

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **ZH INTERNATIONAL HOLDINGS LIMITED**

**正恒國際控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 185)**

### **DISCLOSEABLE TRANSACTION**

The Board is pleased to announce that on 14 February 2017 (U.S. time), the Group has entered into two agreements to acquire two senior housing communities in the United States, namely, the Oxford Grand McKinney and the Glen Carr House. Both communities are operated by Oxford Senior Living.

On 14 February 2017 (U.S. time), ASHR, an indirect 99.82%-owned subsidiary of the Company, and CBC Oxford McKinney entered into the Oxford McKinney Acquisition Agreement, under which CBC Oxford McKinney has agreed to sell, and ASHR has agreed to acquire, the Oxford Grand McKinney for an aggregate consideration of US\$17,050,000 (approximately HK\$132,284,000).

On 14 February 2017 (U.S. time), ASHR and Oxford Derby entered into the Oxford Derby Acquisition Agreement, under which Oxford Derby has agreed to sell, and ASHR has agreed to acquire, the Glen Carr House for a consideration of US\$10,500,000 (approximately HK\$81,465,000).

Taking into consideration the fact that completions of the Acquisitions are inter-conditional upon each other, the Board took the liberty to aggregate the two transactions. As one or more of the applicable percentages in respect of the aggregated consideration for the Oxford McKinney Acquisition and the Oxford Derby Acquisition in the amount of US\$27,550,000 (approximately HK\$213,749,000) calculated according to Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Oxford McKinney Acquisition Agreement, the Oxford Derby Acquisition Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As each of the above Acquisitions is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

## **INTRODUCTION**

The Board is pleased to announce that on 14 February 2017 (U.S. time), ASHR has entered into the Oxford McKinney Acquisition Agreement with CBC Oxford McKinney. Pursuant to the Oxford McKinney Acquisition Agreement, CBC Oxford McKinney shall sell and ASHR shall acquire Oxford Grand McKinney for an aggregate consideration of US\$17,050,000 (approximately HK\$132,284,000). On 14 February 2017 (U.S. time), ASHR has entered into the Oxford Derby Acquisition Agreement with Oxford Derby. Pursuant to the Oxford Derby Acquisition Agreement, Oxford Derby shall sell and ASHR shall acquire the Glen Carr House for a consideration of US\$10,500,000 (approximately HK\$81,465,000).

## **THE OXFORD MCKINNEY ACQUISITION AGREEMENT**

Set out below are the major terms of the Oxford McKinney Acquisition Agreement:

Date of Agreement:	14 February 2017 (U.S. time)
Vendor:	CBC Oxford McKinney, a Delaware limited liability company, to the best knowledge, information and belief of the Board, and after making all reasonable enquiries, CBC Oxford McKinney and its ultimate beneficial owners are third parties independent of both the Company and all connected persons of the Company
Purchaser:	ASHR, a Delaware limited liability company and an indirect 99.82%-owned subsidiary of the Company
Asset to be acquired:	the land, facilities, and the Property of Oxford McKinney related to the Oxford Grand McKinney
Consideration:	(a) purchase price in the amount of US\$16,500,000 will be payable in cash to CBC Oxford McKinney in accordance with the terms of payments stipulated in the Oxford McKinney Acquisition Agreement; and  (b) consideration in the amount of US\$550,000 to Oxford Grand McKinney, LLC for the assignment of the Purchase Option from Oxford Grand McKinney, LLC to ASHR  Oxford Grand McKinney, LLC, a Kansas limited liability company, to the best knowledge, information and belief of the Board, and after making all reasonable enquiries, Oxford Grand McKinney, LLC and its ultimate beneficial owners are third parties independent of both the Company and all connected persons of the Company

In view of (a) and (b) above, the aggregate consideration for the Oxford McKinney Acquisition is US\$17,050,000 (approximately HK\$132,284,000).

Date of completion of the  
Oxford McKinney Acquisition:

Completion shall take place on or before the fifteenth (15<sup>th</sup>) day after the later to occur (i) the expiration of the Oxford McKinney Due Diligence Period (as defined below) or (ii) receipt by ASHR of all Oxford McKinney Approved Documents, or such earlier date as ASHR and CBC Oxford McKinney may agree.

