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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)**

**CONTINUING CONNECTED TRANSACTIONS  
SUPPLEMENTAL AGREEMENT TO THE MASTER SERVICES AGREEMENT  
REVISION OF ANNUAL CAPS  
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 6 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 22 to 23 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 24 to 35 of this circular.

A notice convening the EGM to be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Tuesday, 16 May 2017 at 9:30 a.m. is set out on pages 41 to 42 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 (i.e. by 9:30 a.m. on Saturday, 13 May 2017) 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.

All times and dates specified herein refer to Hong Kong local times and dates.

26 April 2017

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	6
<b>Letter from the Independent Board Committee</b> .....	22
<b>Letter from the Independent Financial Adviser</b> .....	24
<b>Appendix – General information</b> .....	36
<b>Notice of EGM</b> .....	41

## DEFINITIONS

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

“Additional Five Land Parcels”	five land parcels which the Group has successfully bid in 2016 under code nos. (2016)-11, (2016)-12, (2016)-114, (2016)-127 and (2016)-143 as stated in the Company’s announcement dated 4 July 2016, 24 November 2016, 9 December 2016, 15 December 2016 and 23 December 2016, respectively
“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 as detailed in the 22 January 2016 Circular
“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

## DEFINITIONS

“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
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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
“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 Tuesday, 16 May 2017 at 9:30 a.m. for the purpose of considering and, if thought fit, approving the Supplemental Agreement, the Transactions and the Revised Annual Caps
“First Land Parcel”	a land parcel which the Group has successfully bidden in 2015 under code no. (2015)-39 as stated in the Company’s announcement dated 13 August 2015
“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

## DEFINITIONS

“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 Supplemental Agreement, the Transactions and the Revised 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 Supplemental Agreement, the Transactions and the Revised Annual Caps
“Independent Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	18 April 2017, 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
“Relevant Land Parcel(s)”	Each of the Additional Five Land Parcels and the First Land Parcel, individually and collectively

## DEFINITIONS

“Revised Annual Caps”	the proposed revised maximum aggregate annual transaction amounts payable by the Group to the Zensun Development Group for the relevant Services for each of the financial years ending 31 December 2017, 2018 and 2019 as stated in the First Announcement and subsequently amended in the Second Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the Contracting Services, Ancillary Services and such other types of services the Company and Zensun Development may agree upon from time to time in writing
“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)
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance
“Supplemental Agreement”	the Supplemental Agreement dated 21 February 2017 entered into by the Company and Zensun Development in related to the Master Services Agreement
“Transactions”	the transactions contemplated under the Master Services Agreement as supplemented by the Supplemental Agreement
“Zensun Development”	Henan Zensun Corporate Development Company Limited (河南正商企業發展有限責任公司), a company established under the laws of the PRC, which is beneficially wholly-owned by Mr. Zhang

## DEFINITIONS

“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 as supplemented by the Supplemental Agreement, excludes members of the Group
“%”	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:*

Mr. Zhang Jingguo

*(Chairman and Chief Executive Officer)*

Mr. Zhang Guoqiang

*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

26 April 2017

*To the Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
SUPPLEMENTAL AGREEMENT TO THE MASTER SERVICES AGREEMENT  
REVISION OF ANNUAL CAPS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The Board refers to the announcement of the Company dated 21 February 2017 (the “**First Announcement**”) in relation to the Supplemental Agreement, the Transactions and the Revised Annual Caps and the announcement of the Company dated 21 March 2017 (the “**Second Announcement**”) in relation to the Amendment to the Revised Annual Caps. Pursuant to the requirements of the Listing Rules, the Company will seek the approval of the Independent Shareholders in relation to the Supplemental Agreement, the Transactions and the Revised Annual Caps.

