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众安集团
ZHONG AN GROUP

眾安集團有限公司
Zhong An Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)

DISCLOSEABLE TRANSACTION
ACQUISITION OF EQUITY INTEREST
FORMATION OF JOINT VENTURE

The Company is pleased to announce that on 12 August 2020, JV Partner A (which is a 90%-owned subsidiary of the Company), JV Partner B and JV Partner C entered into the Shares Transfer Agreement and the JV Agreement, pursuant to which:

1. JV Partner A and JV Partner B shall severally acquire the Tranche A Sale Share and the Tranche B Sale Share from JV Partner C, whereupon the JV Company will be owned as to 40% by JV Partner A, 30 % by JV Partner B and 30% by JV Partner C immediately after the Completion;
2. the JV Partners will form a joint venture in respect of the JV Company for the property development project in respect of the New Land;
3. certain management and corporate affairs of the JV Company shall be bounded by the terms of the JV Agreement; and
4. the total capital commitment of JV Partner A in respect of the JV Company is expected to be not more than RMB331.2 million (approximately HK\$368.0 million) inclusive of the Tranche A Selling Price payable by JV Partner A.

As the highest Applicable Percentage Ratio for the Shares Transfer Agreement and the JV Agreement as a whole is more than 5% but less than 25%, the entering into the Shares Transfer Agreement and the JV Agreement as a whole constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

The Company is pleased to announce that on 12 August 2020, JV Partner A (which is a 90%-owned subsidiary of the Company) entered into the Shares Transfer Agreement and the JV Agreement for the acquisition of the Tranche A Sale Share and the formation of a joint venture for the property development project in respect of the New Land based on the principal terms set out in this announcement.

THE SHARES TRANSFER AGREEMENT

Date: 12 August 2020

Parties: JV Partner A, as one of the purchasers

JV Partner B, as one of the purchasers

JV Partner C, as the seller

Subject matter: the Total Sale Shares, representing a total of 70% of the registered capital of the JV Company amounting to RMB21 million (approximately HK\$23.3 million):

- (i) JV Partner A shall purchase the Tranche A Sale Share, representing 40% of the registered capital of the JV Company amounting to RMB12 million (approximately HK\$13.3 million); and
- (ii) JV Partner B shall purchase the Tranche B Sale Share, representing 30% of the registered capital of the JV Company amounting to RMB9 million (approximately HK\$10 million).

The obligations of JV Partner A and JV Partner B under the Shares Transfer Agreement are several so that JV Partner A and JV Partner B are not liable to the default of each other under the Shares Transfer Agreement.

Consideration: The Total Selling Price (subject to adjustment as mentioned below) for the acquisition of the Total Sale Shares shall be determined in accordance with the following formula:

Total Selling Price = (NAV + Land Value) x 70% – Z + Land Adjustment

Note:

NAV means the net asset value of the Project Company as at Completion, which shall be determined based on the audited accounts of the Project Company as at Completion to be prepared by JV Partner A or its advisers provided that there shall not be any re-valuation of the properties and assets owned by the Project Company.

Land Value means the valuation of the Original Lands agreed upon by the JV Partners, being RMB688 million (approximately HK\$764.4 million).

Land Adjustment means the increase or decrease in the Total Selling Price. If the total saleable construction area of the New Land exceeds or is less than 720,113 sq.m., the Land Adjustment shall be determined in the following manners:

- (i) if exceeding 720,113 sq.m., RMB668.74 per extra square meter shall be added to the Total Selling Price; or
- (ii) if falling below 720,113 sq.m., meter, RMB668.74 per square meter of shortfall shall be deducted from the Total Selling Price.

The Land Adjustment amount is subject to a cap of RMB80 million (approximately HK\$88.9 million).

Z means the Loan from JV Partner C as at Completion. As at 31 March 2020, the Loan from JV Partner C amounting to approximately RMB420.9 million (approximately HK\$467.7 million) according to the unaudited accounts of the Project Company.

The Tranche A Selling Price and the Tranche B Selling Price equal to 57.14% (being 40% out of 70%) and 42.86% (being 30% out of 70%) of the Total Selling Price respectively. 57.14% and 42.86% represent the relative proportion of the Tranche A Sale Share and the Tranche B Sale Share to the Total Sale Shares, respectively.

The Total Selling Price was determined after arm's length negotiation between the JV Partners with reference to the financial position and business prospects of the JV Company and the development potential of the New Land. Under the Shares Transfer Agreement, the Tranche A Selling Price, the Loan from JV Partner A and operating expenses to be reimbursed by JV Partner A (as mentioned below) shall be capped at RMB331.2 million (approximately HK\$368.0 million).

