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ZHURONG GLOBAL LIMITED

著融環球有限公司

*(Incorporated in the British Virgin Islands
with limited liability)*

CHANCO INTERNATIONAL GROUP LIMITED



(Stock code: 264)

JOINT ANNOUNCEMENT

**(I) DISPOSAL OF APPROXIMATELY 66.10% INTEREST IN
THE COMPANY BY GREEN PARADE TO THE OFFEROR;**

**(II) UNCONDITIONAL MANDATORY CASH OFFER FOR ALL THE
ISSUED SHARES IN THE COMPANY (OTHER THAN THOSE ALREADY
OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND/OR
PARTIES ACTING IN CONCERT WITH IT)
BY CHINA INTERNATIONAL CAPITAL CORPORATION
AND SOUTHWEST SECURITIES HK
ON BEHALF OF THE OFFEROR;**

**(III) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE
AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;**

AND

(IV) RESUMPTION OF TRADING IN THE SHARES

Joint financial advisers to the Offeror



Independent Financial Adviser to the Independent Board Committee



**大有融資有限公司
MESSIS CAPITAL LIMITED**

References are made to the Company's MOU Announcement, the Zhonghong's MOU Announcement and the Zhonghong's SPA Announcement.

THE AGREEMENT

The Company has been informed that, after the Stock Exchange trading hours on 30 October 2015, Green Parade as vendor, Mr. Pong as guarantor and the Offeror as purchaser entered into the Agreement, pursuant to which Green Parade has agreed to sell and the Offeror has agreed to acquire the Sale Shares, representing approximately 66.10% of the total issued share capital of the Company as at the date of the Agreement and the date of this joint announcement.

The Consideration for the Sale Shares is HK\$458,516,312, equivalent to HK\$1.994 per Sale Share, which was paid by the Offeror in full upon Completion.

Completion took place on 2 November 2015.

Prior to Completion, Green Parade and Mr. Pong were the owners of a total of 247,308,000 Shares, representing approximately 71.09% of the total issued share capital of the Company. Immediately after Completion, Green Parade and Mr. Pong hold in aggregate 17,360,000 Shares and the Offeror is beneficially interested in 229,948,000 Shares, representing approximately 4.99% and 66.10% of the total issued share capital of the Company as at the date of this joint announcement respectively.

UNCONDITIONAL MANDATORY CASH OFFER

Prior to Completion, the Offeror and parties acting in concert with it did not own, have control or direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the date of this joint announcement, the Offeror and parties acting in concert with it own a total of 229,948,000 Shares, representing approximately 66.10% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, immediately upon Completion, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer is unconditional in all respects.

As at the date of this joint announcement, the Company has 347,904,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible into or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible into or which confer rights to require the issue of Shares. Other than the 347,904,000 issued Shares, the Company does not have relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

Terms of the Offer

China International Capital Corporation and Southwest Securities HK, the financial advisers to the Offeror, will make the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.994 in cash

The Offer Price of HK\$1.994 per Offer Share under the Offer is the same as the purchase price per Sale Share paid by the Offeror under the Agreement.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange and will undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float as required under the Listing Rules exists in the Shares.

Undertaking not to accept the Offer

Immediately after Completion, Green Parade and Mr. Pong hold in aggregate 17,360,000 Shares (being the Remaining Shares), representing approximately 4.99% of the total issued share capital of the Company as at the date of this joint announcement. Green Parade and Mr. Pong have irrevocably undertaken not to accept the Offer in respect of the Remaining Shares and, before the final closing of the Offer, not to transfer or sell or otherwise dispose of any of the Remaining Shares or any interests in the Remaining Shares.

Financial resources available to the Offeror

The Offeror intends to finance and satisfy the consideration payable under the Offer by a loan facility granted by Southwest Securities (HK) Brokerage, which is secured by a charge over the Shares which the Offeror has acquired under the Agreement and may acquire under the Offer. China International Capital Corporation and Southwest Securities HK, the financial advisers to the Offeror, are satisfied that there are sufficient financial resources available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Lung Hung Cheuk, Mr. Leung Ka Tin and Mr. Li Wai Ming, has been formed to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and as to its acceptance. The appointment of Mesis Capital Limited has been approved by the Independent Board Committee.

