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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in **Zhongchang International Holdings Group Limited**, you should immediately forward this circular to the purchaser or transferee or to the bank, the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information only. No special general meeting will be held as the Company has obtained the written approval from Glory Rank Investment Limited and China Cinda (HK) Asset Management Co., Limited, which are parties acting in concert and the controlling shareholders of the Company, in lieu of holding a special general meeting for the (i) New Disposal Agreement and (ii) the transactions contemplated under the New Disposal Agreement.

ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
中昌國際控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 859)

MAJOR TRANSACTION

(1) TERMINATION OF AGREEMENT

AND

**(2) ENTRY INTO NEW DISPOSAL AGREEMENT
IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY
INTEREST IN HANGZHOU MINGLUN**

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DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 7 April 2020 entered into among Dongtou Property, the Vendor and the Target in relation to the sale of the Sale Interest by the Vendor to Dongtou Property in accordance with its terms, which was terminated upon 30 June 2020 and following the execution of the New Disposal Agreement
“Board”	the board of Directors
“Company”	Zhongchang International Holdings Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 859)
“Completion”	completion of the Transaction in accordance with the terms and conditions of the New Disposal Agreement
“Consideration”	the aggregate consideration for the Sale Interest of RMB180,248,710, which consists of the Share Purchase Price and the Loan Purchase Price under the New Disposal Agreement
“Deposit”	the sum of RMB25,000,000 paid by Dongtou Property after the opening of the Designated Bank Account as escrow money and partial payment for the consideration under the terms of the Agreement
“Designated Bank Account”	the existing bank account jointly operated by the Vendor and the Dongtou Property opened under the name of Dongtou Property at a designated bank whereas the designated bank seal is within the Vendor’s custody for the purpose of holding the consideration payable by Dongtou Property pending completion in accordance with the terms of the Agreement
“Director(s)”	the directors of the Company
“Dongtou Property”	東投地產集團有限公司 (Dongtou Property Group Co. Ltd.*), a company established in the PRC with limited liability and ultimately and beneficially owned as to 99.04% by Mr. Chen Dongxu, 0.74% by Ms. Huang Liping and 0.22% by Ms. Chen Cailian as at the Latest Practicable Date
“Dongwang Loan”	A loan of RMB186,000,000 to be provided by the Purchaser to the Target in accordance with the terms of the New Disposal Agreement

DEFINITIONS

“Dongwang Project Management” or “Purchaser”	江西東望項目管理有限公司 (Dongwang Project Management Co. Ltd*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Dongtou Property
“Escrow Account”	the bank account jointly operated by the Vendor and the Purchaser opened under the name of the Vendor at a designated bank for the purpose of holding the Consideration payable by the Purchaser pending Completion
“Group”	the Company and its subsidiaries from time to time
“Hangzhou Minglun” or “Target”	杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.*), an indirect wholly-owned subsidiary of the Company as at the date of this circular and before Completion
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	any person or company and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not connected persons of the Company and is third party independent of the Company and its connected persons in accordance with the Listing Rules
“Joint Account”	the bank account jointly operated by the Vendor, the Target and the Purchaser to be opened under the name of the Target at a designated bank for the purpose of holding the Dongwang Loan payable by the Purchaser pending Completion
“Land”	the parcel of land located in Lin’an District, Hangzhou City, Zhejiang Province, the PRC (浙江省杭州市臨安區)
“Latest Practicable Date”	5 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

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“Loan Purchase Price”	RMB23,861,000, which equals to the net value of the shareholder’s loan owed by the Target to the Group as of the date of the New Disposal Agreement and forms part of the Consideration
“New Disposal Agreement”	the conditional sale and purchase agreement (including its schedules and annexes) dated 30 June 2020 entered into among the Purchaser, Dongtou Property, the Vendor and the Target in relation to the sale of the Sale Interest by the Vendor to the Purchaser in accordance with its terms
“Parties”	parties to the New Disposal Agreement, namely, the Vendor, the Target, the Purchaser and Dongtou Property and each of them is a “Party”
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the 100% equity interest in the Target and all rights and obligations attached to such equity interest (including but not limited to the obligation to repay the entire shareholder’s loan owed by the Target to the Group) to be sold by the Vendor to the Purchaser pursuant to the New Disposal Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of the issued share(s) in the capital of the Company
“Share Purchase Price”	RMB156,387,710, which represents the value of 100% equity interest in the Target and forms part of the Consideration
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the proposed sale of the Sale Interest by the Vendor to the Purchaser pursuant to the terms and conditions of the New Disposal Agreement
“Transfer Agreement”	the transfer agreement dated 8 July 2019 entered into between the Target and Lin’an Resources Bureau in relation to the bidding of the Land, the principal terms of which are disclosed in the Company’s announcement dated 24 June 2019 and circular dated 12 July 2019

DEFINITIONS

“Zhoushan Mingyi” or “Vendor” 舟山銘義文化產業投資有限公司 (Zhoushan Mingyi Cultural Assets Investment Co. Ltd.*), an indirect wholly-owned subsidiary of the Company which beneficially owns 100% equity interest in the Target as at the date of this circular and before Completion

“%” per cent.

* for identification purpose only

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

Unless otherwise specified in this circular, translations of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1.00 to HK \$1.09. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rates or at all.

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

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

LETTER FROM THE BOARD

ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED

中昌國際控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 859)

Executive Directors:

Mr. Ma Yilin (*Chairman*)
Mr. Chen Zhiwei (*Chief executive officer*)
Mr. Tang Lunfei
Ms. Huang Limei

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Wang Xin
Dr. Huang Qiang

Principal Place of Business in Hong Kong:

Suite 1711
Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Independent Non-executive Directors:

Mr. Liew Fui Kiang
Mr. Wong Sai Tat
Mr. Wong Wai Leung
Mr. Yip Tai Him

7 August 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

(1) TERMINATION OF AGREEMENT

AND

**(2) ENTRY INTO NEW DISPOSAL AGREEMENT
IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY
INTEREST IN HANGZHOU MINGLUN**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 June 2020 in relation to the New Disposal Agreement entered into among Zhoushan Mingyi (as the Vendor), Hangzhou Minglun (as the Target), Dongtou Property and Dongwang Project Management (as the Purchaser), which provides for the termination of the Agreement and the arrangements in relation to the disposal of the Sale Interest.

LETTER FROM THE BOARD

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceeds 25% but are less than 100%, the Transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules. Since the Company has obtained a written approval of the Transaction from Glory Rank Investment Limited ("**Glory Rank**") and China Cinda (HK) Asset Management Co., Limited ("**China Cinda (HK)**") as a closely allied group of Shareholders, pursuant to Rule 14.44 of the Listing Rules, no special general meeting of the Company will be convened for the purpose of approving the Transaction.

