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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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



建泉融資有限公司

VBG Capital Limited

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 18 to 19 of this circular. A letter from VBG Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 30 of this circular.

A notice convening the extraordinary general meeting of the Company (the "EGM") to be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 12 February 2016 at 9:30 a.m. is set out on pages 36 to 37 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

22 January 2016

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	18
Letter from VBG Capital	20
Appendix – General information	31
Notice of EGM	36

DEFINITIONS

The following expressions in this circular have the meanings set out below unless the content requires otherwise:

“Ancillary Services”	services which are ancillary but pertaining to the delivery of the Contracting Services, including but not limited to administration, payroll, human resources, disposal of construction wastes
“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
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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

DEFINITIONS

“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 circular
“EGM”	the extraordinary general meeting of the Company to be convened and held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 12 February 2016 at 9:30 a.m. for the purpose of considering and, if thought fit, approving 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
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, namely Dr. Liu Qiao, Mr. Liu Da and Mr. Ma Yuntao, formed to advise the Independent Shareholders in relation to the Master Services Agreement, the Transactions and the Annual Caps
“Independent Financial Adviser” or “VBG Capital”	VBG 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 appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Services Agreement, the Transactions and the Annual Caps
“Independent Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Initial Term”	has the meaning set out in the sub-paragraph headed “Duration” under the paragraph headed “The Master Services Agreement” in this circular
“Latest Practicable Date”	20 January 2016, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“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 circular, 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 the Ancillary Services
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“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

DEFINITIONS

“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.



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)

Executive Directors:

Mr. Zhang Jingguo
(Chairman and Chief Executive Officer)
Mr. Zhang Guoqiang
Mr. Eric Jackson Chang

Registered and principal office:

24/F., Wyndham Place,
40–44 Wyndham Street,
Central, Hong Kong

Non-executive Director:

Ms. Huang Yanping

Independent Non-executive Directors:

Dr. Liu Qiao
Mr. Liu Da
Mr. Ma Yuntao

22 January 2016

To the Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MASTER SERVICES AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The Board refers to the announcement of the Company dated 22 December 2015 in relation to the Master Services Agreement, the Transactions and the Annual Caps.

The purposes of this circular are, among other things: (i) to provide you with further details of the Master Services Agreement, the Transactions and the Annual Caps; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the matters set out in (i); (iii) to set out the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the

LETTER FROM THE BOARD

Independent Financial Adviser in relation to the matters set out in (i); and (iv) to give you the notice of the EGM at which an ordinary resolution will be proposed to approve the matters set out in (i).

THE MASTER SERVICES AGREEMENT

Background

With reference to the announcement of the Company dated 13 August 2015, the Group has made a successful bid for the land use right of a land parcel No. (2015) 39 in Zhengzhou City, Henan Province, the PRC (the “Land”) in August 2015.

In the ordinary course of their businesses and primarily in relation to the development of the Land, 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
- (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 Services 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 for development of the Land to be prepared by the Company and confirmed by both parties to the Master Services Agreement;

LETTER FROM THE BOARD

- (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) the Ancillary Services.

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. For the avoidance of doubt, the Company will not commence any services under the Master Services Agreement until approval has been sought from the Independent Shareholders. 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 which is selected following the relevant tender processes, shall provide construction and related services according to the tender documents and construction contracts to be

LETTER FROM THE BOARD

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.

For the provision of Ancillary Services under each Definitive Agreement, the amount of fees payable by the Group shall be based on the actual cost incurred by the Zensun Development Group and the Group will review the itemised cost budgets submitted by member(s) of the Zensun Development Group and compare such cost budgets with similar costs quoted by other independent construction contractors or service providers before engaging Zensun Development Group to ensure that they are on normal commercial terms and are no less favourable to the Company than those offered by other independent third parties.

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 Latest Practicable Date, there were 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 2016, 2017 and 2018 will be as follows:

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

As the Group expects to engage Zensun Development Group primarily for the construction of the Land, each of the Annual Caps has been determined with reference to the projected development schedule of the Land and the projected quantity of Services that relevant members of the Zensun Development Group would be engaged to undertake or invited for tendering in the next three financial years.

The above-mentioned projected figures are determined predominately based on foreseeable future demand for the Services so far as known to the Directors and

LETTER FROM THE BOARD

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.

