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EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤中國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

INSIDE INFORMATION LETTER OF INTENT IN RELATION TO THE POTENTIAL DISPOSAL

POTENTIAL DISPOSAL

The Board hereby announces that on 13 December 2021 (after the trading hours of the Stock Exchange), the Vendor, a direct wholly-owned subsidiary of the Company, entered into a non-legally binding Letter of Intent with the Purchasers, an independent third party, in relation to the Potential Disposal of the Target Company.

The Board wishes to emphasise that no legally-binding agreement in relation to the Potential Disposal has been entered into as at the date of this announcement. The Potential Disposal is subject to the signing of the Formal Agreement. If the Potential Disposal materialises, the transaction will constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company in accordance with applicable requirements of the Listing Rules as and when appropriate.

As no legally-binding agreement with respect to the Potential Disposal has been entered into, the Potential Disposal may or may not proceed. Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the shares of the Company.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE LETTER OF INTENT

The Board hereby announces that on 13 December 2021 (after the trading hours of the Stock Exchange), EverChina Hotel Investment Limited, a direct wholly-owned subsidiary of the Company (the “**Vendor**”), entered into a non-legally binding letter of intent (the “**Letter of Intent**”) with the Purchasers, an Independent Third Party, in relation to the Potential Disposal. The principal asset of the Target Company is the Target Properties.

Set out below is a summary of principal terms of the Letter of Intent

Date

13 December 2021

Parties

- (i) The Purchasers; and
- (ii) the Vendor

Subject matters

The entire issued share capital in the Target Company and the Target Properties owned by the Target Company.

Consideration

The Vendor and the Purchasers initially agreed that the consideration for the Target Properties is approximately RMB410,000,000 (equivalent to approximately HK\$494,050,000) subject to the adjustment. Upon signing of the Letter of Intent, the Purchaser 1 shall pay a sum of RMB5,000,000 (equivalent to approximately HK\$6,025,000) as earnest money (the “**Earnest Money**”). In the event that the Formal Agreement is entered into by the Vendor and the Purchasers and the first part of the consideration for the Potential Disposal is received, the Earnest Money shall be returned to the Purchaser 1 within five (5) working days (without interest).

In the event that the Vendor and the Purchasers fail to reach the Formal Agreement within the Exclusivity Period (as defined below), the Earnest Money shall be returned to the Purchaser 1 within 5 working days upon receipt of a notice of termination from the Purchasers (without interest).

Due diligence review

The Purchaser shall complete due diligence review on the Target Company and the Target Properties within twenty (20) working days after the date of signing of the Letter of Intent. The Vendor shall provide all necessary assistance for the due diligence review.

Exclusivity

The Purchasers shall be entitled to an exclusivity period of fifty (50) working days from the date of signing the Letter of Intent (or such other later date as may be agreed by the parties in writing) (the “**Exclusivity Period**”).

During the Exclusivity Period, the Vendor (including its shareholders, significant controllers, directors, employees, representatives and agents) shall not directly or indirectly (1) discuss or negotiate with any third party or sign any letter of intent, memorandum or agreement with respect to any direct or indirect sell (including disposal of asset, direct or indirect disposal of equity interest), transfer, participate in or other similar transactions of the Target Properties or Target Company; (2) provide any information to any third party (except the Purchasers or its agent or representative) about the Target Properties; or (3) consider or solicit any offer from any third party relating to the Target Properties.

Binding effect

The Board wishes to emphasise that the Potential Disposal is subject to, among other things, the signing of Formal Agreement, the terms and conditions of which are yet to be agreed.

The Letter of Intent is not legally binding on the parties in respect of the consummation of the Potential Disposal and/or the entering into of the Formal Agreement. Save for this, the Letter of Intent is legally binding on the parties in respect of the Earnest Money, the due diligence review, exclusivity, termination, confidentiality, validity and governing law and jurisdiction.

REASONS AND BENEFITS FOR ENTERING INTO THE LETTER OF INTENT

The Group acquired the Target Company and the Target Properties in 2014 at the consideration of RMB450,000,000 (equivalent to approximately HK\$542,250,000). The Target Properties has been used for the Group’s hotel operation, namely Express by Holiday Inn Wujiaochang Shanghai. The unaudited carrying value of the Target Properties was approximately HK\$462,469,000 (equivalent to approximately RMB383,790,000) as at 30 September 2021.