Terms of payments:

- (a) a sum of US\$550,000 will be paid by ASHR to an escrow agent within 3 business days as initial deposit and partial payment of the aggregate consideration upon the date of signing of the Oxford McKinney Acquisition Agreement; and
- (b) the balance of the aggregate consideration will be paid upon completion of the Oxford McKinney Acquisition.

Due Diligence:

ASHR is entitled to perform due diligence review procedures on Oxford Grand McKinney for a period of 60 days after the later to occur of (i) receipt of all Property Documents in respect of Oxford Grand McKinney as listed in the Oxford McKinney Acquisition Agreement or (ii) the date of the Oxford McKinney Acquisition Agreement (the “**Oxford McKinney Due Diligence Period**”) and ASHR shall have the right to terminate the Oxford McKinney Acquisition Agreement on or prior to the end of the Oxford McKinney Due Diligence Period by providing written notice to CBC Oxford McKinney in the event that ASHR, in its sole discretion, is not satisfied with the results of the due diligence on Oxford Grand McKinney for any reason.

Financing contingency:

ASHR shall have the right to terminate the Oxford McKinney Acquisition Agreement by written notice to CBC Oxford McKinney in the event that ASHR is unable to secure a mortgage loan commitment, with terms and conditions which are reasonably acceptable to ASHR, after using good faith effort.

Conditions to completion of the Oxford McKinney Acquisition:

Completion of the Oxford McKinney Acquisition is conditional upon, among other matters:

- (a) ASHR has secured a mortgage loan commitment, with terms and conditions which are reasonably acceptable to ASHR, after using good faith effort, or such condition is duly waived by ASHR;
- (b) a master lease has been entered into between ASHR as landlord and Oxford Senior Living (or its subsidiary) as tenant relating to the leasing of the Oxford Grand McKinney upon the terms and conditions as agreed by the parties; and
- (c) ASHR shall have closed the Oxford Derby Acquisition and arranged for Oxford Senior Living (or its subsidiary) to have subleased the Glen Carr House.

## **THE OXFORD DERBY ACQUISITION AGREEMENT**

Set out below are the major terms of the Oxford Derby Acquisition Agreement:

Date of Agreement:

14 February 2017 (U.S. time)

Vendor:

Oxford Derby, a Kansas limited liability company; to the best knowledge, information and belief of the Board, and after making all reasonable enquiries, Oxford Derby and its ultimate beneficial owners are third parties independent of both the Company and all connected persons of the Company

Purchaser:

ASHR, a Delaware limited liability company and an indirect 99.82%-owned subsidiary of the Company

Asset to be acquired:

the land, facilities, and the Property of Oxford Derby related to the Glen Carr House

Consideration:

purchase price in the amount of US\$10,500,000 (approximately HK\$81,465,000) payable in cash to Oxford Derby in accordance with the terms of payments stipulated in the Oxford Derby Acquisition Agreement.

Date of completion of the Oxford Derby Acquisition:	Completion shall take place on or before the fifteenth (15 <sup>th</sup> ) day after the expiration of the Oxford Derby Due Diligence Period (as defined below), or such earlier day as ASHR and Oxford Derby may agree, but in any event, not before approval by the City of Derby as required in relation to the assignment of the IRB Lease (see completion condition (d) below).
Terms of Payments:	<ul style="list-style-type: none"> <li>(a) a sum of US\$105,000 will be paid by ASHR to an escrow agent within 3 business days as initial deposit and partial payment of the consideration upon the date of signing of the Oxford Derby Acquisition Agreement.</li> <li>(b) the balance of the consideration will be paid upon completion of the Oxford Derby Acquisition.</li> </ul>
Due Diligence:	ASHR is entitled to perform due diligence review procedures on the Glen Carr House for a period of 60 days after the later to occur of (i) receipt of all Property Documents in respect of Glen Carr House or (ii) the date of the Oxford Derby Acquisition Agreement (“ <b>Oxford Derby Due Diligence Period</b> ”) and ASHR shall have the right to terminate the Oxford Derby Acquisition Agreement on or prior to the end of the Oxford Derby Due Diligence Period by providing written notice to Oxford Derby in the event that ASHR, in its sole discretion, is not satisfied with the results of the due diligence on the Glen Carr House for any reason.
Financing contingency:	ASHR shall have the right to terminate the Oxford Derby Acquisition Agreement by written notice to Oxford Derby in the event that ASHR is unable to secure a mortgage loan commitment, with terms and conditions are reasonably acceptable to ASHR, after using good faith effort.
Conditions to completion of the Oxford Derby Acquisition:	<p>Completion of the Oxford Derby Acquisition is conditional upon, among other matters:</p> <ul style="list-style-type: none"> <li>(a) ASHR has secured a mortgage loan commitment, with terms and conditions are reasonably acceptable to ASHR, after using good faith effort, or such condition is duly waived by ASHR;</li> </ul>