According to the existing development plan of the Land, it is expected that construction of the Land will commence in early 2016 and be completed in late 2017 (the “**Construction Period**”). The Annual Caps are determined on the basis that member(s) of the Zensun Development Group will win the tenders in relation to the Contracting Services. The Annual Caps for the three years ending 31 December 2016, 2017 and 2018 are calculated primarily based on the expected proportion of the estimated total construction and engineering costs of the Land and related ancillary services payable in each of the respective years. Regarding the expected time table for the construction of the Land throughout the Construction Period, as the majority of the Services from members of the Zensun Development Group will be required in the earlier stage of development of the Land, the Annual Caps for the years ending 31 December 2016, 2017 and 2018 demonstrate a decreasing trend. Since the Annual Caps are calculated primarily based on the estimated total costs for the Services in the Construction Period which representing approximately 90% of the Annual Caps and such costs are subject to inflation and/or potential increase in market price and any unforeseeable changes on the construction project(s), the Board has based on their experience in the property construction industry in the PRC, included an additional approximate 10% buffer as variance of the cost of the Contracting Services and the fee for the Ancillary Services when calculating the Annual Caps for each of the three years ending 31 December 2016, 2017 and 2018.

The Directors (including independent non-executive Directors) are of the view that the proposed Annual Caps in relation to the Services and the underlying assumptions in respect of each of the above factors are fair and reasonable.

Selection Process of Construction Companies

Under the Bidding Law of the People’s Republic of China (中華人民共和國招標投標法) issued by the Standing Committee of the Ninth National People’s Congress (全國人民代表大會常務委員會) at the 11th Session on August 30, 1999 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) issued by National Development and Reform Commission, Ministry of Industry and Information, Ministry of Finance, Ministry of Housing and Urban-Rural Development, Ministry of Transport, Ministry of Railways, Ministry of Water Resources, State Administration of Radio, Film and Television, and Civil Aviation Administration of China (國家發展和改革委員會、工業和信息化部、財政部、住房和城鄉建設部、交通運輸部、鐵道部、水利部、國家廣播電影電視總局、中國民用航空局) on 11 March 2013, certain large-scale infrastructure and public works projects relating to social and public welfare and safety within the PRC, including the survey, design, engineering and supervision of such projects, as well as the procurement of major equipment and materials regarding engineering and construction, shall be subject to bidding. The Provisions on the Scope and

LETTER FROM THE BOARD

Threshold of Construction Projects for Bid Invitation (工程建設項目招標範圍和規模標準規定) and the Administrative Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures (房屋建築和市政基礎設施工程施工招標投標管理辦法), issued and effective on 1 June 2001, provide the specific requirements for bidding. For example, for any of the aforesaid projects, construction contracts of more than RMB2.0 million in value, procurement contracts of more than RMB1.0 million in value, service contracts of more than RMB0.5 million in value or total project investments of more than RMB30.0 million shall be subject to bidding. Tenders are classified into public tenders and invitation tenders. If a project utilizing funds totally from investment of state capital or such funds of which the state capital has a holding or dominating position, it shall be subject to public 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, an engineering project subject to examination and approval may carry out no bid invitation any more upon approval of the relevant government authorities that examined and approved the project; for any other engineering project, the tenderer may decide by itself not to invite tenders any more. As for the case of the proposed construction project for the development of the Land under the Master Services Agreement, it is subject to approval by Urban and Rural Construction Commission of Zhengzhou Municipality and the tenderer will award the construction contract to the bidder with the higher score from the score sheets prepared by the assessment committee based on the 100-Point scoring system with scoring criterion of quotation (60 points), construction planning, technical skills, quality and scheduling (35 points) and bidder's service commitment (5 points). If the member of the Zensun Development Group is the only bidder in the tender process, the Group will not award the construction contract to the bidder and will make a new tender until there are enough bidders in the tender process.

As for the case of the proposed construction project for the development of the Land under the Master Services Agreement, there will not involve any funding from state capital and the construction of the Land shall be subject to invitation tenders. 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.

LETTER FROM THE BOARD

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.

Corporate Governance Relating to the Transactions

The Directors are of the view that the interests of the Independent Shareholders will be adequately protected with regard to the above continuing connected transactions with Zensun Development Group for the following reasons:

