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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)

CONTINUING CONNECTED TRANSACTIONS

THE PROJECT MANAGEMENT MASTER AGREEMENT

After trading hours of the Stock Exchange on 21 August 2018, Mingzhou Consultancy (an indirect wholly-owned subsidiary of the Company) and Shanghai Sansheng entered into the Project Management Master Agreement, pursuant to which Mingzhou Consultancy and Shanghai Sansheng agreed that members of the Mingzhou Consultancy Group and members of the Shanghai Sansheng Group may enter into individual project management agreement(s) regarding provision of project management services by the relevant members of Mingzhou Consultancy Group for real estate projects in the PRC owned and developed by the relevant members of the Shanghai Sansheng Group, subject to the terms of the Project Management Master Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sansheng Hongye holds 843,585,747 Shares (representing approximately 74.98% of the total number of issued Shares) and is the controlling Shareholder. Sansheng Hongye is wholly owned by Shanghai Sansheng and therefore Shanghai Sansheng is a connected person of the Company. The transactions contemplated under the Project Management Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (other than the profits ratio) in respect of the Annual Caps exceed 5% and the Annual Caps exceed HK\$10,000,000, the transactions contemplated under the Project Management Master Agreement constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The SGM will be convened by the Company at which resolution(s) will be proposed to seek approval from the Independent Shareholders for the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps) by way of poll. Sansheng Hongye, which holds 843,585,747 Shares as at the date of this announcement (representing approximately 74.98% of the total number of issued Shares), will abstain from voting on the relevant resolution(s) at the SGM. None of the Directors have a material interest in the Project Management Master Agreement and the transactions contemplated thereunder and therefore no Director is required to abstain from voting at the Board meeting approving the Project Management Master Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps). An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps).

GENERAL

A circular containing, among other things, (i) details of the Project Management Master Agreement and the Annual Caps; (ii) the letter of recommendation from the Independent Board Committee regarding the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps); (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iv) a notice of the SGM will be despatched to the Shareholders in compliance with the Listing Rules on or before 11 September 2018.

The Board is pleased to announce that after trading hours of the Stock Exchange on 21 August 2018, Mingzhou Consultancy (an indirect wholly-owned subsidiary of the Company) and Shanghai Sansheng entered into the Project Management Master Agreement. Detailed information of the Project Management Master Agreement is set out below.

THE PROJECT MANAGEMENT MASTER AGREEMENT

Date

21 August 2018

Parties

- (i) Mingzhou Consultancy; and
- (ii) Shanghai Sansheng.

As at the date of this announcement, Sansheng Hongye holds 843,585,747 Shares (representing approximately 74.98% of the total number of issued Shares) and is the controlling Shareholder. Sansheng Hongye is wholly owned by Shanghai Sansheng and therefore Shanghai Sansheng is a connected person of the Company. Shanghai Sansheng is principally engaged in real estate, big data marketing, shipping and dredging business.

Subject matter

Pursuant to the Project Management Master Agreement, Mingzhou Consultancy and Shanghai Sansheng agreed that members of the Mingzhou Consultancy Group and members of the Shanghai Sansheng Group may enter into individual project management agreement(s) regarding provision of project management services by the relevant members of Mingzhou Consultancy Group for real estate projects in the PRC owned and developed by the relevant members of the Shanghai Sansheng Group, subject to the terms of the Project Management Master Agreement. The Project Management Master Agreement shall be effective from the date of signing up to 31 December 2020. Each individual project management agreement to be entered into between the relevant member of the Mingzhou Consultancy Group and the relevant member of the Shanghai Sansheng Group will be in line with the terms of the Project Management Master Agreement and on normal commercial terms. Execution of each individual project management agreement is subject to the internal approval procedures of the Group set out in the section headed “Internal Control” below.

Scope of services

The scope of the project management services includes (i) planning and development management; (ii) architectural design management; (iii) cost management; (iv) construction management; and (v) completion inspection and delivery administration.

Pricing

Pursuant to the Project Management Master Agreement, the project management fee receivable by the relevant member of the Mingzhou Consultancy Group for the services shall be calculated based on a fixed fee rate on the actual construction cost incurred in respect of the real estate project. The fee rate to be charged by the Group shall be determined with reference to (i) the size, scope of services, duration, difficulty and complexity of the project; (ii) the costs and resources required for the provision of the services; and (iii) the prevailing market rates. In any event, the fee rate to be charged by the Group shall not be lower than the maximum fee rate that the PRC government could offer for purchase of the project management services as stipulated by Ministry of Finance of the PRC (the “**Guideline Rate**”) and shall be no less favourable than the fee rates offered by the Group to independent customers for similar project and services (the “**Independent Customer Rates**”). As at the date of this announcement, the Guideline Rate is 2% in accordance with 基本建設項目建設成本管理規定 (Construction Project Construction Cost Management Requirement*) stipulated by Ministry of Finance of the PRC.

Payment terms

The project management fee will be payable by the relevant member of the Shanghai Sansheng Group to the relevant member of the Mingzhou Consultancy Group within twelve days from the end of each quarter based on the quarterly construction progress report which shall be issued within seven days from the end of each quarter by an independent licensed supervisor certifying the actual construction cost incurred in respect of the real estate project during the quarter.

Condition

The obligations of Mingzhou Consultancy under the Project Management Master Agreement is subject to the passing of the resolution(s) approving the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps) by the Independent Shareholders at the SGM. If the condition is not fulfilled on or before 31 December 2018 (or such later date as Mingzhou Consultancy and Shanghai Sansheng may agree), the Project Management Master Agreement shall automatically terminate.