The purpose of this circular is to provide you with, among other things, further details of (i) the New Disposal Agreement and the transactions contemplated thereunder; and (ii) valuation report of the Land; (iii) financial information of the Group; and (iv) other information required under the Listing Rules.

II. THE NEW DISPOSAL AGREEMENT

A. Principal terms of the New Disposal Agreement

Date	:	30 June 2020
Parties	:	(i) Zhoushan Mingyi (i.e. the Vendor) (ii) Hangzhou Minglun (i.e. the Target) (iii) Dongtou Property (iv) Dongwang Project Management (i.e. the Purchaser)
Termination of the Agreement	:	The Parties agreed and confirmed that (i) the Agreement was terminated immediately upon execution of the New Disposal Agreement and (ii) there was no breach of the terms of the Agreement by the parties thereto; and (iii) each of them agreed to waive their respective rights to claim or seek other remedy against the other for matters arising out of or in connection with the Agreement.
Asset to be disposed	:	100% equity interest in the Target and all rights and obligations attached to such equity interest (including but not limited to the obligation to repay the entire shareholder's loan of approximately RMB23.86 million owed by the Target to the Group).

The principal asset of the Target is the property interest in the Land under the Transfer Agreement. Further details of the Target and the Land are set out in the section headed "B. Information of the Target and the Land" below.

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Total consideration : *Share Purchase Price and Loan Purchase Price*

In respect of the Sale Interest, the Consideration shall be RMB180,248,710, which shall consist of (a) the Share Purchase Price of RMB156,387,710 and (b) the Loan Purchase Price of RMB23,861,000. The Share Purchase Price shall be exclusive of the Remaining Land Acquisition Cost (as defined below) and shall not be adjusted by any change in the Remaining Land Acquisition Cost (e.g. due to increase in levy for late payment) or the Dongwang Loan.

Dongwang Loan

As part of the Transaction, the Purchaser shall provide the Dongwang Loan in the aggregate amount of RMB186,000,000 to the Target, which shall be only used by the Vendor to pay the remaining balance of purchase price of the Land, the relevant tax and levy for late payment (if any) of approximately RMB174.7 million (the “**Remaining Land Acquisition Cost**”). The Dongwang Loan has a tenor commencing from the date of actual contribution to 4 July 2021 and a zero interest rate and the principal shall be fully repaid by the Target upon maturity. Upon Completion, the Dongwang Loan shall be solely assumed and repaid by the Target to the Purchaser.

Furthermore, if there is any relevant governmental authority which requires the Target to pay a security deposit before commencement of construction on the Land, the Purchaser will further provide a loan to the Target.

As of the date of this circular, the Dongwang Loan has been provided to the Target.

Payment Schedule and manner of cooperation : The payment of Consideration and provision of the Dongwang Loan and manner of cooperation provided under the New Disposal Agreement is as follows:

- (i) Within 2 days from the signing of the New Disposal Agreement, the Deposit kept in the Designated Bank Account as escrow money and partial payment for the consideration pursuant to the Agreement shall be returned to Dongtou Property; and within 2 business days from the return of the Deposit, Dongtou Property shall terminate its joint control over certain materials of Hangzhou Minglun (including company chop, licences, company documents and bank account details).

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- (ii) Following the return of the Deposit and the opening of the Joint Account, the Purchaser shall provide the Dongwang Loan by depositing (a) RMB30,000,000 as the 1st instalment into the Joint Account within 3 business days from the opening of the Joint Account and (b) RMB156,000,000 as the 2nd instalment into the Joint Account on or before 5 July 2020.
- (iii) Upon the Purchaser providing the 1st instalment of the Dongwang Loan to the Joint Account, the company chop, licence, company documents and bank account details of Hangzhou Minglun shall be kept in a designated location agreed by all Parties and jointly controlled by the Vendor and the Purchaser.
- (iv) Upon the Purchaser providing the 2nd instalment of the Dongwang Loan, the Vendor shall provide an equity pledge over its 100% equity interest in the Target (the “**Target Equity Pledge**”) in favour of the Purchaser and cooperate with the Purchaser to complete the registration of the equity pledge.
- (v) Within 2 business days from completing of the steps mentioned in (iv) above, funds in the Joint Account shall be applied to pay for the Remaining Land Acquisition Cost by the Target.
- (vi) The Target shall obtain the title certificate for the Land within 7 business days from payment of the Remaining Land Acquisition Cost and the Purchaser is entitled to participate in and supervise the process. As of the date of this circular, the Target has applied the funds in the Joint Account to pay for the Remaining Land Acquisition Cost.
- (vii) Within 10 business days from the Target obtaining the title certificate for the Land, the Purchaser shall pay the Consideration to the Escrow Account.
- (viii) Upon payment of the Consideration, the Purchaser shall cooperate with the Vendor to terminate the Target Equity Pledge and the Vendor, the Purchaser and the Target shall cooperate in completing the registration of the change of ownership in the Target. Within 1 business day of completing such registration, the Purchaser shall terminate its control over the Escrow Account and the Vendor shall be solely entitled to use the funds in the Escrow Account.

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- (ix) Upon receipt of the Consideration in the Escrow Account and the Purchaser's termination of its control over the Escrow Account, the joint control over the company chop, licence, company documents and bank account details etc. of the Target shall terminate and such materials shall be released to the Purchaser.

Requisite approval : The sale and purchase of the Sale Interest is also subject to approval from relevant regulatory authorities (including but not limited to the Stock Exchange and (where applicable) the SFC and the Shareholders.

If the relevant approval from the Shareholders and the regulatory authorities and is not obtained on or before 25 September 2020, the New Disposal Agreement may lapse in accordance with the terms thereunder. See "Termination" below for further details.

Completion : Completion shall take place upon the receipt of the Consideration in the Escrow Account and the Purchaser's termination of its control over the Escrow Account and none of the ground for termination arises. Upon Completion, the Target will cease to be a subsidiary of the Company, and its financial results will cease to be consolidated into the financial statements of the Company.