1. The Group will adopt an independent mechanism with the following features to govern and monitor the selection process for our potential bidders:
 - (a) an internal tender review committee (the “**Internal Tender Review Committee**”), which comprises members appointed by the independent non-executive Directors and accountable to the independent non-executive Directors, will be responsible for reviewing the terms and conditions of tenders, which shall also comply with the requirements of the relevant governmental authorities. The members of the Internal Tender Review Committee will include the heads of the Group’s tendering and sourcing department and project management department, the general managers of the Group’s regional companies and the project managers of the Group’s property development projects. The appointment of the members of the Internal Tender Review Committee by our independent non-executive Directors will be based on nominations by the management team of the Group comprising three Directors, namely Mr. Zhang Jingguo, Mr. Zhang Guoqiang and Ms. Huang Yanping;
 - (b) objective criteria for identifying potential bidders, such as the price and quality of construction work, size of the project and construction schedule and services, will be prescribed by the Internal Tender Review Committee in relation to each of our project developments and such criteria must be approved by the independent non-executive Directors;
 - (c) the relevant project company will contact potential bidders and those which are interested in submitting a bids will provide the Group with information regarding their qualifications, industry experience and the sizes and composition of their management teams; and
 - (d) the relevant project company will be responsible for compiling a list of potential bidders in accordance with the prescribed criteria laid down by the Internal Tender Review Committee and the relevant project company will issue tender application documents to three to five selected construction companies with competent qualifications.

LETTER FROM THE BOARD

In the event that Zensun Development Group is chosen as one of the potential construction companies after the selection process described above and it submits a completed tender application document to the relevant project company, the relevant project company will submit Zensun Development Group's tender application document to the Internal Tender Review Committee for review and approval. The Internal Tender Review Committee will only approve Zensun Development Group's application if Zensun Development Group possesses competitive advantage in that particular construction project.

The bidder shall submit tender documents to the tenderer or the tendering agency appointed by it based on the tenderer instruction, main terms of the contract and standards and methods of tender evaluation. The assessment committee established by the tenderer is responsible for reviewing tenders. For a project for which a tender must be made in accordance with the applicable PRC laws and regulations, the assessment committee shall comprise representatives of the tenderer and experts in the areas of technology and finance. Under the requirements of the relevant PRC laws and regulations, the number of members of the experts in the assessment committee shall be an odd number no less than five and the experts in the areas of technology and finance shall not be less than two thirds of the total number of members. According to the Temporary Measures on the Experts and Pool of Experts for Assessment of Bids (評標專家和評標專家庫管理暫行辦法), the pool of experts must comprise at least 500 industry experts and the industry experts have the right to assess the bids independently in accordance with relevant rules without any interference. Industry experts in the pool of experts are required to possess certain qualifications under the relevant local tender laws and regulations. For example, industry experts must have a minimum of eight years' experience in the relevant professional field, be able to fulfill responsibilities with fairness, honesty and integrity, and be knowledgeable in the construction tender laws, regulations, rules and measures of the PRC and the local municipality. According to the Measures, the selected industry expert(s) will be replaced if he/she is found to have a conflict of interest. The assessment committee will select two to three bidders for recommendation to the tenderer and the tenderer will award the construction contract to the final bidder with highest score from the score sheets prepared by the assessment committee based on the 100-Point scoring system with scoring criterion of quotation (60 points), construction planning, technical skills, quality and scheduling (35 points) and bidder's service commitment (5 points). To evaluate the quotation, the assessment committee will calculate the average tender price as benchmark price and the tender quotation assessment mark is calculated as follows:

- (i) If the tender price equals to the benchmark price, the bidder will get 50 points ("**Benchmark Score**") and for every 1% that the tender price is less than benchmark price, the Benchmark Score will be increased by 2 points (subject to maximum of 10 points);

LETTER FROM THE BOARD

- (ii) For every 1% that the tender price is less than 95% of the benchmark price, the Benchmark Score will be deducted by 2 points until the Benchmark Score gets to zero;
- (iii) For every 1% that the tender price is more than benchmark price, the Benchmark Score will be deducted by 3 points until the Benchmark Score gets to zero.

For the criteria of construction planning, technical skills, quality and scheduling, it is divided into 8 sub-criteria, namely (i) construction method; (ii) labor force & construction machine preparation; (iii) technical measures to guarantee the construction quality; (iv) technical and organization measures to guarantee the construction safety; (v) technical and organization measures to guarantee the construction environment; (vi) technical and organization measures to guarantee the construction schedule; (vii) construction planning schedule and (viii) construction site-plan, with each criterion ranges from 0 to 5 marks.

2. The Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the Annual Caps for the years concerned under the Master Services Agreement; (ii) the terms of the Transactions and the Definitive Agreements (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transactions and the Definitive Agreements (together with the Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the Transactions are carried out in accordance with the pricing policies of the Company, and the Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Annual Caps, or that there is any material amendment to the terms of the Master Services Agreement, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions and to seek independent shareholders' approval if required.

