

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

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)

POTENTIAL MAJOR TRANSACTION

PROPOSED EXERCISE OF PUT OPTION IN RELATION TO THE ENTIRE INTEREST OF HIGH MORALITY

INTRODUCTION

References are made to the Announcements and the Circular in relation to the Sale and Purchase Agreement for the acquisition of High Morality Group through acquiring the High Morality Share.

THE PUT OPTION

As disclosed in the Circular, pursuant to the terms of the Sale and Purchase Agreement, the Vendor granted the Put Option to the Purchaser. The Put Option entitles the Purchaser to require the Vendor to acquire the Put Option Share (being all the issued share of High Morality immediately before Put Option Completion) and the Put Option Loan (being the outstanding loan (if any) owed by any member of High Morality Group to the Purchaser immediately before Put Option Completion) when exercised.

The Put Option will become exercisable if the Adjusted Net Asset Value of High Morality Group as at the relevant Valuation Date is lower than the Acquisition Final Consideration (being RMB194,883,545). The Purchaser shall, as per the decision of the Board, have one month from the relevant publication date of the Company's interim or annual (as the case may be) results announcement to decide whether or not to exercise the Put Option. Such decision will need to be presented to the Independent Shareholders for consideration at the SGM.

BOARD MEETING HELD ON 16 SEPTEMBER 2020

A Board meeting was convened and held on 16 September 2020 (being within one month from the 2020 Interim Results Announcement) to consider, among others, whether or not to exercise the Put Option. The Board announces that it has decided to exercise the Put Option and a SGM will be convened and held on or before 23 January 2021, being within five months from the 2020 Interim Results Announcement, to seek the approval of the Independent Shareholders to exercise the Put Option.

POTENTIAL LISTING RULES IMPLICATIONS

Subject to approval by the Independent Shareholders at the SGM, upon the exercise of the Put Option for the disposal of the entire interest of High Morality, it is expected that one or more than one of the applicable percentage ratios will be more than 25% but below 75% under Rule 14.07 of the Listing Rules, thus the proposed exercise of the Put Option is expected to constitute a major transaction for the Company, and will be subject to the announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

INTRODUCTION

References are made to the Announcements and the Circular in relation to the Sale and Purchase Agreement for the acquisition of High Morality Group through acquiring the High Morality Share.

THE PUT OPTION

As disclosed in the Circular, pursuant to the terms of the Sale and Purchase Agreement, the Vendor granted the Put Option to the Purchaser for a consideration of HK\$1.00 paid by the Purchaser to the Vendor. The Put Option entitles the Purchaser to require the Vendor to acquire the Put Option Share (being all the issued share of High Morality immediately before Put Option Completion) and the Put Option Loan (being the outstanding loan (if any) owed by any member of High Morality Group to the Purchaser immediately before Put Option Completion) when exercised.

As disclosed in the Circular, pursuant to the Sale and Purchase Agreement, in order to determine whether there is any right to exercise the Put Option, the Purchaser shall procure an independent property valuer to assess the market value of Phase II of the Project as at each Valuation Date. The Put Option will become exercisable if the Adjusted Net Asset Value of High Morality Group as at the relevant Valuation Date is lower than the Acquisition Final Consideration (being RMB194,883,545), in which case the Purchaser shall, as per the decision of the Board, have one month from the relevant publication date of the Company's interim or annual (as the case may be) results announcement to decide whether or not to exercise the Put Option.

Upon occurrence of each occasion where the Put Option becomes exercisable as mentioned above, the Company shall within five months from the relevant publication date of the Company's interim or annual (as the case may be) results announcement hold a general meeting for the purpose of:

- (i) in the case that the Purchaser shall, as per the decision of the Board, decide to exercise the Put Option, seeking Independent Shareholders' approval to exercise the Put Option; or
- (ii) in the case that the Purchaser shall, as per the decision of the Board, decide not to exercise the Put Option, seeking the Independent Shareholders' approval for the non-exercise of the Put Option.

