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

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

(incorporated in Bermuda with limited liability)

(Stock code: 859)

(1) MAJOR TRANSACTION**EXERCISE OF PUT OPTION IN RELATION TO
THE ENTIRE INTEREST OF HIGH MORALITY**

AND

(2) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of Zhongchang International Holdings Group Limited to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on 5 January 2021 at 2:30 p.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of Zhongchang International Holdings Group Limited, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so desire.

14 December 2020

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	8
APPENDIX I – PROPERTY VALUATION	I-1
APPENDIX II – FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III – GENERAL INFORMATION	III-1
NOTICE OF SPECIAL GENERAL MEETING	SGM-1

DEFINITIONS

In this circular, 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 for a consideration of RMB194,883,545
“Acquisition Announcements”	the announcements of the Company dated 9 December 2018 and 30 January 2019 in relation to the Acquisition
“Acquisition Circular”	the circular of the Company dated 10 January 2019 in relation to the Acquisition
“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
“Alleged Zhenjiang Tiangong SPA”	an equity transfer agreement dated 2 December 2017 that is alleged to have been entered into by Shanghai Yuexin as purchaser, Zhenjiang Tiangong as the target company, Sansheng Real Estate as a purchaser’s guarantor, and the Plaintiffs as the vendors for the sale and purchase of the entire equity interest in Zhenjiang Tiangong at a consideration of RMB478.7 million, and the subject of the Civil Claim

DEFINITIONS

“Assets Preservation Notice”	a notice on the result of the assets preservation and duration (財產保全結果及期限告知書) from the Zhenjiang Court dated 30 September 2020
“Board”	the board of Directors
“Board Meeting”	the meeting of the Board held on 16 September 2020 to consider, among other matters, the exercise of the Put Option in relation to the entire interest of High Morality
“BVI”	British Virgin Islands
“China Cinda (HK)”	China Cinda (HK) Asset Management Co., Limited, a company incorporated in Hong Kong and the existing immediate controlling shareholder of the Company
“Civil Claim”	the civil claim taken out by the Plaintiffs against Shanghai Yuexin as first defendant, Sansheng Real Estate as second defendant and Zhenjiang Tiangong as third defendant in relation to an alleged breach of the Alleged Zhenjiang Tiangong SPA, as more particularly discussed in “IV. Recent Developments, Litigation Involving Certain Members of the High Morality Group and Suspected Dissipation of Funds” in this letter
“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
“Dissipated Funds”	prepayment amounts of construction costs made by Zhenjiang Tiangong to Shanghai Rongzhen in relation to the Project which may have been dissipated by Shanghai Sansheng and which may amount to approximately RMB170.5 million in aggregate
“GFA”	gross floor area
“Group”	the Company and its subsidiaries

DEFINITIONS

“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 Latest Practicable Date
“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
“Latest Practicable Date”	9 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“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*))
“Plaintiffs”	the plaintiffs under the Civil Claim, being Mr. Chen Lingen (陳林根) and Ms. Chen Xiaohua (陳小華)

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Previous Controlling Shareholders”	Sansheng Hongye, Sansheng Real Estate, Shanghai Sansheng, Mr. Chen Jianming and Ms. Chen Yanhong
“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 Latest Practicable Date
“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

DEFINITIONS

“Relevant Zhenjiang Tiangong SPA”	the sale and purchase agreement dated 2 December 2017 entered into among Plaintiffs as vendors and Shanghai Yuexin as purchaser in relation to the acquisition of the entire equity interest in Zhenjiang Tiangong by Shanghai Yuexin at the consideration of approximately RMB184.4 million
“Relevant Period”	means the period between 7 May 2019 and 26 June 2019 (inclusive)
“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” or the “Guarantor”	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
“Sansheng Hongye”	Sansheng Hongye (Hong Kong) Limited (三盛宏業(香港)有限公司), a company incorporated in Hong Kong with limited liability and a previous controlling shareholder at the time of the Acquisition
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on 5 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 Rongzhen”	上海榮振建設集團有限公司 (Shanghai Rongzhen Constructions Group Co., Ltd*), the main contractor for the Project
“Shanghai Sansheng”	上海三盛宏業投資(集團)有限責任公司 (Shanghai Sansheng Hongye Investment (Group) Company Limited*)

DEFINITIONS

“Shanghai Yuexin”	上海岳信企業管理諮詢有限公司 (Shanghai Yuexin Enterprise Management Consultancy Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Zhoushan Mingyi, and an indirect wholly-owned subsidiary of the Company and High Morality
“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
“Withdrawal Application”	the application by the Plaintiffs to the Zhenjiang Court for withdrawal of the Civil Claim and the Assets Preservation Notice dated 20 November 2020 and granted by the Zhenjiang Court on 20 November 2020
“Zhenjiang Court”	Jiangsu Province Zhenjiang City Intermediate People’s Court (江蘇省鎮江市中級人民法院) in the PRC
“Zhenjiang Tiangong”	鎮江天工頤景園房地產有限公司 (Zhenjiang Tiangong Yijingyuan Real Estate Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shanghai Yuexin, and an indirect wholly-owned subsidiary of the Company and High Morality

DEFINITIONS

“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.

* 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 \$1.13. 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.

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

14 December 2020

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION

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

AND

(2) NOTICE OF SPECIAL GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 16 September 2020 in relation to the Board's decision to exercise the Put Option.

References are also made to the Acquisition Announcements dated 9 December 2018 and 30 January 2019, and the Acquisition Circular dated 10 January 2019 in relation to the Acquisition.

LETTER FROM THE BOARD

As at 16 September 2020, being the date of the Board Meeting held and resolved to exercise the Put Option, as one or more of the applicable percentage ratios in respect of the exercise of the Put Option in disposing the entire interest in High Morality was more than 25% but below 75% under Rule 14.07 of the Listing Rules, the exercise of the Put Option constitutes a major transaction for the Company and is therefore subject to the announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, further details of (i) the exercise of the Put Option; (ii) the disposal of the entire interest in High Morality through the exercise of the Put Option; and (iii) the notice of the SGM.

