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ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

**PROPOSED GENERAL MANDATES TO ISSUE SHARES,
AND REPURCHASE SHARES,
RE-ELECTION OF THE RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A letter from the Board is set out on pages 3 to 6 of this circular. A notice convening the annual general meeting of ZH International Holdings Limited to be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 23 June 2016 at 9:30 a.m. is set out on pages 7 to 10 of this circular. Whether or not you intend to attend the meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event no later than 48 hours before the time appointed for the time fixed for holding of the meeting or the adjourned meeting thereof as the case may be. Completion and delivery of the proxy form will not preclude you from attending and voting at the meeting should you so wish.

29 April 2016

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Thursday, 23 June 2016 at 9:30 a.m. or any adjournment thereof
“AGM Notice”	the notice of the AGM set out on pages 7 to 10 in this circular
“Articles of Association”	the Articles of Association of the Company currently in force
“Board”	the board of directors of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“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)”	the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Extension Mandate”	the extension of the General Mandate proposed to be granted to the Directors to the effect that any Shares repurchased under the Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the General Mandate
“General Mandate”	the general mandate proposed to be granted to the Directors at the AGM to issue further new Shares not exceeding 20% of the number of Shares in issue of the Company as at the date of granting of the General Mandate and together with the extension under the Extension Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Latest Practicable Date”	22 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Repurchase Mandate”	the repurchase mandate proposed to be granted to the Directors at the AGM to repurchase up to 10% of the number of Shares in issue of the Company as at the date of granting of the Repurchase Mandate
“Retiring Directors”	the Directors retiring at the AGM and, being eligible, offering themselves for re-election at the AGM in accordance with the Articles of Association and the Listing Rules
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers approved by the Securities and Future Commission in Hong Kong as amended from time to time; and
“%”	per cent



ZH INTERNATIONAL HOLDINGS LIMITED
正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 185)

Executive Directors:

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

Registered and principal office:

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

Non-executive Director:

Huang Yanping

Independent non-executive Directors:

Liu Qiao
Liu Da
Ma Yuntao

29 April 2016

To the Shareholders

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES TO ISSUE SHARES,
AND REPURCHASE SHARES,
RE-ELECTION OF THE RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The Company will propose at the AGM resolutions to, *inter alia*, (1) re-elect the Retiring Directors; and (2) grant the General Mandate (including the Extension Mandate) and Repurchase Mandate to the Directors.

The purpose of this circular is to provide you with further information on the resolutions to be proposed at the AGM and to give you a notice of the AGM at which resolutions will be proposed for your consideration and, if thought fit, approval.

1. RE-ELECTION OF THE RETIRING DIRECTORS

In accordance with Articles 78 and 79 of the Articles of Association and code provision A.4.2 of Appendix 14 of the Listing Rules, Mr. Zhang Guoqiang and Mr. Liu Da

LETTER FROM THE BOARD

will retire at the AGM and, being eligible, will offer themselves for re-election at the AGM. Information on the Retiring Directors is set out in Appendix I to this circular.

2. GENERAL MANDATE AND REPURCHASE MANDATE

At the AGM, the Directors propose to seek the approval of the Shareholders to grant to the Directors the General Mandate (including the Extension Mandate) and the Repurchase Mandate.

General Mandate

At the AGM, an ordinary resolution will be proposed such that the Directors be given unconditional general mandate (i.e. the General Mandate) to allot, issue and deal with unissued Shares or underlying Shares (other than by way of rights or pursuant to a share option scheme for employees of the Company or Directors and/or any of its subsidiaries or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of the dividend on Shares in accordance with the Articles of Association) or make or grant offers, agreements, options and warrants which might require the exercise of such power, of up to 20% of the number of Shares in issue as at the date of granting of the General Mandate.