- Reimbursement of operating expenses: JV Partner A and JV Partner B severally agree to reimburse the Project Company for its operating expenses from the date of the Shares Transfer Agreement and up to the Completion subject to a cap of approximately RMB1.14 million (being 57.14% of RMB2 million) and approximately RMB0.86 million (being 42.86% of RMB2 million) respectively. If the Completion takes place later than 31 December 2020, the amount to be reimbursed shall be subject to mutual agreement by the JV Partners.
- Shareholders' loans: JV Partner A and JV Partner B shall respectively lend the Loan from JV Partner A and the Loan from JV Partner B to the Project Company to finance the repayment to JV Partner C by the Project Company of the Loan from JV Partner C as at Completion. The Loan from JV Partner A and the Loan from JV Partner B represent 57.14% (being 40% out of 70%) and 42.86% (being 30% out of 70%) of the Loan from JV Partner C as at Completion. The Loan from JV Partner A and the Loan from JV Partner B shall be paid to the Project Company within seven working days after the Payment Conditions (b) and (c) (as mentioned below in the paragraph headed "Payment terms") are satisfied. Each of the Loan from JV Partner A and the Loan from JV Partner B shall be for a term of two years and interest bearing at an annual interest rate based on the prevailing bank interest rate.
- Conditions precedent: Completion shall take place one day after the fulfilment of the following conditions (or waiver of the following conditions by JV Partner A):
- (i) the completion of the registration of changes in shareholding of the JV Company by the relevant governmental authority and the obtaining of the renewed business licence of the JV Company;

- (ii) all the representations and warranties given by JV Partner C and the JV Company under the Shares Transfer Agreement and other related transaction documents are true, accurate and complete in all material respects and JV Partner C and the JV Company have not breached any terms of the Shares Transfer Agreement; and
- (iii) the Land Exchange has been completed.

Land Exchange:

As at the date of this announcement, the Project Company owns the Original Lands. With a view to obtaining land with better quality, the Project Company intends to acquire the New Land from Xiangtan Authority in consideration of transferring the Original Lands to Xiangtan Authority by way of Land Exchange. The New Land has a total site area of 266,668 sq.m., and is situated near the Original Lands and around the west of Binjiang Road, the south of Binjiang Garden Project and the north of Beijin College Project in Xiangtan City of Hunan Province, the PRC (中國湖南省湘潭市濱江路以西、濱江花園項目以南、北津學院項目以北). The New Land has a land use right of 70 years for residential use. The New Land is expected to be of the same or more favourable development conditions (such as plot ratio), planning conditions and valuation as those of the Original Lands with a net site area not less than that of the Original Lands.

As at the date hereof, one of the parcel of the Original Lands, namely the Original Land No. 1, is mortgaged to the Lender under a mortgage (the “**Existing Mortgage**”) to secure the repayment of loans to the Lender totalled at RMB155 million (approximately HK\$172.2 million) (the “**Mortgaged Loan**”). The Mortgaged Loans were lent to the Borrowers.

Prior to the consummation of the Land Exchange, the Existing Mortgage has to be released. Under the Shares Transfer Agreement:

- (i) JV Partner A, the Company and Mr Shi (collectively the “**Guarantors**”) are required to give a guarantee to the Lender (the “**Guarantee**”) to guarantee the repayment of the Mortgaged Loan to the Lender so as to facilitate the release of the Existing Mortgage by the Lender. The maximum liability under the Guarantee is capped at RMB155 million (approximately HK\$172.2 million);
- (ii) JV Partner C shall provide counter-guarantee in favour of the Guarantors to indemnify the Guarantors all their costs, damages and liabilities under the Guarantee; and
- (iii) the affiliate of the JV Partners, namely Yibang, shall provide mortgage of certain land to be acquired by it in favour of the Lender so as to facilitate the release of the Guarantee by the Lender.

The Group is not required to furnish any considerations for Mr. Shi’s giving of the Guarantee, nor to furnish any consideration to Yibang for its provision of the aforesaid mortgage.

Under the Shares Transfer Agreement, the release of the Guarantee is one of the Payment Conditions to be fulfilled before payment of the second installment payment of the Total Selling Price (as mentioned below in the paragraph headed “Payment terms”). If the Guarantors have incurred any obligations, liabilities and/or expenses (the “**Incurred Amount**”) under the Guarantee, JV Partner C shall reimburse the Guarantors the Incurred Amount forthwith. JV Partner A is entitled to set off the Incurred Amount against the second installment payment of the Tranche A Selling Price payable by JV Partner A to JV Partner C and to require JV Partner B to pay any portion of the second installment payment of the Tranche B Selling Price to JV Partner A instead of JV Partner C to the extent that the Incurred Amount can be reimbursed in full.