II. THE EXERCISE OF THE PUT OPTION

A. The Put Option

As disclosed in the Acquisition 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 Acquisition 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.

LETTER FROM THE BOARD

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.

B. 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 by Vincorn Consulting and Appraisal Limited 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 is derived by deducting (a) the book value of the Phase II of the Project, which is approximately RMB550.6 million, and (b) the net liabilities of High Morality Group as at 30 June 2020, which is approximately RMB80.3 million from the market value of the Phase II Project as at 30 June 2020, which is approximately RMB796.0 million), which was below the Acquisition Final Consideration.

As such, based on the Reference Management Accounts of the High Morality Group as at 30 June 2020 and the valuation of the Phase II of the Project, the Put Option is exercisable by the Purchaser pursuant to its terms.

C. Board Meeting Held on 16 September 2020

The 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 (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.

LETTER FROM THE BOARD

At the Board Meeting, the Board 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 5 January 2021, which is within five months from the 2020 Interim Results Announcement as required under the Sale and Purchase Agreement, to seek the approval of the Independent Shareholders to exercise the Put Option. For the purpose of the Listing Rules and for the purpose of complying with relevant requirements, the Put Option is considered exercised on the date of the Board meeting, being 16 September 2020. As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquires, the Directors are not aware of any Shareholders who have a material interest in the exercise of the Put Option or are required to abstain from voting for the resolution(s) regarding the exercise of the Put Option at the SGM.

D. Expected Consideration from the Exercise of the Put Option

Assuming the Shareholders will approve the resolution for the exercise of the Put Option at the SGM, the Put Option Completion will be on 18 February 2021. Based on the information currently available to the Board and for the information of the Shareholders, as at the Put Option Completion, 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 the Put Option Completion for the disposal of the entire interest of High Morality upon exercise of the Put Option, being the aggregate of approximately RMB194.9 million (being the amount of the Put Option Share) and approximately RMB137.6 million (being the amount of Put Option Loan as at 30 June 2020) would be approximately RMB332.5 million (equivalent to approximately HK\$375.7 million).

Furthermore, the Board has no knowledge as to how the Vendor (or Sansheng Real Estate as the Vendor's guarantor) will be satisfying the Consideration. Based on the terms of the Put Option, the Vendor (or Sansheng Real Estate as the Vendor's guarantor) will be required to settle the Consideration on the Put Option Completion. Also, based on publicly available information and information retrieved from the National Judiciary List of Untrustworthy Persons Enquiry Platform* (全國法院失信被執行人名單信息公布與查詢平台) maintained by the Highest People's Court in the PRC, as at the Latest Practicable Date, Sansheng Real Estate is listed as an untrustworthy entity and has defaulted in its payment obligations in several claims to settle judgment debt either as the debtor or as the guarantor. As such, to the best knowledge, information and belief of the Directors, there is uncertainty as to the ability of Sansheng Real Estate to fulfill its obligations as the guarantor of the exercise of the Put Option.

LETTER FROM THE BOARD

However, notwithstanding the abovesaid uncertainty as to the ability of the Vendor or the Guarantor to fulfill their obligations upon the exercise of the Put Option, the Directors strongly consider that at this juncture, it would still be in the best interests of the shareholders of the Company for the Put Option to be exercised as soon as practicable for the following reasons:

- (a) *Exposure to further potential claims and liability* – the value and financial condition of the High Morality Group may be potentially adversely affected by other potential civil claims from third parties against Shanghai Yuexin and Zhenjiang Tiangong. As disclosed in the announcement of the Company dated 16 October 2020, the Main Contractor has requested Zhenjiang Tiangong to settle certain construction fees incurred for construction services, for as a result of the suspected dissipation of the Dissipated Funds, prepayments which had been made by Zhenjiang Tiangong were allegedly transferred by the Main Contractor to Sansheng Real Estate. Further, based on the alleged facts under the Civil Claim, there is a possibility that two alternate agreements had been entered into in relation to the Zhenjiang Tiangong Acquisition by the same parties, and that such may also expose Shanghai Yuexin to further liability. Accordingly, delay in exercising the Put Option would unnecessarily increase the expense of the Group and expose the Group to further liability and litigation risks. For further details of the Civil Claim, please refer to section headed “IV. Recent Developments, Litigation Involving Certain Members of the High Morality Group and Suspected Dissipation of Funds” of this letter.
- (b) *Outstanding loans and inability to obtain further financing for completion of the Project* – the main asset of the High Morality is the Project, which requires further financing to proceed to completion. However, both Shanghai Yuexin and Zhenjiang Tiangong have obtained consideration loans from Shanghai Aijian which amount to an aggregate of approximately RMB527.3 million (comprising principal totalling around RMB469.4 million and interest amounts of around RMB57.9 million) as at 30 September 2020, and Shanghai Aijian has demanded immediate repayment of such facilities and interest amounts owed to it. Furthermore, as discussed in “Reasons for and Benefits of the Exercise of the Put Option to Dispose High Morality Group” below, the Group’s properties in Hong Kong have all been secured for financing and it is estimated that to complete the construction of the Project, the Group will require an additional RMB717.4 million to finance the Project. In view of the above, the Board is of the view that the Company will not be able to obtain sufficient facilities to complete construction of the Project.

LETTER FROM THE BOARD

- (c) *Credit risk of counterparty* – on the basis that the Adjusted Net Asset Value of the High Morality Group is lower than the Acquisition Final Consideration, even without taking into account potential claims against the High Morality Group that may further adversely affect the value of the High Morality Group, it is currently unforeseeable by the Directors that the Company will be able to sell the High Morality Group to third parties at a price higher than the consideration receivable under the Put Option if it is exercised. Further, based on the aforementioned National Judiciary List of Untrustworthy Persons Enquiry Platform, Sansheng Real Estate is also the defendant in other ongoing litigation(s) in the PRC. In view of the above, it is reasonably foreseeable that should the exercise of the Put Option be further delayed, there would be a lower likelihood for the Company to recover amounts paid to the Vendor under the Acquisition and the Put Option Loan.