- (b) a master lease has entered into between ASHR as landlord and Oxford Senior Living (or its subsidiary) as tenant relating to the leasing of the Glen Carr House upon the terms and conditions as agreed by the parties. The master lease shall be a sublease to the IRB Lease (see subsection (d) below);
- (c) ASHR shall have closed the Oxford McKinney Acquisition and entered into a lease of the Oxford Grand McKinney with Oxford Senior Living (or its subsidiary);
- (d) assignment of the IRB Lease to ASHR from Oxford Derby which shall require consent from the City of Derby. The IRB Lease is a lease dated December 7, 2011, as supplemented by supplemental lease No.1 dated November 19, 2012, by and between the City of Derby, as lessor, and Oxford Derby as the tenant; and
- (e) Oxford Derby's assignment, and ASHR's assumption of said assignment, of the IRB Bonds which shall require consent from the City of Derby.

## **INFORMATION ON PARTIES TO THE ACQUISITIONS**

### **Information on the Group**

The Group is principally engaged in property development, property investment and trading, hotel operations, and securities trading and investment in the PRC, Japan, the United States and other countries.

ASHR is a direct wholly owned subsidiary of AHR, which was listed on Over-The-Counter in the United States in 2010. AHR is currently 99% controlled by the Company and owns a portfolio of single family rentals primarily in Texas, Florida, Georgia and North Carolina. ASHR has been incorporated for the purpose of holding senior housing facilities in the United States.

### **Information on CBC Oxford McKinney**

CBC Oxford McKinney is a limited liability company formed under the laws of Delaware. CBC Oxford McKinney is principally engaged in the business of development and operation of senior living facilities in McKinney, Texas. To the best knowledge, information and belief of the Board, and after making all reasonable enquiries, CBC Oxford McKinney and its ultimate beneficial owners are third parties independent of both the Company and all connected persons of the Company.

### **Information on Oxford Derby**

Oxford Derby is a limited liability company formed under the laws of Kansas. Oxford Derby is principally engaged in the business of development and operation of senior living facilities in Derby, Kansas. To the best knowledge, information and belief of the Board, and after making all reasonable enquiries, Oxford Derby and its ultimate beneficial owners are third parties independent of both the Company and all connected persons of the Company.

### **Information on Oxford Senior Living**

Oxford Senior Living is a limited liability company formed under the laws of Delaware. Oxford Senior Living is principally engaged in the business of operating senior living communities. To the best knowledge, information and belief of the Board, and after making all reasonable enquiries, Oxford Senior Living and its ultimate beneficial owners are third parties independent of both the Company and all connected persons of the Company.

## **INFORMATION ON THE ASSETS TO BE ACQUIRED**

### **Information of Oxford Grand McKinney**

Oxford Grand McKinney is an assisted living and memory care community. It is a two-story building with a total of approximately 69,700 square feet and is located at 2851 Orchid Drive, McKinney, Texas, the United States. This community is comprised of 73 units and will be licensed for 95 beds. The Oxford Grand McKinney provides assisted living and memory care services to the senior population in Collin County, Texas and is operated by Oxford Senior Living.

### **Information of Glen Carr House**

The Glen Carr House is a stand-alone, memory care community. It is comprised of four separate buildings with a total of approximately 29,000 square feet and is located at 1433 N. Hamilton Drive, Derby, Kansas, the United States. This community is comprised of 48 units with 56 licensed beds and provides memory care services to the senior population in Sedgwick County, Kansas. The Glen Carr House is operated by Oxford Senior Living. It was first built in 2011 and further expanded in 2013.