The Directors (including independent non-executive Directors) consider that methods and procedures adopted above can ensure that the Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

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, it will be easy to

LETTER FROM THE BOARD

manage the development schedule for the Land with Services provided by Zensun Development Group, 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.

As services provided by independent third party developers are sufficiently available in the market, the Group could also engage independent third party contractors for its development projects. As at the Latest Practicable Date, save as the proposed Services for the development of the Land, the Company will not obtain the Services from members of the Zensun Development Group for any other current and future projects. As such, the Directors (including the independent non-executive Directors) believe that the Group will not have heavy reliance on Zensun Development Group for its future property development.

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 LAND

With reference to the interim report of the Company for the six months ended 30 September 2015 and the announcement of the Company dated 13 August 2015, the Company will leverage on the PRC property development and investment experience of its management team to seek to develop suitable projects with potential to deliver value to our shareholders. The Group has continued to identify new property development projects and attractive investment opportunities. In line with the Group's overall strategy, the Group has made a successful bid for the Land in August 2015. The Land is located at the northwest region of Zhengzhou City with a site area of 34,438.75 square metres. The Land is designated for residential usage and the Group has obtained the land title certificate of the Land on 10 October 2015.

As at the Latest Practicable Date, the Group intends to engage Zensun Development Group primarily for the development of the Land which is subject to the tender procedure.

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.

LETTER FROM THE BOARD

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 non-executive Director and a controlling Shareholder of the Company interested in approximately 66.52% of the issued share capital of the Company through Joy Town Inc., 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 Master Services Agreement, the Transactions and the Annual Caps are subject to the approval by the Independent Shareholders by way of a poll and Mr. Zhang and Ms. Huang and their associates, which together held approximately 66.52% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting in respect of the resolution to approve, among others, the Master Services Agreement, the Transactions and the Annual Caps at the EGM.

Mr. Zhang and Ms. Huang have abstained from voting in the Board meeting in which the Master Services Agreement, the Transactions and the Annual Caps were approved.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the Master Services Agreement, the Transactions and the Annual Caps. VBG Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

THE EGM

A notice convening the EGM to be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 12 February 2016 at 9:30 a.m. is set out on pages 36 to 37 of this circular. An ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Master Services Agreement, the Transactions and the Annual Caps.

In view of the interests of Mr. Zhang and Ms. Huang in the Transactions, Mr. Zhang and Ms. Huang and their associates, in aggregate held 3,579,612,209 Shares as at the Latest Practicable Date, will abstain from voting at the EGM. The results of the poll will be published on the websites of the Company and the Stock Exchange on the day of the above meeting.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Tricor Friendly Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM in accordance with the articles of association of the Company. The results of the poll shall be deemed to be the resolutions of the general meeting in which the poll was demanded or required and the poll results will be published on the websites of Stock Exchange (www.hkexnews.hk) and the Company (www.zhsuccess.com) after the EGM.

RECOMMENDATION

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 20 to 30 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the terms of the Master Services Agreement, the Transactions and the Annual Caps, and taken into account the advice of the Independent Financial Adviser, considers that the terms of the Master Services Agreement are on normal commercial terms, and that the terms of the Master Services Agreement, the Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM as set out in the notice of the EGM.

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors are of the view that the terms of the Master Services Agreement are on normal commercial terms, and that the terms of the Master Services Agreement, the Transactions and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors also recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master Services Agreement, the Transactions and the Annual Caps.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

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



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)

22 January 2016

To the Independent Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
MASTER SERVICES AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 22 January 2016 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Master Services Agreement, the Transactions, the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Master Services Agreement, the Transactions and the Annual Caps. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 20 to 30 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 17 of the Circular and the general information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the Master Services Agreement, the Transactions and the Annual Caps, and taken into account the advice of the Independent Financial Adviser, we consider that the Master Services Agreement and the transactions thereon though not entered into in the ordinary and usual course of business of the Company were negotiated on an arm's length basis and on normal commercial terms and that the terms of the Master Services Agreement, the Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Master Services Agreement, the Transactions and the Annual Caps.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

ZH International Holdings Limited

Liu Qiao

Liu Da

Ma Yuntao

Independent non-executive Directors

LETTER FROM VBG CAPITAL

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Services Agreement and the Transactions for the purpose of inclusion in this circular.



18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

22 January 2016

To: *The independent board committee and the independent shareholders of ZH International Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS MASTER SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Services Agreement and the Transactions, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 22 January 2016 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in this Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 22 December 2015 (the "**Announcement**") regarding the entering into of the Master Services Agreement in respect of the Transactions between the Company and Zensun Development on even date. Pursuant to 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 Services 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.

