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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 12 May 2016 (after trading hours), the Subscribers and the Company entered into the Subscription Agreements pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscribers, an aggregate of 795,400,000 Shares in cash at Subscription Price of HK\$0.20 per Subscription Share, subject to a lock-up period of six months. The obligations of each of the Subscribers under the Subscription Agreements are several (not joint or joint and several) and their rights are separate and independent.

The Subscription Shares will be issued under the General Mandate and will rank *pari passu* among themselves and with all of the Shares in issue at the Completion Date.

The Subscription Shares represent approximately 14.8% of the existing issued share capital of the Company as at the date of this announcement and approximately 12.9% of the enlarged issued share capital of the Company immediately after the Completion.

Shareholders and potential investors should note that the Completion is subject to fulfilment of the condition under the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

On 12 May 2016 (after trading hours), each of the Subscribers and the Company entered into the Subscription Agreements, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Subscribers, an aggregate of 795,400,000 Shares in cash at the Subscription Price of HK\$0.20 per Subscription Share, subject to a lock-up period of six months.

SUBSCRIPTION AGREEMENT

Date

12 May 2016 (after trading hours)

Parties

Issuer: the Company

Subscriber: The eight Subscribers, being individuals, corporations or other professional investors.. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscribers and their ultimate beneficial owners (if any) are Independent Third Parties. It is expected that none of the Subscribers will become a substantial shareholder (as defined in the Listing Rules) of the Company immediately upon Completion. Based on the information provided by the Subscribers, their principal activities, for the Subscribers which are corporations, are investment holdings.

The Subscription Shares

The 795,400,000 new Shares in aggregate to be allotted and issued under the Subscription Agreements represent approximately 14.8% of the existing issued share capital of the Company as at the date of this announcement, and approximately 12.9% of the enlarged issued share capital of the Company immediately after the Completion. The Subscription Shares will rank *pari passu* among themselves and with all of the Shares in issue at the Completion Date.

Condition of the Subscription

Pursuant to the Subscription Agreements, Completion is conditional upon the Company having been granted the permission from the Listing Committee of the Stock Exchange to list and deal in all the Subscription Shares to be issued pursuant to the Subscription Agreements.

In the event that the Condition Precedent above remains unsatisfied at 5:00 p.m. on the Long Stop Date, and without affecting the liabilities for any breach thereof, the Subscription Agreements shall cease and terminate and neither the Company nor the Subscribers shall have any obligations and liabilities under the Subscription Agreements, save that the Company shall refund the Subscription Price received to the respective Subscribers (free of interest) or deal with the same in other ways as agreed with the respective Subscribers.

Subscription Price

The Subscription Price of HK\$0.20 per Subscription Share represents (a) a discount of approximately 19.0% to the closing price of HK\$0.247 as quoted on the Stock Exchange on 12 May 2016, being the date of the Subscription Agreements; and (b) a discount of approximately 15.8% to the average closing price of HK\$0.238 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers, taking into account of the recent trading performance of the Shares and taking into account the effect of the lock-up period.

The aggregate Subscription Price of HK\$159,080,000 is payable in cash by the Subscribers by wire transfer or depositing the same into the account of the Company in accordance with the instruction of the Company after the execution of the Subscription Agreements and no later than the Completion Date.

Completion

Completion shall take place on the Completion Date, at which the Subscription Shares will be issued and allotted to the Subscribers.

Lockup undertaking

Each of the Subscribers has undertaken to the Company that for a period of six months commencing on the Completion Date, he/it will not, unless with the prior written consent of the Company (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose (either conditionally or unconditionally, or directly or indirectly, or otherwise) of any Subscription Shares or any interests therein beneficially owned or held by the Subscribers or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Subscription Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Subscription Shares or such other securities, in cash or otherwise, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

General Mandate

The Subscription Shares will be issued under the General Mandate granted to the Directors pursuant to the resolutions of the Shareholders passed at the Company's annual general meeting held on 28 August 2015. The maximum number of Shares that can be issued under the General Mandate is 806,283,993 Shares. No new Share has been issued under the General Mandate as at the date of this announcement. Accordingly, no separate Shareholders' approval is required for the issue of the Subscription Shares pursuant to the Subscription Agreements. The 795,400,000 Subscription Shares constitute approximately 98.7% of the unused General Mandate.