DESPATCH OF COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document and the offeree board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be despatched to the Shareholders within 21 days of the date of this joint announcement. It is expected that the Composite Document will be despatched to the Shareholders on or before 3 December 2015.

The Composite Document will contain, among other things, details of the Offer, procedures for acceptance of the Offer, recommendations from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee in connection with the Offer, and the relevant form of acceptance and transfer.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 November 2015 pending the release of this joint 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 November 2015.

WARNING

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

References are made to the Company's MOU Announcement, the Zhonghong's MOU Announcement and the Zhonghong's SPA Announcement.

THE AGREEMENT

The Company has been informed that, after the Stock Exchange trading hours on 30 October 2015, Green Parade as vendor, Mr. Pong as guarantor and the Offeror as purchaser entered into the Agreement, pursuant to which Green Parade agreed to sell and the Offeror agreed to acquire the Sale Shares, representing approximately 66.10% of the total issued share capital of the Company as at the date of the Agreement and the date of this joint announcement.

The principal terms of the Agreement are set out below:

Date

30 October 2015 (after the Stock Exchange trading hours)

Parties

- (i) Green Parade Limited, as the vendor;
- (ii) Mr. Pong Wilson Wai San, as the guarantor; and
- (iii) Zhurong Global Limited, as the purchaser.

Subject matter

Pursuant to the Agreement, Green Parade as vendor agreed to sell and the Offeror as purchaser agreed to acquire the Sale Shares, representing approximately 66.10% of the total issued share capital of the Company as at the date of the Agreement and the date of this joint announcement, free from all encumbrances together with all rights attaching thereto as at the Completion Date, including all rights to any dividend or other distribution declared, made or paid on or after the Completion Date.

The Sale Shares comprise 229,948,000 Shares.

Consideration

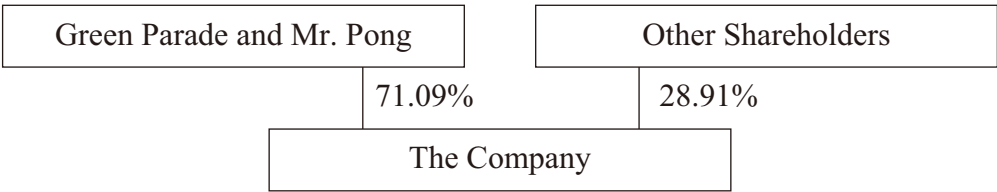
The Consideration for the Sale Shares is HK\$458,516,312, equivalent to HK\$1.994 per Sale Share. The Consideration was determined after arm's length negotiations between the Offeror, Green Parade and Mr. Pong and was paid in full upon Completion. The Consideration paid by the Offeror was funded by borrowings and Zhonghong group's internal resources.

Completion

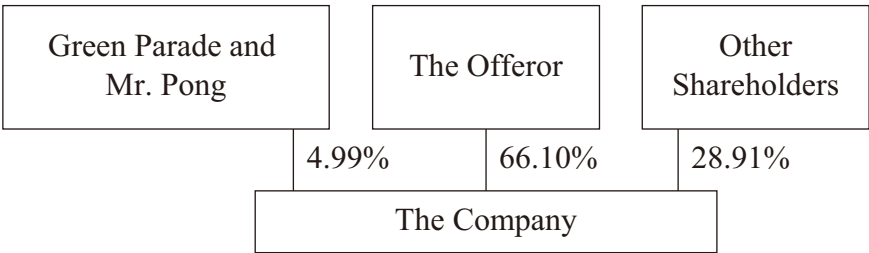
Completion took place on 2 November 2015. Immediately after Completion, the Offeror is beneficially interested in 229,948,000 Shares, representing approximately 66.10% of the total issued share capital of the Company.