In addition, a separate ordinary resolution will be further proposed for the Extension Mandate to extend the General Mandate which will authorise the Directors to allot, issue and deal with Shares to the extent of the Shares repurchased pursuant to the Repurchase Mandate. Details on the Repurchase Mandate are further elaborated below.

As at the Latest Practicable Date, the Company had an aggregate of 5,381,419,969 Shares in issue. Subject to the passing of the resolution for the approval of the General Mandate and on the basis that no further Shares will be issued or repurchased between the Latest Practicable Date and the date of the granting of the General Mandate, the Company would be allowed to allot, issue and deal with a maximum of 1,076,283,993 Shares under the General Mandate.

Repurchase Mandate

At the AGM, an ordinary resolution will also be proposed such that the Directors be given an unconditional general mandate to repurchase Shares (i.e. the Repurchase Mandate) on the Stock Exchange of an aggregate amount of up to 10% of the number of Shares in issue as at the date of granting of the Repurchase Mandate.

Subject to the passing of the resolution for the approval of the Repurchase Mandate and on the basis that no further Shares will be issued or repurchased between the Latest Practicable Date and the date of the granting of the Repurchase Mandate, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 538,141,996 Shares.

LETTER FROM THE BOARD

The General Mandate (including the Extension Mandate) and the Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the General Mandate (including the Extension Mandate) and the Repurchase Mandate up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or the Companies Ordinance to be held; or (iii) the revocation or variation of the General Mandate (including the Extension Mandate) or the Repurchase Mandate (as the case may be) by ordinary resolution of the Shareholders in general meeting of the Company, whichever occurs first.

An explanatory statement in connection with the Repurchase Mandate is set out in Appendix II to this circular. The explanatory statement contains the requisite information required under the Listing Rules to be given to the Shareholders to enable them to make an informed decision on whether to vote for or against the resolution approving the Repurchase Mandate.

3. ANNUAL GENERAL MEETING

Set out on pages 7 to 10 is a notice convening the AGM for the purposes of considering and, if thought fit, approving, *inter alia*, the re-election of Retiring Directors, the General Mandate (including the Extension Mandate) and the Repurchase Mandate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has material interest in any resolutions to be proposed at the AGM and accordingly, no Shareholder is required to abstain from voting in the AGM to approve any resolutions.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you intend to attend the meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event no later than 48 hours before the time appointed for the time fixed for holding of the meeting or the adjourned meeting thereof as the case may be. Completion and delivery of the proxy form will not preclude you from attending and voting at the meeting should you so wish.

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 AGM in accordance with the Articles of Association. 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 AGM.

LETTER FROM THE BOARD

4. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 June 2016 to Thursday, 23 June 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of Shares of the Company should ensure that all transfers of Shares accompanied by the relevant Share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar, Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 June 2016.

5. RECOMMENDATION

The Directors believe that the re-election of the Retiring Directors, the granting of the General Mandate and the Repurchase Mandate are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of all the resolutions to be proposed at the AGM to give effect to them.

6. 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 Company. 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.

7. GENERAL INFORMATION

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

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

NOTICE OF ANNUAL GENERAL MEETING



ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) 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 Thursday, 23 June 2016 at 9:30 a.m. for the following purposes:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the audited financial statements, the directors’ report and the auditors’ report of the Company and its subsidiaries for the nine months ended 31 December 2015.
- (2) To re-elect the retiring directors of the Company and authorise the board of Directors (the “Board”) of the Company to fix Directors’ remuneration (the “Directors”).
- (3) To re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor and authorise the Board to fix its remuneration.