Payment terms:

The Total Selling Price shall be paid in cash in the following two installments:

- (i) First installment

The first installment payment shall be equal to the net assets value of the Project Company as at 31 March 2020 as shown in its unaudited accounts, which amounted to approximately RMB22.8 million (approximately HK\$25.3 million) (the “**Total First Installment**”). JV Partner A shall pay an amount equal to 57.14% (equals to 40% out of 70%) of the Total First Installment amounting to approximately RMB13.0 million (approximately HK\$14.4 million). JV Partner B shall pay an amount equal to 42.86% (being 30% out of 70%) of the Total First Installment amounting to approximately RMB9.8 million (approximately HK\$10.9 million). The Total First Installment is payable within seven working days after the Land Exchange has been completed.

(ii) Second installment

The second installment payment (the “**Total Second Installment**”) shall be the Total Selling Price as finally determined minus the Total First Installment, which is payable within seven working days after the fulfilment of the following conditions (the “**Payment Conditions**”):

- (a) the Guarantors have been released from the Guarantee;
- (b) the Completion has taken place; and
- (c) the Land Exchange has been completed.

JV Partner A shall pay an amount equal to 57.14% (equals to 40% out of 70%) of the Total Second Installment. JV Partner B shall pay an amount equal to 42.86% (being 30% out of 70%) of the Total Second Installment.

THE JV AGREEMENT

Date: 12 August 2020

Parties: JV Partner A, as a joint venture partner

JV Partner B, as a joint venture partner

JV Partner C, as a joint venture partner

- Scope of business of the JV Company: The JV Company and its wholly owned subsidiary (namely the Project Company) (collectively the “**JV Group**”) shall be principally engaged in the property development project in respect of the New Land. The New Land is expected to have a total site area of around 266,668 sq.m. with a total saleable construction area of around 720,113 sq.m., and a land use right of 70 years for residential use.
- Funding Requirements: As at the date of this announcement, the registered capital of the JV Company is RMB30 million, which has been fully paid up. Upon Completion, the said registered capital will be owned as to 40% by JV Partner A, 30% by JV Partner B and 30% by JV Partner C. It is expected that apart from the loans from JV Partner A and JV Partner B mentioned above, the JV Group will meet the funding need for the property development project in respect of the New Land by its internal resources and external borrowing. Hence, the Company expects that apart from its Loans to the JV Company as mentioned above, it is not required to make any capital contribution nor financial assistance to the JV Group.
- Corporate Governance: The board of directors of the JV Company (the “**JV Board**”) will comprise three directors (the “**JV Directors**”). JV Partner A shall have the right to nominate one JV Director, who shall also act as chairman of the JV Board. JV Partner B have the right to nominate one JV Director. JV Partner C have the right to nominate one JV Director, who shall also act as vice chairman of the JV Board. Each JV Director has the same voting power at meeting of the JV Board. Apart from certain important corporate matters (such as (i) changes in business or investment plan, or the articles of association of the JV Company, (ii) approval of annual budget, dividend distribution, connected transactions between the JV Company and its shareholders, major acquisition, giving of guarantee, financing plan, project cost budget or repayment of shareholder’s loan, (iii) increase or decrease of registered capital, (iv) merger, amalgamation, demerger or dissolution of the JV Company, and etc.) requiring the unanimous approval of all the JV Directors, approvals at the meeting of the JV Board shall be obtained based on the simple majority of the votes cast by the JV Directors.

The voting power of the shareholders of the JV Company shall be proportional to their respective shareholding interests in the JV Company. Apart from certain important corporate matters (such as (i) changes in business strategies, investment plan, directors or the articles of association of the JV Company, (ii) approval of annual budget, dividend distribution, (iii) increase or decrease of registered capital, (iv) merger, amalgamation, demerger or dissolution of the JV Company, and etc.) requiring the unanimous approval of all the shareholders of the JV Company, approvals at shareholders' meeting of the JV Company shall be obtained based on the two-third majority of the votes cast by the shareholders of the JV Company.

Restrictions on transfer and pledging: If any shareholder of the JV Company proposes to transfer its shareholding interest to any third party, the other shareholders of the JV Company shall have the pre-emptive right to acquire such shareholding interest. None of the shareholders of the JV Company is allowed to pledge or otherwise create any encumbrance in respect of its shareholding interests in the JV Company without the prior consents of all other shareholders.