The shareholding structures of the Company immediately before Completion and immediately after Completion are summarised below:

Shareholding structure of the Company immediately before Completion



Shareholding structure of the Company immediately after Completion



Undertaking not to accept the Offer

Immediately after Completion, Green Parade and Mr. Pong hold in aggregate 17,360,000 Shares (being the Remaining Shares), representing approximately 4.99% of the total issued share capital of the Company as at the date of this joint announcement. Green Parade and Mr. Pong have irrevocably undertaken not to accept the Offer in respect of the Remaining Shares and, before the final closing of the Offer, not to transfer or sell or otherwise dispose of any of the Remaining Shares or any interests in the Remaining Shares.

UNCONDITIONAL MANDATORY CASH OFFER

Prior to Completion, the Offeror and parties acting in concert with it did not own, have control or direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the date of this joint announcement, the Offeror and parties acting in concert with it own a total of 229,948,000 Shares, representing approximately 66.10% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, immediately upon Completion, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer is unconditional in all respects.

As at the date of this joint announcement, the Company has 347,904,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible into or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible into or which confer rights to require the issue of Shares. Other than the 347,904,000 issued Shares, the Company does not have relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

Terms of the Offer

China International Capital Corporation and Southwest Securities HK, the financial advisers to the Offeror, will make the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.994 in cash

The Offer Price of HK\$1.994 per Offer Share under the Offer is the same as the purchase price per Sale Share paid by the Offeror under the Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of the Composite Document.

The Offer Price

The Offer Price of HK\$1.994 per Offer Share represents:

- (i) a premium of approximately 7.2% over the closing price of HK\$1.860 per Share as quoted on the Stock Exchange on 30 October 2015, being the last trading day of the Shares immediately preceding the date of this joint announcement (the “**Last Trading Day**”);
- (ii) a premium of approximately 3.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 11.3% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 23.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 785.4% over the audited consolidated net asset value of the Company of approximately HK\$0.2252 per Share as at 31 March 2015 (calculated based on the audited consolidated net asset value of the Company as at 31 March 2015 of approximately HK\$226,356,000 and 347,904,000 Shares in issue as at the date of this joint announcement) and taking into account the special dividend of HK\$0.4254 per Share paid on 31 August 2015.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period ended the Last Trading Day from 1 May 2015 to 30 October 2015 were HK\$0.8 per Share on 8 July 2015 and HK\$2.28 per Share on 4 August 2015 respectively.

Total value of the Offer

As at the date of this joint announcement, there are 347,904,000 Shares in issue. Based on the Offer Price of HK\$1.994 per Offer Share, the entire issued share capital of the Company would be valued at HK\$693,720,576.

Assuming that there is no change in the issued share capital of the Company and taking into account the irrevocable undertaking given by Green Parade and Mr. Pong not to accept the Offer in respect of the Remaining Shares, there are 100,596,000 Shares subject to the Offer and the value of the Offer is HK\$200,588,424.

Financial resources available to the Offeror

The Offeror intends to finance and satisfy the consideration payable under the Offer by a loan facility granted by Southwest Securities (HK) Brokerage, which is secured by a charge over the Shares which the Offeror has acquired under the Agreement and may acquire under the Offer. China International Capital Corporation and Southwest Securities HK, the financial advisers to the Offeror, are satisfied that there are sufficient financial resources available to the Offeror to satisfy the consideration payable upon full acceptance of the Offer.

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of the Composite Document.

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made.

Acceptance of the Offer is irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Independent Shareholders are reminded to read the recommendations from the Independent Board Committee to the Independent Shareholders and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer which will be included in the Composite Document.

Payment

Settlement of the consideration in respect of acceptance of the Offer will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Shares in respect of such acceptance are received by the Offeror or its agent acting on its behalf to render each such acceptance complete and valid.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, China International Capital Corporation, Southwest Securities HK and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptance of the Offer at a rate of 0.1% of the consideration payable in respect of the acceptances by the relevant Independent Shareholders or if higher, the market value of the Offer Shares, will be deducted from the amount payable to those relevant Independent Shareholders who accept the Offer.