Upon completion of the Oxford McKinney Acquisition and the Oxford Derby Acquisition, the two senior housing communities with memory care centers will be leased to Oxford Senior Living (“**Master Tenant**”) for a period of 12 years with aggregate initial annual rental incomes of approximately US\$2,185,000 (approximately HK\$16,953,000) that is guaranteed by Oxford Development Holdings, LLC, the holding company of Oxford Grand McKinney, LLC. The Master Tenant has two successive options to renew the lease for five year periods with 2% rent escalation.

Having considered that (i) both the Oxford McKinney Acquisition and the Oxford Derby Acquisition are in line with the business strategy of the Group to expand property portfolio in the REIT; (ii) the favorable prospects of senior housing industry; and (iii) these two senior housing communities will generate an aggregate rental income of approximately US\$2,185,000 (approximately HK\$16,953,000) per year for the Group, representing a rental yield of approximately 7.9% per annum, the Directors (including the independent non-executive Directors) consider that the aggregate consideration for the two senior housing communities, which was arrived at after arm's length negotiations, is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

## **REASONS FOR THE ACQUISITIONS**

The Group is principally engaged in property development, property investment and trading, hotel operations, and securities trading and investment in the PRC, Japan, the United States and other countries.

With life expectancy continuing to increase in the United States, many individuals started planning for their desire retirement community after age 65. There were 77 million baby boomers, representing 70% of the current US population will reach their retirement age in the coming next two decades. The improved medical services and facilities, growing senior population and improved living standards nourished a strong demand on a retirement community and created business opportunity for the elderly care industry. To seize the industry potential and in line with the Group's strategy in seeking for higher-than-average annualised yield, the Group revisits the current properties portfolio and diversifies the investment from single family housing to senior housing.

The Directors consider that the Acquisitions represent a good investment opportunity and believe that the Group will benefit from the stable and attractive rental income and anticipate appreciation in value of the senior housing communities through diversifying the Group's portfolio with senior housing properties in the United States. The Directors (including the independent non-executive Directors) are of the view that the terms of the Oxford McKinney Acquisition Agreement and that of the Oxford Derby Acquisition Agreement are on normal commercial terms, and are fair and reasonable so far as the Company and the Shareholders are concerned, and that the terms of the Oxford McKinney Acquisition Agreement and Oxford Derby Acquisition Agreement are in the interest of the Company and the Shareholders as a whole.

The Group may finance the funding requirements for the Acquisitions by internal resources and corporate bank borrowings or from other sources as deemed appropriate by the Board. It is expected that the aggregate consideration for the Oxford McKinney Acquisition and the Oxford Derby Acquisition will be funded by approximately half from corporate bank borrowings and half will be funded in cash from internal resources.



## LISTING RULES IMPLICATIONS

Taking into consideration the fact that the completions of the Acquisitions are inter-conditional upon each other, the Board took the liberty to aggregate the two transactions. As one or more of the applicable percentages in respect of the aggregated consideration for the Oxford McKinney Acquisition and the Oxford Derby Acquisition in the amount of US\$27,550,000 (approximately HK\$213,749,000) calculated according to Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Oxford McKinney Acquisition Agreement, the Oxford Derby Acquisition Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As each of the above Acquisitions is subject to the fulfillment of certain conditions precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

## DEFINITIONS

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

- “Acquisitions” : Oxford McKinney Acquisition and Oxford Derby Acquisition collectively
- “AHR” : American Housing REIT, Inc., a Maryland corporation and an indirect 99.82%-owned subsidiary of the Company, the shares of which are listed on Over-The-Counter in the United States
- “ASHR” : American Senior Housing REIT, LLC, a Delaware limited liability company and a wholly owned subsidiary of AHR
- “Board” : the board of Directors
- “CBC Oxford McKinney” : CBC Oxford McKinney LLC, a Delaware limited liability company, is the vendor under Oxford McKinney Acquisition
- “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
- “Director(s)” : the director(s) of the Company
- “Glen Carr House” : a senior housing community located at 1433 North Hamilton Drive, Derby, Kansas, the United States