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.

According to the Letter from the Board, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement and independent shareholders' approval requirements.

LETTER FROM VBG CAPITAL

The Independent Board Committee comprising Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao (all being independent non-executive Directors), has been established to advise the Independent Shareholders on (i) whether the terms of the Master Services Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Master Services Agreement, the Transactions and the Annual Caps at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from having acted as the independent financial adviser of the Company under our previous name “V Baron Global Financial Services Limited” relating to (i) an unconditional mandatory cash offer which a composite document dated 6 July 2015 was issued; and (ii) a major and connected transaction in relation to acquisition of a property project which a circular dated 30 October 2015 was issued, and the existing engagement in connection with the Master Services Agreement and the Transactions, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates (as defined in the Listing Rules). We consider ourselves independent to form our opinion in respect of the Master Services Agreement and the Transactions.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Master Services Agreement and the Transactions, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and this Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in this Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

LETTER FROM VBG CAPITAL

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in this Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Circular or this Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, the Zensun Development Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Master Services Agreement and the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

In addition, Shareholders should note that as the Annual Caps are relating to future events and estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2018, and they do not represent forecasts of revenues or costs to be recorded from the Master Services Agreement. Consequently, we express no opinion as to how closely the actual revenue, cost to be incurred under the Master Services Agreement will correspond with the proposed Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Master Services Agreement and the Transactions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Master Services Agreement

Information on the 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.

LETTER FROM VBG CAPITAL

With reference to the interim report of the Company for the six months ended 30 September 2015, the Company will leverage on the PRC property development and investment experience of its management team to seek to develop suitable projects with potential to deliver value to the Shareholders. The Group has continued to identify new property development projects and attractive investment opportunities. In line with its overall strategy, the Group has made a successful bid for the land use right of a land parcel in Zhengzhou City, Henan Province, the PRC (the “Land”) in August 2015. The Land is located at the northwest region of Zhengzhou City with a site area of 34,438.75 square metres. The Land is designated for residential usage and the Group has obtained the land title certificate of the Land on 10 October 2015. Shareholders may refer to the announcement of the Company dated 13 August 2015 for further information on the Land.

Information on the Zensun Development Group

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.

Reasons for the Master Services Agreement

As advised by the Directors, the Group wishes to obtain the Services from the Zensun Development Group primarily for the construction of the Land.

Moreover, the Directors consider that (i) Zensun Development and its subsidiaries possess the required qualifications and experience in carrying out the Services with good quality standard; (ii) it will be relatively easier to manage the development schedule for the Land with Services provided by the Zensun Development Group; and (iii) the Master Services Agreement in respect of the Services will provide a single basis on which the Company can seek prior Independent Shareholders’ approval for all the Transactions with the Zensun Development Group in order to reduce the administrative burden on the Company to comply with the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules in relation to the execution or renewal of agreements in respect of the Services.

Taking into account that the Services under the Master Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis, we concur with the Directors that the entering into of the Master Services Agreement in respect of the Services will provide a single basis on which the Company can seek prior Independent Shareholders’ approval for all the Transactions with the Zensun Development Group, and thereby reducing the administrative burden on the Company to comply with the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules in relation to the execution or renewal of agreements in respect of the Services.

LETTER FROM VBG CAPITAL

With regard to the qualifications and experience of Zensun Development and its subsidiaries in carrying out the Services, we have requested and obtained from the Company copies of the relevant construction and engineering qualification certificate(s) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and the Housing and Urban-Rural Development Department of Henan Province (河南省住房和城鄉建設廳) to the relevant member of the Zensun Development Group and its prior track record in providing construction, engineering and related services in the PRC.

Having taken into account the future business strategy of the Group to expand into the PRC's property development sector, the aforementioned reasons for the Master Services Agreement together with the qualifications and experience of the relevant member of the Zensun Development Group, we are of the view that the Transactions are in the interests of the Company and the Shareholders as a whole even though they are not conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Master Services Agreement

As extracted from the Letter from the Board, the principal terms of the Master Services Agreement dated 22 December 2015 are as follows:

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 Services 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 the Zensun Development Group;
- (b) on the basis of the service plan for development of the Land to be 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

LETTER FROM VBG CAPITAL

- (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).

We consider that the above terms are in the interests of the Company and the Shareholders as a whole.

Services to be provided

The Services to be provided by the Zensun Development Group to the Group include (i) the Contracting Services; and (ii) the Ancillary Services.

