaged in the business of primary land development in Luanping County, Hebei Province, the PRC.

The final consideration of the First Acquisition of RMB517,026,686 (as adjusted in accordance with the terms of the First Acquisition Agreement) was satisfied as to (i) RMB257,026,686 (as adjusted in accordance with the terms of the First Acquisition Agreement) paid by GPI to Qianhai Zhongzheng in cash; and (ii) RMB260,000,000 by way of allotment and issue of the 1,938,248,881 1st Acquisition Consideration Shares by the Company at an issue price of HK\$0.154 per Share to Qianhai Zhongzheng. The 1st Acquisition Consideration Shares represented approximately 18.08% of the then issued share capital of the Company as enlarged by the allotment and issue of 1st Acquisition Consideration Shares. The cash portion of the consideration was paid and the 1st Acquisition Consideration Shares were allotted and issued to Qianhai Zhongzheng on the completion date of the First Acquisition (being 21 January 2019) pursuant to the terms of the First Acquisition Agreement.

Subsequent dealings of the 1st Acquisition Consideration Shares by Qianhai Zhongzheng

Based on the information provided by HK Huijin and Qianhai Zhongzheng and to the best of the information, knowledge and belief of the Directors after having made reasonable enquires, at the material time of the First Acquisition and the Second Acquisition, (i) HK Huijin was indirectly and wholly owned by Qianhai Zhongzheng; and (ii) Qianhai Zhongzheng was in turn beneficially owned as to 35% by Goldstone, 25% by Tianji Nanlian, 20% by Yinxin Zhongjiu and 20% by Zhongcai Century, respectively.

In October 2019, Qianhai Zhongzheng and its then shareholders decided to have the 1st Acquisition Consideration Shares distributed in specie to Qianhai Zhongzheng's then shareholders, namely Goldstone, Tianji Nanlian, Yinxin Zhongjiu and Zhongcai Century, pro-rata to their shareholdings in Qianhai Zhongzheng but, in so doing, the portion of the 1st Acquisition Consideration Shares which would otherwise be distributed to Tianji Nanlian, Yinxin Zhongjiu and Zhongcai Century in specie (being 484,562,221 Shares, 387,649,776 Shares and 387,649,776 Shares respectively) respectively, would instead at the instruction of them be aggregated and distributed to a special purpose vehicle to hold the said distributed Shares. For this purpose, Zhongzheng Investment was established jointly by Tianji Nanlian, Yinxin Zhongjiu and Zhongcai Century and owned as to approximately 38.46%, 30.77% and 30.77% by them respectively (which is in the same proportion as their then respective shareholdings in Qianhai Zhongzheng of 25%/20%/20%). On 29 October 2019, Qianhai Zhongzheng effected the distribution in specie of the 1st Acquisition Consideration Shares to Goldstone and Zhongzheng Investment in the proportion of 35%/65%, or 678,387,108 Shares/1,259,861,773 Shares. As at the date of this announcement, each of Goldstone and Zhongzheng Investment remains as the holder of such number of the 1st Acquisition Consideration Shares distributed to them by Qianhai Zhongzheng in 2019. The Company is advised by Goldstone and Zhongzheng Investment that no money or sale and purchase consideration had been exchanged between the relevant parties for the distribution in specie by Qianhai Zhongzheng. It is further advised that the distribution in specie was made at the material time for the purpose of providing each of Goldstone and Zhongzheng Investment more flexibility in dealing with the portion of the 1st Acquisition Consideration Shares attributable to them on the market when it might see fit or when needed.

The Second Acquisition

Reference is made to the circular of the Company dated 18 September 2019 and the announcement of the Company dated 19 March 2020. On 6 July 2019, Ruifeng, Qianhai Zhongzheng, Huateng, Dongguan Project Company and Nanjing Project Company entered into the Second Acquisition Agreement in relation to the sale and purchase of the entire equity interest in Huateng at the consideration of RMB200,000,000 (i.e. the Second Acquisition).

Upon completion of the Second Acquisition, Ruifeng became the immediate holding company of Huateng and held 51% equity interest in the Nanjing Project Company and 100% equity interest in the Dongguan Project Company through 深圳市鴻興展業實業投資有限公司 (Shenzhen Hongxing Zhanye Industrial Investment Co., Ltd.*). At the time of completion of the Second Acquisition, Dongguan Project Company and Nanjing Project Company were principally engaged in their own property development projects located in Dongguan City and Nanjing City, the PRC.

The consideration of the Second Acquisition was satisfied by way of the issue of the P-Note which is interest-free with a term of six months and in the principal amount of RMB200,000,000 by the Company to Qianhai Zhongzheng. The P-Note was initially due on 23 September 2020 but was subsequently extended to 23 December 2020. As at the date of this announcement, the P-Note is yet to be settled and no default interest will be imposed as agreed between the parties and as confirmed by Qianhai Zhongzheng in the Disposal Agreement.

THE DISPOSAL AGREEMENT

On 24 September 2021 (after trading hours of the Stock Exchange), the Company, GPI, HK Huijin, and Qianhai Zhongzheng entered into the Disposal Agreement, the terms and conditions of which are set out as follows:

Date: 24 September 2021

Parties: (i) the Company, the holding company of GPI

(ii) GPI (a direct wholly-owned subsidiary of the Company) as vendor;

(iii) HK Huijin as purchaser; and

(iv) Qianhai Zhongzheng, the indirect holding company of HK Huijin

Assets to be disposed of

The assets to be disposed of under the Disposal Agreement are the Sale Shares which represent the entire issued share capital of the Investment Company as at the date of the Disposal Agreement. Details of the Disposal Group are set out in the section headed “Information of the Disposal Group” below.

Consideration

Components

In consideration for GPI agreeing to sell the Sale Shares, HK Huijin and/or Qianhai Zhongzheng and/or parties procured by Qianhai Zhongzheng (as the case may be) will, on the Completion Date, make cash payment and payments in kind to GPI (the “**Consideration in Exchange**”) as follows:

- (i) payment of HK\$308,432,023 in cash by HK Huijin to GPI;
- (ii) the assignment by Qianhai Zhongzheng of the P-Note of RMB200,000,000 (equivalent to approximately HK\$240,000,000) to the Company (as nominee of GPI) for cancellation and set-off; and

- (iii) the transfer of the 1st Acquisition Consideration Shares by Goldstone and Zhongzheng Investment (as procured by Qianhai Zhongzheng) to the Company (as nominee of GPI).

In essence, by selling the Sales Shares to HK Huijin and in return receiving the Consideration in Exchange (being the consideration paid by GPI or on behalf of GPI in the First Acquisition and the Second Acquisition) by GPI, the Disposal Agreement will have the effect of unwinding the First Acquisition and the Second Acquisition. The business rationale for the Company to proceed with the Disposal is more particularly described in the section headed “Reasons for and merits of the Transactions” below. In short, the Disposal Group is facing a difficult and harsh business environment for its property development sector in the PRC, which has been caused, among other things, by the tightening of credit policies of banks/financial institutions and other capital funders in the market. The Disposal, if materialised, will allow the Group to exit from, and hence, be relieved from the financial stress of the Disposal Group and to de-risk the credit and market exposures that the Group may overall need to deal with in the face of a further receding PRC property market.

Immediately after Completion having taken place, the P-Note will be set-off or otherwise eliminated and cancelled on a group consolidated basis between GPI and the Company, and the 1st Acquisition Consideration Shares will be repurchased and cancelled by the Company (as a Share Buy-back by the Company which will be more particularly described below) in compliance with the applicable laws, rules and regulations.

The 1st Acquisition Consideration Shares presently held by Goldstone and Zhongzheng Investment but to be transferred to the Company (as nominee of GPI) as procured by HK Huijin to satisfy part of the consideration for the Disposal Agreement will be hereafter interchangeably referred to as “Buy-back Shares” for ease of presentation purpose. The Buy-back Shares represent approximately 18.08% of the total number of existing issued Shares. An analysis of the underlying values of the 1st Acquisition Consideration Shares and the imputed value of the Buy-back Shares is more particularly discussed in the section headed “Comparisons of the Imputed Buy-back Price to market price and NAV per Share” below.

It is agreed in the Disposal Agreement that HK Huijin and Qianhai Zhongzheng are obliged to procure Goldstone and Zhongzheng Investment to transfer to the Company (as nominee of GPI) all the 1st Acquisition Consideration Shares held by them for cancellation at Completion. Each of Zhongzheng Investment, Goldstone and their respective shareholders, related or concert parties has not received, and will not receive, any consideration for such transfer. Under the terms of the Disposal Agreement, upon Completion, each of Goldstone and Zhongzheng Investment will also confirm to the Company and GPI that upon Completion and the transferring of Sale Shares by GPI to HK Huijin, all consideration for the Buy-back Shares to be cancelled shall deem to have been satisfied and no other consideration shall be required to be paid therefor. For information of Goldstone and Zhongzheng Investment and the relationship among HK Huijin, Qianhai Zhongzheng, Goldstone and Zhongzheng Investment, please refer to the section headed “Information of Goldstone and Zhongzheng Investment” below.

The value of the Consideration in Exchange, if calculated based on the closing price per Share of HK\$0.021 as quoted on the Stock Exchange on the Last Trading Day and the unaudited consolidated NAV per Share of approximately HK\$0.1161 (based on the unaudited equity attributable to the owners of the Company of approximately HK\$1,244,911,000 as at 30 June 2021) (the “**Unaudited NAV per Share**”), would amount to approximately HK\$589.1 million and HK\$773.5 million, respectively.

Imputed Buy-back Price for the Buy-back Shares

The unaudited NAV of the Disposal Group as at 30 June 2021 amounted to approximately HK\$788,200,000 (the “**Disposal Group NAV**”). On this basis, and after netting off the HK\$308,432,023 cash payment and the effective cancellation of the liability of repayment of the P-Note by the Company in the amount of RMB200,000,000 (equivalent to approximately HK\$240,000,000), the balance of the amount of the Disposal Group NAV to be satisfied by the repurchase and consequential cancellation of the Buy-back Shares would therefore be HK\$239,767,977, resulting in the Imputed Buy-back Price of approximately HK\$0.1237 per Buy-back Share.

