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**(Stock Code: 264)**

**ANNOUNCEMENT PURSUANT TO  
RULE 3.7 OF THE TAKEOVERS CODE;  
RULE 13.09 OF THE LISTING RULES AND  
THE INSIDE INFORMATION PROVISIONS;  
AND  
RESUMPTION OF TRADING**

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Chanco International Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 3.7 of The Code on Takeovers and Mergers (the “**Takeovers Code**”), Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (i.e. the Inside Information Provisions as defined under the Listing Rules).

**THE MEMORANDUM OF UNDERSTANDING**

The Board was informed by Green Parade Limited (“**Green Parade**”), being the controlling shareholder (as defined under the Listing Rules) of the Company, and Mr. Pong Wilson Wai San (“**Mr. Pong**”, together with Green Parade, the “**Selling Shareholders**”), being the sole beneficial owner of Green Parade, that a memorandum of understanding (the “**MOU**”) was entered into among Green Parade, Mr. Pong and Zhu Rong Hong Kong Investment Limited (著融香港投資有限公司, the “**Potential Purchaser**”) on 8 October 2015 (after the Stock Exchange trading hours) regarding a possible sale of 229,948,000 ordinary shares of the Company (the “**Shares**”) (representing approximately 66.10% of the entire issued share capital of the Company) (the “**Sale Shares**”) by the Selling Shareholder(s) to the Potential Purchaser (the “**Possible Transaction**”). As at the date of this announcement, Green Parade and Mr. Pong held a total of 247,308,000 Shares, which represent approximately 71.09% of the entire issued share capital of the Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Potential Purchaser is a third party independent of the Company and its connected persons (as defined under the Listing Rules). The Potential Purchaser is a special purpose vehicle incorporated in Hong Kong with limited liability and is designated and indirectly wholly-owned by 中弘控股股份有限公司 (Zhonghong Holding Co., Ltd.\*) (stock code: 000979) ("**Zhonghong**"), which is currently listed on The Shenzhen Stock Exchange. The current controlling shareholder (as defined under the Listing Rules) of Zhonghong is 中弘卓業集團有限公司.

Principal terms of the MOU are set out as follows:

Formal sale and purchase agreement:

It is the intention of the Potential Purchaser and the Selling Shareholders to enter into a formal sale and purchase agreement (the "**Formal Agreement**") in relation to the Possible Transaction on or before the Relevant Expiry Date (as defined below), with Mr. Pong as the guarantor.

The terms of the Formal Agreement, after reasonable negotiations between the parties, shall be (i) on normal commercial terms; (ii) on customary terms of similar transactions with an independent third party; and (iii) with warranty and representation given by the Selling Shareholders that on the completion date of the Possible Transaction, no such situation exists which imposes a material adverse effect on the listing status, or the ability to maintain the listing status, of the Shares on the Stock Exchange (collectively, the "**Principles**"). No representation or warranty shall be given by the Selling Shareholders in respect of the Company and/or its subsidiaries' forecast, prospects and/or performance; and no representation or warranty shall be given by the Selling Shareholders on any of the subsidiaries of the Company.

Due diligence review:

After signing of the MOU, the Potential Purchaser will perform due diligence review on the assets, liabilities, operations and affairs of the Group. The Selling Shareholders have agreed to, to the extent not prohibited by the applicable laws and regulations of Hong Kong, render reasonable assistance for the supply of the relevant information to the Potential Purchaser.

Earnest money:

The Potential Purchaser shall pay an amount of HK\$10,000,000 (the "**Earnest Money**") to an escrow agent (the "**Escrow Agent**") jointly appointed by the Potential Purchaser and the Selling Shareholders within one business day of the later of (a) the date of the MOU; and (b) the date on which the Potential Purchaser, Green Parade and the Escrow Agent entered into the escrow agreement governing the payment and refund of the Earnest Money.

\* For identification purpose only

If the Formal Agreement materialises, the Earnest Money will become the deposit of the Possible Transaction pursuant to the terms and conditions of the Formal Agreement.