The purposes of this circular are, among other things: (i) to provide you with further details of the Supplemental Agreement, the Transactions and the Revised 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



## LETTER FROM THE BOARD

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 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 SUPPLEMENTAL AGREEMENT

#### Background

Reference is made to the Company's announcement dated 22 December 2015 (the "**22 December 2015 Announcement**") and its circular dated 22 January 2016 (the "**22 January 2016 Circular**") in relation to the Master Services Agreement and the transactions contemplated thereunder and the Annual Caps. As disclosed in the 22 December 2015 Announcement and the 22 January 2016 Circular, the Company and Zensun Development entered into the Master Services Agreement on 22 December 2015 pursuant to which Zensun Development agreed to provide, or procure its subsidiaries to provide the Services to the Group. The Master Services Agreement and the transactions contemplated thereunder and the Annual Caps were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 12 February 2016. The principal terms of the Master Services Agreement are summarised as follows:

#### 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;

## LETTER FROM THE BOARD

- (b) On the basis of the service plan for development of the First Land Parcel 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
- (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 extraordinary general meeting of the Company.

### **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.

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

## LETTER FROM THE BOARD

On 21 February 2017, the Company entered into the Supplemental Agreement with Zensun Development to amend certain terms of the Master Services Agreement. The Supplemental Agreement is conditional upon approval by the Independent Shareholders at the EGM having been obtained.

### Principal terms

Principal terms of the Master Services Agreement as amended by the Supplemental Agreement are summarized as follows:

<b>Date of the Supplemental Agreement:</b>	21 February 2017
<b>Parties:</b>	(1) the Company (2) Zensun Development
<b>Terms amended:</b>	Original terms under the Master Services Agreement <ul style="list-style-type: none"><li>– the effective date shall be 1 January 2016, subject to the fulfilment of conditions precedent to the Master Services Agreement being fulfilled</li><li>– the Initial Term of the Master Services Agreement shall commence on the effective date, and shall continue up to and including 31 December 2018</li></ul> New terms under the Master Services Agreement as amended by the Supplemental Agreement <ul style="list-style-type: none"><li>– the effective date shall be 1 January 2017, subject to the fulfilment of conditions precedent to the Supplemental Agreement being fulfilled</li><li>– the Initial Term of the Master Services Agreement shall commence on the effective date, and shall continue up to and including 31 December 2019</li></ul>

Save as disclosed above, all existing terms and conditions under the Master Services Agreement remain unchanged. Accordingly, when entering into the Definitive Agreement(s), the pricing policy, selection process of construction companies and corporate governance relating to the Transactions as stated in the 22 January 2016 Circular remain in place which are also set out in sections headed “Pricing Policy”, “Selection process of Construction Companies” and “Corporate Governance Relating to the Transactions” below.

## LETTER FROM THE BOARD

### THE REVISION OF THE ANNUAL CAPS

#### The Revised Annual Caps

The Annual Caps under the Master Services Agreement for the financial year ended 31 December 2016 and the financial years ending 31 December 2017 and 2018 are RMB92,000,000, RMB36,000,000 and RMB15,000,000, respectively. As stated in the First Announcement, the Board proposed to revise the Annual Caps for the Transactions for each of the financial years ending 31 December 2017, 2018 and 2019 to RMB1,288,000,000, RMB2,932,000,000 and RMB3,232,000,000, respectively. Subsequently, the Board proposed to amend the Revised Annual Caps as detailed in the Second Announcement for each of the financial years ending 31 December 2017, 2018 and 2019 as RMB367,000,000, RMB599,000,000 and RMB237,000,000, respectively.

The Board proposed to amend the Revised Annual Caps is to ensure that the Group does not place undue reliance on any particular constructor for its future property development and to minimise the risk to its business operation in this regard.

The Revised Annual Caps was determined based on:

- (i) the unaudited historical transaction amounts incurred for the Transactions which was approximately RMB91.3 million for the financial year ended 31 December 2016 and the Annual Caps in relation to the First Land Parcel as stated in 22 January 2016 Circular;
- (ii) the unaudited historical transaction aggregate amounts incurred for the relevant contracting services and ancillary services which was approximately RMB273.1 million as at 31 December 2016 in relation to the construction of other ongoing project held by the Group on hand;
- (iii) 50% of the sum of
  - (a) the forecast amounts of the Transactions for each of the financial years ending 31 December 2017, 2018 and 2019 in relation to Additional Five Land Parcels; and
  - (b) an additional 10% buffer as possible variance of the costs in respect of relevant Services for the Additional Five Land Parcels; and
- (iv) exclusion of the estimated transaction amounts which may arise from the Group's future plan for continual acquisition of land parcels.