The Imputed Buy-back Price per Buy-back Share represents:

- (i) a premium of approximately 5.9 times over the closing price of HK\$0.021 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.9 times over the average closing price of the Shares of HK\$0.021 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 5.6 times over the average closing price of the Shares of HK\$0.022 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 4.1% to the audited consolidated NAV per Share of approximately HK\$0.129 (based on the audited equity attributable to the owners of the Company of approximately HK\$1,383,993,000 as at 31 December 2020) (the “**Audited NAV per Share**”); and
- (v) a premium of approximately 6.5% over the Unaudited NAV per Share of approximately HK\$0.1161.

The Board notes that the Imputed Buy-back Price approximates to the Audited NAV per Share and the Unaudited NAV per Share but represents significant premium over the recent closing prices per Share. However, the Board considers it is more appropriate to compare the Imputed Buy-back Price to the Audited NAV per Share and the Unaudited NAV per Share, instead of to the recent closing prices per Share for the reasons explained in the section headed “Comparisons of the Imputed Buy-back Price to market price and NAV per Share” below.

Conditions precedent

Completion of the Disposal will be conditional on, among other things,

- (i) the Executive having granted and not having withdrawn the approval or consent (as the case may be) of (a) the Share Buy-back; (b) the Whitewash Waiver; and (c) the Special Deal, and all the conditions (if any) of such approval or consent (as the case may be) having been satisfied;
- (ii) the Company having obtained the approval of the ordinary resolution(s) for approving the Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders at the SGM by way of poll;
- (iii) the Company having obtained the approval of the Share Buy-back and the Whitewash Waiver by at least 75% of the Independent Shareholders present at the SGM by way of poll;
- (iv) the Company having obtained the approval of the Special Deal by at least 50% of the Independent Shareholders present at the SGM by way of poll;
- (v) the Company having sufficient reserves in the form of capital and/or share premium in its accounts to effect the Share Buy-back;
- (vi) GPI having obtained all requisite authorisation, license, consent and approval or waiver (if applicable) from the banks, the third parties and the relevant governmental authorities in respect of the Disposal;
- (vii) HK Huijin having obtained all requisite authorisation, license, consent and approval or waiver (if applicable) from the banks, the third parties and the relevant governmental authorities in respect of the Disposal;
- (viii) HK Huijin being satisfied that there has been no material adverse change in respect of the Disposal Group since the date of the Disposal Agreement;
- (ix) the warranties given by GPI and the Company under the Disposal Agreement remain true, valid, accurate and comprehensive, and not misleading;
- (x) the warranties given by HK Huijin and Qianhai Zhongzheng under the Disposal Agreement remain true, valid, accurate and comprehensive, and not misleading; and
- (xi) the Company being, on the date of the Share Buy-back and after the Share Buy-back, able to pay its liabilities as they become due.

HK Huijin may waive any of the conditions set out in (viii) and (ix) above by notice in writing to GPI. GPI may waive the condition set out in (x) above by notice in writing to HK Huijin. Save for the aforementioned, none of the conditions set out above could be waived by the parties to the Disposal Agreement.

If any of the above conditions have not been fulfilled or waived (as the case may be) on or before 31 December 2021 (or such later date as the parties may agree in writing), the Disposal Agreement shall cease and determine and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Disposal Agreement.

Completion

Completion will take place on the third Business Day after fulfillment or waiver (as the case may be) of all of the conditions precedent to the Disposal Agreement, or such other date as the parties to the Disposal Agreement may agree in writing.

Upon Completion, the Investment Company will cease to be a subsidiary of the Company and the financial results of the members of the Disposal Group will no longer be consolidated into the financial statements of the Group.

Repayment of the Disposal Group Loans

As at the date of the Disposal Agreement, there were unsecured loans extended by the Company to the Disposal Group for working capital purpose which remained outstanding in the principal amount of HK\$139,099,000. The Disposal Group Loans carry interest at 7% per annum, with interest accrued and unpaid up to 31 August 2021 amounting to HK\$17,097,000. The Disposal Group Loans have been made after the First Acquisition and up to the date of the Disposal Agreement.

Pursuant to the Disposal Agreement, HK Huijin (a wholly-owned subsidiary of Qianhai Zhongzheng) has irrevocably and unconditionally guaranteed to GPI that, subject to Completion, the Company shall receive the repayment of the Disposal Group Loans within two months from the Completion Date. GPI has agreed to the aforesaid two months grace period for repayment so as to allow reasonable time for the Disposal Group to make necessary funding arrangements with relevant parties, including but not limited to the banks and other financial institutions of the Disposal Group and/or its shareholders for repayment of the said loans. The Directors, HK Huijin and Qianhai Zhongzheng are of the view that it would not be likely to obtain refinancing of the Disposal Group Loans from potential funders (including banks and other financial institutions) prior to change of ownership of the Disposal Group having been crystallised, as it is expected that the re-financing for the Disposal Group Loans will require some form of corporate guarantees and/or shareholders' guarantees from Qianhai Zhongzheng and/or its associates.

The Disposal Group Loans are presently unsecured. However, upon the Disposal Agreement becomes binding, it will effectively have HK Huijin giving a guarantee to GPI on the repayment of the Disposal Group Loans as a result of its undertaking given as described in the preceding paragraph. HK Huijin, as purchaser under the Disposal Agreement, will have a contractual obligation to the repayment of the Disposal Group Loans to the Company within the prescribed period. Having considered (i) the background and corporate networks of Qianhai Zhongzheng and its shareholders (some of which are internationally renowned companies) as detailed under the section headed “Information of HK Huijin and Qianhai Zhongzheng”; (ii) the return of the Consideration in Exchange on Completion including cash of HK\$308,432,023 and the cancellation of the liabilities of approximately HK\$240 million (being the P-Note); (iii) the factors considered by the Directors in arriving at the decision to enter into the Disposal Agreement as set out in the section headed “Reasons for and merits of the Transactions” below; and (iv) that in the worst hypothetical scenario that the Disposal Group would become insolvent and unable to pay its debts, the order of payment to the Group for the Disposal Group Loans would be ahead of its shareholders, albeit behind the secured creditors, on liquidation of assets, the Directors consider that, on balance, the agreed two-months repayment period for the Disposal Group Loans is commercially acceptable. The Directors believe that it is highly likely for the Group to recover the Disposal Group Loans in full as agreed in the Disposal Agreement. However, in the unlikely event that any part of the Disposal Group Loans and/or the accrued interests thereof are not received in due course as agreed, the Company, in its capacity as a creditor to the Disposal Group, will do and take all necessary and appropriate actions to recover the loans to safeguard the interests of the Company and its Shareholders. Despite this, for the sake of argument, should the Disposal Group Loans become defaulted for any reasons that are presently not foreseen by the Directors, the Company would suffer a loss up to the principal amount of the Disposal Group Loans (being HK\$139,099,000) plus the accrued interest as an impairment loss of the loan receivable or a bad debt write-off of the Disposal Group Loans.

INFORMATION OF HK HUIJIN AND QIANHAI ZHONGZHENG

HK Huijin is an indirect wholly-owned subsidiary of Qianhai Zhongzheng. Qianhai Zhongzheng is currently effectively owned as to approximately 53.85% and 46.15% by CITIC Capital (China) and SZ Xuanxin, respectively.

CITIC Capital (China) is a wholly-owned subsidiary of CITIC Capital Holdings Limited, which is in turn owned as to 20.75% by its senior management and trustee of restricted share scheme, 20.7% by Tencent Holdings Limited (stock code: HK0700), 19.92% by Fubon Life Insurance Co., Ltd. and its related parties, 19.9% by CITIC Pacific Limited (a wholly owned subsidiary of CITIC Limited (stock code: HK0267)) and 18.73% by Qatar Holding LLC. On the other hand, SZ Xuanxin, the other 46.15% shareholder of Qianhai Zhongzheng, is owned as to 90% by Mr. Qiu, an executive Director, and 10% by a third party independent of the Company. As such, Qianhai Zhongzheng is therefore an associate of Mr. Qiu and a connected person of the Company.

HK Huijin is an investment holding company. Qianhai Zhongzheng is principally engaged in, among other things, investment management and provision of urban construction advisory services for projects predominantly located in the PRC. The projects undertaken by Qianhai Zhongzheng are often large-scale projects in cooperation with the local government and/or private commercial entities and the projects are located in various prominent cities in the PRC.

INFORMATION OF GOLDSTONE AND ZHONGZHENG INVESTMENT

At the material time of the First Acquisition and the Second Acquisition, (i) HK Huijin was indirectly and wholly owned by Qianhai Zhongzheng; and (ii) Qianhai Zhongzheng was in turn beneficially owned as to 35% by Goldstone, 25% by Tianji Nanlian, 20% by Yinxin Zhongjiu and 20% by Zhongcai Century, respectively, and therefore Tianji Nanlian, Yinxin Zhongjiu and Zhongcai Century indirectly held an aggregate of 65% interest in HK Huijin. Based on the information provided by HK Huijin and Qianhai Zhongzheng and to the best of the information, knowledge and belief of the Directors after having made reasonable enquires, save for the then investments in the Luanping Project, the Dongguan Project and the Nanjing Project, Qianhai Zhongzheng also had investments in other projects which are not relevant to the Disposal Group or the Company.

As disclosed under the section headed “Background – the First Acquisition” above, Zhongzheng Investment was established as a result of the distribution in specie of the 1st Acquisition Consideration Shares and owned as to approximately 38.46%, 30.77% and 30.77% by Tianji Nanlian, Yinxin Zhongjiu and Zhongcai Century, respectively. Goldstone is a wholly-owned subsidiary of CITIC Securities (stock code: HK6030) which is in turn owned as to 17.47% by CITIC Limited (stock code: HK0267).

Each of Goldstone, Zhongzheng Investment and their respective shareholders, related or concert parties has not received, and will not receive, any consideration for the transfer of the 1st Acquisition Consideration Shares to the Company (as nominee of GPI for part settlement of the Consideration) for cancellation. On top of the receipt of the 1st Acquisition Consideration Shares, both Zhongzheng Investment and Goldstone have already realised their investments in Qianhai Zhongzheng with a gain after the Second Acquisition.