Termination and/or penalty : The New Disposal Agreement provides that, among others:

- (i) After receipt of the Dongwang Loan in the Joint Account and payment of the Remaining Land Acquisition Cost, the Transaction shall terminate and the New Disposal Agreement shall lapse if:
- a. the Transfer Agreement is terminated by the relevant authority; or
 - b. the title certificate for the Land cannot be obtained 1 month after its target date; or
 - c. there is a failure to obtain the relevant approval by the Shareholders, the Stock Exchange and (where applicable) the SFC and internal approval by the Vendor and the Target by 25 September 2020; or

LETTER FROM THE BOARD

- d. after receipt of the Consideration in the Escrow Account, the registration of the transfer of ownership in the Target cannot be completed (other than due to default on the part the Vendor); or
- e. after completion of the registration of the transfer of ownership in the Target (to the name of the Purchaser), any governmental bodies require the Parties to re-register the ownership in the Target in the name of the Vendor, and

if no new agreement is reached by the Parties after 20 days from the occurrence of any of the above events, the Target and the Vendor shall, within 10 business days from the Purchaser serving a written notice, return all principal under the Dongwang Loan and the Consideration (if any) to the Purchaser together with an interest payment calculated at the rate of 16% per annum divided by the actual number of day(s) of the relevant funds from the Purchaser which is held or used by the Target and/or the Vendor.

- (ii) If any Party breaches its obligation under the New Disposal Agreement and fails to rectify such breach, the non-defaulting Party(ies) shall be entitled to terminate the New Disposal Agreement.
- (iii) If the Vendor or the Target delays in fulfilling their respective obligations (for example, obtaining the title certificate for the Land by the target date and completing the registration of transfer in ownership of the Target), the defaulting Party shall be liable to pay a base penalty equal to 0.06% of the aggregate of the Consideration and the Dongwang Loan for each day of delay. If the delay persists for more than one month, the Purchaser shall be entitled to terminate the New Disposal Agreement unilaterally and the Vendor and the Target shall return all payments made by the Purchaser (including the Consideration and the Dongwang Loan) and pay a penalty equal to 20% of the of the aggregate of the Consideration and the Dongwang Loan within 7 business days upon notice from the Purchaser as well as compensate the Purchaser for all direct and indirect loss and the cost for enforcing its rights, while the base penalty continues to accrue until all sum has been paid or returned.

LETTER FROM THE BOARD

- (iv) If the Purchaser delays in fulfilling its obligations (including timely payment of the Consideration and contribution of the Dongwang Loan), it shall be liable to pay a base penalty equal to 0.06% of the aggregate outstanding amount for each day of delay. If the delay persists for more than 10 days, the Vendor shall be entitled to terminate the New Disposal Agreement unilaterally and the Purchaser shall pay a penalty equal to 20% of the aggregate of the outstanding amount within 5 business days upon notice from the Vendor as well as compensate the Vendor for all direct and indirect loss and the cost for enforcing its rights, while the base penalty continues to accrue until all sum has been paid or returned.
- (v) If the Vendor discusses or reaches any agreement (whether oral or written) with any third party in relation to the Transaction after the effective date of the New Disposal Agreement, the Vendor shall pay a penalty of RMB20 million to the Purchaser.

Representations and warranties : The New Disposal Agreement contains customary representations and warranties given by the Vendor in respect of itself and the Target as well as customary representations and warranties given by the Purchaser.

Further mutual guarantees : Dongtou Property has provided a guarantee on a joint and several liability basis in respect of the payment obligation of the Purchaser with a scope of, among others, the Dongwang Loan, Consideration, payment for default and compensation under the New Disposal Agreement etc. for a period of three years from the due date of the payment obligation.

In addition to the Target Equity Pledge, the Vendor has provided a guarantee on a joint and several liability basis in respect of the payment obligation of the Target with a scope of, among others, the Dongwang Loan, cost of holding or using funds from the Purchaser by the Target, payment for default and compensation under the New Disposal Agreement etc. for a period of three years from the due date of the payment obligation.

LETTER FROM THE BOARD

Basis of the Consideration

Pursuant to the New Disposal Agreement, the Consideration for the Sale Interest is approximately RMB180.25 million (equivalent to approximately HK\$196.47 million) which was determined after arm's length negotiations between the Purchaser and the Vendor after taking into account (i) the unaudited net asset value of the Target of approximately RMB149.1 million (equivalent to approximately HK\$162.5 million) as at 31 December 2019; (ii) the amount of the shareholder's loan owed by the Target to the Group of approximately RMB23.86 million (equivalent to approximately HK\$26.01 million) as at the date of the New Disposal Agreement; and (iii) the reference value of the Land (assuming that proper title of certificate has been granted and the Land can be freely transferrable) as at 31 December 2019 preliminarily assessed by Vincorn Consulting and Appraisal Limited, an independent professional valuer, using market approach.

Status of the Transaction

Subject to the terms of the New Disposal Agreement, the Completion shall take place when the steps set out in the section headed "Payment schedule and manner of cooperation" and "Requisite approval" above are satisfied.

As at the Latest Practicable Date, steps (i) to (vi) set out in the section headed "Payment schedule and manner of cooperation" above have been completed. As referred to in "F. Listing Rules Implications – Written Controlling Shareholders' Approval" below, on 6 July 2020, Glory Rank and China Cinda (HK), as a closely allied group of Shareholders, have provided a written approval to approve all transactions contemplated under the New Disposal Agreement.

As such, as of the date of this circular, the Completion shall take place upon the completion of steps (vii) to (ix) set out in the section headed "Payment schedule and manner of cooperation" above, being the receipt of the Consideration in the Escrow Account and the Purchaser's termination of its control over the Escrow Account.

B. Information of the Target and the Land

The Target

The Target is an indirect wholly-owned subsidiary of the Company as at the date of this circular and a special purpose vehicle established in the PRC on 31 May 2019 for the purpose of holding the Land. Apart from the acquisition of the Land, the Target has not conducted any other substantive business operations since its establishment. Upon Completion, the Target will cease to be a subsidiary of the Company, and its financial results will cease to be consolidated into the financial statements of the Company.

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Set out below is the financial information of the Target for the financial year ended 31 December 2019, which is based on its unaudited management accounts:

	<i>RMB</i> <i>(approx.)</i>
Revenue	–
Net (loss) before taxation	(0.9) million
Net (loss) after taxation	(0.9) million

As development works at the Land have not yet commenced, the Target did not record any revenue since the date of its establishment on 31 May 2019 up to 31 December 2019.

Based on the unaudited management accounts of the Target as at 31 December 2019, the unaudited net asset value of the Target amounted to approximately RMB149.1 million (equivalent to approximately HK\$162.5 million), the principal asset of which is the partial payment for the Land of approximately RMB173.8 million (equivalent to approximately HK\$189.4 million) (the “**Partial Payment**”) and the principal liability of which is the shareholder’s loan owed to the Group of approximately RMB23.86 million (equivalent to approximately HK\$26.01 million). No audited financial information was prepared by the Target for the year ended 31 December 2019 as it was established in the PRC with limited liability on 31 May 2019. Other than paying the Partial Payment of approximately RMB173.8 million (equivalent to approximately HK\$189.4 million) for the acquisition of the Land, the Target has not conducted any other activities since its establishment. The financial information of the Target for the period from 31 May 2019 (date of incorporation) to 31 December 2019 was prepared in accordance with the applicable PRC accounting standard and was consolidated into the Group’s audited consolidated financial statements, which was prepared in accordance with Hong Kong Financial Reporting Standards.