As the Group expects to engage Zensun Development Group primarily for the Services for the development of the Relevant Land Parcels, each of the Revised Annual Caps has been determined with reference to the projected development schedule and the projected quantity of Services in relations to the development of the Relevant Land Parcels during the three financial years ending 31 December 2019.

## LETTER FROM THE BOARD

According to the expected development schedule of each respective Relevant Land Parcel set out in the section headed “Information on the Relevant Land Parcels” below, except for the First Land Parcel, it is expected that development of the Relevant Land Parcels gradually commenced from end of 2016 and be completed gradually in 2019 and 2020, respectively (the “**Construction Period**”). The Revised Annual Caps are determined on the basis that member(s) of the Zensun Development Group will win the tenders in relation to the Services of certain Relevant Land Parcels. The Revised Annual Caps for the three financial years ending 31 December 2019 are calculated primarily based on the expected proportion of the estimated total construction and engineering costs and related ancillary services payable in respect of these Relevant Land Parcels in each of the respective financial year. Regarding the expected development schedule for the Relevant Land Parcels throughout the Construction Period, substantial Services will be required during the first 15 months of the construction period of individual Relevant Land Parcel, which is expected to fall from the third quarter of 2017 to third quarter of 2018. Therefore, the Revised Annual Caps for the three financial years ending 31 December 2019 demonstrate a trend to increase from 2017 to 2018 and decrease from 2018 to 2019.

Since the Revised Annual Caps are calculated primarily based on the estimated total costs for the Services during the Construction Period which representing approximately 90% of the Revised 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 Revised Annual Caps for each of the three financial years ending 31 December 2019.

The Directors (including the independent non-executive Directors) considered that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Historical transaction amounts**

There were no Services provided by the Zensun Development Group to the Group before the Master Services Agreement came into effect. The unaudited aggregate transaction amounts paid and payable by the Group to Zensun Development for the transactions conducted pursuant to the Master Services Agreement for the financial year ended 31 December 2016 was approximately RMB91,320,000.

### **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

## LETTER FROM THE BOARD

related services according to the tender documents and construction contracts to be signed between the member(s) of the Zensun Development Group and the Group from time to time. The amount of fees payable by the Group for the Contracting Services shall be based on the fee quotes to be submitted by the member(s) of the Zensun Development Group under the relevant tendering process which will be subject to the selection procedures set out in section headed "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 as supplemented by the Supplemental 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.

### **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 30 August 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 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

## LETTER FROM THE BOARD

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 Relevant Land Parcels under the Master Services Agreement as supplemented by the Supplemental 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 Relevant Land Parcels under the Master Services Agreement as supplemented by the Supplemental Agreement, there will not involve any funding from state capital and the construction of the Relevant Land Parcels 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.

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.

## LETTER FROM THE BOARD

### 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, Mr. Zhang Guoqiang and Ms. Huang;
  - (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 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.

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.



## LETTER FROM THE BOARD

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 “**Measures**”), 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);
- (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; and
- (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.

## LETTER FROM THE BOARD

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 Revised Annual Caps for the financial years concerned under the Master Services Agreement as supplemented by the Supplemental Agreement; (ii) the terms of the Transactions and the Definitive Agreements (together with the Revised 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 Revised 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 Revised Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Revised Annual Caps, or that there is any material amendment to the terms of the Master Services Agreement as supplemented by the Supplemental 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.

### INFORMATION ON THE RELEVANT LAND PARCELS

In August 2015, the Company has made a successful bid for the First Land Parcel in Zhengzhou City, Henan Province, the PRC. Subsequently in the year of 2016, the Group has also made successful bids for the Additional Five Land Parcels in Zhengzhou City, Henan Province, the PRC. In addition, under the Group's future plans, there will be more continual acquisitions of land parcels in the PRC.

## LETTER FROM THE BOARD

Set out below are brief details of the Relevant Land Parcels.