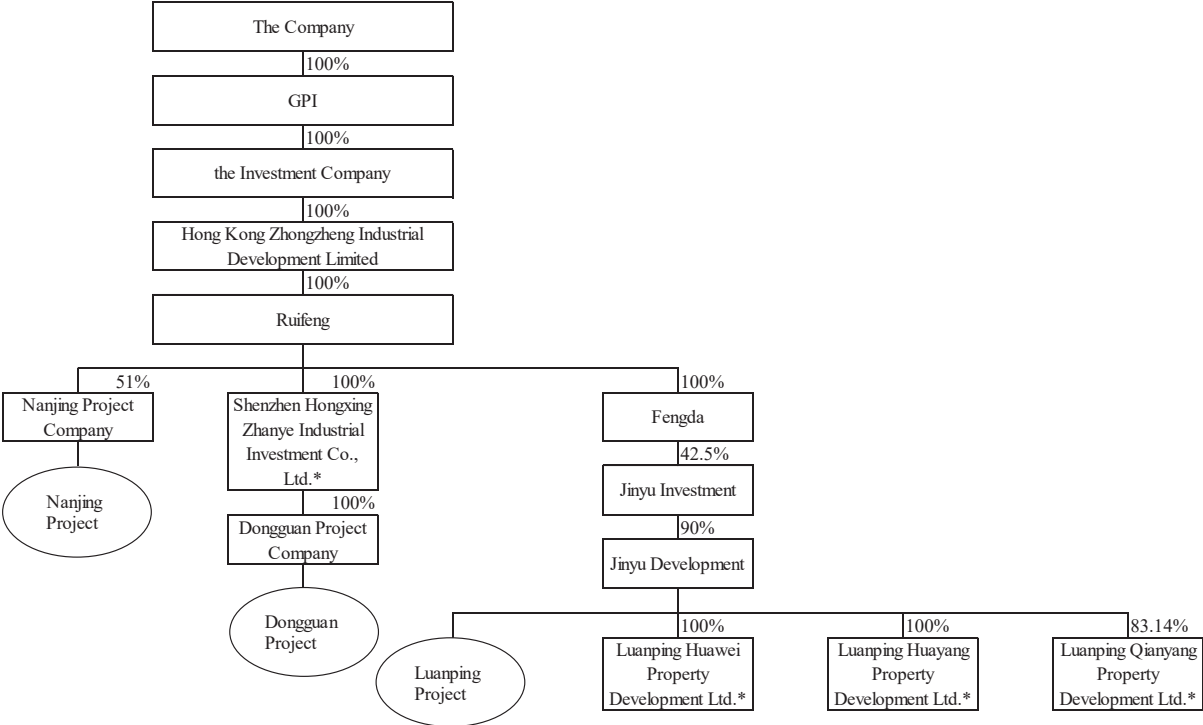
At the material time of the First Acquisition and the Second Acquisition, Tianji Nanlian, Yinxin Zhongjiu and Zhongcai Century (being the shareholders of Zhongzheng Investment) and Goldstone were positive about the prospect of the Disposal Group, and therefore decided to hold the 1st Acquisition Consideration Shares received from the First Acquisition for long term investment purpose as they believed the value of the Company would appreciate should the Company be able to unlock the underlying values of these projects and they, as Shareholders, would also be able to realise the capital gain arising from the market value of the Company in the long run. For the purpose of certain affairs and matters related to operation and development of the Company requiring to be considered and approved by Shareholders at general meeting of the Company, Goldstone, Tianji Nanlian, Yinxin Zhongjiu, Zhongcai Century and Zhongzheng Investment have entered into an agreement to regulate their voting in concert at the Company's general meetings and/or to make proposals, if any, to the Company so as to enhance their influences in the Company. It was also agreed therein that any transfer of the 1st Acquisition Consideration Shares by any holders shall only be made upon mutual agreement.

Goldstone and Zhongzheng Investment are also aware that there may be liquidity problems of the Disposal Group if further financial supports in short to medium term are not readily available. Given that the performance of the Disposal Group and the Group has not been satisfactory since completion of the First Acquisition and the Second Acquisition, taking into account (i) the downward performance of the trading prices of the Shares since the completion of the First Acquisition and the Second Acquisition; (ii) the performance of and challenges faced by the Disposal Group in its businesses and operation; (iii) the fact that they have already realised their investments in Qianhai Zhongzheng with a gain; and (iv) the potential financial exposures and risks which may occur to the Company, Goldstone and Zhongzheng Investment agreed with Qianhai Zhongzheng to facilitate the Disposal by transferring the 1st Acquisition Consideration Shares they had received under the First Acquisition back to the Company (as nominee of GPI for part settlement of the Consideration) for cancellation at literally nil consideration, thus providing an exit to the Group on its investment in the Disposal Group, with a view to unwinding the previous transactions squarely at no additional payouts by the parties involved.

INFORMATION OF THE DISPOSAL GROUP

Group structure

As at the date of this announcement, the Disposal Group comprises a number of subsidiaries, some of which are dormant and/or have not yet commenced business nor have any material assets. The subsidiaries which are related to the operation of the Nanjing Project, the Dongguan Project and the Luanping Project are the principal subsidiaries of the Disposal Group. Set out below is a simplified group structure of the Disposal Group which only includes subsidiaries or associates with substantive operations or material assets:



Principal business of the Disposal Group

The Investment Company

The Investment Company is an investment holding company established in the BVI with limited liability. Its principal assets are its indirect interests in 51% equity interest in Nanjing Project Company, the entire equity interest in Dongguan Project Company and 42.5% equity interest in Jinyu Investment (a company which in turn holds 90% equity interest in Jinyu Development, the project company of the Luanping Project).

Hong Kong Zhongzheng Industrial Development Limited and Ruifeng

These companies are subsidiaries of the Investment Company holding the principal investments in the Disposal Group.

Dongguan Project Company

Dongguan Project Company is principally engaged in a property development project on a parcel of land located in Dongguan City, Guangdong Province, the PRC (i.e. the Dongguan Project). The Dongguan Project is a small scale property development project which includes the development of two composite buildings comprising residential units and commercial units with GFA of approximately 23,410 sq.m. and 4,897 sq. m., respectively, and 178 car parking lots. The construction of the project is still in progress and planned for delivery before June 2022. Dongguan Project Company has already obtained the pre-sale permits of the entire project. Further information on the performance of this project will be discussed under the paragraphs headed “Occurrence of events which adversely affected performance of the Disposal Group” below.

Nanjing Project Company

The Nanjing Project Company is principally engaged in a property development project on 14 parcels of land located in Nanjing City, Jiangsu Province, the PRC (i.e. the Nanjing Project). The Nanjing Project is a large scale property development project comprises three phases which include the development of low-rise comprehensive residential units, commercial buildings, hotel and other ancillary facilities covering a total gross floor area of approximately 340,000 sq.m. The construction work of the first phase of the project is still in progress and has been delayed as a result of the Covid-19 epidemic. The project company has not yet commenced the construction of the remaining phases of the project. As at the date of this announcement, the Nanjing Project Company has launched the pre-sale of residential units covering a total GFA of approximately 43,464 sq.m. Further information on the performance of this project will be discussed under the paragraphs headed “Occurrence of events which adversely affected performance of the Disposal Group” below.

Luanping Project

The Company indirectly holds 42.5% interest of the Luanping Project, which is a primary land development(一級土地開發)project in Luanping County, Hebei Province, the PRC (i.e. the Luanping Project). The Luanping Project consists of two phases. Phase one of the Luanping Project is expected to cover a development land area of approximately 12,000 mu and shall be completed within 8 years (8 November 2016 to 7 November 2024) while the detailed planning of the second phase of the Luanping Project is yet to commence. Further information on the Luanping Project is set out in the circular of the Company dated 21 December 2018 in respect of the First Acquisition.

The Luanping Project is capital intensive. The cost of development of the infrastructure is borne by Jinyu Development, the project company of the Luanping Project, and when the land has been developed to a ready and saleable state, the government authority is obligated to conduct land sale through auctions. Jinyu Development will only be able to recover its development costs or receive the share of proceeds after the sale of developed land through auction by the local government. Any delay in land auctions of the Luanping Project would adversely affect the operating cashflow of the Luanping Project. The performance of the Luanping Project will be discussed under the paragraphs headed “Occurrence of events which adversely affected performance of the Disposal Group” below.

Each of the subsidiaries of Jinyu Development, namely Luanping Huawei Property Development Ltd.*, Luanping Huayang Property Development Ltd*. (“**LP Huayang**”) and Luanping Qianyang Property Development Ltd*. (“**LP Qianyang**”), holds a piece of developed land of the Luanping Project. Jinyu Development has already entered into two separate sale and purchase agreements with an independent property developer in respect of the respective disposal of LP Huayang and LP Qianyang and such disposals will be completed by the end of 2021 pursuant to the terms of the aforesaid agreements.

Financial information of the Disposal Group

The Company indirectly holds 42.5% equity interest in Jinyu Investment and therefore the financial results of the Jinyu Investment and its subsidiaries (i.e. the Jinyu Group) are only equity accounted for in the unaudited consolidated management accounts of the Disposal Group.

Set out below is the unaudited consolidated financial information of the Disposal Group for the two years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”):

	For the year ended 31 December		For the six months ended
	2019	2020	30 June 2021
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	–	–	–
(Loss)/profit before taxation	(29,860)	6,527	(93,285)
(Loss)/profit after taxation	(29,860)	6,527	(93,285)

The sold properties of the Dongguan Project and the Nanjing Project were yet to be delivered and hence no revenue was generated by these project companies for the two years ended 31 December 2019 and 2020 and the six months ended 30 June 2021.

The Disposal Group recorded losses before and after taxation of approximately HK\$29.9 million and HK\$93.3 million for the year ended 31 December 2019 and the six months ended 30 June 2021, respectively. The loss for the year ended 31 December 2019 was mainly attributable to the share of loss of the Jinyu Group while the loss for the six months ended 30 June 2021 was mainly attributable to the cost incurred by the Disposal Group for the pre-sale of the properties and the share of loss of the Jinyu Group. The profit before and after taxation of the Disposal Group for the year ended 31 December 2020 of approximately HK\$6.5 million was mainly attributable to the gain on bargain purchase of approximately HK\$42.7 million resulting from the acquisition of the Dongguan Project and the Nanjing Project by Ruifeng. If excluding such gain, the Disposal Group would have recorded a loss before and after taxation of approximately HK\$36.2 million, which was mainly attributable to the costs incurred by the Disposal Group for the pre-sale of the properties.

As at 30 June 2021, the unaudited consolidated net assets of the Disposal Group were approximately HK\$788.2 million. The unaudited consolidated total assets of the Disposal Group were approximately HK\$3,143 million. The total liabilities of the Disposal Group were HK\$2,354.8 million, of which HK\$1,559.4 million were short term liabilities which will fall due within 12 months. Further information on the interest-bearing loans due to third parties by the Disposal Group are set out in the following paragraphs. The financial statements of the Disposal Group together with the management discussion and analysis on the financial information of the Disposal Group will be included in the circular to be despatched to the Shareholders in relation to the Transactions.