The Offeror will bear its own portion of the buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptance, or if higher, the market value of the Shares, and would be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

Overseas Shareholders

As the Offer to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders whose addresses as shown in the registers of members of the Company are outside Hong Kong and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

OFFEROR'S INTERESTS IN SECURITIES OF THE COMPANY

For the six months immediately prior to 12 October 2015 (being the date of the Company's MOU Announcement) and up to the date of this joint announcement, save for entering into the MOU and the Agreement, the Offeror and parties acting in concert with it have not dealt in nor do they have any Shares, options, derivatives, warrants or other securities convertible into Shares.

The Offeror confirms that, as at the date of this joint announcement:

- (i) save for the 229,948,000 Shares acquired pursuant to the Agreement, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with it owns or has control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (ii) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with it has received any irrevocable commitment to accept the Offer;

- (iii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners or any person acting in concert with it;
- (iv) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offer;
- (v) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (vi) none of the Offeror, its ultimate beneficial owners and parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structures of the Company (i) immediately before Completion; (ii) immediately after Completion and as at the date of this joint announcement:

| | (i) Immediately before Completion | | (ii) Immediately after Completion and as at the date of this joint announcement | |
|---|-----------------------------------|---------------|---|---------------|
| | Number of Shares | Approx. % | Number of Shares | Approx. % |
| The Offeror and parties acting in concert with it | – | – | 229,948,000 | 66.10 |
| Green Parade and Mr. Pong (<i>Note</i>) | 247,308,000 ⁽¹⁾ | 71.09 | 17,360,000 ⁽²⁾ | 4.99 |
| <i>Subtotal</i> | 247,308,000 | 71.09 | 247,308,000 | 71.09 |
| Other Shareholders | 100,596,000 | 28.91 | 100,596,000 | 28.91 |
| Total | <u>347,904,000</u> | <u>100.00</u> | <u>347,904,000</u> | <u>100.00</u> |

Notes:

⁽¹⁾ Immediately before Completion, the 247,308,000 Shares were held as to (i) 246,932,000 Shares by Green Parade and (ii) 376,000 Shares by Mr. Pong.

⁽²⁾ Immediately after Completion and as at the date of this joint announcement, the 17,360,000 Shares are held as to (i) 16,984,000 Shares by Green Parade and (ii) 376,000 Shares by Mr. Pong.

As at the date of this joint announcement, the Company does not have any outstanding share options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

INFORMATION ON THE OFFEROR

The Offeror is a special purpose vehicle incorporated in the British Virgin Islands with limited liability on 11 September 2015 and is directly wholly owned by Zhu Rong Hong Kong, which is a company incorporated in Hong Kong and is principally engaged in investment holding activities. The Offeror, through Zhu Rong Hong Kong and other intermediate holding companies, is indirectly wholly owned by Zhonghong. Zhonghong is established in the PRC with its headquarters in Beijing and is primarily engaged in the business of real estate development in the PRC including Beijing, Jilin, Shandong and Hainan. As a leader in the PRC property industry, Zhonghong has a diverse portfolio of property businesses which primarily focus on the development, sale and management of commercial properties including offices, residential properties, hotels and shopping complexes. Its long term strategy includes the development and operation of travel destinations and it currently operates and manages a number of cultural and leisure resort destinations in Beijing, Jilin, Shandong and Hainan. The shares of Zhonghong was first listed on the SSE in 2010 (stock code: 000979). As at 30 September 2015, Zhonghong's total asset value was approximately RMB19 billion and as at 10 November 2015, its total market capitalisation was approximately RMB21.1 billion. As at the date of this joint announcement, Mr. Wang Yonghong, through one of his wholly-owned companies, 中弘卓業集團有限公司 (Zhonghong Zhuoye Group Company Limited*), is the controlling shareholder of Zhonghong and holds approximately 34.51% of the issued shares of Zhonghong. The board of directors of the Offeror comprises one director, namely Ms. Jia Dai.

The Offeror and its ultimate beneficial owners are third parties independent of, and not acting in concert with, Green Parade. Immediately preceding Completion, none of the Offeror, its intermediate holding companies or its ultimate beneficial owners owned any Shares.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

It is the intention of the Offeror to continue with the Group's existing principal business following the close of the Offer.