Land Code No.	Address	Designated land usage	Total site area (sq.m.)	Time for obtaining land title	Expected development schedule
(2015)-39 (Note)	east of Dahe Road and Guxu Road, Zhengzhou City	Residential	34,439	Oct 2015	4th quarter of 2015 to 4th quarter of 2017
(2016)-11	east of Songlin Dong Road and north of Ruifeng Road, Zhengzhou City	Commercial	25,357	Oct 2016	4th quarter of 2016 to 4th quarter of 2019
(2016)-12	north of Hanghai Dong Road and west of the 17th Street, Jingkai District of Zhengzhou City	Commercial	55,631	Mar 2017	3rd quarter of 2017 to 2nd quarter of 2020
(2016)-114	north of Lv Da Road and west of Liu Xiu Road of Zhengzhou City	Residential	94,426	Feb 2017	4th quarter of 2017 to 4th quarter of 2020
(2016)-127	south of Xin Cheng Road and east of Yu Le Road of Zhengzhou City	Residential	98,973	Feb 2017	3rd quarter of 2017 to 3rd quarter of 2020
(2016)-143	north of Lv Da Road and east of Hong Song Road of Zhengzhou City	Residential	89,025	Feb 2017	4th quarter of 2017 to 4th quarter of 2020

*Note:* Zensun Development Group have been engaged for the Services for development of the First Land Parcel during the financial year ended 31 December 2016.

As at the Latest Practicable Date, aligning with the expected development schedule, the Group intends to engage Zensun Development Group primarily to carry out the Services for the development of the Relevant Land Parcel under code no. (2016)-11, which is subject to the tender procedures. For development of the remaining Relevant Land Parcels under code nos. (2016)-12, (2016)-114, (2016)-127 and (2016)-143, the Group also intends to engage Zensun Development Group to carry out the Services, which is subject to the tendering procedures, development progress schedule and the available Revised Annual Caps.

### REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT AND REVISION OF THE ANNUAL CAPS

The Directors (including independent non-executive Directors) consider that Zensun Development Group possesses the required qualifications and experience in carrying out the Services with good quality standard, it will be easy to manage the development schedule for the Relevant Land Parcels with Services provided by Zensun Development Group. As mentioned in the section headed "Information on the Relevant Land Parcels", the Group has successfully bid the Relevant Land Parcels in 2015 and 2016. The Board believes that the continual acquisitions of land parcels complement the Group's strategy in expanding its business operation in Henan Province, the PRC.

## LETTER FROM THE BOARD

Thus, the Board will continue to bid for land use rights of other selective land parcels in the PRC with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

In view of the above positive development of the Group's operation in the PRC, it is expected that the Group's need on construction work for the Relevant Land Parcels would be significantly increased in the near future. In this regard, the Board considers that the Master Services Agreement as amended by the Supplemental Agreement and the Revised Annual Caps will facilitate the Group to cope with the construction and development of the Relevant Land Parcels. In view of the forecast for constructing and developing of the Relevant Land Parcels, it is estimated that the Annual Caps for each of the financial years ending 31 December 2017 and 2018 will not be sufficient to meet the Group's requirements in relation to the development of all Relevant Land Parcels. The Company therefore contemplates to revise the Annual Caps of transactions thereunder the Master Services Agreement.

Indeed, services provided by independent third party construction contractor are sufficiently available in the market for the Services, the Group could also engage independent third party construction contractors which can offer the best and most favourable terms for its development projects through the tendering procedures.

In view of the above positive development of the Group's operation in the PRC, it is expected there will be substantial increment on revenue and also the asset value of the Group in the coming years in respect of these Relevant Land Parcels. Based on management projection and taking into consideration the development of the Relevant Land Parcels, the Revised Annual Caps in aggregate will only account for approximately 13.1% of the total expected aggregate sales proceeds and approximately 33.6% of the total expected aggregate construction cost in respect of these Relevant Land Parcels during the three financial years ending 31 December 2019, respectively.