Outstanding loans due to third parties by the Disposal Group

At the time of the First Acquisition and the Second Acquisition, the Board believed that the Luanping Project would be able to generate sufficient cashflow and self-finance its operations after the sale of the developed land by the local government. It also believed that the Nanjing Project would generate sufficient cashflow by the pre-sale of the properties. However, the adverse impacts brought by (i) the government policies which are likely to confine the development of the PRC market; (ii) the delay in land auctions of the Luanping Project which will be discussed below; and (iii) the continued liquidity squeeze in the operating cashflows of the Disposal Group given the uncertainty in the market make it imperative for the Group to resolve the financial burden of the Disposal Group to the Company. As at the date of this announcement, the Disposal Group excluding the Jinyu Group had total loans of approximately RMB1,075 million and the Jinyu Group had total loans of RMB1,769 million, details of which are as follows:

Outstanding loans of the Dongguan Project, Nanjing Project and Ruifeng

As at the date of this announcement, the aggregate outstanding loans in respect of the Dongguan Project and Nanjing Project amount to RMB631 million and the aggregate outstanding loans of Ruifeng amount to approximately RMB444 million, of which (i) loans in the aggregate principal amount of RMB208 million have fallen due as at the date of this announcement; (ii) loans in the aggregate principal amount of RMB205 million will fall due in the coming 12 months; and (iii) loans in the aggregate amount of approximately RMB244 million and RMB418 million will be due in 2023 and 2024, respectively. In light of the unexpected changes in government policies and the performance of the property projects as detailed below, it is envisaged that both the Dongguan Project and Nanjing Project would not be able to generate sufficient cashflow to settle the aforesaid overdue or short term loans.

The Disposal Group has been paying interest of those overdue loans from time to time and it has been trying to negotiate with the relevant lenders for extension of the maturity dates of these loans, but so far the Disposal Group was not able to extend the maturity dates. As at the date of this announcement, these lenders have yet to take any actions against the Company to recover for the overdue loans. However, the Group is unable to ascertain if these lenders will or will not take any actions against the Disposal Group or the Company for the recovery of the aforesaid overdue loans or the enforcement of any security (i.e. the land and/or the properties of these two property projects) in respect of the overdue loans in the near future.

Outstanding loans of the Jinyu Group

As at the date of this announcement, the aggregate outstanding loans of the Jinyu Group amount to RMB1,769 million. It is noted that a loan of the Jinyu Group in the principal amount of RMB725 million has fallen due as at the date of this announcement, and loans in the principal amount of RMB25 million and RMB370 million will fall due by the end of 2021 and 2022, respectively. In light of the delay in the land auctions of the Luanping Project which are discussed below and the fact that the Luanping Project recorded cash inflow of only RMB28.5 million in the first half of 2021, the Board is not optimistic that the Luanping Project without providing additional collaterals including but not limited to corporate support (from immediate shareholders or otherwise) would be able to generate sufficient cash flow to settle the aforesaid overdue loans as well as the remaining outstanding loans when they fall due. It is highly likely that shareholders of Jinyu Investment including the Group will be required to provide financial support to the Jinyu Group for the operation of the Luanping Project to help Jinyu Group with its financial difficulties.

Both the Group and the Jinyu Group have also approached a number of financial institutions to finance the operations of these projects and refinance the aforesaid existing indebtedness since August 2020. However, most of the financial institutions rejected the loan applications as they cast doubt on the recoverability of the loans given the unsatisfactory performance of the Disposal Group. The Group has only secured (i) a banking facility of RMB500 million (of which the Company has already utilised RMB418 million and such loan will fall due in January 2024) for the Nanjing Project and (ii) a facility of RMB50 million for the Luanping Project.

Occurrence of events which adversely affected performance of the Disposal Group

Changes to operating environment

After completion of the First Acquisition and the Second Acquisition, a series of unforeseeable market changes and events as discussed below have occurred and adversely affected the performance of the Disposal Group.

(i) Tightening loan regulations for property developers

In light of the surge in housing prices and sales volume in the PRC in the recent years and with a view to ensuring stability and curbing speculation on property market, the PRC government has announced in August 2020 that it will promulgate policies to govern property developers to deleverage by implementing the “three red line” policy to tighten regulations for loans to the real estate sector, which is expected to take effect within 2021. The policy shall govern property developers to meet certain thresholds in their (i) debt to cash ratio; (ii) debt to assets ratio; and (iii) debt to equity ratios. In order to abide by the policy, property developers will be required to improve their financial position by reducing borrowing or lowering home prices to boost sales in the near term.

(ii) Tightening of home mortgages

Alongside the aforesaid new policies for property developers, the People's Bank of China and the China Banking and Insurance Regulatory Commission also announced in August 2020 that they intended to require domestic banks to limit the ratio between outstanding property loans and total RMB loans.

It is noted that banks have since then become more stringent in granting mortgages, with the consequential effects that potential buyers have been discouraged from purchasing property; and some buyers have had difficulties in settling payment for the property units especially in face of the Covid-19 epidemic.

(iii) Delay in land sale of the Luanping Project

At the time of the First Acquisition, the Board had expected the Luanping Project, which is capital intensive in nature, would be able to generate sufficient cashflow and self-finance its operation in the then market environment. Pursuant to the relevant agreements in respect of the Luanping Project, the local government of Luanping County is obligated to ensure the smooth operation of the Luanping Project, and to facilitate obtaining the land sale approval in accordance with the progress of the Luanping Project. As such, when assessing the First Acquisition, the Board had expected that the local government would conduct the land sale in a timely manner and the Luanping Project would be capable of generating sufficient net cash inflow for its capital requirement after the sale of the aforesaid land.

However, as disclosed in the annual report of the Company for the year ended 31 December 2019, the operations of all property development projects for Luanping County, including the Luanping Project, were suspended by the local government due to ecological environmental issues. The government authority originally planned to resume the land auctions in 2020 after resolving the ecological environment issue. Unfortunately, due to the Covid-19 epidemic, the sale of developed land was again severely affected and delayed. The Company understood from the government authority that the timing of full resumption of land auctions is uncertain given the prolonged prevalence of the Covid-19 epidemic and the changing regulatory landscape.

Adverse impact on the Disposal Group

The aforesaid events have impacted the Disposal Group's operations and business as follows:

The Dongguan Project and the Nanjing Project

The Dongguan Project Company and Nanjing Project Company, as property developers, are affected directly by the aforementioned "three red line" policy as they will have to adhere to the new regulations. The market may also face a stringent or even declining price trend when more and more property developers have to reduce selling prices of the properties in order to maintain the financial liquidity and to remain competitive in pricing. The Board expects that it would be more difficult for the two project companies to sell the unsold properties of these projects at a promising margin.

In addition, due to the tightening of home mortgage in the PRC, it would take considerable time for the project companies to receive full payments of the sold properties from the buyers which would adversely affect the cashflow of these projects.

Set out below is the operating summary of the Dongguan Project as at 30 June 2021:

Total GFA:

– Residential	23,410 sq. m.
– Commercial	4,897 sq. m.
– Others (such as car parking lots)	7,331 sq.m.

Total saleable GFA under the relevant pre-sale permits:

– Residential	23,410 sq. m.
– Commercial	4,897 sq. m.

No. of saleable car parking lots 178

Accumulated contracted sales GFA:

– Residential	16,558 sq. m. (approximately 70.7% of total saleable GFA of residential units)
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Accumulated Contracted sales:

– Residential	RMB575.3 million
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Accumulated payments received from contracted sales:

– Residential	RMB542.5 million
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Dongguan Project Company has commenced the pre-sale of the residential units since November 2020. It planned to commence the pre-sale of commercial units and car parking lots after selling all residential units. Given that the project is located at a prime area of Dongguan City, the Board had expected that all saleable GFA of the projects (including residential units, commercial units and car parking lots) would have been sold in the first half of 2021. However, as a result of the aforesaid changes in policies, as at 30 June 2021, the project company has only sold approximately 70.7% of the total GFA of the residential units at the gross sale price of approximately RMB575.3 million. Although the Dongguan Project Company is able to collect prepayment of approximately RMB542.5 million on those sold units, it is a small-scale property development project compared to the Nanjing Project and the Luanping Project and the aggregate sales to-date would not be sufficient to support the operation of the remaining projects of the Disposal Group. In view of the aforesaid change in policies, it is also uncertain as to when will the Dongguan Project Company be able to sell all the remaining units of the project.

Set out below is the operating summary of the Nanjing Project as at 30 June 2021:

Total GFA:	
– Residential	235,123 sq.m.
– Commercial	19,368 sq. m.
– Others (such as car parking lots)	85,757 sq.m.
Total saleable GFA under the relevant pre-sale permits:	
– Residential	43,464 sq.m.
– Commercial	Nil
No. of saleable car parking lots	342
Accumulated contracted sales GFA:	
– Residential	1,205 sq. m. (approximately 2.8% of total saleable GFA of residential units)
Accumulated Contracted sales:	
– Residential	RMB25.3 million
Accumulated payments received from contracted sales:	
– Residential	RMB23.5 million

Nanjing Project Company has commenced the pre-sale of certain residential units of phase one of the project since June 2020. It planned to commence the pre-sale of car parking lots after selling all residential units. As a result of the unexpected change in government policies, as at 30 June 2021, the project company has only (i) sold approximately 2.8% of the total saleable GFA of the residential units at the gross sale price of approximately RMB25.3 million; and (ii) collected prepayment of approximately RMB23.5 million. In view of the unsatisfactory sales performance, the project company has engaged an agency company to boost the sales of the project in the second quarter of 2021 but the sales performance of Nanjing Project remains stagnant. In light of the current market sentiment, the Nanjing Project Company believes that it would be challenging to sell the remaining saleable units of the project within a short period of time and it may not commence the construction of the remaining phases of the project.

The Luanping Project

Jinyu Development as a primary land developer has suffered from the jitters of the aforesaid government direction when property developers are discouraged from purchasing land, in order to preserve their cash reserves to prepare for the implementation of the policy. The size of land transfer in terms of area for the Luanping Project was lower than expected and to make it worse, land auctions were delayed as a result of the Covid-19 epidemic. The cash flow of the Luanping Project was also hit by the deleverage of property development enterprises implemented by the state during the second half of 2020 as discussed above.