Duration

The Master Services Agreement shall commence on the Effective Date, and shall continue up to and including 31 December 2018, 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:

For the provision of construction, engineering and related services under each Definitive Agreement, member(s) of the Zensun Development Group which 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 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 member(s) of the Zensun Development Group under the relevant tendering process which will be subject to the selection procedures (the “**Selection Process**”) as summarised below and set out in details in the paragraph headed “Selection Process of Construction Companies” in the Letter from the Board.

For the provision of the Ancillary Services under each Definitive Agreement, the amount of fees payable by the Group shall be based on the actual costs incurred by member(s) of the Zensun Development Group, and the Group will review the itemised cost budgets submitted by member(s) of the Zensun Development Group and compare such cost budgets with similar costs quoted by other independent construction contractors or service providers before engaging the Zensun Development Group to ensure that they are on normal commercial terms and are no less favourable to the Group.

LETTER FROM VBG CAPITAL

As confirmed by the Directors, the construction of the Land shall be subject to invitation tenders in accordance with the relevant laws and regulations of the PRC, under which the tenderer shall issue tender invitations to at least three specified legal persons or other organisations with the capability to undertake construction projects, and of good reputation and credibility. As such, the Group, before commencement of various construction projects of the Land, will establish an independent internal tender review committee (the “**Internal Review Committee**”) to, amongst others, lay down the objective criteria, such as fee quote, the quality of construction work and the construction schedule and services, for identifying the potential bidders. The relevant project company of the Group will contact the potential bidders and those which are interested in submitting a bid will provide the project company with information regarding their qualifications, industry experience and proposed terms of the bid etc. The relevant project company will also be responsible for compiling a list of potential bidders based on the prescribed criteria laid down by the Internal Review Committee and issue tender application documents to those bidders which are selected (the “**Selected Bidders**”). In the event that the Zensun Development Group is one of the Selected Bidders, its completed tender application document will be subject to review and approval by the Internal Review Committee, and the Internal Review Committee will approve the Zensun Development Group’s application only if it is of the view that the Zensun Development Group possesses competitive advantage in that particular construction project.

In accordance with the relevant laws and regulations of the PRC, the completed tender application documents of the Selected Bidders will be subject to further review by an assessment committee (the “**Assessment Committee**”) comprising representatives of the tenderer and experts in the areas of technology and finance (the “**Experts**”). The Assessment Committee will prepare the score sheets and choose two to three bidders from the Selected Bidders based on the 100-Point scoring system with scoring criterion of quotation (60 points), construction planning, technical skills, quality and scheduling (35 points) and bidder’s service commitment (5 points) (the “**Criteria**”), and recommend them to the Group. Shareholders may refer to the paragraph headed “Corporate Governance Relating to the Transactions” in the Letter from the Board for details of the 100-Point scoring system. The Group will select the final successful bidder with the highest score from those recommended by the Assessment Committee to undertake the construction of the Land.

In the event that the Zensun Development Group is the only bidder in the aforesaid tender process, the Directors confirmed that the Group will not award the construction contract to the bidder and will make a new tender until there are enough bidders in the tender process.

LETTER FROM VBG CAPITAL

We have performed a series of due diligence steps in relation to the Selection Process. Firstly, we have independently researched over the internet for the relevant laws and regulations of the PRC which govern the tendering process of construction projects, namely the Tendering and Bidding Law of the PRC (中華人民共和國招標投標法) 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). Then, we have discussed with the Directors regarding the composition of the Internal Review Committee as well as the Assessment Committee. We noted that members of the Internal Review Committee shall be appointed by the independent non-executive Directors and be accountable to the independent non-executive Directors; whereas the Assessment Committee shall comprise at least two-third of the Experts. In accordance with the Temporary Measures on the Experts and Pool of Experts for Assessment of Bids (評標專家和評標專家庫管理暫行辦法) promulgated by the PRC regulatory authority(ies), the Experts must be selected from a pool (the “Pool”) of at least 500 industry experts possessing relevant experience and qualifications, and the Pool is maintained by the relevant government authority. We have independently researched over the internet for the aforesaid regulatory measures and accessed the web-site of the Pool at <http://www.hnzhpbzjk.gov.cn/>. Lastly, we have also obtained and reviewed the rating standard of the Criteria (i.e. the 100-Point scoring system) and we noted that a high emphasis (60 points) is placed on the fee quotes of the bidders, followed by their construction planning, technical skills, quality and scheduling (35 points). We consider the Criteria to be objective.

As for the provision of the Ancillary Services, we have also requested the Company to provide us with the existing independent construction contractors or service providers list of the Group as well as the past cost quotations given by those independent construction contractors or service providers to the Group.