In the event that the Formal Agreement is not entered into on or before the Relevant Expiry Date, the Selling Shareholders are entitled to forfeit the Earnest Money on the third business day after the Relevant Expiry Date as damages for the loss of opportunities to negotiate with other party(ies) for the sale of the Shares held by the Selling Shareholder(s), and/or for the professional fees and expenses.

The Earnest Money is not refundable, except in the circumstances stated as follows:

- (a) the listing of the issued Shares be cancelled or trading of the Shares on the Stock Exchange having been suspended for fifteen consecutive trading days of the Stock Exchange or more (save for suspension required under the Listing Rules, the Takeovers Code and/or required by the Stock Exchange and/or the SFC for the clearance of an announcement to be published by the Company in connection with the MOU or transactions contemplated thereunder); or trading of the Shares being suspended on the Relevant Expiry Date;
- (b) there having occurred any material claim against the Company and any of its major subsidiaries or having existed any material liability (actual or contingent) on or before the date of signing of the Formal Agreement (other than those that have been disclosed in the announcements of the Company in accordance with the Listing Rules);
- (c) the Selling Shareholders having breached the provision relating to exclusivity under the MOU;
- (d) the Selling Shareholders ceasing to hold any Sale Shares or not having obtained all necessary approval and consent required for the Possible Transaction; or the signing of the Formal Agreement or the sale or transfer of the Sale Shares by the Selling Shareholders having been prohibited or restricted by any applicable laws (including but not limited to the Listing Rules and the Takeovers Code) or any regulatory authorities (including but not limited to the Stock Exchange or the SFC);

- (e) (in the reasonable opinion of the Potential Purchaser), the results of the due diligence review conducted by the Potential Purchaser and/or its agent pursuant to the MOU showing that there being event, fact or statement (other than those that have been disclosed in the announcements of the Company in accordance with the Listing Rules) which would constitute or is likely to constitute material adverse effect on the Company and/or its major subsidiaries;
- (f) the Selling Shareholders failing to sign the Formal Agreement which terms are in line with the Principles on or before the Relevant Expiry Date;
- (g) the terms and conditions of the Formal Agreement failing to observe with the Principles by reason(s) of the Selling Shareholders; and
- (h) Mr. Pong not providing any guarantee in favour of the Potential Purchaser for all the obligations of Green Parade under the Formal Agreement.

Exclusivity:

The Selling Shareholders have agreed that they or their connected persons (including corporations controlled by the Selling Shareholders) shall not solicit or negotiate or enter into any agreement with any parties (other than the Potential Purchaser) in respect of any Shares during the period from the date of payment of the Earnest Money up to the earlier of 30 October 2015 and the date on which the Earnest Money is returned to the Potential Purchaser (or such later date as agreed by the parties in writing) (the “**Relevant Expiry Date**”) (both dates inclusive).

Save for provisions relating to entering into of the Formal Agreement and the subject matter of the Possible Transaction (i.e. sale and purchase of the Sale Shares), all other provisions in the MOU are legally-binding.

The Possible Transaction will be subject to the execution of the Formal Agreement between the Selling Shareholders and the Potential Purchaser.

## **ANNOUNCEMENT TO BE MADE BY ZHONGHONG**

Pursuant to the 《上市公司信息披露管理办法》 (Administration Measures on Information Disclosure of Listed Companies) of the People's Republic of China (“PRC”) (to which Zhonghong is subject), Zhonghong will make an announcement about the Potential Purchaser entering into of the MOU. The following is a summary of the additional information that is included in Zhonghong's announcement:

### **Purpose of the Possible Transaction**

According to the strategic planning of Zhonghong and the current development trend of the industry, the Possible Transaction fulfills the future development strategy of Zhonghong. In the event that the acquisition of equity interests is successful, it is intended to develop the Company as a brand management company in asset-light model. The brand management company will aim at operating business properties for travel and resort, healthcare, cultural innovation, etc. The planning management of the brand management company will cover a dozen commercial activities including theme parks, performance venues, entertainment, sports, races, hotels, medical care, elderly care, commercial and education to achieve the integration of diverse commercial activities and connections between different locations.