As disclosed in the circular of the Company dated 21 December 2018 in respect of the First Acquisition, it was expected that an aggregate area of developed land of approximately 2,705 mu and 3,281 mu will be sold through land auctions in 2019 and 2020, respectively. However, as a result of the unexpected and uncontrollable events as explained above, no land auctions has been held by the local government in 2019 and the local government has only sold the developed lands with an aggregate area of approximately 388.28 mu in 2020, which was far behind the schedule of the original plan. More serious still, the local government only held one auction and sold developed land with an aggregate area of around 6.255 mu during the period from 1 January 2021 and up to the date of this announcement. As a result of the foregoing, the Luanping Project is facing difficulties in generating sufficient cashflow to finance its operations and repay the overdue loans as discussed above.

ALTERNATIVE SOLUTIONS SOUGHT BEFORE THE DISPOSAL AGREEMENT

Having considered the tightening property industry environment and the uncertainty of the PRC property market, as well as the burden of the outstanding loans that could bring pressure on the cashflow and financial resources of the Group as mentioned under the section headed “Information of the Disposal Group” above, the Company had approached (i) a state-owned enterprise which is principally engaged in, among other things, investment in cultural and tourism projects in the PRC; (ii) a PRC private property developer; and (iii) a state-owned enterprise which is principally engaged in property investment and property development in the PRC for discussion of the possible disposal by the Group of its interests in the Luanping Project in November 2020, January 2021 and April 2021, respectively. As regards the Nanjing Project, the Company had also approached a Singaporean fund for discussion of the possible financing to, or investment in, the Nanjing Project in January 2021. However, all of the above discussions were in vain. The Company then approached Qianhai Zhongzheng to sell back all the projects to the latter, with a view to resolving the liquidity risk that may be brought about to the Group’s operation by the Disposal Group in the prevailing market conditions.

Qianhai Zhongzheng, leveraging on the scale and network of its ultimate shareholders, has the resources to support the operation of the Disposal Group. Qianhai Zhongzheng, after arm’s length negotiations, is willing to repurchase the Disposal Group at the same consideration of the First Acquisition and the Second Acquisition, i.e. effectively to unwind the First Acquisition and the Second Acquisition.

The Company has approached Qianhai Zhongzheng for the disposal of the Disposal Group as it is considered that Qianhai Zhongzheng, being vendor of the First Acquisition and the Second Acquisition, has fair knowledge of the Disposal Group. Having several failed attempts to seek re-financing of the Disposal Group and/or new investors, the Company considers that the likelihood for the Company to identify another potential purchaser for the Disposal Group within a short period of time in the prevailing market conditions is not promising, particularly after taking account of the factors including:

- (i) the imminent financial needs for repayment of the overdue loans as at the date of this announcement (the Dongguan Project, the Nanjing Project and Ruifeng: RMB208 million; the Jinyu Group: RMB725 million) and for operations of the Disposal Group as well as the difficulties encountered by the Disposal Group in obtaining financing;
- (ii) the tightening loan regulations in the PRC for property developers;
- (iii) the unsatisfactory sale performance of the Nanjing Project;

- (iv) low level of cash inflow recorded by the Luanping Project of around RMB28.5 million since January 2021 and up to the date of this announcement due to the delay in land auctions for the Luanping Project;
- (v) the different nature of business of the Luanping Project, Nanjing Project and the Dongguan Project (with Luanping Project being a primary land development project, and Nanjing Project and Dongguan Project being property development projects). In view of imminent financing and operational needs of all these projects, a divestment of the Disposal Group within a reasonably short period of time is considered critical for the sustainability of the Group as a whole. To this end, a “package deal” requiring the potential buyer to take up all the three projects regardless of the nature of projects and phases of development became a first preference of the Group because of the lapse of time after various refinancing attempts made to no avail as aforesaid. Accordingly, in light of the relatively large scale of the Disposal Group and the particular requirement for the buyer to be interested in and be able to take up the projects with various natures, it was expected that the number of potential buyers which would be capable and willing to take up the Disposal Group would be limited;
- (vi) the readiness and capability of a private sector buyer to provide continual financial support to alleviate the liquidity problem and finance the operations of the Disposal Group which may limit the number of capable potential buyers;
- (vii) the likelihood that it would take considerable time for the Group to negotiate the terms and conditions with, and obtain the relevant approval of the Disposal from, the governmental bodies if the buyer is a state-owned enterprise. In view of the imminent financing needs of the Disposal Group and the financial burden brought by the Disposal Group to the Group, the Board considers selling the Disposal Group to a state-owned enterprise is not an option;
- (viii) the scale of the Disposal Group and the fact that three projects are scattered across three provinces, only privately held property developers with nationwide presence would be able to take up these projects. Since the current business environment of the property industry is not conducive for investment or acquisition and many mega PRC property developers are also facing their own liquidity issues, it would be difficult if not impossible for the Group to identify a willing buyer in a short period of time; and
- (ix) the readiness of Qianhai Zhongzheng to act fast as Qianhai Zhongzheng, being the vendor of the First Acquisition and the Second Acquisition, has fair knowledge of the Disposal Group. Furthermore, in view of the corporate network from Qianhai Zhongzheng’s ultimate beneficial owners, the Board believes that Qianhai Zhongzheng would be able to provide financial support to the Disposal Group as needed.

Having considered the aforesaid factors, the Board considers that Qianhai Zhongzheng is a readily available counterparty to provide immediate exit to the Group in respect of the Disposal Group by unwinding the First Acquisition and the Second Acquisition in the circumstances.

FINANCIAL EFFECTS OF THE DISPOSAL

Loss on Disposal

The Directors are advised that in accordance with HKFRS 10, in assessing the gain/loss arising from the Disposal, reference shall be taken to compare the net assets of the Disposal Group against the fair value of the Consideration in Exchange by taking reference to the market value of the Buy-back Shares on the Completion Date, not its underlying net assets per Share. In the circumstances, assuming the Completion has taken place on 30 June 2021, (i) based on the net assets value of the Disposal Group attributable to the Company as extracted from the unaudited management accounts of the Disposal Group as at 30 June 2021 of approximately HK\$758.5 million and (ii) value of the Consideration in Exchange of approximately HK\$604.6 million as calculated based on the closing price per Shares as quoted on the Stock Exchange on 30 June 2021 of HK\$0.029 (the “**30.6.21 Closing Price**”), the Group would record an estimated loss on Disposal (before expense) of approximately HK\$153.9 million (as calculated by deducting the value of the Consideration in Exchange from the net asset value of the Disposal Group attributable to the Company), which will be recorded through profit or loss statement. It is noted that the final loss on Disposal as recorded under HKFRS 10 is a function of two factors: the net asset being disposed of and the market price of the Shares on the Completion Date. Accordingly, the aforesaid amount of the estimated loss on Disposal is for illustration only.

Gain on buy-back

On the other hand, in accordance with the accounting policies adopted by the Company, as a result of the Share Buy-back, there will be a “gain on buy-back” arising which will be credited directly to the capital reserve account of the Company without going through the profit or loss statement. The “gain on buy-back” will be arrived at by comparing the net assets being disposed of and the market value of the Buy-back Shares on the Completion Date. Taking the assumption of the Disposal having been completed on 30 June 2021 and the 30.6.21 Closing Price, a “gain on buy-back” would amount to HK\$141.0 million. Set out below is the calculation of the “gain on buy-back”:

$$\text{“gain on buy-back”} = A \times (B - C)$$

whereas: A means the number of Buy-back Shares

B means 30.6.21 Closing Price

C means Post-Disposal NAV per Share and the calculation of which is set out below.

$$\text{Post -Disposal NAV per Share} = \frac{(D - E)}{F}$$

whereas: D means NAV of the Group attributable to the Shareholders as at 30 June 2021
 E means the estimated loss on Disposal (before expense)
 F means the number of total issued Shares

It is further noted that, similarly to the calculation of the “loss on Disposal”, the final “gain on buy-back” will be determined by reference to the actual closing price of the Shares on the Completion Date. Accordingly, the aforesaid amount of the estimated “gain on buy-back” is for illustration only.

Effect on NAV per Share

Having accounted for the abovesaid “loss on disposal” and “gain on buy-back”, assuming Completion has taken place on 30 June 2021, the estimated NAV per Share following Completion will be approximately HK\$0.1178 per Share (before expense), as compared to the Unaudited NAV per Share of HK\$0.1161 as reflected in the unaudited consolidated financial statements of the Company. It is noted that while there will be a decrease in the absolute amount of NAV of the Group after Completion because of the deconsolidated of the net assets of the Disposal Group from the consolidated financial statements of the Group, there would also be a decrease in the number of issued Shares because of the Share Buy-back. In this light, it is expected that the effect of the Transactions (after the Share Buy-back) on the NAV per Share would be neutral.

In short, Shareholders’ attention is drawn to the fact that the calculation of the amounts of “loss on Disposal” and “gain on buy-back” arising from the completion of the Transactions hinges on the market price of the Shares on the Stock Exchange on the Completion Date. However, the fluctuation of the market price of the Shares (if any) would not in any way have any material impact on the NAV per Share upon Completion by reason of the off-setting effects of the two items against each other.

Further information and analysis on the financial effects of the Disposal on the Group, including but not limited to the estimated gain/loss arising from the Disposal, will be included in the circular to be despatched to Shareholders.

COMPARISONS OF THE IMPUTED BUY-BACK PRICE TO MARKET PRICE AND NAV PER SHARE

As mentioned above, the transfer of the 1st Acquisition Consideration Shares by Goldstone and Zhongzheng Investment (as procured by Qianhai Zhongzheng) to the Company (as nominee of GPI) upon Completion will form part of the payments in kind to GPI as consideration of the Disposal. The underlying net assets backing and market value of the Shares are the two benchmarks the Directors have taken into references in considering the reasonableness of the Consideration in Exchange in respect of the value of the Buy-back Shares.

As set out in the paragraphs headed “The Disposal Agreement – Consideration – Imputed Buy-back Price for the Buy-back Shares” above, the Audited NAV per Share is HK\$0.129 and the Unaudited NAV per Share is HK\$0.1161. The unaudited NAV of the Disposal Group as at 30 June 2021 is approximately HK\$788.2 million and the imputed value of the Buy-back Shares calculated based on such NAV is approximately HK\$239.8 million, resulting in the Imputed Buy-back Price of HK\$0.1237 per Buy-back Share.

