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## ZH INTERNATIONAL HOLDINGS LIMITED

### 正恒國際控股有限公司

*(formerly known as Heng Fai Enterprises Limited)*

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 185)**

### CONTINUING CONNECTED TRANSACTIONS MASTER SERVICES AGREEMENT

On 22 December 2015, the Company and Zensun Development entered into the Master Services Agreement in respect of the Transactions.

As Zensun Development is beneficially wholly-owned by Mr. Zhang and Mr. Zhang is an executive Director and the spouse of Ms. Huang, the controlling Shareholder of the Company interested in approximately 66.52% of the issued share capital of the Company, Zensun Development is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under the Listing Rules. Given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Transactions calculated with reference to the Annual Caps is more than 5% and the Annual Caps exceed HK\$10,000,000, the Master Services Agreement, the Transactions and the Annual Caps are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the EGM for the purpose of seeking approval from the independent Shareholders on the Master Services Agreement, the Transactions and the Annual Caps. An independent board committee has been established by the Company to consider the Master Services Agreement, the Transactions and the Annual Caps, and to advise the independent Shareholders as to whether the Master Services Agreement, the Transactions and the Annual Caps are in the interests of the Company and the Shareholders as a whole. An independent financial adviser has been appointed to advise the independent board committee of the Company and the independent Shareholders in this regard.

A circular containing (i) further information on the Master Services Agreement, the Transactions and the Annual Caps; (ii) a letter of recommendation from the independent board committee of the Company to the independent Shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the independent Shareholders; and (iv) the notice of the EGM, is expected to be despatched to the Shareholders on or around 15 January 2016.

## **INTRODUCTION**

On 22 December 2015, the Company and Zensun Development entered into the Master Services Agreement in respect of the Transactions.

The principal terms of the Master Services Agreement are set out below.

## **THE MASTER SERVICES AGREEMENT**

### **Background**

In the ordinary course of their businesses, the Group wishes to obtain the Services from the Zensun Development Group and may from time to time enter into new arrangements in relation to the Transactions with the Zensun Development Group.

### **Date**

22 December 2015

### **Parties**

- (1) the Company; and
- (2) Zensun Development

### **General terms for the Transactions**

Under the Master Services Agreement, Zensun Development agrees to provide, or procure its subsidiaries to provide the Services to the Group. During the term of the Master Service Agreement, relevant members of the Group may from time to time enter into Definitive Agreement(s) with relevant members of the Zensun Development Group in relation to the provision of the Services by the Zensun Development Group to the Group upon, and subject to, the terms and conditions of and in compliance with the Master Services Agreement as may be agreed between relevant members of the Group and relevant members of the Zensun Development Group.

With effect from the Effective Date, the Transactions shall be conducted:

- (a) in the usual and ordinary course of business of the Group and Zensun Development Group;
- (b) On the basis of the service plan prepared by the Company and confirmed by both parties to the Master Services Agreement;
- (c) on an arm's length basis or on terms no less favourable to the Group than terms available from (as appropriate) independent third parties of the Company; and
- (d) in compliance with all applicable provisions of the Listing Rules, the Annual Caps, the applicable laws, the Master Services Agreement and the relevant Definitive Agreement(s).

## **Services to be provided**

The Services to be provided by the Zensun Development Group to the Group include (i) the Contracting Services and (ii) such other types of services the Company and Zensun Development may agree upon from time to time in writing.

## **Conditions Precedent**

The Master Services Agreement is conditional on, among other matters, the approval by the independent Shareholders of the Master Services Agreement and the Transactions at the EGM.

## **Duration**

The Master Services Agreement shall commence on the Effective Date, and shall continue up to and including 31 December 2018 (the “Initial Term”), unless terminated earlier in accordance with the Master Services Agreement. Subject to compliance with the then relevant requirements of the rules of any stock exchange to which either party to the Master Services Agreement is subject to, including, but not limited to, the Listing Rules (such as obtaining independent Shareholders’ approval for the renewed Master Services Agreement and the relevant annual caps if any), or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Initial Term or subsequent renewal term (where applicable), the Master Services Agreement will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the Master Services Agreement.