For further information on the measures that will be taken by the Company in the event that the exercise of the Put Option is not approved or carried out or if the Vendor fails to honour its obligation to acquire the Put Option Share and Put Option Loan, please refer to “IV. Recent Developments, Litigation Involving Certain Members of the High Morality Group and Suspected Dissipation of Funds” in this letter below.

The Shareholders and potential investors of the Company shall exercise caution when dealing in the Shares of the Company as the Put Option Completion can only take place if the Vendor (or Sansheng Real Estate as the guarantor of all obligations of the Vendor) will honour their obligations under the Put Option to complete the acquisition of the Put Option Loan and the Put Option Share from the Purchaser, and settle the Consideration.

E. Use of Proceeds from the Exercise of the Put Option

Proceeds from the exercise of Put Option are expected to be applied by the Company as follows:

1. approximately 93.9% (or approximately HK\$352.9 million) for repayment of part of the existing outstanding bank and other borrowings. As at 31 October 2020, the Group has outstanding bank borrowings of approximately HK\$1,004,625,000; and
2. approximately 6.1% (or approximately HK\$22.8 million) for operating expenses of the Group, including interest expenses of the Group and rental and administrative expenses of the Company’s headquarters in Hong Kong.

LETTER FROM THE BOARD

F. Financial Impact for the Exercise of the Put Option to Dispose the Entire Interest of High Morality

Upon completion of the transfer of the Put Option Share and Put Option Loan pursuant to the exercise of the Put Option, if approved by the Shareholders at the SGM, based on the information available as at the 30 June 2020 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, which is approximately RMB332.5 million; and (ii) the Adjusted Net Asset Value.

For further details of the amount of Put Option Loan, Put Option Share and the Adjusted Net Asset Value, please refer to the sub-sections “B. Interim Information as at 30 June 2020” and “D. Expected Consideration from the Exercise of the Put Option” in this letter.

Following the Put Option Completion:

- (i) total assets of the Group is expected to decrease by approximately RMB1,016.0 million (equivalent to approximately HK\$1,148.1 million);
- (ii) total liabilities of the Group is expected to decrease by approximately RMB843.6 million (equivalent to approximately HK\$953.3 million); and
- (iii) net asset value of the Group is expected to decrease by approximately RMB172.4 million (equivalent to approximately HK\$194.8 million).

The actual gain (if any) and the changes in total assets, total liabilities and net asset value 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.

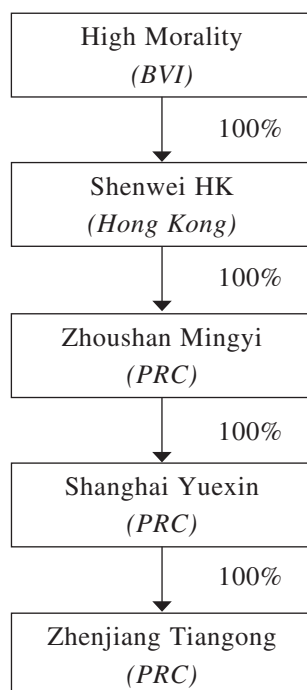
Upon completion of the disposal of the entire interest of High Morality, the Company will cease to have any interest in High Morality, Shenwei HK, Zhoushan Mingyi, Shanghai Yuexin and Zhenjiang Tiangong, and these companies will cease to be subsidiaries of the Company and their results will no longer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

LETTER FROM THE BOARD

G. 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 Latest Practicable Date:



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 Latest Practicable Date.

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).

LETTER FROM THE BOARD

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 proposed GFA of approximately 230,600 sq.m, comprising an upper-ground GFA of approximately 160,000 sq.m, and an under-ground GFA of approximately 70,600 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 have been presold and proceeds from presale of properties amounted to approximately RMB73.9 million (equivalent to approximately HK\$83.5 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 Morality, 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.

LETTER FROM THE BOARD

H. Financial Information of High Morality Group

The unaudited financial information of High Morality Group for the six months ended 30 June 2020 and the two financial years ended 31 December 2018 and 2019 are as follows:

	For the year ended		For the six
	31 December		months ended
	2018	2019	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–	–
Net loss before taxation	(36,163)	(23,729)	(15,964)
Net loss after taxation	(36,163)	(21,214)	(15,898)
		As at	As at
		31 December	30 June
		2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Net liabilities		(59,647)	(80,314)

I. 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, which was arrived at using the market approach. Based on the information provide by the valuer, the market approach is considered as the most commonly accepted valuation approach for properties when there are sufficient relevant comparable in the prevailing market. Taking into account the qualifications and the experience of the independent professional valuer, Vincorn Consulting and Appraisal Limited, the Board is of the view that Vincorn Consulting and Appraisal Limited possesses the necessary qualifications and experience required to provide a valuation of Phase II of the Project;

LETTER FROM THE BOARD

- (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. Taking into account that the Group's properties in Hong Kong have all been secured for financing, and it is currently estimated that to complete the construction of the Project, the Group will require an additional RMB717.4 million to finance the Project, the Board is of the view that the Company will not be able to obtain sufficient facilities to complete construction of the Project;
- (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 for the Exercise of 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, which is at approximately 17%; and
- (viii) the prospects of the property market in Zhenjiang City. Based on the Company's review of publicly available research data compiled by property research organisations, housing prices in Zhenjiang City remained relatively sluggish in 2020.