The Directors note that the closing price of Shares as quoted on the Stock Exchange on the Last Trading Day is HK\$0.021 per Share. It is not uncommon for a property company to trade at a discount to its NAV per share. The Company is an asset heavy company with assets substantially related to properties development. As at 30 June 2021, the total assets of the Group amounted to approximately HK\$4,168.5 million, of which approximately HK\$2,942.7 million (representing approximately 70.6% of the total assets) are property related assets included (i) properties under development for sale of approximately HK\$1,778.8 million (which are basically the Dongguan Project and Nanjing Project) which accounted for approximately 42.7% of the total assets; and (ii) interest in associates (being the 42.5% equity interest in Jinyu Development and 35% equity interest in a property development company in Malaysia held by the Group) of approximately HK\$1,163.9 million which accounted for approximately 27.9% of the total assets.

The Shares have been trading on the Stock Exchange at prices substantially below the aforesaid Unaudited NAV per Share since July 2020. However, given that closing price per Share on the Last Trading Day represents a significant discount of 81.9% to the aforesaid Unaudited NAV per Share and the trading volume has been thin during the period since the date of the First Acquisition Agreement to the date of this announcement, the Board is of the view that the trading price of the Shares is not reflective of the intrinsic value of the Shares and it would be more meaningful to compare the Imputed Buy-back Price with the Unaudited NAV per Share. The Imputed Buy-back Price represents a slight premium of approximately 6.5% over the Unaudited NAV per Share of HK\$0.1161. Indeed, as set out in the section headed “Financial effect on the Disposal” above, although an estimated loss on disposal would be recorded through profit or loss statement, the effect of the Transactions (after the Share Buy-back) on the NAV per Share would be neutral. The fluctuation of the market price of the Shares (if any) would not in any way have any material impact on the NAV per Share upon Completion.

USE OF PROCEEDS

The net cash proceeds after deduction of the related expenses from the Disposal of HK\$7.5 million are estimated to be HK\$300,932,023. Pursuant to the terms of the Disposal Agreement, the Disposal Group Loans in the aggregate principal amount of HK\$139,099,000 will also be repaid to the Company within two months from the Completion Date. The Company intends to apply the total net cash proceeds of HK\$440,031,023 as to:

- (i) HK\$250,000,000 for the repayment of the Company Debt which is discussed below;
- (ii) HK\$110,000,000 for the development of the healthcare and household business as further elaborated in the section headed “The Business of the Remaining Group and Future Business Plan” below;
- (iii) HK\$20,000,000 for the repayment of part of the borrowings of the Remaining Group; and
- (iv) the remaining balance of approximately HK\$60,031,023 for general working capital or settlement of the unpaid accrued interest of the Company Debt.

The unpaid and accrued interest of the Disposal Group Loans (if any) to be received by the Company on the date of repayment will be applied by the Group as general working capital of the Remaining Group.

The Company Debt of HK\$250 million comprises (i) an unsecured loan of HK\$20 million at interest rate of 2.2% per annum provided by Mr. Lim, a substantial Shareholder and a non-executive Director, to the Company in August 2019 for the purpose of working capital of the Group and (ii) an additional unsecured loan of HK\$230 million at interest rate of 5% per annum provided by Mr. Lim to the Company in November 2019 which was originally intended to be used for settling the P-Note of the Second Acquisition. At the material time, by reasons of (i) the unexpectedly prolonged time taken for the completion of the Second Acquisition; (ii) the financing needs of the Disposal Group and the Group; and (iii) the indication of Qianhai Zhongzheng that it was prepared to extend the maturity date of the P-Note to accommodate the financing needs of the Group, the Company Debt had been fully utilised by the Group as working capital. As at 31 August 2021, the unpaid and accrued interest of the Company Debt amounted to approximately HK\$21,628,000.

REASONS FOR AND MERITS OF THE TRANSACTIONS

During the past few years, the Disposal Group has been facing a difficult and harsh business environment for its property development sector in the PRC, which has been caused by, among other things, the tightening of credit policies of banks/financial institutions and other capital funders in the market as mentioned above. The Disposal, if materialised, will allow the Group to exit from, and hence, be relieved from the financial stress of the Disposal Group and to de-risk the credit and market exposures that the Group may overall need to deal with in the face of a market correction currently experienced in the PRC property market as discussed above.

Upon Completion, the P-Note will be set-off or otherwise eliminated and cancelled on a group consolidated basis between GPI and the Company, and the 1st Acquisition Consideration Shares will be repurchased and cancelled by the Company in compliance with the applicable laws, rules and regulations. In addition, the Group will receive net cash proceeds of approximately HK\$440,031,000 (excluding the accrued interest which will be repaid together with the principal amount of the Disposal Group Loans). After the Company Debt Repayment and other loans of an aggregate of HK\$270,000,000 as mentioned in the paragraphs headed “Use of Proceeds” above, the indebtedness and related finance cost of the Group will be reduced and the Group will be in a financially healthy position to deliver its business plan as described in the following section. In effect, the Group will be restored to the same business pre-First Acquisition and can re-focus its resources to carry on the Remaining Business in its normal and usual manner.

The Directors note that the closing price of Shares as quoted on the Stock Exchange on the Last Trading Day is HK\$0.021 per Share which represents a discount of about 83.0% to the Imputed Buy-back Price of HK\$0.1237. As set out in the section headed “Financial effect of the Disposal” above, although an estimated loss on the Disposal would be recorded through profit or loss statement in accordance with applicable accounting standards, the effect of the Transactions (after the Share Buy-back) on the NAV per Share would be neutral, and the fluctuation of the market price of the Shares (if any) would not in any way have any material impact on the NAV per Share upon Completion. In this light, the Directors consider that the recent market value of the Buy-Back Shares should not be put too much weight in assessing the merits of the Transactions.

Taking account of the factors above, the Board considers that the Disposal represents a prudent and appropriate move for the Group in the circumstances. By effectively unwinding the First Acquisition and the Second Acquisition, the Transactions would allow the Company to eliminate the risks associated with the uncertainties in the current business environment of the Disposal Group and reallocate its financial resources to the business of the Remaining Group. Accordingly, the Directors, on balance, consider the Disposal is for the benefit of and in the best interests of the Company and its shareholders as a whole.

THE BUSINESS OF THE REMAINING GROUP AND FUTURE BUSINESS PLAN

Prior to the Completion, the Group is principally engaged in manufacturing and trading of healthcare and household products, money lending business and coal mining business, primary land development and property development in the PRC. Upon Completion, the Remaining Group will be principally engaged in manufacturing and trading of healthcare and household products, money lending business and coal mining business.

Healthcare and household business

The Company has been manufacturing and trading healthcare and household products such as electrical toothbrush and hair trimming device. The finished products are exported to international markets, including but not limited to, the United States of America, Germany, France, United Kingdom, Japan and Hong Kong. The finished products are also sold in the PRC. The healthcare and household business contributed the major revenue source of the Group. For the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, revenue of the healthcare and household business amounted to approximately HK\$243.6 million, HK\$186.3 million, HK\$149.8 million and HK\$44.2 million, respectively, representing approximately 93.8%, 93.7%, 96.8% and 94.8% of the total revenue of the Group, respectively.

The healthcare and household business is operated by a subsidiary of the Company, Fairform Manufacturing Company Limited (“**Fairform**”), which is one of the PRC’s largest manufacturers of powered oral care products. It is also engaged in the production of hair trimming products. Fairform has been partnering with global brands and PRC brands as an original equipment manufacturer (“**OEM**”) and a manufacturer of private label products.

The Group has been partnering with global brands and PRC brands as an OEM and a manufacturer of private label products. OEM is where the manufacturer produces the products according to the exact specifications (e.g. design, materials, technique, etc.) required by the customer, and private label is where the manufacturer takes charge of the production process and sells the finished products to the brands which rebrand and market them as their own.

As disclosed in the announcement of the Company dated 31 August 2021 in respect of the interim results of the Company for the six months ended 30 June 2021, the decrease in revenue of this segment for the six months ended 30 June 2021 as compared with the corresponding period in 2020 was mainly due to the global shipping disruption. The Group has been allocating more resource on this segment to improve the performance of this segment. It has entered into a commercial agreement with a leading global healthcare brand on an electric groomer project and passed the supplier sustainability performance audit in August 2021. It is believed that such project will be awarded to the Company upon completion of final assessments in September 2021. In addition, the Company has

also been awarded with two new projects from a leading global provider of consumer self-care products for electric toothbrushes and UV sanitizer in August 2021. It is expected that the production and delivery of these products will take place in late 2021 to early 2022. Sales of children electric toothbrushes also bounced back in the second half 2021. Production of toothbrush for an American multinational consumer goods corporation reached full capacity during June to August 2021 and order bookings from a leading global provider of consumer self-care products, an existing customer, have also reached pre-Covid level during May to July 2021. Production of new toothbrush for an American multinational retail chain stores is being finalized and will be ready for production and distribution in the fourth quarter of 2021. The Group will continue to allocate more resources in the research and development for this segment to cope with increasing technical requirements of the customers and maintain its competitive edge. The Group will adopt revolutionary design in improving the level of production automation and thereby maximizing the cost-effectiveness in terms of output and quality.

Money lending business

The loans were made to the customers on different terms based on individual assessment. Depending on the nature and terms and conditions of each loan that were made, interest rates of the loans made in 2020 ranged from 7% per annum to 24% per annum. The Company has been closely monitoring the repayment of the loans and so far it did not encounter major problem in recovery. The Company does not expect further growth in the money lending business.

Coal mining business

The Company is indirectly interested in 99.98% interest in the exploration and exploitation rights of a coal mine in the Republic of Indonesia (the “**PT Bara Mine**”).

PT Bara Utama Persada Raya (a non-wholly owned subsidiary of the Company which holds the license of the PT Bara Mine) signed a co-operation agreement with PT Sinarjaya Mulia Kun (“**PT SMK**”) to conduct mining activities at the PT Bara Mine. The pre-mining construction works were completed but PT SMK is still in negotiation with the local landlord on the use of its access road and jetty where coal is unloaded for shipment to the customers. The negotiation is still on-going, which held back the coal production progress.

Future business plan

The Board is of the view that the Disposal will allow the Group to unload the cash flow burden of the Disposal Group and to refocus on developing the Remaining Business especially its healthcare and household business. Riding on (i) the gradual recovery of the global consumer market from the impacts caused by the Covid-19 epidemic; and (ii) the rapid rebound of the PRC manufacturing sector compared to those in other countries, the Board believes the Group should seize this opportunity to gain a larger market share of the industry and should utilise its working capital on the development of the healthcare and household business.