As at the Latest Practicable Date, save as the Services for the development of the Relevant Land Parcels, the Company have no plans to obtain the Services from Zensun Development Group for any other current and future development projects. In addition, to ensure fairness in the contractor engagement and compliance with relevant laws and regulations, the Group has adopted independent mechanism to govern and monitor the selection procedures on the tendering procedures as detailed in the section headed "Corporate Governance Relating to the Transactions" above. 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.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Supplemental Agreement and the Transactions 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 (ii) the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

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

The Group is principally engaged in property development, property investment and management, 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 holding in the PRC.

### 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 57.95% 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 Revised Annual Caps is more than 5% and the Revised Annual Caps exceed HK\$10,000,000, the Supplemental Agreement, the Transactions and the Revised Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Supplemental Agreement, the Transactions and the Revised 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 57.95% 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 Supplemental Agreement, the Transactions and the Revised Annual Caps at the EGM.

Mr. Zhang and Ms. Huang have abstained from voting in the Board meeting in which the Supplemental Agreement, the Transactions and the Revised 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 Supplemental Agreement, the Transactions and the Revised Annual Caps. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## LETTER FROM THE BOARD

### 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 16 May 2017 at 9:30 a.m. is set out on pages 41 to 42 of this circular. An ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Supplemental Agreement, the Transactions and the Revised 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.

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 (i.e. by 9:30 a.m. on Saturday, 13 May 2017) 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](http://www.hkexnews.hk)) and the Company ([www.zhsuccess.com](http://www.zhsuccess.com)) after the EGM.

### RECOMMENDATION

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 24 to 35 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

## LETTER FROM THE BOARD

The Independent Board Committee, having considered the terms of the Supplemental Agreement, the Transactions and the Revised Annual Caps, and taken into account the advice of the Independent Financial Adviser, considers that the terms of the Supplemental Agreement are on normal commercial terms, and that the terms of the Supplemental Agreement, the Transactions and the Revised 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 Supplemental Agreement are on normal commercial terms, and that the terms of the Supplemental Agreement, the Transactions and the Revised 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 Supplemental Agreement, the Transactions and the Revised Annual Caps.

### GENERAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iii) 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**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 185)**

26 April 2017

*To the Independent Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
SUPPLEMENTAL AGREEMENT TO THE MASTER SERVICES AGREEMENT  
REVISION OF ANNUAL CAPS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 26 April 2017 (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 Supplemental Agreement, the Transactions, the Revised 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 Supplemental Agreement, the Transactions and the Revised 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 24 to 35 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 21 of the Circular and the general information set out in the appendix to the Circular.

Having considered the Supplemental Agreement, the Transactions and the Revised Annual Caps, and taken into account the advice of the Independent Financial Adviser, we consider that the Supplemental Agreement and the Transactions are in the ordinary and usual course of business of the Group and the Supplemental Agreement has been negotiated on an arm’s length basis and on normal commercial terms and that the terms of the Supplemental Agreement, the Transactions and the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of



**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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 Supplemental Agreement, the Transactions and the Revised 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 THE INDEPENDENT FINANCIAL ADVISER

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 Supplemental Agreement and the Revised Annual Caps for the purpose of inclusion in the Circular.



建泉融資有限公司  
VBG Capital Limited

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

26 April 2017

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

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL AGREEMENT TO MASTER SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS

#### 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 Supplemental Agreement and the Revised Annual Caps, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 26 April 2017 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 the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 22 December 2015 and its circular dated 22 January 2016 (the "**Previous Circular**") regarding the Master Services Agreement, the transactions contemplated thereunder and the Annual Caps. On 22 December 2015, the Company entered into the Master Services Agreement with Zensun Development, pursuant to which Zensun Development agreed to provide, or procure its subsidiaries to provide the Services to the Group for a term of three financial years from 1 January 2016 to 31 December 2018. The Company expected the Annual Caps in respect of such transactions for the year ended 31 December 2016, and the two years ending 31 December 2018 to be RMB92,000,000, RMB36,000,000 and RMB15,000,000, respectively. The Master Services Agreement, the transactions contemplated thereunder and the Annual Caps were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 12 February 2016.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 21 February 2017, the Company announced that on even date, the Company and Zensun Development entered into the Supplemental Agreement to amend certain terms of the Master Services Agreement. Moreover, to cater for the latest business development of the Group, the Board also approved to revise upward the Annual Caps. On 21 March 2017, the Company announced to set the Revised Annual Caps as RMB367,000,000, RMB599,000,000 and RMB237,000,000 for the three financial years ending 31 December 2019, respectively.