Based on the unaudited management accounts of the Target as at 30 June 2020, the unaudited net asset value of the Target amounted to approximately RMB149.1 million (equivalent to approximately HK\$162.5 million), the principal asset of which is the Partial Payment of approximately RMB173.8 million (equivalent to approximately HK\$189.4 million) and the principal liability of which is the shareholder’s loan owed to the Group of approximately RMB23.86 million (equivalent to approximately HK\$26.01 million).

As of the date of this circular, the Target has applied the Dongwang Loan to pay the Remaining Land Acquisition Cost and the acquisition of the Land has been completed.

The Land

The Land is located in the north of Fu Xing Street, Lin’an District, Hangzhou City, Zhejiang Province, the PRC, with a site area of approximately 23,642 sq. m. It is located in the central area of Lin’an District and surrounded by a complete set of facilities and infrastructure, within 5 km from the entrance of 杭州 – 瑞麗高速公路 (Hangzhou – Ruili Expressway*), 3.5 km from 臨安區政府 (Lin’an District Government*) and 3.3 km from 臨安人民醫院 (Lin’an People’s Hospital*). The Land is intended to be developed primarily into residential units with maximum developable gross floor area of approximately 42,556 sq. m.. As at the date of this circular, development works at the Land have not been commenced.

LETTER FROM THE BOARD

The Land was acquired by the Target from Lin'an Resources Bureau through a public tender process in June 2019 at the consideration of RMB347.6 million (equivalent to approximately HK\$378.9 million). In accordance with the Transfer Agreement, the Group had made the Partial Payment and the Target had paid the Remaining Land Acquisition Cost. The title certificate for the Land was issued and registered in the name of the Target. Upon Completion, the Target will no longer be part of the Group and the Group will cease to have any rights in the Land or other rights and obligations under the Transfer Agreement.

C. Reasons for and benefits of the Transaction

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

The Land was acquired by the Target in June 2019 from Lin'an Resources Bureau through a public tender and was intended to be developed into residential units for sale. Pursuant to the Transfer Agreement, the Target was required to settle the Remaining Land Acquisition Cost by 7 July 2020. In the event the Target fails to complete the acquisition of the Land, Resources Bureau is entitled to forfeit the non-refundable deposit of RMB69.5 million (equivalent to approximately HK\$75.8 million) which had been paid by the Target.

The primary relevant factors considered by the Company as to the acquisition of the Land and whether to continue to make further investment in completing the acquisition of the Land and the subsequent development project are (i) the economic outlook in China, (ii) the expected future sales of residential units and (iii) the availability of financial resources of the Group, in particular, ability to secure external financing on favourable terms to the Company.

As of June 2019, the above factors were assessed to be relatively positive to support the Company's plan to acquire the Land and commence development of residential units, based on the then available information to the Company. However, such factors have changed considerably since early 2020, in particular, after the outbreak of COVID-19 in China and other parts in the world, and trade disputes and tensions between the US and the PRC, the Company considered that the macro-economic situation has become uncertain. The economic performance of China and Hong Kong, as the major markets in which our Group operate, has been significantly and negatively impacted and the outlook remained uncertain. In addition, due to the impact of COVID-19 and social unrest events in Hong Kong, many tenants of the Group in Hong Kong failed to settle their outstanding rentals for the period from February to May 2020 on time and/or in full and the cash inflow of the Group has been significantly and adversely impacted. At the same time, if the Group would like to obtain new external secured financing on favourable or acceptable terms, this has become increasingly difficult since the value of properties held by the Group in Hong Kong and China continues to be under downward pressure.

Having considered the latest market conditions and the financial position of the Group, the Directors consider that continuing with the acquisition of the Land and fulfilling the commitment to develop the Land pursuant to the Transfer Agreement would create significant financial restraints on the Group. By contrast, completing the Transaction will allow the Group to recoup its initial investment in the Land, retain more cash resources and reduce the indebtedness and financial commitment on the future development costs and is therefore, in the interest of the Group. Furthermore, as contemplated under the New Disposal Agreement, pending completion of the disposal of the Sale Interest to the Purchaser, the

LETTER FROM THE BOARD

funds required for settling the Remaining Land Acquisition Cost were covered by the Dongwang Loan and as a result, the Group did not need to commit significant financial resources to complete the acquisition of the Land pursuant to the terms of the Transfer Agreement.

On the other hand, the Consideration, which was determined after taking into account the appraised value of the Land as at 31 December 2019 as determined by an independent property valuer, and the Partial Payment made under the Transfer Agreement, allows the Group to recoup in full the investment costs in the Target and recover the shareholder's loan extended to the Target. The proceeds from the Transaction to be received by the Group, net of expenses directly attributable thereto, are estimated to be approximately RMB180.25 million (equivalent to approximately HK\$196.47 million). Based on information currently available to the Company, the net proceeds from the Transaction are intended to be applied from the date of Completion (which is expected to take place in or around September 2020) to June 2022 as follows:

- approximately 67% (or approximately HK\$131.68 million) for general working capital; and
- approximately 33% (or approximately HK\$64.79 million) for operating expenses of the Group, in particular, interest expenses of the Group and rental and administrative expenses of the Company's headquarters in Hong Kong.

The Group also expects to record a gain from the Transaction (before expenses) of approximately RMB7.3 million (equivalent to approximately HK\$8.0 million), which represents the difference between (i) the Consideration; and (ii) the sum of unaudited net asset value of the Target and the amount of shareholder's loan as at 31 December 2019. Meanwhile, the excess of the Consideration over the net book value of the Target as at 31 December 2019 is approximately RMB7.3 million. The actual gain to be recorded by the Group may be different from the above estimation and is dependent on the actual net asset value of the Target at Completion.

Taking into account of the above factors, the Directors consider that the Transaction, and the New Disposal Agreement (including the Consideration), are fair and reasonable, on normal commercial terms, and the Transaction and the entry into the New Disposal Agreement are in the interests of the Company and the Shareholders as a whole.

D. Information of the Parties

(i) The Vendor

The Vendor is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company and is principally engaged in property development. Before Completion, it owns 100% equity interest in the Target.

(ii) The Company

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The Company acts as an investment holding company and the principal activities of the Group are property leasing and property development.

LETTER FROM THE BOARD

(iii) The Target

Please refer to “B. Information of the Target and the Land – the Target” above for further information.