SHARE BUY-BACK

Since part of the Consideration will be settled by the transferring of the Buy-back Shares by Goldstone and Zhongzheng Investment for the Company to cancel, such transfer will constitute the Share Buy-back under the applicable laws and regulations.

Under the Companies Act, a repurchase of shares by a Bermuda company is subject to compliance with the requirements of the Companies Act, the memorandum of association and the bye-laws of the Company. The repurchase may only be effected if (i) the par value of the shares to be redeemed or repurchased is out of the capital paid up thereon, or out of funds which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose of repurchase; and (ii) the premium, if any, payable on the repurchase is provided for out of funds which would otherwise be available for dividend or distribution or out of the share premium account. Pursuant to the Companies Act, no repurchase by a company of its own shares may be effected if, on the date on which the repurchase is to be effected, there are reasonable grounds for believing that the company is, or after the repurchase would be, unable to pay its liabilities as they become due. Repurchased shares shall be treated as cancelled and the amount of such company's issued share capital shall be diminished by the nominal value of those shares accordingly; but a redemption or purchase of shares of such company is not to be taken as reducing the amount of the company's authorised share capital.

In accordance with the Companies Act, the Buy-back Shares will be repurchased by the Company out of the capital paid up thereon, in respect of their par value, and the share premium account of the Company, in respect of amounts in excess of the par value. As confirmed by the auditors of the Company, the Company has sufficient reserves to effect the Share Buy-back. The Directors are satisfied that the Company is, and after the Share Buy-back will be, able to pay its debts as they fall due in the ordinary course of business. Upon Completion, 1st Acquisition Consideration Shares shall be transferred to the Company and cancelled. The accounting treatment will see the carrying value of the Investment Company being credited in the Company's accounts whilst the share capital and share premium accounts of the Company will be debited. No cash payment will be made by the Company for the Share Buy-back.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Disposal and the Share Buy-back (assuming no change in the issued share capital from the date of this announcement up to the Completion Date):

	As at the date of this announcement		Immediately upon completion of the Disposal and the Share Buy-back	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Leung	4,233,534,364	39.48%	4,233,534,364	48.20%
Mr. Lim	1,569,420,951	14.64%	1,569,420,951	17.87%
Zhongzheng Investment	1,259,861,773	11.75%	–	–
Goldstone	678,387,108	6.33%	–	–
Public Shareholders	<u>2,980,462,636</u>	<u>27.80%</u>	<u>2,980,462,636</u>	<u>33.93%</u>
Total	<u><u>10,721,666,832</u></u>	<u><u>100%</u></u>	<u><u>8,783,417,951</u></u>	<u><u>100%</u></u>

Following Completion, the Buy-back Shares will be cancelled and the number of Shares in issue following the Share Buy-back will be reduced from 10,721,666,832 (being the number of issued Shares as at the date of this announcement) to 8,783,417,951. Zhongzheng Investment and Goldstone will cease to hold any Shares. Not less than 25% of the issued Shares will remain in public hands.

As at the date of this announcement, the Company has no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

REGULATORY REQUIREMENTS

Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company will make an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least 75% of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company to be held for such purposes.

Takeovers Code

Application for Whitewash Waiver

As at the date of this announcement, Mr. Leung, an executive Director and the Chairman of the Company, is interested in a total of 4,233,534,364 Shares, representing approximately 39.48% of the issued share capital of the Company. Assuming there will be no changes in the shareholdings of Mr. Leung and the issued share capital of the Company from the date of this announcement to Completion before the Share Buy-back by the Company, immediately upon the Share Buy-back having taken place, the number of issued Shares will be decreased from 10,721,666,832 to 8,783,417,951. Accordingly, the percentage shareholding of Mr. Leung will be increased from approximately 39.48% before the Share Buy-back to approximately 48.20% after the Share Buy-back. In the circumstances, an obligation will arise on the part of Mr. Leung to make a general offer for all the Shares (other than those already owned or agreed to be acquired by Mr. Leung) pursuant to Rule 26 of the Takeovers Code. An application will be made by Mr. Leung to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for a waiver of his obligation to make a general offer for the Shares which would otherwise arise as a result of the Share Buy-back by the Company. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders at the SGM by way of poll.

As at the date of this announcement, (i) save for the aforementioned Shares held by Mr. Leung, none of Mr. Leung or any party acting in concert with him hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, or have received any irrevocable commitment to vote for or against the Disposal, the Disposal Agreement, the Special Deal, the Share Buy-back or the Whitewash Waiver; (ii) there is no outstanding derivative in respect of securities in the Company entered into by Mr. Leung or parties acting in concert with him; (iii) the Disposal is subject to the conditions of the Disposal Agreement; (iv) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares, which might be material to the Disposal, the Disposal Agreement, the Special Deal, the Share Buy-back or the Whitewash Waiver; (v) there is no agreement or arrangement to which Mr. Leung is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Disposal, the Disposal Agreement, the Special Deal, the Share Buy-back or the Whitewash Waiver; (vi) none of Mr. Leung or any party acting in concert with him has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in

the Company; (vii) there is no consideration, compensation or benefit in whatever form paid or to be paid by Mr. Leung and parties acting in concert with him to HK Huijin, Qianhai Zhongzheng or any party acting in concert with them in connection with the Transactions; (viii) there is no understanding, arrangement or special deal between Mr. Leung or any party acting in concert with him on the one hand and HK Huijin, Qianhai Zhongzheng and any party acting in concert with them on the other hand; and (ix) save for the Company Debt Repayment, there is no other understanding, arrangement or agreement or special deal between any Shareholder and (a) Mr. Leung and any party acting in concert with him, or (b) the Company, its subsidiaries or associated companies.

Mr. Leung and parties acting in concert with him had no dealings in any securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) in the six-month period preceding the date of this announcement.

Special Deal

As the Company Debt Repayment is not capable of being extended to all the other Shareholders, the Company Debt Repayment shall constitute a “special deal” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. The Executive will normally consent to the special deal provided that: (i) the Independent Financial Adviser publicly states in its opinion that its terms are fair and reasonable, and (ii) it is approved by the Independent Shareholders at the SGM by way of poll. An application will be made to the Executive for its consent to the Special Deal pursuant to Note 5 to Rule 25 of the Takeovers Code.

Profit forecasts under Rule 10 of the Takeovers Code

The Company is required to disclose the unaudited financial information relating to (i) the Disposal Group pursuant to Rules 14.58(6) and (7) of the Listing Rules and (ii) the estimated loss on Disposal pursuant to Rule 14.60(3) of the Listing Rules. Pursuant to Rule 10 of the Takeovers Code, the unaudited financial information relating to the Disposal Group constitutes a profit forecast and should be reported on by the Company’s financial adviser and reporting accountants (the “**Reports**”) under Rules 10.3 and 10.4 of the Takeovers Code. However, due to the practical difficulties to include the Reports in this announcement in light of the additional time required for the preparation of the Reports by the Company’s financial adviser and reporting accountants, the unaudited financial information relating to the Disposal Group is not strictly in compliance with the requirements of Rule 10 of the Takeovers Code. The financial information of the Disposal Group as well as the unaudited pro forma financial information of the Remaining Group in compliance with the requirements of the Takeovers Code will be included in the circular to be despatched to the Shareholders.

The Company would like to draw to the attention of the Shareholders and potential investors that the unaudited financial information in relation to the Disposal Group does not meet the standard required by Rule 10 of the Takeovers Code and is subject to review by the reporting accountants of the Company and therefore is subject to change. Shareholders and potential investors should exercise caution in placing reliance on those information in assessing the merits and demerits of the terms of the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal, and when dealing in the Shares. Shareholders and potential investors should refer to the financial information in compliance with the requirements with the Takeovers Code which will be set out in the circular to be despatched to the Shareholders.

Listing Rules

Very Substantial Disposal and Connected Transaction

As one of the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules.

The Disposal also constitutes a connected transaction of the Company given the following arrangements to be made between Qianhai Zhongzheng, Zhongzheng Investment and Goldstone in respect of the transfer of the 1st Acquisition Consideration Shares to the Company (as nominee of GPI) upon Completion as contemplated in the Disposal Agreement. The 1st Acquisition Consideration Shares are presently held by Zhongzheng Investment and Goldstone as to 1,259,861,773 Shares and 678,387,108 Shares respectively (representing approximately 11.75% and 6.33% of the issued share capital of the Company respectively). Zhongzheng Investment is a substantial Shareholder and therefore a connected person of the Company under the Listing Rules. As the transactions contemplated under the Disposal Agreement involve, among others, the procurement by Qianhai Zhongzheng of the transfer of the 1st Acquisition Consideration Shares by Zhongzheng Investment and Goldstone to the Company (as nominee of GPI) (which transfer will be subject to the Share Buy-back by the Company), Qianhai Zhongzheng is considered as a “deemed connected person” of the Company pursuant to Rule 14A.20(1)(b) of the Listing Rules. In addition, Mr. Qiu, an executive Director, owns 90% equity interest in SZ Xuanxin, a company which in turns owns 46.15% effective interest in Qianhai Zhongzheng and therefore Qianhai Zhongzheng is an associate of Mr. Qiu and a connected person of the Company. By virtue of the Disposal Agreement constituting both a very substantial disposal and a connected transaction of the Company under the Listing Rules, it is therefore subject to the reporting, announcement and the approval by at least 50% of the votes cast by the Independent Shareholders at the SGM by way of poll under Chapters 14 and 14A of the Listing Rules.

Declarations of interest of the Directors

As (i) the shareholding of Mr. Leung, an executive Director and the Chairman of the Company, will be increased from approximately 39.48% to approximately 48.20% upon Completion as a result of the Share Buy-back and he will make an application for the Whitewash Waiver to the Executive; (ii) Mr. Qiu, an executive Director, owns 90% equity interest in SZ Xuanxin, a company which in turns owns 46.15% effective interest in Qianhai Zhongzheng; and (iii) Mr. Gao Yuxiang, an executive Director, is a member of the senior management of CITIC Securities (which is the immediate holding company of Goldstone); and (iv) part of the proceeds from the Disposal will be utilised to repay the Company Debt to Mr. Lim, a non-executive Director, Mr. Leung, Mr. Qiu, Mr. Gao and Mr. Lim are deemed to have material interests in the Disposal Agreement and the Transactions, and have abstained from voting at the Board meeting in relation to the approval of the Disposal Agreement and the Transactions. Except for Mr. Leung, Mr. Qiu, Mr. Gao and Mr. Lim, no other Director is required to abstain from voting at the Board meeting in relation to the approval of the above matters.