AS ORDINARY RESOLUTIONS

- (4) To, as special business, consider and, if thought fit, pass the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) below, pursuant to The Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the “Shares”) and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

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- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the total number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company from time to time; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

- (aa) 20 per cent. of the number of the Shares in issue on the date of the passing of this resolution; and

- (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of Shares repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the total number of Shares in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) or any applicable laws to be held; and

NOTICE OF ANNUAL GENERAL MEETING

- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

- (5) To, as special business, consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT:**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Ordinance and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate number of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the total number of Shares in issue as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Ordinance or any applicable laws to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”
- (6) To, as special business, consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the number of Shares referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

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

Hong Kong, dated 29 April 2016

Registered office:
24th Floor
Wyndham Place
40–44 Wyndham Street
Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority shall be deposited at the registered office of the Company in Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
3. For the purpose of determining Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 June 2016 to Thursday, 23 June 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, unregistered holders of Shares of the Company should ensure that all transfers of Shares accompanied by the relevant Share certificates and appropriate transfer forms must be lodged with the office of the Company’s Share Registrar, Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 June 2016.
4. The meeting will be conducted in Chinese and no translation will be provided.

The following is the information required to be disclosed by the Listing Rules on the Retiring Directors proposed to be re-elected at the AGM.

Mr. Zhang Guoqiang, age 53, is an Executive Director of the Company. Between August 1983 to October 1997, Mr. Zhang worked as a tutor at the Communication Command Academy of PLA, now known as the National Defence Information Academy of PLA. Between October 1997 to March 2003, Mr. Zhang served as the director of the marketing department of Wuhan Research Institute of Post & Telecommunications, also known as FiberHome Technologies Group, a product and solution provider in the field of information and telecommunications, where he was responsible for marketing. Prior to joining our Group, Mr. Zhang worked as a general manager at Nanjing North Road Technologies Co., Ltd., a coal analysis equipment manufacturer, from May 2003 to November 2005, where he was responsible for general management. Mr. Zhang joined the real estate company co-founded by Mr. Zhang Jingguo and Ms. Huang Yanping in 2006 and is responsible for the management of marketing centre and tendering and procurement centre. Mr. Zhang received a bachelor's degree in radio science from Zhengzhou University in July 1983. In 1988, Mr. Zhang received his lecturer qualification from the National Defence Information Academy of PLA and received his engineer qualification from Wuhan Research Institute of Post of Telecommunications.

Mr. Zhang Guoqiang has entered into a service agreement with the Company under which he acts as an executive director of the Company for a period commencing on 27 July 2015 and shall continue until the next general meeting of the Company where Mr. Zhang Guoqiang is being considered for re-appointment on the same terms at such general meeting for a period of three additional years, unless and until terminated by either party giving to the other not less than 3 months' notice in writing. Pursuant to such service agreement, Mr. Zhang Guoqiang will receive from the Company a service fee of HK\$41,667 per month. Mr. Zhang has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Save as disclosed above, there are no other matters concerning Mr. Zhang Guoqiang that are required to be brought to the attention of the Shareholders, nor is there other information that is required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Liu Da, age 40, graduated from the University of International Business and Economics with a major in international business administration and obtained a bachelor's degree in economics. Mr. Liu is also a Certified Public Accountant (CPA) in China. Mr. Liu served as an audit manager and a senior audit manager of PricewaterhouseCoopers ("PwC") Guangzhou Office from 1998 to 2009 and Chicago Office from 2005 to 2007. Mr. Liu provided audit and consulting services to a number of global top 500 enterprises and overseas listed Chinese companies during his tenure of office in PwC. Mr. Liu was appointed as an executive director and the chief financial officer of the Landsea Green Properties Co., Ltd., a listed company on the Main Board of the Stock Exchange (Stock Code: 106) from 31 July 2013 to 5 January 2015 and was appointed as an independent non-executive director of Long Ji Tai He Holding Limited a listed company on the Main Board of the Stock Exchange (Stock Code: 1281) from 26

February 2015 to 16 October 2015. Currently, Mr. Liu is the managing partner of Key Wealth Capital Company Limited, providing financing and overseas mergers and acquisition services to Chinese enterprises.