(iv) Dongtou Property

Dongtou Property is a company established in the PRC with limited liability in 2015 and is principally engaged in property development. It was awarded as one of the China Specialised Real Estate Company for 2019 (2019 中國特色地產運營優秀企業). To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, and as at the Latest Practicable Date, (i) Dongtou Property is ultimately and beneficially owned as to 99.04% by Mr. Chen Dongxu, 0.74% by Ms. Huang Liping and 0.22% by Ms. Chen Cailian, respectively; and (ii) Dongtou Property and its ultimate beneficial owners are third parties independent of the Company and its connected persons and are not interested in any Shares.

(v) Dongwang Project Management

Dongwang Project Management is a company established in the PRC with limited liability in 2020 as a special purpose vehicle for the Transaction and is a direct wholly owned subsidiary of Dongtou Property as at the Latest Practicable Date.

E. Financial Effect of the Transaction

Following completion of the Transaction:

- total assets of the Group is expected to increase by approximately RMB6.4 million (equivalent to approximately HK\$7.0 million);
- total liabilities of the Group is expected to decrease by approximately RMB0.9 million (equivalent to approximately HK\$1.0 million); and
- net asset value of the Group is expected to increase by approximately RMB5.5 million (equivalent to approximately HK\$6.0 million);

As development works at the Land have not yet commenced and it is expected that the situation will remain the same up to the completion of the Transaction, the Target did not and will not record any revenue for the period from the date of its establishment to the date of Completion. The Transaction is not expected to have any material impact on the Group’s revenue.

Save as disclosed above, the Transaction is not expected to have any material impact on the net tangible asset and earnings per share of the Group for the financial year ending 31 December 2020.

LETTER FROM THE BOARD

F. Listing Rules Implications

As one or more of the applicable percentage ratios in respect of the Transaction was more than 25% but below 100% under Rule 14.07 of the Listing Rules, the Transaction constitutes a major transaction for the Company and is therefore be subject to the announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

(i) *Accountant's Report*

As the Transaction and the New Disposal Agreement do not involve any acquisition of business or company by the Group, no accountant's report has been prepared in accordance with Chapter 4 of the Listing Rules for this circular.

(ii) *Property Valuation*

Please refer to Appendix I for the valuation and information on Land prepared by Vincorn Consulting and Appraisal Limited ("**Vincorn**"). Having considered the following factors and to its best information and knowledge, the Board considered the valuation of the Land conducted by Vincorn is fair and reasonable:

- *Valuer's experience*

It is noted that Mr. Vincent Cheung of Vincorn, who led the team in preparing the valuation report, has the following qualification: a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People's Republic of China. Mr. Cheung has over 23 years of experience in the valuation of properties of similar scale and nature to the Land over different cities of the PRC for listed companies in Hong Kong.

On the above basis, the Board is of the view that Mr. Cheung has the suitable qualification and experience for the valuation of the Land.

- *Valuer's methodology*

According to Vincorn, the market approach is considered as the most commonly accepted valuation approach for properties when there are sufficient relevant comparables in the prevailing market, which is applicable to the situation of the Land. As more particularly explained and disclosed in Appendix I, this approach involves the analysis of recent market evidence of similar properties to compare with the subject under valuation and relevant transactions in the vicinity of the Land have been included as comparables.

According to Vincorn, the market approach is generally applied to comparable transactions and/or types of properties in which Vincorn and its peers are engaged to conduct a valuation.

LETTER FROM THE BOARD

- *Major valuation assumptions*

As more particularly disclosed in Appendix I, the valuation has been made on the assumptions, among others, that the seller can sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests. It is also assumed that the property interests is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the value of the property interests.

The aforementioned assumptions are generally consistent with the factual circumstances of the Land to the best information and knowledge of the Board. Furthermore, according to Vincorn, such assumptions are generally applied to comparable transactions and/or types of properties in which Vincorn and its peers are engaged to conduct a valuation.

(iii) Written Controlling Shareholder's Approval

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction; and (ii) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting of the Company to approve the Transaction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction and accordingly no Shareholder is required to abstain from voting on the resolution(s) in respect of the New Disposal Agreement and the transactions contemplated thereunder if the Company were to convene special general meeting.

Glory Rank controls the voting right of 111,642,295 Shares (representing approximately 9.93% of the entire issued share capital as at the date of this circular) and China Cinda (HK), the sole shareholder of Glory Rank, controls the voting right of 843,585,747 Shares (representing approximately 74.98% of the entire issued share capital of the Company as at the date of this circular). Accordingly, Glory Rank and China Cinda (HK), as parties acting in concert, collectively control the voting rights of 955,228,042 Shares (representing approximately 84.91% of the entire issued share capital of the Company as at the date of this circular). On 6 July 2020, Glory Rank and China Cinda (HK), as a closely allied group of Shareholders, have provided a written approval to approve the Transaction and all transactions contemplated under the New Disposal Agreement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no special general meeting of the Company will be convened for the purpose of approving the Transaction and all transactions contemplated under the New Disposal Agreement.

LETTER FROM THE BOARD

V. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that the Transaction and the terms of the New Disposal Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Notwithstanding that no general meeting will be convened by the Company to approve the Transaction and the New Disposal Agreement, if such a general meeting were to be convened by the Company, the Board (including the independent non-executive Directors) would recommend the Shareholders to vote in favour of the resolutions to approve the said matters.

VI. FURTHER INFORMATION

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

By order of the Board
Zhongchang International Holdings Group Limited
Ma Yilin
Chairman and Executive Director

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

Vincorn Consulting and Appraisal Limited
21/F
No. 268 Des Voeux Road Central
Hong Kong



The Board of Directors

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

7 August 2020

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in The People's Republic of China to be disposed of by Zhongchang International Holdings Group Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the property interests as at 30 June 2020 (the "**Valuation Date**").

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors effective from 30 December 2017 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

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

VALUATION ASSUMPTIONS

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

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

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

VALUATION METHODOLOGY

When valuing the property interests to be disposed of by the Group, we have adopted Market Approach.

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

LAND TENURE AND TITLE INVESTIGATION

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

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

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

INFORMATION SOURCES

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

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

INSPECTION AND INVESTIGATIONS

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

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

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

CURRENCY

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

The valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of

Vincorn Consulting and Appraisal Limited

Vincent Cheung

BSc(Hons) MBA FRICS MHKIS RPS(GP)

MCIREA MHKSI MISC MHIRESA

Registered Real Estate Appraiser and Agent PRC

Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong Special Administrative Region (“Hong Kong”), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators and a Registered Real Estate Appraiser and Agent People’s Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in the subject region.