In view of the factors above, the Board considers that the 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. Further, in light of the matters arising under the Civil Claim, notwithstanding that it is expected to be withdrawn, and the suspected dissipation of the Dissipated Funds by Shanghai Sansheng, with a view towards limiting the potential adverse impact of such matters upon the operations and financial condition of the Group, the Board believes that the Put Option should be exercised as soon as possible. For further details of the Civil Claim and the suspected dissipation of the Dissipated Funds, please refer to "IV. Recent Developments, Litigation Involving certain Members of the High Morality Group and Suspected Dissipation of Funds" in this letter.

LETTER FROM THE BOARD

J. Financial and Trading Prospects of the Remaining Group

Subsequent to the exercise of the Put Option, the Group will focus its efforts on its remaining business, being the property leasing business in Hong Kong, which has generated approximately HK\$39,179,000, HK\$28,955,000 and HK\$47,241,000, respectively, in revenue for the Group for the year ended 31 December 2019, the nine months ended 31 December 2018 and the year ended 31 March 2017, respectively.

As at the Latest Practicable Date, the investment properties of the Group are situated in the prime shopping district of Causeway Bay and the Group. Set out below is a table summarising the valuation of the investment properties portfolio of the Group in Hong Kong as at 30 June 2020:

	Valuation of investment properties as at 30 June 2020 <i>HK\$'000</i>	Revenue for the six months ended 30 June 2020 <i>HK\$'000</i>	Revenue for the year ended 31 December 2019 <i>HK\$'000</i>	Revenue for nine months ended 31 December 2018 <i>HK\$'000</i>
Causeway Bay				
Jardine Center, No.50 Jardine's Bazaar ⁽¹⁾	1,460,000	13,091	29,715	22,438
Ground Floor and Cockloft Floor, No.38 Jardine's Bazaar ⁽²⁾	97,000	1,099	2,311	1,753
First Floor, Nos.38 and 40 Jardine's Bazaar ⁽²⁾	14,400	224	468	262
Ground Floor including Cockloft, No.41 Jardine's Bazaar ⁽²⁾	128,000	1,283	2,843	1,948
Ground Floor, No.57 Jardine's Bazaar ⁽²⁾	130,000	1,330	2,848	2,307
Mid-Levels				
Shop No.1 on Ground Floor of K.K. Mansion, Nos.119, 121 & 125 Caine Road ⁽²⁾	50,000	460	994	247
Total	<u>1,879,400</u>	<u>17,487</u>	<u>39,179</u>	<u>28,955</u>

(1) Ginza-style building

(2) Street-shop

Moreover, the Group will continue to seek for new business opportunities in the PRC, including but not limited to providing project management service for the real estate projects to penetrate its presence and for the expansion in real estate project management business in the PRC, in order to broaden the Company's source of revenue and earnings base.

LETTER FROM THE BOARD

K. Information about the Parties

(i) *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.

(ii) *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 Latest Practicable Date, 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.

(iii) *Sansheng Real Estate*

As disclosed in "II. The Exercise of the Put Option – A. The Put Option" above, 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. Hence, if the Vendor fails to fulfill its obligations to purchase the Put Option Share and the Put Option Loan when the Purchaser exercise the Put Option, Sansheng Real Estate will become the counterparty of the transaction.

Sansheng Real Estate is primarily engaged in property development, and sale and leasing of properties in the PRC, and. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Sansheng Real Estate is owned as to 90% by Mr. Chen Jianming and 10% by Mr. Chen Lijun, and it and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

LETTER FROM THE BOARD

III. LISTING RULES IMPLICATIONS

As at 16 September 2020, being the date of the Board Meeting held and resolved to exercise the Put Option, as one or more of the applicable percentage ratios in respect of the exercise of the Put Option in disposing the entire interest in High Morality was more than 25% but below 75% under Rule 14.07 of the Listing Rules, the exercise of the Put Option constitutes a major transaction for the Company and is therefore subject to the announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

IV. RECENT DEVELOPMENTS, LITIGATION INVOLVING CERTAIN MEMBERS OF THE HIGH MORALITY GROUP AND SUSPECTED DISSIPATION OF FUNDS

Reference is made to the announcements of the Company dated 15 October 2020, 16 October 2020, 20 November 2020 and 23 November 2020 in relation to (1) the Civil Claim and the Assets Preservation Notice; (2) the suspected dissipation of the Dissipated Funds by Shanghai Sansheng; (3) the application for withdrawal of the Civil Claim and the Assets Preservation Notice by the Plaintiffs; and (4) approval of withdrawal application of the Civil Claim, respectively.

A. The Civil Claim

The Civil Claim and the Assets Preservation Notice

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

It was alleged under the Civil Claim that out of the total consideration amount of RMB478.7 million allegedly due under the Alleged Zhenjiang Tiangong SPA, only RMB393,980,593.74 was paid on or on behalf of Shanghai Yuexin, and the balance of RMB84,719,406.26 remained outstanding and payable to the Plaintiffs.

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

LETTER FROM THE BOARD

each bearing different consideration values. For further details on the ongoing investigation by the Company in respect of the alleged facts in the Civil Claim, please refer to the sub-section “D. The impact of the Civil Claim and the suspected dissipation of funds by Shanghai Sansheng on the Company and the ongoing investigation by the Company” in this letter below.

The Withdrawal Application and latest developments regarding the Civil Claim

As disclosed in the announcement of the Company dated 20 November 2020, on the date of such announcement, Zhenjiang Tiangong received a copy of an application from the Plaintiffs under the Civil Claim to the Zhenjiang Court for the withdrawal of the Civil Claim and revocation of the Assets Preservation Notice by the Plaintiffs for purposes of out of court negotiation (namely, the Withdrawal Application). As at the date of such announcement, the Company has not engaged in any negotiations referred to in the Withdrawal Application with the Plaintiffs. On 23 November 2020, the Company received a notice of civil ruling issued by the Zhenjiang Court providing that the application for Withdrawal Application has been approved as at 20 November 2020.

