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

**SUMMARY OF THE FINAL INVESTIGATION REPORT OF
THE SPECIAL INVESTIGATION COMMITTEE**

References are made to (a) the announcements of Zhongchang International Holdings Group Limited (the “**Company**”) dated 15 October 2020, 16 October 2020, 20 November 2020 and 23 November 2020 in relation to, among other things, litigation involving certain members of the High Morality Group (being subsidiaries of the Company) and the suspected dissipation of the Dissipated Funds; (b) the announcement of the Company dated 15 January 2021 in relation to the formation of a special investigation committee (the “**Special Investigation Committee**”); (c) the announcement of the Company dated 31 March 2021 in relation to the preliminary findings of the Special Investigation Committee (the “**Preliminary Findings Announcement**”); and (d) the circular of the Company dated 17 September 2021 (the “**Circular**”). Capitalized terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

**FINAL INVESTIGATION REPORT OF THE SPECIAL INVESTIGATION
COMMITTEE**

On 1 November 2021, the Special Investigation Committee reported its final recommendations (the “**Special Investigation Report**”) regarding the suspected dissipation of the Dissipated Funds and the Alleged Zhenjiang Tiangong SPA to the Board.

The Special Investigation Report is primarily based on the findings as set out in the legal opinions issued by the PRC legal adviser to the Special Investigation Committee on 30 March 2021, which contain their investigation results in relation to the suspected dissipation of the Dissipated Funds by Shanghai Sansheng and entry into the Alleged Zhenjiang Tiangong SPA (namely “**Legal Opinions**”, as previously disclosed and summarized in the Preliminary Findings Announcement).

Following the issuance of the abovesaid preliminary findings as disclosed in the Preliminary Findings Announcement, the Special Investigation Committee and their PRC legal advisers continued their investigation into the suspected dissipation of the Dissipated Funds by Shanghai Sansheng and entry into the Alleged Zhenjiang Tiangong SPA. However, as the Special Investigation Committee and their PRC legal advisers did not have further substantial findings as regards the suspected dissipation of the Dissipated Funds nor the entry into the Alleged Zhenjiang Tiangong SPA, the findings under the Legal Opinions as summarized in the Preliminary Findings Announcement should be taken as the final findings of the PRC legal adviser in relation to the suspected dissipation of the Dissipated Funds and the Alleged Zhenjiang Tiangong SPA.

A summary of the recommendations of the Special Investigation Committee contained in the Special Investigation Report is now set out below.

A. In relation to the suspected dissipation of the Dissipated Funds

- continue to demand Shanghai Rongzhen to repay the construction costs overpaid by Zhenjiang Tiangong.

As disclosed in the Circular, based on the preliminary findings of the Special Investigation Committee (a summary of which was disclosed in the Preliminary Findings Announcement) that were adopted by the Board on 31 March 2021, the Company has already sent legal demand letters to each of Shanghai Rongzhen and Shanghai Sansheng demanding the return of the Dissipated Funds on 17 June 2021. On 23 June 2021, Shanghai Rongzhen (acting through its solicitors) provided a response to such demand letter, in which it stated that, among other things, as Shanghai Rongzhen had been instructed by Shanghai Sansheng to transfer construction pre-payments received by it from Zhenjiang Tiangong to Shanghai Sansheng, Shanghai Rongzhen did not itself dissipate the Dissipated Funds, and that the Company should pursue Shanghai Sansheng to ascertain the truth of the matter. Further to the above, the Company has not received any further correspondence from or on behalf of Shanghai Rongzhen, or from Shanghai Sansheng as at the date of this announcement;

- commence civil legal proceedings against Shanghai Sansheng to recover the Prepayments; and
- file criminal reports with the relevant PRC authorities against the then controller, directly responsible person and/or person-in-charge of Zhenjiang Tiangong for suspected misappropriation of money and duty embezzlement and cooperate with PRC authorities regarding such criminal proceedings going forward, with the cooperation of Shanghai Yuexin, Zhenjiang Tiangong and the Purchaser.

B. In relation to the Alleged Zhenjiang Tiangong SPA:

- as completion of the disposal of the Shanghai Yuexin Group pursuant to the Equity Transfer Agreement took place on 26 September 2021, the Special Investigation Committee noted that the Group ceased to bear the legal risks in relation to the entry into of the Alleged Zhenjiang Tiangong SPA, which for the avoidance of doubt, had taken place in December 2017, which was prior to the acquisition of the Shanghai Yuexin Group by the Group in March 2019. The Group has also made appropriate disclosures to the Purchaser in relation to the Alleged Zhenjiang Tiangong SPA. As such, the Special Investigation Committee does not have any further recommendations as to actions to be taken by the Group in connection with the Alleged Zhenjiang Tiangong SPA.

On 1 November 2021, the Board resolved to adopt the above final recommendations of the Special Investigation Committee. For the avoidance of doubt, as previously disclosed in the Circular:

- (a) the Company has been advised by its PRC legal adviser that, pursuant to the Equity Transfer Agreement and the Supplemental Agreements, the Group retains the legal, valid, binding and enforceable right to take legal recourse as regards, among others, the Dissipated Funds from the date of such Supplemental Agreements until the date on which such right to legal recourse has been fully realized (or otherwise waived); and
- (b) pursuant to the Equity Transfer Agreement and Supplemental Agreements, each of the Purchaser, Shanghai Yuexin and Zhenjiang Tiangong have agreed to provide necessary assistance and cooperation in the event that the Group engages in legal recourse for the purposes of recovering the Dissipated Funds.

As such, while the sale of the Shanghai Yuexin Group by the Group under the Equity Transfer Agreement was completed on 26 September 2021, the Company will be able to require the Purchaser, Shanghai Yuexin and Zhenjiang Tiangong to cooperate with it in the course of pursuing such legal recourse against Shanghai Sansheng and other relevant parties as recommended by the Special Investigation Committee, for the purposes of recovering the Dissipated Funds. As the sale of the Shanghai Yuexin Group has been completed, the Board agrees with the view of the Special Investigation Committee that the Group will not need to bear further legal risks and liabilities in relation to the Alleged Zhenjiang Tiangong SPA that may or may not be forthcoming from the Plaintiffs or any other relevant parties.

Further announcement(s) will be made by the Company regarding the development and results of the actions to be taken by the Company to recover the Dissipated Funds, as and when appropriate.

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

Hong Kong, 1 November 2021

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