VALUATION CERTIFICATE

Group 1 – Property Interests to be Disposed of by the Group in the PRC

Property	Description and Tenure	Occupancy Particulars	Market Value as at 30 June 2020
A parcel of residential land located at North of Fuxing Street, Lin'an District, Hangzhou, Zhejiang Province, the PRC	<p>The property comprises a parcel of residential land.</p> <p>As per the State-owned Land Use Rights Grant Contract, the subject site has a site area of approximately 23,642.00 square metres ("sq.m."). As per the State-owned Land Use Rights Grant Contract, the property has a maximum permissible GFA of approximately 42,555.60 sq.m.</p> <p>The land use rights of the property were granted for a term of 70 years for residential uses.</p>	As per our on-site inspection and the information provided by the Group, the property is currently vacant.	No Commercial Value

Notes:

- The property was inspected by Noah Liu *Probationer of RICS* on 28 April 2020.
- The valuation and this certificate were prepared by Vincent Cheung *FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *MRICS MHKIS RPS(GP) MCIREA Registered Real Estate Appraiser PRC*.
- Pursuant to a State-owned Land Use Rights Grant Contract, 3301852019A21063 dated 8 July 2019 and entered into between Hangzhou Planning and Natural Resources Bureau, Lin'an Branch and Hangzhou Minglun Industrial Co., Ltd. ("Hangzhou Minglun"), the land use rights of the property with a site area of 23,642.00 sq.m. were granted to Hangzhou Minglun for a term of 70 years for residential uses at a consideration of RMB347,580,000.

The salient conditions of the State-owned Land Use Rights Grant Contract are summarised below:

Item	Details
Land Use	Residential
Site Area	23,642.00 sq.m.
Lot No.	Lin Zheng Chu Chu No. [2019] 31
Land Use Rights Term	70 years
Permissible GFA	From 23,642.00 sq.m. to 42,555.60 sq.m.
Plot Ratio	More than 1.0 but less than 1.8
Building Height	Less than 75 metres
Building Density	Less than 30%
Construction Period	Within 3.0 years after obtaining the Construction Project Work Commencement Permit

4. The general description and market information of the property are summarized below:
- | | | |
|----------------------------|---|---|
| Location | : | The property is located at North of Fuxing Street, Lin'an District, Hangzhou, Zhejiang Province, the PRC. |
| Transportation | : | Hangzhou Xiaoshan International Airport, Hangzhou Railway Station and Lin'an East Passenger Transport Terminal are located approximately 96.2 kilometres, 59.4 kilometres and 4.7 kilometres away from the Property respectively. |
| Nature of Surrounding Area | : | The area is predominately a residential area in Lin'an District with some commercial buildings available. |
5. Pursuant to the information provided by the Company, Hangzhou Minglun is an indirect wholly-owned subsidiary of the Group.
6. We have been provided with a legal opinion regarding the property by Beijing Kangda Law Firm, which contains, *inter alia*, the following:
- The State-owned Land Use Rights Grant Contract of the property is legitimate and effective, and the contracted parties are legally bounded by it. Pursuant to the "Land Grant Consideration Special Notes", the first payment of RMB173,790,000 required under the State-owned Land Use Rights Grant Contract has been settled;
 - Except if there are any seizures, pre-seizures and ancillary enforcement actions undertaken by the court during the process of applying for a State-owned Land Use Rights Certificate, the grantee of the property can obtain a State-owned Land Use Rights Certificate upon the timely settlement of the land consideration as required under the State-owned Land Use Rights Grant Contract; and
 - As the grantee of the property has not obtained a Real Estate Title Certificate for the property, the grantee is not able to pledge the property.
7. As advised by the Group, the property is yet to be granted with a proper title certificate of land use rights. In the course of our valuation, we have attributed no commercial value to the property. The reference value of the property, assuming that it has been granted with a proper title certificate of land use rights and it can be freely transferred, as at the Valuation Date was circa RMB344,000,000.
8. In the course of our valuation of the property, we have considered and analysed the land sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from RMB7,047 to RMB8,709 per sq.m. on the basis of maximum permissible GFA. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rate of the property is RMB8,084 per sq.m. on the basis of maximum permissible GFA.

FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the financial information for the last three financial years with respect to the profits and losses, financial record and position, as a comparative table and the latest published statement of financial position together with the notes on the annual accounts for the last financial year for the Group. Pursuant to a resolution of the Directors passed on 23 April 2018, the financial year end date of the Company has been changed from 31 March to 31 December effective from 31 December 2018. Details regarding change of financial year end date are disclosed in the Company's announcement dated 23 April 2018.

The audited consolidated financial statements of the Group together with the notes on the annual accounts for the year ended 31 March 2017 has been set out in pages 43 to 122 of the 2016/17 annual report of the Company, which was posted on 18 July 2017 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0718/ltn20170718013.pdf>).

The audited consolidated financial statements of the Group together with the notes on the annual accounts for the year ended 31 March 2018 has been set out in pages 60 to 134 of the 2017/18 annual report of the Company, which was posted on 23 July 2018 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0723/ltn20180723157.pdf>).

The audited consolidated financial statements of the Group together with the notes on the annual accounts for the nine months ended 31 December 2018 has been set out in pages 63 to 148 of the 2018 annual report of the Company, which was posted on 17 April 2019 on the Stock Exchange's website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn20190417035.pdf>).

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

INDEBTEDNESS STATEMENT

As at 30 June 2020, being the latest practicable date for the purpose of the indebtedness statement of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

Bank loans and borrowings

The aggregate unaudited outstanding bank and other borrowings and convertible note of the Group was approximately HK\$1,593,941,000, comprising:

- (i) HK\$1,021,295,000 bank borrowings which were guaranteed by the Company and were secured by the Group's certain investment properties, equity interest in certain subsidiaries and rental assignments in respect of certain investment properties;
- (ii) HK\$50,000,000 other borrowings from China Cinda (HK) were guaranteed by certain subsidiaries of the Company, and were secured by certain investment properties, equity interest in certain subsidiaries and rental assignments in respect of certain investment properties of the Group;

(iii) RMB469,400,000 (equivalent to approximately HK\$511,646,000) other borrowings from 上海愛健信托責任公司 (Shanghai Aijian Trust Co., Limited*) (“**Shanghai Aijian**”) which were secured by the Group’s properties for sale under development and equity interests in a subsidiary; and

(iv) HK\$11,000,000 convertible note liabilities were unsecured and unguaranteed.

Lease Liabilities

As at 30 June 2020, the Company had lease liabilities of approximately HK\$3.4 million.