However, since the Civil Claim alleged that certain documents had been entered into, and also alleged certain facts, each which appear to be different from those previously disclosed in the Acquisition Circular and such other facts that the current executive Directors have been given to understand. Accordingly, the Company will continue to investigate such matters notwithstanding the withdrawal of the Civil Claim and the exercise of the Put Option, and will make further announcement(s) to inform the Company’s shareholders and potential investors in relation to any material findings under such investigation as and when appropriate in accordance with the requirements of the Listing Rules.

B. The suspected dissipation of the Dissipated Funds by Shanghai Sansheng

Background

As disclosed in the Acquisition Circular, the High Morality Group is principally engaged in property development in the PRC and holds the Land, which was planned to be developed into a mixed-use residential and commercial development, namely, the Project. For such purposes, Shanghai Rongzhen was engaged as the main contractor for the Project. Based on the information available to the Company, RMB173 million was paid as prepayment of construction costs to the Main Contractor.

LETTER FROM THE BOARD

The suspected dissipation of funds

Following the completion of the mandatory general offer of the Company, the current executive Directors were appointed to the Company. In August 2020, it came to the attention of the Company that there was a suspicion that certain construction prepayments made to Shanghai Rongzhen by Zhenjiang Tiangong prior to the change in control of the Company in October 2019 had been dissipated. The Company carried out further investigation to ascertain the truth of this matter and the identity of the party who may have dissipated the Dissipated Funds.

On 16 October 2020, the Company further received information and supporting documents from Shanghai Rongzhen which alleged that:

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

LETTER FROM THE BOARD

C. The impact of the Civil Claim and the suspected dissipation of funds by Shanghai Sansheng on the exercise of the Put Option and the ongoing investigation by the Company

Based on currently available information, the Board is of the view that the Civil Claim and the suspected dissipation of funds by Shanghai Sansheng will not impact upon the right of the Company to exercise the Put Option. It is further noted by the Board as follows:

- (1) As disclosed in the Acquisition Announcement and the announcement of the Company dated 16 September 2020 in relation to the exercise of the Put Option, pursuant to the terms of the Sale and Purchase Agreement, the Put Option is exercisable when the Adjusted Net Asset Value of the High Morality Group as at 30 June 2020 is lower than the Acquisition Final Consideration (i.e. RMB194,883,545).
- (2) The Civil Claim concerns the alleged failure by Shanghai Yuexin, Zhenjiang Tiangong and/or Sansheng Real Estate to settle the purchase price under the Acquisition. Such claims were made pursuant to an equity transfer agreement with different terms than previously disclosed by the Company. As such, even if the Plaintiffs were to continue to pursue the Civil Claim notwithstanding the Withdrawal Application, the Civil Claim and the Assets Preservation Notice is expected to only have a negative impact on the financial position of Shanghai Yuexin and Zhenjiang Tiangong, and in turn the valuation of the High Morality Group as a whole. Similarly, the suspected dissipation of funds by Shanghai Sansheng is also expected to have a negative impact on the financial position of Zhenjiang Tiangong, and in turn the valuation of the High Morality Group as a whole. If the Dissipated Funds can be recuperated, the Adjusted Net Asset Value would remain the same at RMB165.1 million. Accordingly, the Board is of the view that notwithstanding the Civil Claim and the suspected dissipation of the Dissipated Funds, the Adjusted Net Asset Value of the High Morality Group as at 30 June 2020 would be lower than the Acquisition Final Consideration at RMB194,883,545, and
- (3) In any case, the Civil Claim and Assets Preservation Notice have been withdrawn pursuant to the Withdrawal Application.

In view of the above, the Board considers that the Put Option remains exercisable, and for the reasons set out in sub-section “I. Reasons for and Benefits of the Exercise of the Put Option to Dispose High Morality Group” above, the Put Option should be exercised as soon as possible.

LETTER FROM THE BOARD

D. The impact of the Civil Claim and the suspected dissipation of funds by Shanghai Sansheng on the Company

At the time of the Acquisition by the Company to acquire the entire interest in High Morality, and during the Relevant Period, the Company was under the management of, among others, certain executive Directors appointed by the Previous Controlling Shareholders and under the control of the Previous Controlling Shareholders. As at the present, all such persons have ended their office as Directors of the Company, while the current executive Directors and senior management of the Company are each independent of, and not connected with, such persons. The Company is uncertain whether the information and other records of the Company, including those relating to the Acquisition and the Zhenjiang Tiangong Acquisition, are full and complete, as the alleged facts under the Civil Claim and suspected dissipation of the Dissipated Funds by Shanghai Sansheng suggests otherwise.

The Company is conducting ongoing investigation in relation to the suspected dissipation of the Dissipated Funds by Shanghai Sansheng and the entry into the Alleged Zhenjiang Tiangong SPA and assessing the impact of these events on the Group as a whole, and intends to continue such investigation notwithstanding the exercise of the Put Option and transfer of the Put Option Share and Put Option Loan, due to the potential impact of such events upon historical disclosures made by the Company and the financial statements and other information of the Company. In connection with the above, the Company has carried out the following steps and measures:

- (a) the Company has engaged independent legal advisers to assist it in conducting investigation in relation to the Zhenjiang Tiangong Acquisition and in relation to the suspected dissipation of the Dissipated Funds by Shanghai Sansheng and reviewing relevant tax, transaction and other financial records of members of the High Morality Group; and
- (b) the Company will form a board committee to oversee and supervise such investigation.

The Company will provide further updates by way of announcement in relation to its ongoing investigation and the impact of its factual findings on the Group as a whole, as and when appropriate.

E. The intentions of the Company in the event that it fails to obtain approval for exercise of the Put Option at the SGM or is otherwise not able to procure the transfer of the Put Option Share and Put Option Loan to the Vendor

The immediate controlling shareholder of the Company, China Cinda (HK), together with parties acting in concert with it, have indicated that each of them are minded to vote in favour of exercising the Put Option at the SGM of the Company.