“Group”	:	the Company and its subsidiaries from time to time
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China
“IRB Bonds”	:	taxable industrial revenue series B bonds issued by the City of Derby in relation to payment for the Glen Carr House, pursuant to bond agreement dated December 13, 2011 entered between the City of Derby and Oxford Derby, and delivered concurrently with the IRB Lease
“IRB Lease”	:	the lease dated as of December 7, 2011 by and between the City of Derby, Kansas, as lessor and Oxford Derby as tenant in relation to the Glen Carr House
“Listing Rules”	:	Rules Governing the Listing of Securities on the Stock Exchange
“Oxford Derby”	:	Oxford Derby Memory Care, LLC, a Kansas limited liability company, is the vendor under Oxford Derby Acquisition
“Oxford Derby Acquisition”	:	the acquisition of the Glen Carr House by ASHR from Oxford Derby, pursuant to the Oxford Derby Acquisition Agreement
“Oxford Derby Acquisition Agreement”	:	the sale and purchase agreement in relation to the Oxford Derby Acquisition entered into between ASHR as the purchaser and Oxford Derby as the vendor on 14 February 2017 (U.S. time)
“Oxford Grand McKinney”	:	a senior housing community located at 2851 Orchid Drive McKinney, Texas, the United States
“Oxford McKinney Acquisition”	:	the acquisition of the Oxford Grand McKinney by ASHR from CBC Oxford McKinney pursuant to the Oxford McKinney Acquisition Agreement
“Oxford McKinney Acquisition Agreement”	:	the sale and purchase agreement in relation to the Oxford McKinney Acquisition entered into between ASHR as the purchaser and CBC Oxford McKinney as the vendor on 14 February 2017 (U.S. time)
“Oxford McKinney Approved Documents”	:	certificate(s) of occupancy, licenses, permits and other governmental approvals required or desirable, (in the reasonable determination of ASHR) for the construction and operation of the Oxford Grand McKinney in compliance with all applicable laws

- “Oxford Senior Living” : Oxford Senior Living, LLC, a company incorporated in Delaware with limited liability, which is principally engaged in the business of operating senior living communities
- “Property Documents” : copies of all leases, contracts, physical, soils or environmental inspection reports or studies, title information and surveys, property financial reports and similar customary core information relating to the property to the extent that they are in the relevant vendor’s possession or control
- “Property of Oxford Derby” : (i) the real property on which Glen Carr House is located (“**Real Property**”);
- (ii) the vendor’s fee simple title in and to all buildings, structures, facilities, amenities, driveways, walkways, parking lots and other improvements located on the Real Property (“**Improvements**”);
- (iii) all right, title and interest of vendor in and to the Real Property;
- (iv) all tangible and intangible personal property owned by vendor located on the Real Property and used in connection with the Glen Carr House; and
- (v) all licenses, permits and warranties benefiting the Elderly Care Facilities that are held in vendor’s name
- “Property of Oxford McKinney” : (i) the real property on which Oxford Grand McKinney is located (“**Real Property**”);
- (ii) the vendor’s fee simple title in and to all buildings, structures, facilities, amenities, driveways, walkways, parking lots and other improvements located on the Real Property (“**Improvements**”);
- (iii) all right, title and interest of vendor in and to the Real Property;
- (iv) all tangible and intangible personal property owned by vendor located on the Real Property and used in connection with the Oxford Grand McKinney;
- (v) all licenses, permits and warranties benefiting the Elderly Care Facilities that are held in vendor’s name

- “Purchase Option” : the option owned by Oxford Grand McKinney, LLC, a Kansas limited liability company, to purchase the Property of Oxford McKinney under and pursuant to the certain lease between CBC Oxford McKinney as Landlord and Oxford Grand McKinney, LLC as tenant dated as of July 2, 2015
- “REIT” : real estate investment trust
- “Shareholder(s)” : shareholder(s) of the Company
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong
- “US” or “United States” : the United States of America
- “US\$” : United States dollar(s), the lawful currency of the United States
- “%” : per cent.

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

Hong Kong, 15 February 2017

*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.*