## **Pricing policy**

The consideration for each Definitive Agreement will be determined in the following manners:

### *Provision of Services from the Zensun Development Group to the Group*

For the provision of construction, engineering and related services under each Definitive Agreement, the member(s) of the Zensun Development Group where it is selected following the relevant tender processes, shall provide construction and related services according to the tender documents and construction contracts to be signed between the member(s) of the Zensun Development Group and the Group from time to time. The amount of fees payable by the Group for the Contracting Services shall be based on the fee quotes to be submitted by the member(s) of the Zensun Development Group under the relevant tendering process which will be subject to the selection procedures set out in “Selection Process of Construction Companies” below.

The Transactions to be carried out pursuant to the Master Services Agreement will be paid for and settled in cash or by method(s) otherwise agreed by the Group and the Zensun Development Group pursuant to the relevant Definitive Agreement. The relevant payment and settlement terms shall not be under terms less favorable than the market terms available to the Group from independent third parties.

### *Historical transaction amounts*

As at the date of this announcement, there was no Services provided by the Zensun Development Group to the Group.

### *Annual Caps*

The Company expects that the Annual Caps in respect of the Transactions for each of the three financial years ending 31 December 2018 will be as follows:

<b>For the financial year ended 31 December</b>		
<b>2016</b>	<b>2017</b>	<b>2018</b>
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
92,000,000	36,000,000	15,000,000

Each of the Annual Caps has been determined with reference to the projected quantity of Services that relevant members of the Zensun Development Group and the relevant members of the Group would be engaged to undertake or invited for tendering in the next three financial years.

The above-mentioned projected figures are determined based on foreseeable future demand for the Services and possible expansion of the existing and future projects of the members of the Group so far as known to the Directors and on the principal assumptions that, for the duration of the projected period, (i) member(s) of the Zensun Development Group will win the tenders in relation to the Contracting Services; and (ii) there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and/or the Zensun Development Group.

### *Selection Process of Construction Companies*

Under the Tendering and Bidding Law (招標投標法) and the Measures for the Bid Invitation and Bid Tendering for Construction and Engineering Projects (工程建設項目施工招標投標辦法), tenders are classified into public tenders and invitation tenders. For public tenders, a tender announcement shall be published on the newspapers and information network designated by the PRC government to invite unspecified legal persons or other organizations.

For invitation tenders, the tenderer shall issue tender invitations to at least three specified legal persons or other organizations with the capability to undertake construction projects in respect of the tender as well as good reputation and credibility.

Under the requirements of the relevant PRC laws and regulations, for a project for which a tender must be made in respect of construction works, if the number of bidders submitting tender documents is less than three, the tenderer shall make a new tender after analyzing the reason for the failure of the tender and adopt corresponding measures in accordance with the law. If the number of bidders for the new tender is still less than three, the tenderer may decide not to make the tender again with the approval of the competent authority if the project is a construction project subject to approval, or may decide on its own not to make the tender again for other construction projects.

In selecting our potential bidders, including the member(s) of the Zensun Development Group, for a project, the Group will consider, among others, the following factors: their relevant industry experience in completing project developments of comparable size and type, their fee quotes, after-services to be offered, the quality of construction work, compliance with the construction schedules, the types of qualification licences that they hold and the sizes and composition of their management teams.

The member(s) of the Zensun Development Group will be selected based on independent assessments by the members of the assessment committees of the relevant tender bureau, taking into account various factors, including, but not limited to, its fee quote, construction schedule, quality of construction work, construction plan, allocation of manpower and safety measures and standard.

As a bidder may not be selected if the fee quote is not within a reasonable range and that if the terms offered by the member(s) of the Zensun Development Group are on terms no less favourable than those offered by other independent third party construction companies, with the overall terms and services offered by the member(s) of the Zensun Development Group taking into account, the Directors (including independent non-executive Directors) will consider that the Construction Services to be provided by the member(s) of the Zensun Development Group to the Group are on normal commercial terms during the Initial Term.