GENERAL

Pursuant to Rule 2.1 of the Takeovers Code, an independent board committee comprising all the non-executive Directors shall be established to make recommendations to the Independent Shareholders on whether the terms of the Transactions are fair and reasonable. However, by reason of his interest in the Special Deal, Mr. Lim, although himself a non-executive Director, is considered to have conflicts of interest in participating in the Independent Board Committee.

Accordingly, the Independent Board Committee comprising all the independent non-executive Directors only, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, who have no direct or indirect interest in the Transactions, has been established under the Takeovers Code and the Listing Rules to make recommendations to the Independent Shareholders in respect of the terms of the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal. Altus Capital Limited has been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal. By reason of the requirements of the Buy-backs Code, the Takeovers Code and the Listing Rules, (i) Mr. Leung and parties acting in concert with him; and (ii) Mr. Lim, Goldstone and Zhongzheng Investment and their respective associates will abstain from voting in the SGM. Save for these parties, to the best of the information, knowledge, and belief of the Directors after having made reasonable enquiries, no other Shareholder is required to abstain from voting on the resolutions approving the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal.

A circular containing, among other things, (i) details of the Transactions; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal; (iv) financial information of the Disposal Group and the Remaining Group; (v) a valuation report of the Disposal Group; and (vi) a notice of the SGM is expected to be despatched to the Shareholders on or before 29 October 2021. Under Rule 8.2 of the Takeovers Code, the said circular is required to be issued within 21 days from the date of this announcement. However, as additional time is required for preparing the information to be included in the circular, the Company will seek the Executive’s consent for an extension of the time for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

DEFINITIONS

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

“1st Acquisition Consideration Shares” or “Buy-back Shares”	the 1,938,248,881 Shares issued by the Company as part of the consideration for the First Acquisition, which are the same Shares to be transferred to the Company (as nominee of GPI) pursuant to the Disposal Agreement as part Consideration receivable by GPI thereunder and shall be cancelled by the Company as described in this announcement
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associates”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for transaction of business
“Buy-backs Code”	the Hong Kong Code on Share Buy-backs
“BVI”	British Virgin Islands
“CITIC Capital (China)”	CITIC Capital (China) Investment Company Limited, a wholly-owned subsidiary of CITIC Capital Holdings Limited which owns 53.85% effective interest in Qianhai Zhongzheng

“CITIC Securities”	CITIC Securities Company Limited, a joint stock company incorporated in the PRC with limited liability and the H shares and A shares of which are listed on the Main Board of the Stock Exchange (stock code: HK6030) and the Shanghai Stock Exchange, respectively
“Companies Act”	Bermuda Companies Act 1981, as amended from time to time
“Company”	Zhongzheng International Company Limited, a company incorporated in Bermuda with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange (stock code: HK0943)
“Company Debt”	the loans in the aggregate principal amount of HK\$250 million provided by Mr. Lim to the Company
“Company Debt Repayment”	the repayment of the Company Debt by the Company to Mr. Lim
“Completion”	completion of the Disposal
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	consideration for the Disposal
“Director(s)”	Director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 24 September 2021 entered into among the Company, GPI, HK Huijin and Qianhai Zhongzheng in relation to the Disposal
“Disposal Group”	the Investment Company and its subsidiaries
“Disposal Group Loans”	the loans in the aggregate principal amount of HK\$139,099,000 outstanding as the date of the Disposal Agreement carrying interest at 7% per annum, which has been provided by the Company to the Disposal Group

“Dongguan Project”	a property development project on a parcel of land located in the north side of Guantai Avenue, Zhouxi Village, Nancheng District, Dongguan City, Guangdong Province, the PRC
“Dongguan Project Company”	東莞禾信房地產開發有限公司 (Dongguan Hexin Real Estate Development Co., Ltd.*), a company established in the PRC with limited liability
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of the Executive Director
“Fengda”	承德中證豐達建設開發有限公司 (Chengde Zhongzheng Fengda Construction Development Co., Ltd.*), a company established in the PRC with limited liability
“First Acquisition”	the acquisition of the then entire issued share capital of the Investment Company by GPI pursuant to the terms and conditions of the First Acquisition Agreement
“First Acquisition Agreement”	the conditional sale and purchase agreement dated 14 September 2018 (as amended and supplemented by the supplemental agreement dated 19 December 2018) entered into between GPI and Qianhai Zhongzheng in relation to the First Acquisition
“GFA”	gross floor area
“Goldstone”	金石投資有限公司 (Goldstone Investment Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CITIC Securities
“GPI”	Grand Prominent International Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK Huijin”	Hong Kong Zhongzheng Huijin Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Qianhai Zhongzheng
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huateng”	深圳市前海中證華騰實業有限公司 (Shenzhen Qianhai Zhongzheng Huateng Industrial Co., Ltd.*), a company established in the PRC with limited liability

“Imputed Buy-back Price”	approximately HK\$0.1237 per 1st Acquisition Consideration Share
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen, which has been established to make recommendations to the Independent Shareholders on the term of the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreement, the Share Buy-back, the Whitewash Waiver and the Special Deal
“Independent Shareholders”	Shareholders other than (i) Mr. Leung and parties acting in concert with him; (ii) Goldstone, Zhongzheng Investment, Mr. Lim and their respective associates; and (iii) those who are involved in or interested in the Disposal, the Share Buy-back, the Whitewash Waiver and/or the Special Deal
“Investment Company”	Hong Kong Zhongzheng City Investment Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Jinyu Development”	承德中證城鄉開發有限公司 (Chengde Zhongzheng Urban and Rural Development Co., Ltd.*), a company established in the PRC with limited liability
“Jinyu Investment”	承德中證金城投資開發有限公司 (Chengde Zhongzheng Jinyu Investment Development Co., Ltd.*), a company established in the PRC with limited liability
“Last Trading Day”	24 September 2021, being the last trading day of the Shares prior to the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Luanping Project”	a primary land development project in collaboration with the Luanping County People’s Government in Hebei Province, the PRC
“Mr. Leung”	Mr. Leung Chung Shan, the Chairman of the Company, an executive Director and the controlling Shareholder
“Mr. Lim”	Mr. Lim Kim Chai, a non-executive Director and a substantial Shareholder
“Mr. Qiu”	Mr. Qiu Qing, an executive Director
“Nanjing Project”	a property development project on 14 parcels of land located in the south of Naishan, Tuanjie Village, Donggou Town, Liuhe District, Nanjing City, Jiangsu Province, the PRC
“Nanjing Project Company”	南京源鼎置業有限公司 (Nanjing Yuanding Real Estate Co., Ltd.*), a company established in the PRC with limited liability
“NAV”	net asset value
“P-Note”	the promissory note in the principal amount of RMB200,000,000 previously issued by the Company to Qianhai Zhongzheng under the Second Acquisition
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Qianhai Zhongzheng”	深圳市前海中證城市發展管理有限公司 (Shenzhen Qianhai Zhongzheng City Development Management Co., Ltd.*), a company established in the PRC with limited liability which is effectively owned as to 53.85% and 46.15% by CITIC Capital (China) and SZ Xuanxin, respectively
“Remaining Business”	the businesses of the Remaining Group
“Remaining Group”	the Group upon Completion
“Ruifeng”	深圳市中證瑞豐管理有限公司 (Shenzhen Zhongzheng Ruifeng Management Co., Ltd.*), a company established in the PRC with limited liability

“Sale Shares”	the entire issued share capital of the Investment Company as at the date of the Disposal Agreement and at Completion
“Second Acquisition”	the acquisition of the then entire issued share capital of Huateng by Ruifeng from Qianhai Zhongzheng pursuant to the terms and conditions of the Second Acquisition Agreement entered into among Ruifeng, Qianhai Zhongzheng, Huateng, the Dongguan Project Company and the Nanjing Project Company
“Second Acquisition Agreement”	the conditional sale and purchase agreement dated 6 July 2019 entered into among Ruifeng, Qianhai Zhongzheng, Huateng, Dongguan Project Company and Nanjing Project Company in relation to the Second Acquisition
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Transactions, which include the Disposal Agreement and the transactions contemplated thereunder, the Share Buy-back, the Whitewash Waiver and the Special Deal
“Share(s)”	ordinary share(s) of HK\$0.00004 each in the share capital of the Company
“Share Buy-back”	the buy-back and cancellation of 1st Acquisition Consideration Shares by the Company pursuant to the terms and conditions of the Disposal Agreement, which constitutes an off-market share buy-back by the Company pursuant to Rule 2 of the Buy-backs Code
“Shareholder(s)”	holder(s) of the Share(s)
“Special Deal”	the Company Debt Repayment
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZ Xuanxin”	深圳市軒鑫投資合夥企業 (有限合夥) (Shenzhen Xuanxin Investment Partnership (Limited Partnership)*) which is 90% owned by Mr. Qiu, an executive Director
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Tianji Nanlian”	深圳市天基南聯投資合夥企業(有限合夥) (Shenzhen Tianji Nanlian Investment Partnership Enterprise*), a company established in the PRC
“Transactions”	the transactions contemplated under or ancillary to the Disposal Agreement, including the Disposal, the Share Buy-back, the Whitewash Waiver and the Special Deal
“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Mr. Leung to make a general offer for all the issued Shares (other than those already owned by Mr. Leung) which arises as a result of the Share Buy-back, application for which will be made to the Executive in accordance with Note 1 on Dispensations from Rule 26 of the Takeovers Code
“Yinxin Zhongjiu”	深圳市銀信中久股權投資合夥企業(有限合夥) (Shenzhen Yinxin Zhongjiu Equity Investment Partnership Enterprise (Limited Partnership)*), a company established in the PRC
“Zhongcai Century”	北京中采世紀技術有限公司(Beijing Zhongcai Century Technology Company Limited*), a company established in the PRC with limited liability
“Zhongzheng Investment”	Hong Kong Zhongzheng Investment Co. Ltd., a company incorporated in the BVI with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

By order of the Board
Zhongzheng International Company Limited
Liu Liyang
Executive Director

Hong Kong, 24 September 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Leung Chung Shan, Mr. Tam Lup Wai, Franky, Mr. Liu Liyang, Mr. Gao Yuxiang and Mr. Qiu Qing; one non-executive Director, namely Mr. Lim Kim Chai, J.P.; and three independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung and Mr. Li Hon Kuen.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement contained in this announcement misleading.

** For identification purpose only*