Mortgages and Charges

As at 30 June 2020, the Group had pledged the following assets:

1. investment properties in Hong Kong with an aggregate carrying amount of HK\$1,879,400,000 for securing the Group’s bank and certain other borrowings;
2. share mortgage of certain subsidiaries for securing their respective bank borrowings;
3. rental assignments in respect of the investment properties held by the Group;
4. properties for sale under development with an aggregate carrying amount of approximately HK\$871,431,000 and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB469,400,000 (equivalent to approximately HK\$511,646,000) from Shanghai Aijian;
5. properties for sale – completed properties with an aggregate carrying amount of approximately HK\$20,611,000 pledged to a financial institution in the PRC as collateral for the borrowings of independent third parties; and
6. entire equity interests in certain subsidiaries for securing the Company’s other borrowing which amounted to HK\$50,000,000 from China Cinda (HK).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2020.

Corporate Guarantee

As at 30 June 2020, the Company provided corporate guarantee to a bank for securing banking facilities granted to its subsidiaries which amounted to HK\$1,127,000,000, while certain subsidiaries have provided corporate guarantees to a financial institution for securing facilities granted to the Company which amounted to HK\$150,000,000.

Other Information

Foreign currency amounts have been, for the purposes of this indebtedness statement, translated into Hong Kong dollars at the approximate rates of exchange applicable at the close of business on 30 June 2020.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills payables in the ordinary course of the business, as at the close of business on 30 June 2020, the Group did not have other debt securities issued and outstanding, and authorized or otherwise created but unissued, outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, guarantees or material contingent liabilities.

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the indebtedness position of the Group since 30 June 2020.

WORKING CAPITAL

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

FINANCIAL AND OPERATING PROSPECTS

The Group currently has three main business segments, namely: (i) property leasing business in Hong Kong; (ii) property development in the PRC; and (iii) property project management services – provision of property project management services in the PRC, which has been suspended since October 2019. The Group currently operates mainly in the PRC and Hong Kong.

For the property investment business, the investment properties of the Group are situated in the prime shopping district of Causeway Bay and the Group continues to refine the diverse-trade tenants mix (mainly includes food and beverages, beauty and health care and pharmaceuticals which have outperformed in the retail sector). During 2019, the portfolio has recruited certain new tenants (including well-recognised grocery brand tenant – “Bestmart 360” and branded beauty business) to broaden the Group’s trade offering in turn maintaining the Group’s core revenue and earnings base. The Group has been maintaining a good relationship with its tenants by assisting them to compete in a more challenging business environment. As at 31 December 2019, the investment property portfolio of the Group recorded an occupancy rate of approximately 93.6%.

With respect to property development business, during 2019, the Group completed the acquisition of 南山淺水灣 (Nanshan Qianshuiwan*) (“NQS”) and acquisition of 48.51% effective interests in 金義頤景園 (Jinyi Yijingyuan).

NQS

As disclosed in the annual report 2019 of the Company, the land is located at one of the central cities of the Yangtze River Delta Area with easy access to major cities such as Nanjing and Shanghai and adjacent to community resources such as academic institutions, municipal offices, ecological parks, shopping malls and a hospital. It is also situated at the high-end residential district in Zhenjiang City and is planned to be developed into a mixed-used residential and commercial development (i.e. Phase II of NQS) with total planned gross floor area (“GFA”) of approximately 160,000 sq.m., including residential area of approximately 151,700 sq.m., commercial area of approximately 3,900 sq.m. and ancillary area of approximately 2,400 sq.m.. The Group intends to designate all residential and commercial units for sale. Phase II of NQS comprises 22 villas, 13 high rise residential towers and spaces for retail and ancillary facilities such as kindergarten.

The Group expects phase 2 development of Phase II of NQS will commence in August 2020 (with estimated pre-sale date in December 2020) and expects to commence phase 3 development in November 2020 (with estimated pre-sale date in January 2022).

Jinyi Yijingyuan

As disclosed in the annual report 2019 of the Company, the land is being developed into a mixed-use residential and commercial complex under the brandname of “頤景園” in two phases with a total GFA of approximately 337,530 sq.m., including residential area of approximately 195,100 sq.m., commercial area of approximately 50,200 sq.m. and basement (inclusive of car parking spaces) of approximately 88,600 sq.m.. Development of phase I of the project, which includes 11 residential towers with an aggregate area of 111,500 sq.m., 2 office towers and retail shops of 50,200 sq.m. and 1,200 car parking spaces, commenced in April 2018 and is expected to complete by end of 2020. Development of phase II of the project commenced in mid 2018 and is expected to complete by early 2021. Pre-sale of phase I of the project was launched in July 2018.

These contracted sales will be recognised by Yitai International (BVI) Holdings Limited. (“Yitai”) (a company which holds 99% indirect equity interest in a project company which in turn holds a land in Jinhua City, Zhejiang Province, the PRC and the Group owns 49% of issued share capital of Yitai) as revenue in 2020 upon completion of development of phase I of the project. Pre-sale of phase II of the project was launched in the first quarter of 2019 and further revenue is expected to be recognised by Yitai in early 2021 upon completion of development of phase II. The Group is a passive non-controlling shareholder in Yitai and Yitai will be accounted for as an associate of the Group and the Group will share its profits or loss accordingly.

For the property project management business, as disclosed in the annual report 2019 of the Company, after considering that the property project management services business has limited potential in the PRC market and the performance of such business has not been satisfactory, for long term business development of the Group and to reallocate resources towards the Group’s core business in property leasing and property development, the Board resolved to suspend such business starting from the fourth quarter of 2019.

Looking ahead, the global markets are expected to be cloudy due to uncertainties such as volatile stock markets, weakening of RMB, trade tension between the U.S. and the PRC, and the recent COVID-19 outbreak. The Group is aware of the challenges ahead and will closely monitor the global market conditions. In spite of the above, the market expects the PRC's gross domestic product growth rate would be approximately 5.9% this year, compared to approximately 2.5% of the global economy. It is expected that the PRC government will continuously put efforts on "seeking growth while maintaining stability" strategy to ensure a steady growth. The Group remains optimistic about the development of economy in both the PRC and Hong Kong, as well as its business development in 2020. Going forward, the Group will continue to evaluate investment opportunities in different property projects with a view to optimising the Group's property project portfolio, strengthening investment property portfolio and maximising returns.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in shares and underlying shares or debentures of the Company or its associated corporations

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

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

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

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

Name	Capacity	Number of Shares	Approximate percentage of issued share capital of the Company
Glory Rank ⁽¹⁾⁽²⁾	Beneficial owner	111,642,295	9.93%
China Cinda (HK) ⁽¹⁾⁽²⁾	Beneficial owner/Interest in controlled corporation	955,228,042	84.91%
China Cinda Asset Management Co., Ltd. ⁽¹⁾⁽³⁾	Interest in controlled corporation	955,228,042	84.91%

Notes:

- (1) Glory Rank, which is wholly-owned by China Cinda (HK), which in turn is wholly-owned by China Cinda Asset Management Co., Ltd., is the beneficial owner of 111,642,295 Shares.
- (2) China Cinda (HK) is the beneficial owner of 843,585,747 Shares. As it is the sole shareholder of Glory Rank, it is deemed under the SFO to be interested in the interests held by Glory Rank.
- (3) China Cinda Asset Management Co., Ltd. is the sole shareholder of China Cinda (HK) and is deemed under the SFO to be interested in the interests held by China Cinda (HK).