### **Reasons for and benefits of the Master Services Agreement**

The Directors (including independent non-executive Directors) consider that Zensun Development and its subsidiaries possess the required qualifications and experience in carrying out the Services with good quality standard and the Master Services Agreement in respect of the Services which will provide a single basis on which the Company will seek prior independent Shareholders' approval of all the Transactions with the Zensun Development Group and thereby aiming to reduce the administrative burden on the Company to comply with the reporting and independent Shareholders' approval requirements under the Listing Rules in relation to the execution or renewal of agreements in respect of the Services.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Master Services Agreement have been negotiated on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the Transactions and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP AND THE ZENSUN DEVELOPMENT GROUP**

The Group is principally engaged in property development, property investment and trading, hotel operations and securities trading and investment in Hong Kong, the PRC and overseas.

So far as known to the Directors, the core businesses of the Zensun Development Group include property development, property management, Contracting Services and investment holdings.

## **LISTING RULES IMPLICATIONS**

As Zensun Development is beneficially wholly-owned by Mr. Zhang and Mr. Zhang is an executive Director and the spouse of Ms. Huang, the controlling Shareholder of the Company interested in approximately 66.52% of the issued share capital of the Company, Zensun Development is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under the Listing Rules. Given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Transactions calculated with reference to the Annual Caps is more than 5% and the Annual Caps exceed HK\$10,000,000, the Master Services Agreement, the Transactions and the Annual Caps are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the EGM for the purpose of seeking approval from the independent Shareholders on the Master Services Agreement, the Transactions and the Annual Caps. An independent board committee has been established by the Company to consider the Master Services Agreement, the Transactions and the Annual Caps, and to advise the independent Shareholders as to whether the Master Services Agreement, the Transactions and the Annual Caps are in the interests of the Company and the Shareholders as a whole. An independent financial adviser has been appointed to advise the independent board committee of the Company and the independent Shareholders in this regard.

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## DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“Annual Caps”	the maximum aggregate annual transaction amounts payable by the Group to the Zensun Development Group for the relevant Services for each of the three financial years ending 31 December 2018
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	ZH International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Contracting Services”	the provision of construction, engineering and related services by the relevant members of the Zensun Development Group to the relevant members of the Group, including but not limited to, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance, consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction and project management, supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installations of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services and electrical systems
“Definitive Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the Zensun Development Group from time to time in relation to any of the Transactions at any time during the term of and pursuant to the Master Services Agreement
“Director(s)”	the director(s) of the Company

“Effective Date”	1 January 2016, subject to the fulfillment of conditions precedent set out in the Master Services Agreement, which is set out in the subparagraph headed “Conditions Precedent” under the paragraph headed “The Master Services Agreement” in this announcement
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Master Services Agreement, the Transactions and the Annual Caps
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Term”	has the meaning set out in the sub-paragraph headed “Duration” under the paragraph headed “The Master Services Agreement” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Services Agreement”	the agreement in relation to the Transactions entered into between the Company and Zensun Development on 22 December 2015
“Mr. Zhang”	Mr. Zhang Jingguo, the chairman, executive Director and chief executive officer of the Company and a controlling Shareholder of the Company
“Ms. Huang”	Ms. Huang Yanping, the spouse of Mr. Zhang, the non-executive Director and a controlling Shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the Contracting Services and such other types of services the Company and Zensun Development may agree upon from time to time in writing
“Shareholders”	the holder(s) of share(s) of the Company



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance
“Transactions”	the transactions contemplated under the Master Services Agreement
“Zensun Development”	Henan Zensun Corporate Development Company Limited (河南正商企業發展有限責任公司), a company established under the laws of the PRC, which is beneficially wholly-owned by Mr. Zhang
“Zensun Development Group”	Zensun Development, its subsidiaries, and/or any other company in the equity capital of which Zensun Development and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors, and the subsidiaries of such company, and for the purpose of the Master Services Agreement, excludes members of the Group
“%”	per cent.

By Order of the Board  
**ZH International Holdings Limited**  
**Zhang Jingguo**  
*Chairman, Chief Executive Officer  
and Executive Director*

Hong Kong, 22 December, 2015

*As at the date of this announcement, the executive Directors are Mr. Zhang Jingguo, Mr. Zhang Guoqiang, Mr. Eric Jackson Chang; the non-executive Director is Ms. Huang Yanping and the independent non-executive Directors are Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao.*