The worldwide prevalence of the COVID-19 pandemic has affected every sector across the globe, and the hotel hospitality business is among the hardest hit. In order to minimise the negative impacted caused by the COVID-19 outbreak, the Hotel participates the medical observation program organised by the Health Commission of Yangpu District, Shanghai and becomes quarantine hotel by the end of March 2020. As mentioned in the interim results for the six months ended 30 September 2021, the time required for full recovery is still uncertain, it is of the view that the COVID-19 pandemic has increased the investment risk in the Group’s hotel operation. The Directors have undertaken strategic reviews of the Group’s assets from time to time with a view to maximising returns to the Shareholders

while reducing business risks exposure of the Company. The Directors consider that the current market presents a good opportunity for the Company to unlock the value of the Target Company and the Target Properties at the fair market value.

It expects the majority of the net proceeds from the Potential Disposal will be used for the repayment of the Group's other borrowing and amount due to a related company, thereby reducing the Group's liabilities and interests expenses. The Board considers that the entering into of the Letter of Intent and the Potential Disposal are in the interests of the Company and the Shareholders as a whole.

GENERAL

Information on the Target Company and the Target Properties

Loyal Rich is a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Vendor and acts as an investment holding company. The major asset is the Target Properties and the entire equity interest in 天富(上海)酒店管理有限公司 (Tian Fu (Shanghai) Hotel Management Company Limited*) (“**Tian Fu**”). The Target Properties are located in 1729 and 1737 Huang Xing Road, Yangpu District, Shanghai, the PRC. The Hotel is operated by Tian Fu and managed by InterContinental Hotels Group (Shanghai) Limited. It is currently served as a quarantine hotel.

Information relating to the Purchasers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers are companies incorporated in the PRC with limited liability. Purchaser 1 is principally engaged in investment consulting; investment management; economic information consulting; asset management and business management consulting. Purchaser 2 is principally engaged in investment consulting, business management consulting, international economic information consulting, business information consulting.

Listing Rules Implications

As at the date of this announcement, the terms and conditions of the Potential Disposal are still being negotiated and no definitive agreement or other legally binding agreement has been entered into. The Potential Disposal, if materialises, may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

The Board wishes to emphasise that the Potential Disposal is subject to the signing of the Formal Agreement. Therefore, the Potential Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Carpark”	A 2-storey carpark with a gross floor area of 18,329.46 sq. m., located in Basement 2 & 3, 1737 Huang Xing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, the PRC
“Company”	EverChina Int’l Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement which may be entered into between the Vendor and the Purchasers in relation to the Potential Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel”	Holiday Inn Express Shanghai Wujiaochang, a 20-storey hotel with a gross floor area of approximately 15,949.09 sq. m., located in Levels 1–20, 1729 Huang Xing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, the PRC
“Independent Third Party”	third party who is independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Potential Disposal”	the Potential disposal of the Target Company and the Target Properties by the Vendor to the Purchasers pursuant to the Letter of Intent

“PRC”	the People’s Republic of China (which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchaser 1”	a company incorporated in the PRC with limited liability, and it is principally engaged in investment consulting, investment management, economic information consulting asset management and business management, an Independent Third Party
“Purchaser 2”	a company incorporated in the PRC with limited liability, and it is principally engaged in investment consulting, business management consulting, international economic information consulting and business information consulting, an Independent Third Party
“Purchasers”	collectively, Purchaser 1 and Purchaser 2
“RMB”	Renminbi
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Loyal Rich”	Loyal Rich International Investment Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Target Properties”	the Hotel and the Carpark
“working day(s)”	the trading day(s) of stocks on the stock market of the PRC, being Monday to Friday (other than Saturday, Sunday and public holiday)
“%”	per cent.

For the purpose of this announcement, the conversion rate of RMB to HK\$ is set at the rate of RMB1 for HK\$1.205.

** For identification purpose only*

By order of the Board of
EverChina Int'l Holdings Company Limited
Lam Cheung Shing, Richard
Chief Executive Officer and Executive Director

Hong Kong, 13 December 2021

As at the date of this announcement, the executive Directors are Mr. Jiang Zhaobai, Mr. Lam Cheung Shing, Richard and Mr. Chen Yi, Ethan and the independent non-executive Directors are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Ng Ge Bun.