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

3. COMPETING INTERESTS

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

4. SERVICE CONTRACTS

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

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

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2019 (being the date to which the latest published accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published accounts of the Company were made up.

7. MATERIAL CONTRACTS

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

- (a) the instrument of transfer dated 26 October 2018 in relation to the disposal of the unlisted shares of LZ Investment Limited by Shenwei HK, a wholly-owned subsidiary of High Morality Limited, to Global International Investment Limited, a related party of 上海三盛房地產(集團)有限責任公司(Shanghai Sansheng Real Estate (Group) Company Limited*) (“**Sansheng Real Estate**”), at the consideration of approximately HK\$62.4 million;
- (b) the sale and purchase agreement dated 9 December 2018 entered into among Agile Scene Limited (an indirect wholly-owned subsidiary of the Company, as purchaser), Sanshengongye (BVI) Holdings Limited (as vendor) and Sansheng Real Estate (as guarantor) in relation to the acquisition of the entire issued share capital of High Morality Limited, which is the indirect holding company of Zhenjiang Tiangong, by Agile Scene Limited from Sanshengongye (BVI) Holdings Limited at the consideration of approximately RMB194.9 million;
- (c) the sale and purchase agreement dated 4 February 2019 entered into among Agile Scene Limited (an indirect wholly-owned subsidiary of the Company, as purchaser), Sanshengongye (BVI) Holdings Limited (as vendor) and Shanghai Sansheng (as guarantor) in relation to the acquisition of a 49% equity interest in Yitai International (BVI) Holdings Limited (“**Yitai**”), which in turn holds 99% interest in 金華銘瑞房地產開發有限公司 (Jinhua Mingrui Real Estate Development Co., Limited*, “**Jinhua Mingrui**”, a property development company) at a consideration of approximately RMB255.6 million;
- (d) the supplemental deed (the “**Supplemental Deed**”) dated 7 March 2019 entered into among Agile Scene Limited, Sanshengongye (BVI) Holdings Limited and Shanghai Sansheng which supplemented and amended the agreement as detailed in (v) above, pursuant to which Sanshengongye (BVI) Holdings Limited agreed to procure 杭州銘瑞房地產開發有限公司 (Hangzhou Mingrui Real Estate Development Company Limited*, “**Hangzhou Mingrui**”, an indirect wholly-owned subsidiary of Shanghai Sansheng) to assign the loan in the principal amount of RMB48.51 million owed by 杭州景涵投資管理有限公司 (Hangzhou Jinghan Investment Management Co., Ltd.*, “**Hangzhou Jinghan**”, the immediate holding company of Jinhua Mingrui) to Hangzhou Mingrui to Agile Scene Limited or its nominee (which shall be a wholly-owned subsidiary of the Company) while the consideration shall remain at approximately RMB255.6 million;
- (e) the shareholders’ agreement dated 2 April 2019 entered into among Shenwei International Holdings Limited (a joint venture partner which holds 51% equity interest in Yitai), Agile Scene Limited (an indirect wholly-owned subsidiary of the Company which holds a 49% equity interest in Yitai) and Yitai, setting out the rights and obligations of the shareholders of Yitai;

- (f) the assignment of debt dated 2 April 2019 entered into among Hangzhou Mingrui (as assignor), 舟山銘泰物業管理有限公司 (Zhoushan Mingtai Property Management Co., Limited*, an indirect wholly-owned subsidiary of the Company, as assignee) and Hangzhou Jinghan (the immediate holding company of Jinhua Mingrui) in relation to the assignment of Hangzhou Jinghan's debt owed to Hangzhou Mingrui in the principal amount of RMB48.51 million pursuant to the Supplemental Deed;
- (g) the transfer agreement dated 8 July 2019 entered into between Hangzhou Minglun, an indirect wholly-owned subsidiary of the Company, and Lin'an Resources Bureau in relation to the bidding of the parcel of land located in Lin'an District, Hangzhou City, Zhejiang Province, the PRC (浙江省杭州市臨安區) at the price of approximately RMB347.6 million;
- (h) the sale and purchase agreement dated 8 August 2019 entered into among Foshan Sansheng (an indirect wholly-owned subsidiary of Shanghai Sansheng, as vendor), Foshan Express (an indirect wholly-owned subsidiary of the Company, as purchaser), and Zhoushan Sansheng (as the target company) in relation to the acquisition of the entire equity interest in Zhoushan Sansheng (the "Hotel Agreement") at the consideration of RMB120.0 million (subject to adjustment);
- (i) the agreement in writing entered into among the parties to the Hotel Agreement on 31 December 2019 in relation to the extension of the latest date for fulfillment of the conditions precedent under the Hotel Agreement from 31 December 2019 to 30 June 2020;
- (j) the agreement dated 13 February 2020 entered into among Shanghai Yuexin, Zhenjiang Tiangong, Zhoushan Mingyi and Shanghai Aijian in relation to the renewal of the loan facilities granted by Shanghai Aijian to Shanghai Yuexin and Zhenjiang Tiangong with a total outstanding principal amount of RMB469.4 million; and
- (k) the Agreement; and
- (l) the New Disposal Agreement

8. LITIGATION

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

9. EXPERT'S QUALIFICATIONS AND CONSENT

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

Name	Qualification
Vincorn Consulting and Appraisal Limited	Independent professional property valuer
Beijing Kangda Law Firm	PRC legal advisor

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

As at the Latest Practicable Date, the expert was not beneficially interested in any direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any members of the Group, or any interests, directly or indirectly, in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Group were made up.

10. MISCELLANEOUS

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Constitution (Bye-law) of the Company;
- (b) the annual report of the Company for the financial periods/years ended 31 March 2017, 31 March 2018, 31 December 2018 and 2019;
- (c) the material contracts referred to in "7. Material Contracts" above in this appendix;
- (d) the letter from the property valuer containing the valuation report;
- (e) the letter from the PRC legal advisor containing its legal opinions referred to in the valuation report;
- (f) the written consent referred to under the section headed "Expert's Qualifications and Consent" in this Appendix; and
- (g) this circular.