Annual caps

Pursuant to Rule 14A.53 of the Listing Rules, the Company has set the Annual Caps in relation to the project management fees receivable by the Mingzhou Consultancy Group under the Project Management Master Agreement as follows:

Period	Annual Cap	
	RMB'000	HK\$ '000
For the financial year ending 31 December 2018	10,975	12,621
For the financial year ending 31 December 2019	16,685	19,188
For the financial year ending 31 December 2020	12,781	14,698

The above annual caps were determined with reference to the estimated construction costs and construction schedules of the real estate projects in Guangdong Province, the PRC owned and to be developed by the Shanghai Sansheng Group to which the Mingzhou Consultancy Group may provide project management services.

INTERNAL CONTROL

To ensure that the project management fee of each individual project management agreement to be entered into between members of the Mingzhou Consultancy Group and members of the Shanghai Sansheng Group is in line with the terms of Project Management Master Agreement and no less favourable to the Group than that offered by the Group to independent customers, the finance department of the Group shall compare the fee rate to be charged by the Group with (i) the Independent Customer Rates; or (ii) if the Independent Customer Rates are not available, the fee rate quotations obtained by the relevant member of the Shanghai Sansheng Group from independent service providers for the subject project (the “**Quotation Rates**”); or (iii) if both the Independent Customer Rates and the Quotation Rates are not available, the Guideline Rate. To facilitate the internal control procedures, Shanghai Sansheng shall use its best endeavours to provide the Quotation Rates to the Group.

REASONS FOR THE PROJECT MANAGEMENT MASTER AGREEMENT

The Group is currently engaged in property investment and leasing in Hong Kong. As disclosed in the annual report of the Company for the year ended 31 March 2018, the Group has been seeking new opportunities in the real estate sector to broaden its source of revenue by leveraging on the Group's experience in the property sector in Hong Kong and Shanghai Sansheng's business network in the PRC.

Following the acquisition of the controlling stake in the Company in December 2017, Sansheng Hongye (the controlling Shareholder) has conducted a thorough review on the business operations and financial position of the Group. Based on results of the review, Sansheng Hongye is of the view that the real estate project management business in the PRC has a positive prospect and the expansion into such business by entering into the Project Management Master Agreement will enable the Group to achieve better growth potential and generate steady income. The business expansion also represents a diversification of the Group's business exposure in the property market in Hong Kong. The Board is in the view that the cooperation with Shanghai Sansheng, a reputed real estate developer in the PRC which has been awarded 中國房地產百強企業 (Top 100 China Real Estate Developers) for fourteen consecutive years, is beneficial for the Group to establish its brand in project management business in the PRC. The Company has recruited a professional team with relevant qualifications, experience and expertise to commence the project management business. Going forward, the Group will proactively promote the project management business and explore opportunities to cooperate with other property developers in the PRC.

The Directors (excluding the independent non-executive Directors who will express their view after having considered the advice from the independent financial adviser), having considered the internal control measures for the purpose of ensuring the terms of each individual project management agreement to be entered into shall be in line with the terms of the Project Management Master Agreement and no less favourable to the Group than that offered by the Group to independent customers, are of the view that the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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As certain applicable percentage ratios (other than the profits ratio) in respect of the Annual Caps exceed 5% and the Annual Caps exceed HK\$10,000,000, the transactions contemplated under the Project Management Master Agreement constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The SGM will be convened by the Company at which resolution(s) will be proposed to seek approval from the Independent Shareholders for the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps) by way of poll. Sansheng Hongye, which holds 843,585,747 Shares as at the date of this announcement (representing approximately 74.98% of the total number of issued Shares), will abstain from voting on the relevant resolution(s) at the SGM. None of the Directors have a material interest in the Project Management Master Agreement and the transactions contemplated thereunder and therefore no Director is required to abstain from voting at the Board meeting approving the Project Management Master Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps). An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps).

GENERAL

A circular containing, among other things, (i) details of the Project Management Master Agreement and the Annual Caps; (ii) the letter of recommendation from the Independent Board Committee regarding the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps); (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iv) notice of the SGM will be despatched to the Shareholders in compliance with the Listing Rules on or before 11 September 2018.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Annual Caps”	the maximum amount of project management fee receivable by the Mingzhou Consultancy Group under the Project Management Master Agreement proposed for the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 respectively
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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)
“Project Management Master Agreement”	the project management master agreement dated 21 August 2018 entered into between Mingzhou Consultancy and Shanghai Sansheng in relation to the provision of project management services by members of the Mingzhou Consultancy Group to real estate projects owned and developed by members of the Shanghai Sansheng Group
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Mingzhou Consultancy”	佛山銘舟工程管理諮詢有限公司 (Foshan Mingzhou Construction Management Consultancy Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Mingzhou Consultancy Group”	Mingzhou Consultancy and its subsidiaries
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat, all being independent non-executive Directors, established to advise the Independent Shareholders in relation to the terms of the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders excluding Shanghai Sansheng and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“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 the controlling Shareholder
“SGM”	the special general meeting of the Company to be convened and held to approve, among other things, the Project Management Master Agreement and the transactions contemplated thereunder (including the Annual Caps)
“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*), a company established in the PRC with limited liability and the parent company of Sansheng Hongye
“Shanghai Sansheng Group”	Shanghai Sansheng and its subsidiaries (excluding members of the Mingzhou Consultancy Group)

“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

Unless otherwise specified in this announcement, conversion of RMB into HK\$ are made in this announcement, for illustration only, at the rate of RMB1.00 to HK\$1.15. 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 rate or at all.

By order of the Board of
Zhongchang International Holdings Group Limited
Fan Xuerui
Executive Director

Hong Kong, 21 August 2018

As at the date of this announcement, the Board comprises Mr. Wang Junyong (Chairman), Mr. Fan Xuerui, Mr. Sun Meng and Mr. Sun Feng as executive Directors; and Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat as independent non-executive Directors.

* *for identification purposes only*