The Purchaser shall serve a written notice to the Vendor on the date of the general meeting if the approval of the Independent Shareholders for the exercise of the Put Option is obtained or the approval of the Independent Shareholders for the non-exercise of the Put Option is not obtained.

Pursuant to the Sale and Purchase Agreement, the consideration for the Put Option Share and the Put Option Loan (if any) shall be equal to the Acquisition Final Consideration plus the amount of the Put Option Loan (if any) on a dollar to dollar basis.

Put Option Completion shall take place on the 30th business day after the date of the exercise notice. Furthermore, pursuant to the Sale and Purchase Agreement, Sansheng Real Estate guaranteed the performance by the Vendor of all of its obligations and liabilities under the Sale and Purchase Agreement, which would include the purchase of the Put Option Share and Put Option Loan should the Put Option be exercised.

INTERIM INFORMATION AS AT 30 JUNE 2020

The Company has published the 2020 Interim Results Announcement on 24 August 2020. Furthermore, the valuation of Phase II of the Project was carried out and the Reference Management Accounts of High Morality Group for the same period have been prepared. The unaudited Adjusted Net Asset Value of High Morality Group as at 30 June 2020 amounted to approximately RMB165.1 million, which was below the Acquisition Final Consideration.

As such, the Put Option is exercisable by the Purchaser pursuant to its terms.

BOARD MEETING HELD ON 16 SEPTEMBER 2020

A Board meeting was convened and held on 16 September 2020 (being within one month from the 2020 Interim Results Announcement) to consider, among others, whether or not to exercise the Put Option to dispose the entire interest of High Morality Group (and as a result, disposing the High Morality Group) by requiring the Vendor to purchase the Put Option Share and Put Option Loan from the Purchaser. The Board announces that it has decided to exercise the Put Option to dispose the entire interest of High Morality by requiring the Vendor to purchase the Put Option Share and Put Option Loan from the Purchaser, and a SGM will be convened and held on or before 23 January 2021, being within five months from the 2020 Interim Results Announcement, to seek the approval of the Independent Shareholders to exercise the Put Option.

Based on the information currently available to the Board and for the information of the Shareholders, as at 30 June 2020, the Put Option Loan would amount to approximately HK\$155.5 million (equivalent to approximately RMB137.6 million). As such, solely for illustration purpose the hypothetical Consideration as at 30 June 2020 for the disposal of the entire interest of High Morality upon exercise of the Put Option would be approximately RMB332.5 million (equivalent to approximately HK\$375.7 million). These figures are subject to change as the exact amount of the Consideration could only be determined immediately before the Put Option Completion. The Company will update the information in the circular to be despatched to the Shareholders.

INFORMATION ABOUT HIGH MORALITY GROUP

The Group acquired High Morality Group in March 2019.

High Morality is a company incorporated in the BVI in September 2018 with limited liability and is an indirect wholly-owned subsidiary of the Company. High Morality is principally engaged in investment holding and indirectly holds the entire equity interest in Zhenjiang Tiangong through three intermediate holding companies, namely Shenwei HK, Zhoushan Mingyi and Shanghai Yuexin. Set out below is the corporate structure of High Morality Group as at the date of this announcement:



Shenwei HK is a company incorporated in Hong Kong in December 2017 with limited liability. Zhoushan Mingyi is a company established in the PRC in March 2018 with limited liability. All of High Morality, Shenwei HK and Zhoushan Mingyi are investment holding companies and do not have material assets and liabilities other than their investments in subsidiaries as at the date of this announcement.

Shanghai Yuexin is a company established in the PRC in November 2017 with limited liability for the sole purpose of acquiring Zhenjiang Tiangong. On 13 December 2017, Shanghai Yuexin acquired the entire equity interest in Zhenjiang Tiangong (including the unsold units of Phase I of the Project) at a consideration of approximately RMB184.4 million. The acquisition was financed by facilities provided by Shanghai Aijian in the principal amount of RMB248.4 million (equivalent to approximately HK\$280.7 million).