Notwithstanding the above, in the event that the Company fails to obtain approval for exercise of the Put Option at the SGM or is otherwise not able to procure the transfer of the Put Option Share and Put Option Loan to the Vendor, the Company will also consider other methods of disposing the High Morality Group to third parties, including by way of auction.

LETTER FROM THE BOARD

In the event that the Company obtains approval for the exercise of the Put Option at the SGM and exercises the Put Option, but the Vendor fails to fulfill its obligations to purchase the Put Option Share and the Put Option Loan, the Company will take legal action against the Vendor and the Guarantor.

The Company may also consider to dispose the High Morality Group by other means, including, but not limited to disposal by way of public tender offer. In these circumstances, if the proceeds of disposing the High Morality Group to third parties is lower than the Consideration, the Company will seek to recover the shortfall from the Vendor and the Guarantor.

V. SGM

A notice convening the SGM to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on 5 January 2021 at 2:30 p.m. is set out on pages SGM-1 to SGM-2 of this circular. At the SGM, ordinary resolutions will be proposed to approve the exercise of the Put Option and the Disposal.

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the SGM will be taken by poll. As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquires, the Directors are not aware of any Shareholders who have a material interest in the exercise of the Put Option or are required to abstain from voting for the resolution(s) regarding the exercise of the Put Option at the SGM. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you propose to attend the SGM or any adjournment thereof, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so desire.

VI. PRECAUTIONARY MEASURES AT THE SGM

To ensure the health and safety of the attendees at the SGM, the Company intends to implement precautionary measures at the SGM including: (a) compulsory temperature checks at the entrance of the venue of the meeting; (b) attendees are required to bring their own surgical masks and those who had a temperature over 37.5°C or not wearing surgical masks might be denied access to the venue of the meeting; (c) no corporate gift, refreshments or drinks will be provided at the meeting; and (d) depending on circumstances, separate rooms connected by instant electronic conference facilities may be arranged at the venue of the meeting to limit the number of attendees at each room.

LETTER FROM THE BOARD

Shareholders, particularly those who are unwell or subject to quarantine requirements or travel restrictions, are reminded that instead of attending the SGM in person, they may appoint any person or the chairman of the SGM as proxy to vote on the resolutions at the SGM by lodging the form of proxy or appropriate corporate appointment forms.

Subject to the development of the COVID-19 pandemic, the Company may implement further precautionary measures as may be appropriate or desirable for the health and safety of attendees of the SGM.

VII. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 December 2020 to 5 January 2021, both dates inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 29 December 2020.

VIII. RECOMMENDATIONS

The Board considers that the exercise of the Put Option and the terms for the Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Board would recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the said matters.

IX. FURTHER INFORMATION

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

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 Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

14 December 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 ("The PRC") to be disposed of by Zhongchang International Holdings Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") for the purposes of public disclosure. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Values of the property interests as at 31 October 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 values of the property interests.

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

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

VALUATION METHODOLOGY

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

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

LAND TENURE AND TITLE INVESTIGATION

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

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

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

INFORMATION SOURCES

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

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

INSPECTION AND INVESTIGATIONS

The property was inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the 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 MISCM MHIREA

Registered Real Estate Appraiser & Agent PRC

Managing Director

Note:

Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong 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

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

Property	Description and Tenure	Occupancy Particulars	Market Value in the Existing State as at 31 October 2020
Nanshan Qianshuiwan Phase II, South of Changxiang Road and West of Hubin Road, Dantu District, Zhenjiang, Jiangsu Province, the PRC	<p>The property comprises three parcels of land, on which a residential and commercial development will be developed.</p> <p>As per the Real Estate Title Certificates, the subject site has a total site area of approximately 109,087.00 square metres ("sq.m.") As per the information provided by the Group, the property has a proposed gross floor area ("GFA") of approximately 230,583.45 sq.m., of which the aboveground GFA and the underground GFA are approximately 160,002.80 sq.m. and 70,580.65 sq.m. respectively.</p> <p>The land use rights of the property were granted for a term expiring on 13 November 2077 and 2 November 2078 for residential uses, and 13 November 2047 and 2 November 2048 for commercial uses.</p>	As per our on-site inspection and the information provided by the Group, the property is currently undergoing construction works, which is expected to be completed in about 2022.	<p>RMB737,000,000 (Renminbi Seven Hundred and Thirty Seven Million)</p> <p>100% Interest Attributable to the Group Before Disposal:</p> <p>RMB737,000,000 (Renminbi Seven Hundred and Thirty Seven Million)</p>

Notes:

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

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

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

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

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

Certificate No.	Site Area (sq.m.)	Land Use Rights Expiry Date	Use
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043890	85,264.00	Residential: 13 November 2077 Commercial: 13 November 2047	Residential and Commercial
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043879	14,316.00	Residential: 2 November 2078 Commercial: 2 November 2048	Residential and Commercial
Su (2019) Zhenjiang Bu Dong Chan Quan Di No. 0043891	9,507.00	Residential: 13 November 2077 Commercial: 13 November 2047	Residential and Commercial
Total	109,087.00		

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

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

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

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

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

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

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

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

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

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

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

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

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

The details of the Mortgage Agreements are summarized below:

Agreement No.	Date of Instrument
SSHY-DY-01-A-01	18 April 2019
SSHY-DY-01-A-02	18 April 2019
SSHY-DY-01-A-03	18 April 2019
SSHY-DY-02-A-01	18 April 2019
SSHY-DY-02-A-02	18 April 2019
SSHY-DY-02-A-03	18 April 2019