According to the Letter from the Board, the Transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Supplemental Agreement, the Transactions and the Revised Annual Caps are therefore subject to re-compliance with the reporting, annual review, announcement and independent shareholders' approval requirements.

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 Supplemental Agreement and the Revised Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Supplemental Agreement is 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 Supplemental Agreement, the Transactions and the Revised 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" or our current name "VBG Capital Limited" (as the case may be) relating to (i) an unconditional mandatory cash offer which a composite document dated 6 July 2015 was issued; (ii) a major and connected transaction in relation to acquisition of a property project which a circular dated 30 October 2015 was issued; (iii) the continuing connected transactions in relation to the Master Services Agreement which the Previous Circular was issued; and (iv) the existing engagement in connection with the Supplemental Agreement to the Master Services Agreement and revision of the Annual Caps, 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. We consider ourselves independent to form our opinion in respect of the Supplemental Agreement and the Revised Annual Caps.

### BASIS OF OUR OPINION

In formulating our opinion with regard to the Supplemental Agreement and the Revised Annual Caps, we have relied on the information and facts supplied, opinions

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the announcements of the Company dated 21 February 2017 and 21 March 2017 in relation to the Supplemental Agreement and the Revised Annual Caps and the 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 Group in the 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 the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the 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 Supplemental Agreement, the Transactions and the Revised Annual Caps. 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 Revised 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 2019, and they do not represent forecasts of revenues or costs to be recorded from the Master Services Agreement and the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Supplemental Agreement. Consequently, we express no opinion as to how closely the actual revenue, cost to be incurred under the Master Services Agreement and the Supplemental Agreement will correspond with the proposed Revised Annual Caps.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Supplemental Agreement and the Revised Annual Caps, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the Supplemental Agreement

##### *Information on the Group*

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

As referred to in the annual report of the Company for the period from 1 April 2015 to 31 December 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 acquired a property development project in 2015 and has continued to identify new property development projects and attractive investment opportunities. In line with such business strategy, the Group made a series of successful bids for the land use right of land parcels located in Zhengzhou City, Henan Province, the PRC on top of the said acquisition in recent years. The table below summarises the key information of the six pieces of land parcels which the Group has successfully bid during 2015 and 2016:

Land parcel	Total site area (sq.m.)	Actual or estimated construction gross floor area (sq. m.)	Intended usage	Expected development period (the "Construction Period")
No.(2015)39	34,439	95,520	Residential	From 2015 to 2017
No.(2016)11	25,357	143,371	Commercial	From 2016 to 2019
No.(2016)12	55,631	194,709	Commercial	From 2017 to 2020
No.(2016)114	94,426	188,852	Residential	From 2017 to 2020
No.(2016)127	98,973	296,920	Residential	From 2017 to 2020
No.(2016)143	89,025	195,855	Residential	From 2017 to 2020

Construction of the First Land Parcel has already commenced in December 2015. The project named "Zensun Xinghan Garden" comprises seven blocks of 8-storeyed bungalows situated at the central scenic area, and three blocks of 18-storeyed low-high-rise at the north, totalling 648 units. The total construction

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

gross floor area of the project is approximately 95,520 sq.m. and it is a low-density, scarce and high-end residential community with high greening ratio of up to 30%. The project is specially designed with separate vehicle and pedestrian traffic, and a kindergarten of 1,661 sq.m. catering for the community needs. It is expected that construction of the project will be completed in 2017.

### *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 holding in the PRC.

Based on the fact that the Zensun Development Group (i) has obtained 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); and (ii) has proven track record in providing construction, engineering and related services in the PRC, the Directors consider that the Zensun Development Group possesses the required qualifications and experience in carrying out the Services with good quality standard.