INFORMATION OF THE JV GROUP

The JV Company was established on 25 May 2020. The Project company was established on 18 November 2009. The unaudited net asset value of the JV Company as at 31 July 2020 is approximately RMB22.5 million. The unaudited net profit before and after taxation of the JV Company for the seven months ended 31 July 2020 were approximately RMB8.5 million and RMB8.5 million respectively, which was mainly arising from the receipt of governmental compensation for land development.

The JV Company and its wholly owned subsidiary, namely the Project Company, (collectively the “**JV Group**”) are principally engaged in property development. As at the date of this announcement, the Project Company holds the Original Lands. The JV Group have not commenced any substantive business operation apart from the holding of the Original Lands. The Project Company intends to acquire the New Land from Xiangtan Authority in consideration of transferring the Original Lands to Xiangtan Authority by way of Land Exchange. After the obtaining of the New Land, the JV Group will carry out a property development project in respect of the New Land.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARES TRANSFER AGREEMENT AND THE JV AGREEMENT

The Directors consider that the New Land has attractive development potential. The Board considers that the terms of the Shares Transfer Agreement and the JV Agreement are normal commercial terms, fair and reasonable and in the interests of JV Partner A and the Shareholders as a whole.

INFORMATION ON THE GROUP AND OTHERS

The Company is an investment holding company. The Group is principally engaged in property development, leasing and hotel operation in the PRC.

JV Partner A is principally engaged in real estate development. JV Partner A is a 90%-owned subsidiary of the Company, and the remaining 10% interest in JV Partner A is owned by Hangzhou Xiaoshan Yunzhongxia Decoration Co. Limited (杭州蕭山雲中霞裝飾有限公司), which is in turn owned as to 40% by Chen Junmin (陳軍民) and as to 60% by Qi Xiaomin (戚小敏) (“Ms. Qi”). As Ms. Qi has control of 10% interest in JV Partner A, she is a connected person of the Company, but is at subsidiary level only.

JV Partner B is principally engaged in tourist resources development. JV Partner B is ultimately owned by Chen Dandan (陳丹丹) as to 50% and Dai Fangguo (戴方國) as to 50%.

JV Partner C is principally engaged in investment management, hotel management, financial management, and technical consulting and services. JV Partner C is ultimately owned by Li Shufu (李書福) as to 90% and Li Xingxing (李星星) as to 10%.

Xiangtan Authority is a governmental department of Xiangtan City of Hunan Province, the PRC (中國湖南省湘潭市), which is authorised by the PRC government to dispose of state-owned lands. The Lender is principally engaged in financial services. The Lender is ultimately owned by the Ministry of Finance of the PRC. Borrower A is principally engaged in the sales of commercial and passenger vehicles, distribution of building and raw materials and etc. Borrower A is ultimately owned by Tong Jiangliang (童江亮) as to 90% and Lu Xingzhong (陸興忠) as to 10%. Borrower B is principally engaged in the production of electronics. Borrower B is ultimately owned by Hangzhou Xiaoshan Fuyuan Glassware Factory (杭州蕭山富源玻璃器皿廠) as to 84.55% and the Inter-American Trade Group (泛美貿易集團) as to 15.45%. Yibang is principally engaged in real estate development. Yibang is ultimately owned as to 30% by JV Partner B, as to 30% by JV Partner C, and as to 40% by a company which is controlled by Ms. Qi and is collectively owned by Chen Junmin (陳軍民) and Ms. Qi.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, and each of JV Partner B, JV Partner C, Xiangtan Authority, the Lender, the Borrowers and their ultimate beneficial owners are third party independent of, and not connected with, the Company and its connected persons.

LISTING RULES IMPLICATIONS

As the highest Applicable Percentage Ratio for the Shares Transfer Agreement and the JV Agreement as a whole is more than 5% but less than 25%, the entering into the Shares Transfer Agreement and the JV Agreement as a whole constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Applicable Percentage Ratio”, and “connected person(s)”	have the meanings ascribed to them under the Listing Rules;
“Board”	the board of Directors;
“Borrower A”	Zhejiang Zhongyu (Holding) Group Co. Limited (浙江中譽(控股)集團有限公司), a company established in the PRC with limited liability;
“Borrower B”	Hangzhou Zhenqi Electric Co. Limited (杭州珍琪電器有限公司), a company established in the PRC with limited liability;
“Borrowers”	Borrower A and Borrower B;
“Company”	Zhong An Group Limited (眾安集團有限公司), a company incorporated with limited liability in the Cayman Islands and the ordinary shares of which are listed on the Main Board of the Stock Exchange;