10. The general description and market information of the property are summarized below:
- | | | |
|----------------------------|---|--|
| Location | : | The property is located at South of Changxiang Road and West of Hubin Road, Dantu District, Zhenjiang, Jiangsu Province, The PRC. |
| Transportation | : | Nanjing Lukou International Airport and Zhenjiang South Railway Station are located approximately 105.0 kilometres and 4.4 kilometres away from the property respectively. |
| Nature of Surrounding Area | : | The area is predominately a residential area in Dantu District. |
11. We have been provided with a legal opinion regarding the property by JunHe LLP, which contains, inter alia, the following:
- (a) Zhenjiang Tiangong has obtained the state-owned land use rights of the property in accordance with laws;
 - (b) The state-owned land use rights of the property are subject to seizure. Subject to the abolition of the seizure by the court and the prior written agreement of the mortgagee, Zhenjiang Tiangong can let, transfer and mortgage the relevant state-owned land use rights; and
 - (c) The state-owned land use rights of the property are subject to a mortgage. The mortgagee is Shanghai Aijian.
12. The gross development value of the property, assuming that it has been completed and it can be freely transferred, as at the Valuation Date was circa RMB1,955,000,000. According to the information provided, the outstanding construction cost and incurred construction cost of the property as at the Valuation Date were circa RMB731,000,000 and RMB114,000,000 respectively.
13. In the course of our valuation of the property, we have considered and analysed the apartment, house, retail and car parking space sale comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The unit rates of the adopted comparables are ranging from RMB9,500 to RMB10,500 per sq.m. for apartment, from RMB11,000 to RMB16,500 per sq.m. for house, from RMB16,000 to RMB21,500 per sq.m. for retail on the basis of GFA, and ranging from RMB75,000 to RMB128,000 per space for car parking space. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes. The adopted unit rates of the proposed development of the property are RMB10,700 per sq.m. for apartment, RMB15,000 per sq.m. for house, RMB18,000 per sq.m. for retail on the basis of GFA, and RMB110,000 per space for car parking space.

FINANCIAL INFORMATION OF THE GROUP

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

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

The audited consolidated financial statements of the Group together with the notes on the annual accounts for the year ended 31 March 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>).

The unaudited consolidated financial statements of the Group together with the notes on the interim accounts for the six months ended 30 June 2020 has been set out on pages 17 to 52 of the 2020 interim report of the Company, which was posted on 23 September 2020 on the Stock Exchange's Website (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0923/2020092300394.pdf>).

INDEBTEDNESS STATEMENT

As at 31 October 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\$1,596,047,000, comprising:

- (i) HK\$1,004,625,000 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\$530,422,000) other borrowings from 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 31 October 2020, the Company had lease liabilities of approximately HK\$3,046,000.

Mortgages and Charges

As at 31 October 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\$832,810,000 and the entire equity interest in a subsidiary for securing other borrowings amounted to RMB469,400,000 (equivalent to approximately HK\$530,422,000) from Shanghai Aijian;
5. properties for sale – completed properties with an aggregate carrying amount of approximately HK\$21,368,000 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

Save for the Civil Claim, in respect of which the Withdrawal Application was filed and approved on 20 November 2020, the Group did not have any significant contingent liabilities as at 31 October 2020.

Corporate guarantee

As at 31 October 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.

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 exercise of put option in relation to the entire interest of High Morality, 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 is principally engaged in property investment and leasing in Hong Kong and property development in the PRC.

For the property leasing business in Hong Kong, the investment properties of the Group are situated in the prime shopping district of Causeway Bay in Hong Kong 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 the six months ended 30 June 2020, Hong Kong saw its economic recession deepened in the first half of 2020 as the COVID-19 pandemic seriously disrupted the external trade, consumption, especially tourists' spending, and retail spending in the city. The Group's overall rental reversion in renewals and new lettings became negative in the first half of 2020. As at 30 June 2020, the investment property portfolio of the Group recorded an occupancy rate of approximately 87.1%.

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

The Group remains cautiously optimistic about the development of economy in both the PRC and Hong Kong. Going forward, in respect of the property leasing business, most of the investment properties of the Group are situated in the prime shopping district of Causeway Bay. The Group will continue to refine the diverse-trade tenants mix and to develop strong relationships with our tenants. The Group will also evaluate alternatives to optimize the Group's property development business in the PRC. Under the impact of ongoing uncertainties, the Group's priorities in operation are to maintain stable growth and to act with prudence. The Group will continue to drive the performance of core businesses at a steady pace, to enhance the financial position of the Group and to lay a defensive and solid foundation for the Group's sustainable growth.

1. RESPONSIBILITY STATEMENT

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

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

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

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

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

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

Name	Capacity	Number of Shares and underlying Shares interested L (long position) S (short position)	Approximate percentage of issued share capital of the Company
Glory Rank Investment Limited ⁽¹⁾⁽²⁾	Beneficial owner	L - 111,642,295	9.93%
China Cinda (HK) ⁽¹⁾⁽²⁾	Beneficial owner	L - 843,585,747	74.98%
	Interest in controlled corporation	L - 111,642,295	9.93%
China Cinda Asset Management Co., Ltd. ⁽¹⁾⁽³⁾	Interest in controlled corporation	L - 955,228,042	84.91%
DCP China Credit Fund I, L.P. ⁽⁴⁾	Interest of controlled corporation	L - 843,585,747	74.98%
Dignari Capital Partners GP Limited ⁽⁴⁾	Interest of controlled corporation	L - 843,585,747	74.98%
Tan Mei Zie Grace ⁽⁴⁾	Interest of controlled corporation	L - 843,585,747	74.98%

Notes:

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

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 audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