As disclosed in the Zhonghong's SPA Announcement, according to the strategic planning of Zhonghong and the current development trend of the industry, the acquisition of Sale Shares fulfills the future development strategy of Zhonghong. After Completion, the Company is intended to be developed as a brand management company in asset-light model. The brand management company will aim at operating business properties including for travel and resort, healthcare, cultural innovation. The planning management of the brand management company will cover a number of commercial activities including theme parks, performance venues, entertainment, sports, races, hotels, medical care, elderly care, commercial and education to achieve the integration between different commercial activities and connections between different locations. By leveraging on Hong Kong's international market, the brand management company will draw on the management experience of international advanced brands and recruit talented people in high-end brand management to build a professional team and undertake the team development and the resource integration. This is expected to further promote and enhance the brand value and influence of Zhonghong in tourism and culture property projects, strengthen its competitiveness and consolidate and improve its leading position in the industry.

The acquisition of Shares and the plan to develop the Company as a brand management company are in line with the long-term development strategy of Zhonghong and will fulfill its asset-light strategy. Such brand management company is expected to contribute to the performance of Zhonghong and its expansion in the cultural tourism industry.

As at the date of this joint announcement, the Offeror has no intention to discontinue the employment of the employees (save for the proposed changes to the composition of the Board as detailed below) or to dispose of or re-deploy the assets of the Group.

PROPOSED CHANGE TO THE BOARD COMPOSITION

The Board is currently made up of five members, comprising 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. Pursuant to the terms of the Agreement, Green Parade and Mr. Pong had, at the request of the Offeror, delivered the undated written resignations of all Directors to the Offeror at Completion and such resignation shall be effective from the earliest time permitted under the Takeovers Code, the Listing Rules or other applicable rules or regulations or such later date as the Offeror may determine.

In addition, pursuant to the terms of the Agreement, Green Parade and Mr. Pong shall, if so required by the Offeror, cause such persons as the Offeror may nominate to be validly appointed as the Directors and such appointment(s) shall be effective from the date falling one day after the date on which the Composite Document is despatched or such later date as the Offeror may determine, provided that such date shall not be earlier than such earliest date as may be permitted under the Takeovers Code or the SFC. Any changes to the Board composition will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules.

INTENTION OF THE OFFEROR TO MAINTAIN THE LISTING OF THE COMPANY

The Offeror intends to maintain the listing status of the Company on the Main Board of the Stock Exchange following the close of the Offer.

The Offeror and the proposed Directors who would be nominated by the Offeror and appointed as Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares if the public float of the Company falls below 25% following the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands and the issued Shares have been listed on the Main Board of the Stock Exchange since 12 March 2003. The principal activity of the Company is investment holding. The Group is principally engaged in manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories.

The following table is a summary of the audited consolidated financial information of the Group for the two financial years ended 31 March 2014 and 31 March 2015 and the unaudited consolidated financial information of the Group for the three months ended 30 June 2015 respectively.

| | For the year ended 31 March 2014 HK\$'000 (audited) | For the year ended 31 March 2015 HK\$'000 (audited) | For the three months ended 30 June 2015 HK\$'000 (unaudited) |
|--|--|--|---|
| Turnover | 131,418 | 128,711 | 30,388 |
| Profit/(loss) for the year/period | <u>(38,866)</u> | <u>(25,780)</u> | <u>(6,258)</u> |
| | As at 31 March 2014 HK\$'000 (audited) | As at 31 March 2015 HK\$'000 (audited) | As at 30 June 2015 HK\$'000 (unaudited) |
| Total assets | 273,496 | 247,897 | 250,596 |
| Total liabilities | 23,140 | 21,541 | 21,983 ⁽¹⁾ |
| Net asset value attributable to owners of the Company | <u>250,356</u> | <u>226,356</u> | <u>228,613</u> |

Note:

⁽¹⁾ In the Zhonghong's SPA Announcement, the unaudited total liabilities of the Group as at 30 June 2015 were stated to be HK\$21.893 million, which was a mistake and should have been the amount above (HK\$21.983 million).