In view of that (i) the construction of the Land shall be subject to invitation tenders in accordance with the relevant laws and regulations of the PRC, under which the tenderer shall issue tender invitations to at least three specified legal persons or other organisations with the capability to undertake construction projects, and of good reputation and credibility; (ii) under the selection procedures to be adopted by the Group, a bidder will be selected after independent assessments by the Internal Review Committee and the Assessment Committee based on the Criteria which are set out under the Concise Standard Construction Bidding Document of the PRC (中華人民共和國簡明標準施工招標文件) issued by the National Development and Reform Commission of the PRC (中華人民共和國國家發展改革委員會) together with the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), Ministry of Finance of the PRC (中華人民共和國財政部), Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), Ministry of Transport of the PRC (中華人民共和國交通運輸部), National Railway Administration of the PRC (中華人民共和國鐵路部), Ministry of Water Resources of the PRC (中華人民共和國水利部), State Administration of Press, Publication, Radio, Film and Television of the PRC

LETTER FROM VBG CAPITAL

(中華人民共和國國家新聞出版廣電總局) and Civil Aviation Administration of China (中國民用航空局), and hence form an objective selection basis and mechanism; and (iii) for the provision of the Ancillary Services under each Definitive Agreement, the amount of fees payable by the Group shall be based on the actual costs incurred by member(s) of the Zensun Development Group which shall be on normal commercial terms and no less favourable than those quoted by the independent construction contractors or service providers, we are of the opinion that the principal terms of the Master Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. The Annual Caps

As referred to in the Letter from the Board, there were no Services provided by the Zensun Development Group to the Group as at the Latest Practicable Date.

The Company expects that the Annual Caps in respect of the Transactions for each of the three years ending 31 December 2016, 2017 and 2018 will be as follows:

For the year ending 31 December		
2016	2017	2018
RMB	RMB	RMB
92,000,000	36,000,000	15,000,000

As advised by the Company, as the Group expects to engage the Zensun Development Group primarily for the construction of the Land (which is subject to the tender process), each of the Annual Caps has been determined with reference to the projected development schedule of the Land and the projected quantity of Services that relevant member(s) of the Zensun Development Group would be engaged to undertake or invited for tendering in the next three years.

As also advised by the Directors, the above-mentioned projected figures are predominately determined based on foreseeable future demand for the Services 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.

To assess the fairness and reasonableness of the Annual Caps, we have enquired into the Directors for the basis of determining the Annual Caps and reviewed the relevant calculation. In the first place, we noted that the Company will require the Services from members of the Zensun Development Group mainly for the construction of the Land. According to the existing development plan of the Land we have requested and obtained from the Company, it is expected that the construction of the Land will commence in early 2016 and be completed in late 2017

LETTER FROM VBG CAPITAL

(the “**Construction Period**”). We have further obtained the budgeted total development cost of the Land, including the estimated total construction and engineering costs. Accordingly, given that the Annual Caps are determined on the basis that member(s) of the Zensun Development Group will win the tenders in relation to the Contracting Services, the Annual Caps for the three years ending 31 December 2016, 2017 and 2018 are calculated primarily based on the expected proportion of the estimated total construction and engineering costs of the Land in each of the respective years. In this relation, we have also discussed with the Directors regarding the expected progress of construction of the Land throughout the Construction Period and we understand that as the majority of the Services from members of the Zensun Development Group will be required in the earlier stage of development of the Land, the Annual Caps for the years ending 31 December 2016, 2017 and 2018 demonstrate a decreasing trend.

At the same time, since the Annual Caps are calculated based on the estimated total costs for the Services in the Construction Period which represent approximately 90% of the Annual Caps and such costs are subject to inflation and/or potential increase in market price and any unforeseeable changes on the construction project(s), the Company has included an additional approximate 10% buffer as variance of the costs of the Contracting Services and the fees for the Ancillary Services when calculating the Annual Caps for each of the three years ending 31 December 2016, 2017 and 2018, and we consider such buffer to be acceptable.

Taking into account the above basis of determination of the Annual Caps, we are of the view that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Relevant internal control measures

We understand that the Group shall establish a system of internal control measures, including the Selection Process as summarised in the paragraph headed “Pricing policy” of this letter of advice, to govern the implementation of the Master Services Agreement and the Transactions.