Save as disclosed above, Mr. Liu has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Liu has entered into a service agreement with the Company under which he acts as an independent non-executive director of the Company for a period commencing on 27 July 2015 and shall continue until the next general meeting of the Company where Mr. Liu will be considered for re-appointment on the same terms at such general meeting for a period of three additional years, unless and until terminated by either party giving to the other not less than 3 months' notice in writing. The director's fee payable to him is fixed at the rate of HK\$20,000 per month, payable in arrears at each quarter end. Mr. Liu has confirmed his independency pursuant to Rule 3.13 of the Listing Rules. He has no interest in the shares of the Company within the meaning of Part XV of the SFO and is not a connected person of the Company as defined in the Listing Rules. He does not have any relationships with the directors, senior management, substantial shareholders, or controlling shareholders of the Company.

Save as disclosed above, there are no other matters concerning Mr. Liu that are required to be brought to the attention of the Shareholders, nor is there other information that is required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

APPENDIX II EXPLANATORY STATEMENT OF THE REPURCHASE MANDATE

This Appendix serves as an explanatory statement required by Rule 10.06(1)(b) of the Listing Rules to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting for granting the Repurchase Mandate to the Directors.

SHAREHOLDERS' APPROVAL

All proposed repurchases of Shares on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval.

REASONS FOR SHARE REPURCHASE

The Directors believe that it is in the best interests of the Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share. Shareholders are assured that such repurchases of Shares will only be made when the Directors believe that they are appropriate and will benefit the Company and Shareholders as a whole.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had 5,381,419,969 Shares in issue.

Subject to the passing of the proposed ordinary resolution approving to grant the Repurchase Mandate to the Directors and on the assumptions that no new Shares are allotted or issued prior to the Annual General Meeting, the exercise of the Repurchase Mandate in full would enable the Company to repurchase a maximum of 538,141,996 Shares, representing 10% of the Shares in issue as at the Latest Practicable Date.

FUNDING OF REPURCHASE

Repurchases would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available under the laws of Hong Kong and the Articles of Association for such purpose.

An exercise of the Repurchase Mandate in full may have a material adverse impact on the working capital and gearing position of the Company compared with those as at 31 December 2015, being the date of its latest published audited consolidated accounts. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

DISCLOSURE OF INTERESTS

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) has any present intention, in the event that the Repurchase Mandate is approved by Shareholders, to sell any Share to the Company.

No connected person (as defined in the Listing Rules) has notified the Company that he/ she has a present intention to sell any Share to the Company nor has undertaken not to sell any of the Shares held by him/her to the Company, in the event that the Repurchase Mandate is approved by Shareholders.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and applicable laws of Hong Kong.

EFFECT OF THE TAKEOVERS CODE

If on the exercise of the power to repurchase shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Zhang Jingguo and Ms. Huang Yanping ("**Controlling Shareholders**") is beneficially interested in 3,579,612,209 Shares, representing approximately 66.52% of the issued share capital of the Company. Although the Directors have no present intention to repurchase any Shares pursuant to the Repurchase Mandate, if the Directors were to exercise the Repurchase Mandate in full, such Shares would represent approximately 73.91% of the then issued share capital of the Company. The Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchase of Shares pursuant to the Repurchase Mandate.

Pursuant to Rule 8.08 of the Listing Rules, the Company should maintain at least 25% of the issued share capital of the Company be held by the public. Based on the current shareholding of the Controlling Shareholders, if the Directors were to exercise the Repurchase Mandate in full, it would not result in the amount of Shares held by the public being reduced to less than 25%.

SHARE REPURCHASES BY THE COMPANY

The Company did not repurchase any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2015		
April	0.305	0.132
May	0.520	0.345
June	0.540	0.385
July	0.460	0.325
August	0.365	0.157
September	0.305	0.192
October	0.305	0.240
November	0.265	0.216
December	0.255	0.230
2016		
January	0.236	0.193
February	0.238	0.190
March	0.270	0.227
April (Up to the Latest Practicable Date)	0.250	0.234