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

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

Zhenjiang Tiangong obtained the pre-sale permit for the first phase of the Phase II of the Project in August 2019. As at 30 June 2020, 60 residential units out of total 1,132 units of the Phase II of the Project (31 December 2019: 26 residential units out of total 1,132 units) have been presold and proceeds from presale of properties amounted to approximately RMB73.9 million (equivalent to approximately HK\$83.5 million) (31 December 2019: approximately RMB36.7 million (equivalent to approximately HK\$41.5 million)).

High Morality Group obtained a self-finance construction loan of RMB221.0 million from Shanghai Aijian for the construction of Phase II of the Project. Together with the loan facility provided by Shanghai Aijian prior to the Group's acquisition of High Mortality, the total amounts (including accrued interests) owed by High Morality Group to Shanghai Aijian amounted to approximately RMB504.2 million as at 30 June 2020. As disclosed in the announcement of the Company dated 21 May 2020, the Company received notices from Shanghai Aijian demanding repayment of the loan facilities and the Group is currently negotiating with Shanghai Aijian with a view to reaching a settlement of this matter.

FINANCIAL INFORMATION OF HIGH MORALITY GROUP

The unaudited financial information of High Morality Group for the two financial years ended 31 December 2018 and 2019 are as follows:

	For the year ended 31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–
Net loss before taxation	(36,163)	(23,729)
Net loss after taxation	(36,163)	(21,214)
		As at
		31 December
		2019
		<i>RMB'000</i>
Net liabilities		(59,647)

FINANCIAL IMPACT FOR THE PROPOSED EXERCISE OF THE PUT OPTION TO DISPOSE THE ENTIRE INTEREST OF HIGH MORALITY

If the Put Option to dispose the entire interest of High Morality is exercised, upon completion of the transfer of the Put Option Share and Put Option Loan, based on the information currently available and based on the best knowledge, information and belief of the Directors, it is expected that the Group will record a gain from the exercise of put option (before expenses) of approximately RMB167.3 million (equivalent to approximately HK\$189.1 million), which represents the difference between (i) the aggregate sum of Put Option Loan and Put Option Share; and (ii) the sum of unaudited net asset value of High Morality Group as at 30 June 2020. The actual gain (if any) to be recorded by the Group may be different from the above estimation, and is subject to (i) the Put Option Completion taking place whereby the Vendor (or Sansheng Real Estate being the guarantor) acquires the Put Option Loan and the Put Option Share, and settling the Consideration; (ii) the amount of Put Option Loan; and (iii) the actual net asset value of High Morality Group at Put Option Completion.

The proceeds from the potential disposal of the entire interest of High Morality is expected to be used as general working capital and repay outstanding bank borrowings to reduce the debt level of the Group.

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

REASONS FOR AND BENEFITS OF THE EXERCISE OF THE PUT OPTION TO DISPOSE HIGH MORALITY GROUP

The Board has taken into account numerous factors in determining whether to exercise the Put Option, including but not limited to:

- (i) the valuation of Phase II of the Project as at 30 June 2020 appraised by an independent professional valuer was RMB796 million;
- (ii) the Adjusted Net Asset Value as at 30 June 2020 of approximately RMB165.1 million;
- (iii) the amount of Put Option Loan outstanding as at 30 June 2020 of approximately HK\$155.5 million (equivalent to approximately RMB137.6 million);
- (iv) the total amount (including accrued interests) owed to Shanghai Aijian by High Morality Group amounted to approximately RMB504.2 million as at 30 June 2020;
- (v) the Company has received notices and demand letters from Shanghai Aijian and Hang Seng Bank Limited, respectively, demanding for repayment of their respective facilities, the Board is of the view that the Company will not be able to obtain sufficient facilities to complete construction of the Project;
- (vi) the Company will be able to recuperate its investment in High Morality Group by exercising the Put Option. However, as referred to in “Financial Impact of Exercising the Put Option to Dispose the Entire Interest of High Morality”, the ability of the Group recuperating its investment in High Morality Group will be subject to the Put Option Completion taking place and the Vendor (or Sansheng Real Estate being the guarantor) settling the Consideration;
- (vii) the latest progress of the construction of Phase II of the Project; and
- (viii) the prospects of the property market in Zhenjiang City in general.