In addition, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the Annual Caps for the years concerned under the Master Services Agreement; (ii) the terms of the Master Services Agreement (together with the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors’ annual review on the terms of the Master Services Agreement (together with the Annual Caps) must be included in the Company’s subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a

LETTER FROM VBG CAPITAL

letter to the Board confirming, among other things, that the Transactions are carried out in accordance with the pricing policies of the Company, and the Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Annual Caps, or that there is any material amendment to the terms of the Master Services Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With (i) the Company's internal control measures, in particular the Selection Process which aims to ensure that the construction of the Land will be undertaken by a qualified contractor under terms which have been assessed by the independent Internal Review Committee and the Assessment Committee; as well as (ii) the stipulated requirements for continuing connected transactions of the Listing Rules, which prevent the values of the Transactions from exceeding the Annual Caps and the terms of the Transactions from deviating from the pricing policies of the Company, in place, the Transactions under the Master Services Agreement will be monitored and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Master Services Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole even though they are not conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Master Services Agreement, the Transactions and the Annual Caps, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interest in the shares, underlying shares and debentures of the Company and its associated companies

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interests	Number of Shares held in the Company	Percentage of the issued share capital of the Company
Mr. Zhang Jingguo	Spousal Interest (<i>Note 2</i>)	3,579,612,209(L)	66.52
Ms. Huang Yanping	Interest of controlled corporation (<i>Note 1</i>)	3,579,612,209(L)	66.52

Notes:

- (1) These shares are owned by Joy Town Inc., which is wholly and beneficially owned by Ms. Huang Yanping.
- (2) Mr. Zhang Jingguo (*chairman, chief executive officer and executive Director of the Company*) is the spouse of Ms. Huang Yanping, he is deemed to be interested in 3,579,612,209 Shares.
- (3) Abbreviation "L" for long position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 March 2015, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in contracts

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

(d) Interests in competing business

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(e) Directors' service contracts

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and

3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

(i) **The Company**

Name of Shareholder	Nature of interests	Number of Shares held in the Company	Percentage of the issued share capital of the Company
Joy Town Inc.	Beneficial Owner (<i>Note 1</i>)	3,579,612,209(L)	66.52
Chan Heng Fai	Beneficial owner and spouse interest (<i>Note 2</i>)	322,580,166(L)	5.99
Chan Yoke Keow	Beneficial owner and spouse interest (<i>Note 2</i>)	322,580,166(L)	5.99

Notes:

- (1) Ms. Huang Yanping is the sole director and shareholder of Joy Town Inc..
- (2) Mr. Chan Heng Fai and Ms. Chan Yoke Keow are beneficially interested in 185,010,166 shares and 140,270,000 shares respectively. They are deemed to be interested in the shares held by the spouse.
- (3) Abbreviation "L" for long position.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement of the Company dated 11 November 2015. As disclosed in the profit warning announcement, owing to (i) decrease in the revenue from securities trading and investment; (ii) the loss on foreign exchange; (iii) a reduction in the fair value gain on investment properties; and (iv) a reduction in the increase in fair value of financial assets at fair value through profit or loss, the Company expected to record a loss for the six months ended 30 September 2015 as compared with a profit of approximately HK\$9.9 million for the corresponding period in 2014. As disclosed in the interim result announcement of the Company dated 27 November 2015, the unaudited consolidated net loss of the Group for the six months ended 30 September 2015 was approximately HK\$29.7 million as compare with a profit of approximately HK\$9.9 million for the corresponding period in 2014.

Save for the above information, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up.

6. EXPERTS AND CONSENT

- (a) The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
VBG 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

VBG Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, VBG Capital did not have any direct or indirect interest in any assets which had since 31 March 2015 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, VBG Capital was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. GENERAL

This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Master Services Agreement will be made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, from the date of this circular, up to and including the date of the EGM.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of ZH International Holdings Limited (the “**Company**”) will be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Friday, 12 February 2016 at 9:30 a.m. to consider and, if thought fit, transact the following business:

ORDINARY RESOLUTION

“THAT

- (a) the Master Services Agreement (as defined and described in the circular of the Company dated 22 January 2016 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Master Services Agreement marked “B” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Annual Caps as defined and described in the Circular in respect of the consideration payable under the Master Services Agreement for each of the three financial years ending 31 December 2018 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Master Services Agreement and the transactions contemplated thereunder and all matters incidental or ancillary thereto.”

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

Hong Kong, 22 January 2016

NOTICE OF EGM

Registered and principal office:

24/F., Wyndham Place,
40–44 Wyndham Street,
Central, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A member who is the holder of two or more shares (the “Shares”) in the Company may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointer or of his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the share registrar of the Company, Tricor Friendly Limited, which is situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (or any adjournment thereof).
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date hereof, 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.