“Completion”	the completion of the Shares Transfer Agreement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JV Agreement”	the cooperation and development agreement dated 12 August 2020 entered into among the JV Partners governing the management and corporate affairs of the JV Company and the Project Company;
“JV Company”	Shanghai Mingji Yuxing Enterprise Management Co., Limited (上海銘極與星企業管理有限公司), a company established in the PRC with limited liability;
“JV Partner A”	Zhong An Group Co., Limited (衆安集團有限公司), a company established in the PRC with limited liability and a 90%-owned subsidiary of the Company;
“JV Partner B”	Taizhou Huangyan Yibang Travel Development Co. Limited (台州市黃岩億邦文旅發展有限公司), a company established in the PRC with limited liability;
“JV Partner C”	Ming-tai Investment development Group Co. Limited (銘泰投資發展集團有限公司), a company established in the PRC with limited liability;
“JV Partners”	JV Partner A, JV Partner B and JV Partner C;
“Lender”	Zhejiang Branch of China Huarong Asset Management Co. Limited (中國華融資產管理股份有限公司浙江省分公司), a company established in the PRC with limited liability;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Loan from JV Partner A”	the shareholder’s loan to be lent by JV Partner A to the Project Company under the Shares Transfer Agreement;

“Loan from JV Partner B”	the shareholder’s loan to be lent by JV Partner B to the Project Company under the Shares Transfer Agreement;
“Loan from JV Partner C”	the shareholder’s loan from JV Partner C to the Project Company from time to time prior to the Completion;
“Mr. Shi”	Mr. Shi Kancheng (alias Shi Zhongan) is the Director of the Company and the Chairman of the Board, and indirectly holds a 57.97% interest in the Company and is a connected person of the Company;
“New Land”	the land parcel with a total site area of around 266,668 sq.m. situated at or around the West of Binjiang Road, the south of Binjiang Garden Project and the north of Beijing College Project in Xiangtan City of Hunan Province, the PRC (中國湖南省湘潭市濱江路以西、濱江花園項目以南、北津學院項目以北);
“Original Land No.1”	the land parcel with a total site area of 135,123 sq.m. situated at Jiuhua demonstration area, the west of Xiangjiang River and the north of Planning Road, Xiangtan City of Hunan Province, the PRC (中國湖南省湘潭市九華示範區湘江以西，規劃道路以北);
“Original Lands”	the four land parcels with a total site area of 266,668 sq.m. situated at Economic Development Area, the west of Binjiang Road and the north of Chuanxingshan Road, Xiangtan City of Hunan Province, the PRC (中國湖南省湘潭市經濟開發區濱江路以西，船形山路以北), which include Original Land No.1;
“PRC”	People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Project Company”	Hunan Xiangjiang Real Estate Development Co. Limited (湖南湘江房地產開發有限公司), a company established in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	holders of the ordinary share(s) in the share capital of the Company;

“Shares Transfer Agreement”	the shares transfer agreement dated 12 August 2020 entered into amongst the JV Partners for the sale and purchase of the Total Sale Shares;
“sq.m.”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Total Selling Price”	the Tranche A Selling Price and the Tranche B Selling Price;
“Total Sale Shares”	the Tranche A Sale Share and the Tranche B Sale Share;
“Tranche A Sale Share”	the registered capital of the JV Company to be purchased by JV Partner A under the Shares Transfer Agreement;
“Tranche B Sale Share”	the registered capital of the JV Company to be purchased by JV Partner B under the Shares Transfer Agreement;
“Tranche A Selling Price”	the selling price payable by JV Partner A to JV Partner C for the acquisition of the Tranche A Sale Share;
“Tranche B Selling Price”	the selling price payable by JV Partner B to JV Partner C for the acquisition of the Tranche B Sale Share;
“Xiangtan Authority”	the relevant governmental department of Xiangtan City of Hunan Province, the PRC (中國湖南省湘潭市), which is authorised by the PRC government to dispose of state-owned lands;
“Yibang”	Taizhou Zhongan Yibang Real Estate Development Co. Limited (台州眾安億邦房地產開發有限公司), a company established in PRC with limited liability; and
“%”	per cent.

For the purposes of this announcement, an exchange rate of HK\$1 = RMB0.90 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such rate.

By order of the Board
Zhong An Group Limited
Shi Kancheng
Chairman

The PRC, 12 August 2020

As at the date of this announcement, the Board comprises five executive directors, namely Mr Shi Kancheng (alias Shi Zhongan) (Chairman), Mr Zhang Jiangan (Chief Executive Officer), Ms Shen Tiaojuan, Ms Jin Ni and Ms Shi Jinfan; and three independent non-executive directors, namely Professor Pei Ker Wei, Dr Loke Yu (alias Loke Hoi Lam) and Mr Zhang Huaqiao.

* *for identification purposes only*