By leveraging Hong Kong's international market, the brand management company will fully draw on the management experience of international advanced brands and recruit talents in high-end brand management to build a professionalized team as well as undertake the team development and the resource integration, which is conducive to further promote and enhance the brand value and influence of Zhonghong in tourism and culture property projects, strengthen its competitiveness as well as consolidate and improve its leadership in the industry.

### **Vision of Zhonghong**

The plan to acquire the Company and develop it as a brand management company is in line with the long-term development strategy of Zhonghong and will further realize its asset-light strategy. In the future, such brand management company will be forged into a fully open brand management platform to become a new profit driver for Zhonghong and will improve its operational results as well as assist Zhonghong to further expand in the cultural tourism industry chain.

### **Source of funding for the Possible Transaction**

The source of funding for the Possible Transaction will be self-raised funds or borrowings from Potential Purchaser.

### **Potential risk**

The Possible Transaction is subject to the review and approval from the board of directors of Zhonghong and the approval from competent authorities. Currently the Formal Agreement has not yet been signed and there is still some uncertainty.

The above paragraphs are copied from Zhonghong's announcement. Please refer to the announcement to be made by Zhonghong for further details.

## **POSSIBLE GENERAL OFFER FOR THE SHARES AND TAKEOVERS CODE IMPLICATIONS**

Subject to the Formal Agreement being entered into and the satisfaction or waiver (as the case may be) of such conditions precedent to completion as may be specified therein, if the Possible Transaction materialises and is completed, the Potential Purchaser will acquire more than 30% of the voting rights of the Company, giving rise to an obligation on the part of the Potential Purchaser and parties acting in concert with it to make a mandatory unconditional general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Potential Purchaser) under Rule 26.1 of the Takeovers Code. The Board was informed by the Selling Shareholders that no formal agreements had been entered into in respect of the Possible Transaction as at the date of this announcement and the negotiations are still in progress and the Possible Transaction may or may not proceed.

As at the date of this announcement, the Company has 347,904,000 Shares in issue and does not have any outstanding convertible securities, options and warrants. Save as disclosed above, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

## **MONTHLY UPDATE**

In accordance with Rule 3.7 of the Takeovers Code, monthly announcement(s) will be made until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

## **DEALING DISCLOSURE**

For the purposes of the Takeovers Code, the offer period is deemed to commence on the date of this announcement, being 12 October 2015.

The associates (as defined in the Takeovers Code, including but not limited to any person holding 5% or more of a class of relevant securities of the Company) of the Company and the Potential Purchaser as well as its associates (as defined in the Takeovers Code) are hereby reminded to disclose their dealings in the relevant securities of the Company under Rule 22 of the Takeovers Code.

## **RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES**

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

*“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*”



*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

**There is no assurance that the Possible Transaction or any transactions referred to in this announcement will materialise or eventually be consummated and the relevant discussions may or may not lead to a general offer under Rule 26.1 of Takeovers Code. Shareholders and potential investors of the Company should be aware that the completion of the Possible Transaction is subject to the Formal Agreement being entered into and the satisfaction (or, as the case may be, waiver) of such conditions precedent to completion as may be specified therein. The negotiation in relation to the Possible Transaction and the possible general offer arising from the Possible Transaction may or may not proceed, and the terms of the Possible Transaction are subject to further negotiation between the Selling Shareholders and the Potential Purchaser. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 9 October 2015 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 13 October 2015.

By order of the Board  
**Chanco International Group Limited**  
**Lee Wing Yin**  
*Executive Director*

Hong Kong, 12 October 2015

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lee Wing Yin and Mr. Ngan Man Ho; and three independent non-executive Directors, namely Mr. Lung Hung Cheuk, Mr. Leung Ka Tin and Mr. Li Wai Ming.*

*The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*