Under Rule 10 of the Takeovers Code, the above unaudited financial information of the Group for the three months ended 30 June 2015 (the “**Unaudited Financial Information**”) constitutes a profit forecast. The accounting policies and calculations for the Unaudited Financial Information are required under Rule 10.3 of the Takeovers Code to be reported on by the Company's auditors and the independent financial adviser of the Company is required to report on the profit forecast. Those reports (the “**Profit Forecast Reports**”) are required under Rule 10.4 of the Takeovers Code to be lodged with the Executive before the publication of this joint announcement.

Zhonghong disclosed the Unaudited Financial Information in the Zhonghong's SPA Announcement in compliance with the requirement of the SSE under the 《主板信息披露業務備忘錄第7號》 (Memorandum on the Information Disclosure of the Main Board No. 7). The Zhonghong's SPA Announcement was not provided to the Executive for review before its publication. The Unaudited Financial Information contained in the Zhonghong's SPA Announcement does not meet the standard required by Rule 10 of the Takeovers Code. The Unaudited Financial Information is disclosed in this joint announcement in order to ensure that the Unaudited Financial Information is made equally available to all the Shareholders. Taking into account (i) the practical difficulties time-wise in preparing the Profit Forecast Reports before the publication of this joint announcement and (ii) the requirement for timely disclosure of the Unaudited Financial Information, this joint announcement is made before the Profit Forecast Reports are completed. The Profit Forecast Reports are expected to be contained in the next document to be sent to the Shareholders (which is expected to be the Composite Document).

The Company and the Offeror would like to draw to the attention of Shareholders and potential investors that the Unaudited Financial Information does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors should exercise caution in placing reliance on the Unaudited Financial Information when dealing in the Shares and in assessing the merits or demerits of the Offer.

The Zhonghong's SPA Announcement did not contain any relevant information in relation to the Offer which is not disclosed in this joint announcement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Lung Hung Cheuk, Mr. Leung Ka Tin and Mr. Li Wai Ming, who have no direct interest in the Offer, has been formed to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code.

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and as to its acceptance. The appointment of Mesis Capital Limited has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

DESPATCH OF THE COMPOSITE DOCUMENT

It is the intention of the Offeror and the Company to combine the offer document and the offeree board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be despatched to the Shareholders within 21 days of the date of this joint announcement. It is expected that the Composite Document will be despatched to the Shareholders on or before 3 December 2015.

The Composite Document will contain, among other things, details of the Offer, procedures for acceptance of the Offer, recommendations from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee in connection with the Offer, and the relevant form of acceptance and transfer.

DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code which includes, among others, any person who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are reminded to disclose their dealings in the relevant securities of the Company under Rule 22 of the Takeovers Code.

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:

“Responsibilities of stockbrokers, banks and other intermediaries

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.”

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 November 2015 pending the release of this joint 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 November 2015.

WARNING

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company during the Offer Period. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as set forth below:

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| “acting in concert” | has the meaning ascribed to it in the Takeovers Code |
| “Agreement” | the unconditional sale and purchase agreement dated 30 October 2015 entered into between the Offeror, Green Parade and Mr. Pong in relation to the sale and purchase of the Sale Shares |
| “associates” | has the meaning ascribed to it in the Takeovers Code |
| “Board” | the board of Directors |
| “Business Day(s)” | (a) day(s) (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “China International Capital Corporation” | China International Capital Corporation Hong Kong Securities Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and one of the joint financial advisers to the Offeror in respect of the Offer |
| “Company” | Chanco International Group Limited, a company incorporated in the Cayman Islands on 12 April 2002 with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange since 12 March 2003 |
| “Company’s MOU Announcement” | the announcement of the Company dated 12 October 2015 and published on the Stock Exchange website on 12 October 2015 in relation to the entering into of the MOU |
| “Completion” | completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement |
| “Completion Date” | being the date on which Completion took place |