The Board considers that the proposed exercise of the Put Option to dispose the entire interest of High Morality (as a result, disposing the High Morality Group in its entirety), including the Consideration, are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable, on normal commercial terms.

INFORMATION OF THE PARTIES

The Group and the Purchaser

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

The Purchaser is an indirect wholly-owned subsidiary of the Company and an investment holding company.

The Vendor

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is principally engaged in investment holding. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Vendor is a wholly-owned subsidiary of Shenwei International Holdings Limited, which is wholly-owned by Mr. Hong Jie.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

POTENTIAL LISTING RULES IMPLICATIONS

Subject to approval by the Independent Shareholders at the SGM, upon the exercise of the Put Option for the disposal of entire interest of High Morality, it is expected that one or more than one of the applicable percentage ratios will be more than 25% but below 75% under Rule 14.07 of the Listing Rules, thus the proposed exercise of the Put Option is expected to constitute a major transaction for the Company, and will be subject to the announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, further details of the exercise of the Put Option and the potential disposal of the entire interest of High Morality if the exercise of the Put Option is approved, and the SGM, will be despatched to the Shareholders in due course and is currently expected to be on or before 9 October 2020.

DEFINITIONS

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

“2020 Interim Results Announcement”	the publication of the interim results announcement of the Company for the six months ended 30 June 2020 on 24 August 2020
“Acquisition”	the acquisition of the High Morality Group as contemplated under the Sale and Purchase Agreement through the acquisition of the High Morality Share
“Acquisition Completion Date”	1 March 2019

“Acquisition Final Consideration”	the final consideration for the Acquisition paid by the Purchaser to the Vendor, being RMB194,883,545
“Adjusted Net Asset Value”	the net asset value of High Morality Group as shown in the relevant Reference Management Accounts, which are prepared in accordance with HKFRSs and the same accounting policy in preparation of the audited accounts of High Morality Group and Zhenjiang Tiangong for the Acquisition; and (i) adjusted for the valuation surplus (which represents the excess of the market value over the book value of Phase II of the Project) or the valuation deficit (which represents the shortfall between the market value and the book value of Phase II of the Project) (as the case may be) measured as at the relevant Valuation Date, and (ii) added back any uncapitalised finance costs and taxation incurred by High Morality Group after the Acquisition Completion Date to the relevant Valuation Date,
“Announcements”	the announcements of the Company dated 9 December 2018 and 30 January 2019 in relation to the Acquisition
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Circular”	the circular of the Company dated 10 January 2019 in relation to the Acquisition
“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)
“Consideration”	the consideration to be paid by the Vendor to the Purchaser for the Put Option Share and Put Option Loan for the exercise of the Put Option
“Director(s)”	director(s) of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries

“High Morality”	High Morality Limited, a company incorporated in the BVI with limited liability acquired from the Vendor on 1 March 2019 pursuant to the Sale and Purchase Agreement, an indirect wholly-owned subsidiary of the Company
“High Morality Group”	High Morality and its subsidiaries, namely, Shenwei HK, Zhoushan Mingyi, Shanghai Yuexin and Zhenjiang Tiangong
“High Morality Share”	one share of US\$1.00 in the issued share capital of High Morality acquired through the Acquisition, representing the entire issued share capital of High Morality at the time of completion of the Acquisition and as at the date of this announcement
“HKFRSs”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders who do not have any material interest in the Acquisition and the Put Option
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Party(ies)”	party(ies) to the Sale and Purchase Agreement
“Phase II of the Project”	three parcels of land situated at the junction of Hubin Road and Changxiang Road, Dantu New District, Zhenjiang City, the PRC under 不動產權證書蘇(2019)鎮江市不動產權第43879號、43891號及43890號（原國用(2011)第1234、1236及1239號）(state-owned land use right certificates No. 43879, 43891 and 43890 (previously numbered as No. 1234, 1236 and 1239 of 2011*))
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan

“Project”	南山淺水灣上水苑 (Nanshan Qianshuiwan Shangshuiyuan*), a residential development project undertaken by Zhenjiang Tiangong
“Purchaser”	Agile Scene Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Put Option”	the put option granted by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement which, when exercised, entitles the Purchaser to require the Vendor to acquire the Put Option Share and the Put Option Loan (if any) from the Purchaser
“Put Option Completion”	completion of transfer of the Put Option Share and the Put Option Loan (if any) to the Vendor by the Purchaser as a result of the exercise of the Put Option
“Put Option Loan”	the outstanding loan (if any) owed by any member of the High Morality Group to the Purchaser immediately before Put Option Completion
“Put Option Reference Period”	commencing from the Acquisition Completion Date to 31 August 2022
“Put Option Share”	all the issued share in High Morality held by the Purchaser immediately before Put Option Completion to be transferred to the Vendor pursuant to the exercise of the Put Option, being the High Morality Share as at the date of this announcement
“Reference Management Accounts”	The unaudited consolidated management accounts of High Morality Group as at 30 June and 31 December for each financial year within the Put Option Reference Period
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 December 2018 entered into between the Vendor as the seller, the Purchaser as the purchaser and Sansheng Real Estate as guarantor in relation to the Acquisition

“Sansheng Real Estate”	上海三盛房地產(集團)有限責任公司(Shanghai Sansheng Real Estate (Group) Company Limited*), a company established in the PRC with limited liability which is owned as to 90% by Mr. Chen Jianming and as to 10% by Mr. Chen Lijun
“SGM”	the special general meeting of the Company to be convened and held on or before 23 January 2021 to consider the exercise of the Put Option
“Shanghai Aijian”	上海愛建信托有限責任公司(Shanghai Aijian Trust Co., Limited*), an independent financial institution in the PRC
“Shanghai Yuexin”	上海岳信企業管理諮詢有限公司(Shanghai Yuexin Enterprise Management Consultancy Co., Ltd.*), a company established in the PRC with limited liability which is wholly-owned by Zhoushan Mingyi, and an indirect wholly-owned subsidiary of the Company and High Morality
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Shenwei HK”	Shenwei (Hong Kong) Limited (申煒(香港)有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by High Morality and an indirect wholly-owned subsidiary of the Company
“sq.m”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Date”	as at 30 June and 31 December of 2019, 2020 and 2021
“Vendor”	Sanshenghongye (BVI) Holdings Limited (三盛宏業(英屬維爾京群島)控股有限公司), a company incorporated in the BVI with limited liability

“Zhenjiang Tiangong”	鎮江天工頤景園房地產有限公司(Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*), a company established in the PRC with limited liability, which is wholly-owned by Shanghai Yuexin, and an indirect wholly-owned subsidiary of the Company and High Morality
“Zhoushan Mingyi”	舟山銘義文化產業投資有限公司(Zhoushan Mingyi Cultural Assets Investment Co., Ltd*), a company established in the PRC with limited liability, which is wholly-owned by Shenwei HK and an indirect wholly-owned subsidiary of the Company and High Morality
“%”	per cent.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made, for illustration purpose only, at the rate of RMB1.00 to HK \$1.13. 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.

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

Hong Kong, 16 September 2020

As at the date of this announcement, the Board comprises Mr. Ma Yilin (Chairman), Mr. Chen Zhiwei, Mr. Tang Lunfei and Ms. Huang Limei as executive directors; Mr. Wang Xin and Dr. Huang Qiang as non-executive directors; and Mr. Liew Fui Kiang, Mr. Wong Sai Tat, Mr. Wong Wai Leung and Mr. Yip Tai Him as independent non-executive directors.

* *For identification purpose only*