APPLICATION FOR LISTING

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

EFFECTS OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding in the Company (i) as at the date of this announcement, and (ii) immediately after the Completion are summarised as follows (assuming there are no other changes in the issued share capital of the Company):

	As at the date of this announcement		Immediately after the Completion	
	Number of Shares	%	Number of Shares	%
Joy Town Inc. (<i>Note 1</i>)	3,579,612,209	66.52%	3,579,612,209	57.95%
The Subscribers	-	0%	795,400,000	12.88%
Other public Shareholders	1,801,807,760	33.48%	1,801,807,760	29.17%
	<u>5,381,419,969</u>	<u>100.00%</u>	<u>6,176,819,969</u>	<u>100.00%</u>

Note 1: Joy Town Inc. is a limited liability company incorporated in the British Virgin Islands. These Shares are held by Joy Town Inc, which is wholly and beneficially owned by Ms. Huang Yanping, a non-executive Director of the Company.

REASONS FOR THE SUBSCRIPTION

The Group is principally engaged in property development, property investment and trading, hotel operations, and securities trading and investment. The Directors have considered various ways of raising funds and believe that the Subscription, apart from bringing new capital to the Group, will broaden the shareholder base of the Company thereby increasing the liquidity of the Shares. The Directors (including the independent non-executive Directors) consider that the Subscription Agreements are entered into upon normal commercial terms after arm's length negotiations between the Company and the Subscribers and the terms of the Subscription Agreements (including the Subscription Price) and the Subscription are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

As none of the Directors has any material interest in the Subscription, no Director was required to abstain from voting on the board resolutions passed in connection with this announcement.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS OF THE COMPANY

The Company has not conducted any fund raising activities by way of issuing equity securities in the 12-month period immediately preceding the date of the Subscription.

USE OF PROCEEDS

The net proceeds of the Subscription will be approximately HK\$158.8 million (representing a net subscription price of approximately HK\$0.200 per Subscription Share). The Company intends to use the net proceeds of the Subscription for the general working capital and repayment of liabilities of the Group and as funds for future development of the Company when the investment opportunities arise.

Shareholders and potential investors should note that the Completion is subject to fulfilment of the condition under the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	board of Directors
“Business Day”	any day other than a Saturday, Sunday or public holiday, on which banks are open in Hong Kong to the general public for business
“Company”	ZH International Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
“Completion”	the completion of Subscription
“Completion Date”	the third Business Day following the due fulfillment of the Condition Precedent (no later than 31 May 2016 unless agreed otherwise by the parties to the Subscription Agreements), or such other date as the parties to the Subscription Agreements may agree
“Condition Precedent”	the condition precedents set out under the paragraph headed “Condition of the Subscription” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the general mandate to allot, issue and deal with Shares granted by the Shareholders to the Directors at the annual general meeting of the Company held on 28 August 2015

“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party (Parties)”	third party (parties) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	26 May 2015 (or such later date as may be agreed between the parties to the Subscription Agreements)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the eight subscribers to subscribe the Subscription Shares under the Subscription Agreements and are Independent Third Parties
“Subscription”	the subscription for the Subscription Shares by the Subscribers pursuant to the terms and conditions of the Subscription Agreements
“Subscription Agreements”	the eight conditional subscription agreements entered into between the Company and each of the Subscribers dated 12 May 2016 in relation to the Subscription
“Subscription Price”	an aggregate of HK\$159,080,000, representing HK\$0.20 per Subscription Share
“Subscription Shares”	An aggregate of 795,400,000 new Shares to be allotted and issued under the Subscription Agreements

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

Hong Kong, 12 May, 2016

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