6. MATERIAL ADVERSE CHANGE

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

7. MATERIAL CONTRACTS

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

- (a) the 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, to Gobal International Investment Limited, a related party of Sansheng Real Estate, at the consideration of approximately HK\$62.4 million;
- (b) the Sale and Purchase Agreement;
- (c) the sale and purchase agreement dated 4 February 2019 entered into among the Purchaser as purchaser, the Vendor as the seller 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 the Purchaser, the Vendor and Shanghai Sansheng which supplemented and amended the agreement as detailed in (c) above, pursuant to which the Vendor 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.*), the immediate holding company of Jinhua Mingrui, to Hangzhou Mingrui to the Purchaser 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, the Purchaser, 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 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.*) (“**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 佛山三盛房地產有限責任公司 (Foshan Sansheng Real Estate Co., Ltd.*), an indirect wholly-owned subsidiary of Shanghai Sansheng, as vendor, 佛山快彤物業服務有限公司 (Foshan Express Property Service Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, as purchaser, and 舟山三盛酒店管理有限公司 (Zhoushan Sansheng Hotel Management Co., Ltd.*) as the target company in relation to the acquisition of the entire equity interest in 舟山三盛酒店管理有限公司 (Zhoushan Sansheng Hotel Management Co., Ltd.*) (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;
- (k) the conditional sale and purchase agreement dated 7 April 2020 entered into among 東投地產集團有限公司 (Dongtou Property Group Co. Ltd.*) (“**Dongtou Property**”), an independent third party, as the purchaser, Zhoushan Mingyi as the vendor and 杭州銘倫實業有限公司 (Hangzhou Minglun Industrial Co., Ltd.*) (“**Hangzhou Minglun**”) as the target company 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 agreement as set out in (l) below; and
- (l) the conditional sale and purchase agreement (including its schedules and annexes) dated 30 June 2020 entered into among 江西東望項目管理有限公司 (Dongwang Project Management Co. Ltd*), a wholly-owned subsidiary of Dongtou Property, as purchaser, Zhoushan Mingyi as the vendor and Hangzhou Minglun as the target company in relation to the sale of the 100% equity interest in Hangzhou Minglun by Zhoushan Mingyi to Dongwang Project Management Co. Ltd.* in accordance with its terms.

8. LITIGATION

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

9. EXPERT'S QUALIFICATIONS AND CONSENT

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

Name	Qualification
Vincorn Consulting and Appraisal Limited	Independent property valuer
JunHe LLP	PRC legal 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 experts were not beneficially interested in any direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any members of the Group, or any interests, directly or indirectly, in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up).

10. MISCELLANEOUS

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Bye-laws of the Company;
- (b) the annual report of the Company for the financial periods/years ended 31 March 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 independent property valuer, Vincorn Consulting and Appraisal Limited, containing the valuation report;
- (e) the written consent referred to under the section headed "Expert's Qualifications and Consent" in this appendix;
- (f) the circular of the Company dated 7 August 2020; and
- (g) this circular.

NOTICE OF SPECIAL GENERAL MEETING

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ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED

中昌國際控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 859)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Zhongchang International Holdings Group Limited (the “**Company**”) will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on 5 January 2021 at 2:30 p.m. (the “**SGM**”) for the following purposes of considering and, if thought fit, passing the following resolution (with or without amendments) as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the exercise of the Put Option (as defined in the circular of the Company dated 14 December 2020 (the “**Circular**”) in relation to the disposal of the entire interest in High Morality Limited pursuant to the terms as set out in the Sale and Purchase Agreement (as defined in the Circular) be and are hereby confirmed and approved; and
- (b) each and every director of the Company (the “**Director**”) (either alone or jointly with another Director) be and is hereby authorised to sign and execute such other documents and supplemental agreements and deeds for and on behalf of the Company and to do all such things and take all such actions as he may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the exercise of the Put Option (as defined in the Circular) and the disposal of the entire interest of High Morality Limited.”

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

Hong Kong, 14 December 2020

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) Unless otherwise defined, capitalised terms used in this notice of SGM shall have the same meanings as those defined in the circular of the Company dated 14 December 2020.
- (2) The resolution at the SGM will be taken by poll.
- (3) A member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy or appoint a duly authorised corporate representative to attend and vote in his stead. A member who is the holder of two or more shares in the Company may appoint more than one proxy to represent him or vote on his behalf. A proxy need not be a member of the Company. Completion and return of the proxy form will not preclude a member of the Company from attending and voting in person at the SGM and any adjournment thereof should he so wish, but if a member of the Company attends in person at the SGM and votes on a resolution, the relevant proxy's authority to vote on that particular resolution shall be deemed to be revoked.
- (4) In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with a valid power of attorney, or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM (or adjournment thereof).
- (5) For determining the entitlements of the members of the Company to attend and vote at the SGM, the Hong Kong branch register of members of the Company will be closed from 30 December 2020 to 5 January 2021 (both dates inclusive), during which period no transfer of Shares can be registered. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 29 December 2020.
- (6) If "extreme conditions" caused by super typhoons is announced by the Government of Hong Kong or there is a black rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force at or after 8:00 a.m. on 5 January 2021 and/or the Hong Kong Observatory has announced at or before 8:00 a.m. on 5 January 2021 that either of the above mentioned warnings is to be issued within the next two hours, the SGM shall automatically be postponed to 6 January 2021 and in such case by virtue of this notice, the SGM shall be held at 2:30 p.m. on 6 January 2021 at the same place. Members who have any queries concerning these arrangements, please call the Company at (852) 2117-0237 during business hours from 9:00 a.m. to 6:00 p.m. on Monday to Friday, excluding public holidays.
- (7) **Special arrangement relating to preventing COVID-19 and the related social distancing measures**
To ensure the health and safety of the attendees at the SGM, the Company intends to implement precautionary measures at the SGM including: (a) compulsory temperature checks at the entrance of the venue of the meeting; (b) attendees are required to bring their own surgical masks and those who had a temperature over 37.5 °C or not wearing surgical masks might be denied access to the venue of the meeting; (c) no corporate gift, refreshments or drinks will be provided at the meeting; and (d) depending on circumstances, separate rooms connected by instant electronic conference facilities may be arranged at the venue of the meeting to limit the number of attendees at each room.

Shareholders, particularly those who are unwell or subject to quarantine requirements or travel restrictions, are reminded that instead of attending the SGM in person, they may appoint any person or the chairman of the SGM as proxy to vote on the resolutions at the SGM by lodging the form of proxy or appropriate corporate appointment forms.

Subject to the development of the COVID-19 pandemic, the Company may implement further precautionary measures as may be appropriate or desirable for the health and safety of attendees of the SGM.

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.