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| “Composite Document” | the composite offer and response document to be jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer, procedures for acceptance of the Offer, recommendations from the Independent Board Committee to the Independent Shareholders, letter of advice from the Independent Financial Adviser to the Independent Board Committee, and the relevant form of acceptance and transfer |
| “Consideration” | the consideration under the Agreement for the Sale Shares |
| “Director(s)” | director(s) of the Company from time to time |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of such Executive Director |
| “Green Parade” | Green Parade Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder (as defined under the Listing Rules) of the Company prior to Completion |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board comprising all the independent non-executive Directors established in accordance with the Takeovers Code to give recommendations to the Independent Shareholders in respect of the Offer |
| “Independent Financial Adviser” | Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Offer |
| “Independent Shareholders” | Shareholders other than the Offeror and parties acting in concert with it |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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| “MOU” | the memorandum of understanding dated 8 October 2015 and entered into among Green Parade, Mr. Pong and Zhu Rong Hong Kong regarding the sale of 229,948,000 Sale Shares by Green Parade and Mr. Pong to Zhu Rong Hong Kong or such other company as designated by Zhu Rong Hong Kong |
| “Mr. Pong” | Mr. Pong Wilson Wai San, being a director and the sole beneficial owner of Green Parade |
| “Offer” | the unconditional mandatory cash offer to be made by China International Capital Corporation and Southwest Securities HK on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in this joint announcement and in compliance with the Takeovers Code |
| “Offer Period” | has the meaning ascribed to it in the Takeovers Code |
| “Offer Price” | HK\$1.994 for each Offer Share payable by the Offeror to the Independent Shareholders accepting the Offer |
| “Offer Shares” | all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it and those in respect of which Green Parade and Mr. Pong have undertaken not to accept the Offer) |
| “Offeror” | Zhurong Global Limited, a special purpose vehicle incorporated in the British Virgin Islands with limited liability on 11 September 2015 and is indirectly wholly-owned by Zhonghong |
| “Overseas Shareholders” | Independent Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong |
| “PRC” | the People’s Republic of China which, for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Remaining Shares” | 17,360,000 Shares which Green Parade and Mr. Pong hold in aggregate immediately after Completion |
| “Sale Shares” | 229,948,000 Shares acquired by the Offeror pursuant to the terms of the Agreement, representing approximately 66.10% of the issued share capital of the Company as at the date of the Agreement |
| “SFC” | the Securities and Futures Commission of Hong Kong |

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| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “Share(s)” | the ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the issued Share(s) |
| “Southwest Securities HK” | Southwest Securities (HK) Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and one of the joint financial advisers to the Offeror in respect of the Offer |
| “Southwest Securities (HK) Brokerage” | Southwest Securities (HK) Brokerage Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO |
| “SSE” | Shenzhen Stock Exchange |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |
| “Zhonghong” | 中弘控股股份有限公司 (Zhonghong Holding Co., Ltd.*), the shares of which are listed on the SSE (stock code: 000979) |
| “Zhonghong’s MOU Announcement” | the announcement of Zhonghong dated 12 October 2015 in relation to the entering into of the MOU by Zhu Rong Hong Kong made pursuant to the 《上市公司信息披露管理辦法》 (Administration Measures on Information Disclosure of Listed Companies) of the PRC which was published on the website of the SSE on 13 October 2015 |
| “Zhonghong’s SPA Announcement” | the announcement of Zhonghong dated 30 October 2015 in relation to the entering into of the Agreement by the Offeror and Green Parade made pursuant to the 《上市公司信息披露管理辦法》 (Administration Measures on Information Disclosure of Listed Companies) of the PRC and 《深圳證券交易所股票上市規則(2014年修訂)》 (the Stock Listing Rules of the SSE (2014 Revision)) which was published on the website of the SSE on 2 November 2015 |

“Zhu Rong Hong Kong” 著融香港投資有限公司 (Zhu Rong Hong Kong Investment Limited), a company incorporated in Hong Kong with limited liability

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

By order of the board of
Zhurong Global Limited
Jia Dai
Director

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

Hong Kong, 12 November 2015

As at the date of this joint 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 jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than those relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the board of directors of the Offeror comprises one director, namely Ms. Jia Dai and the board of directors of Zhonghong comprises seven directors, namely Mr. Wang Yonghong, Mr. Cui Wei, Mr. Jin Jie, Mr. Liu Zuming, Mr. Lin Yingshi, Mr. Li Yaping and Mr. Lan Qingxin.

The director of the Offeror and the directors of Zhonghong jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than those relating to the Group, Green Parade and parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Group, Green Parade and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.

* For identification purpose only