### *Overview of the property market of the PRC and Zhengzhou City*

Although there has been global concern on whether the economic growth in the PRC would stay strong under the complex and ever-changing macro-environment, the preliminary estimation published in January 2017 by the National Bureau of Statistics of China (the “**National Bureau**”) at <http://www.stats.gov.cn> stated that the gross domestic product (“**GDP**”) of the PRC in 2016 was approximately RMB74,412.7 billion, or an approximate 6.7% increase as compared to the prior year. The property sector moved in the same direction with the total investment in real estate reaching approximately RMB10,258.1 billion in 2016, representing an approximate 6.9% growth; among which the investment in residential properties went up by approximately 6.4%. The total floor space newly commenced construction in 2016 was approximately 1,669.3 million sq.m., up by approximately 8.1% as compared to the prior year. Specifically, the floor space newly commenced construction of residential properties increased by approximately 8.7%. The total floor space of commercial buildings sold in 2016 was approximately 1,573.5 million sq.m., up by approximately 22.5%; among which the floor space of residential properties and offices sold jumped by approximately 22.4% and 31.4%, respectively. The total sales of commercial buildings in 2016 were approximately RMB11,762.7 billion, up by approximately 34.8%, among which the sales of residential properties and offices jumped by approximately 36.1% and 45.8%, respectively.

Zhengzhou City is the provincial capital of Henan Province in east-central PRC, and is classified by the National Bureau as the top 15 First-tier Cities in the PRC. With reference to the statistics released by the Zhengzhou Bureau of Statistics at <http://tjj.zhengzhou.gov.cn>, in 2015, Zhengzhou City had a population of 9.6

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

million with total and per capita GDP of approximately RMB731.5 billion and RMB77,217, respectively, which were approximately 10.1% and 7.9% higher than those in 2014. The disposable income per person also rose by approximately 9.2% to approximately RMB26,502 in 2015. In accordance with the latest statistics released in March 2017 by the Zhengzhou Bureau of Statistics at <http://tjj.zhengzhou.gov.cn>, Zhengzhou City recorded GDP of approximately RMB799.4 billion in 2016, up by approximately 8.4% as compared to the prior year.

Moreover, substantial advancement in the property sector of Zhengzhou City has been observed. The total investment in real estate in 2016 was approximately RMB277.9 billion, representing an approximate 38.9% growth; among which the investment in residential properties went up by approximately 43.2%. The total floor space newly commenced construction in 2016 was approximately 52.9 million sq.m., up by approximately 86.6% as compared to the prior year. Specifically, the floor space newly commenced construction of residential properties in 2016 increased by approximately 81.3%. The substantial investment in real estate sector was concurrently supported by strong demand as well, with the total floor space sold and total sales being approximately 28.6 million sq.m. and RMB233.4 billion, respectively, representing a growth of approximately 50.6% and 63.1%, respectively as compared to the prior year. Among which, the total floor space of residential buildings sold and sales of residential buildings in 2016 were approximately 25.7 million sq.m. and RMB208.1 billion, respectively, representing an increase of approximately 51.7% and 70.0%, respectively as compared to the prior year.

### *Reasons for the entering into of the Supplemental Agreement*

The Board believes that the continual acquisition of land parcels in Zhengzhou City as illustrated under the sub-section headed “Information on the Group” in this letter of advice complements the Group’s strategy of expanding its business operation in Henan Province. Hence, the Board will continue to bid for land use rights of selective land parcels in the PRC with focus on Zhengzhou City and other first and second tier cities in the PRC in the coming years.

In view of the positive development of the Group’s operations in the PRC, it is expected that the Group’s need for construction work for the First Land Parcel together with the Additional Five Land Parcels (altogether, the “**Relevant Land Parcels**”) would be significantly increased in the near future. In this regard, the Board considers that the Master Services Agreement as amended by the Supplemental Agreement and the Revised Annual Caps will facilitate the Group to cope with the construction and development of those land parcels. Given the forecasted construction and development of the Relevant Land Parcels, it is estimated that the Annual Caps for each of the two years ending 31 December 2018, which were then determined based on the forecasted construction and development of the First Land Parcel only, will be insufficient to meet the Group’s requirements. The Supplemental Agreement to amend the term of the Master Services Agreement and revise upward the corresponding annual caps was therefore entered into by the Company and Zensun Development.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account (i) the strategy of the Group in expanding its business operations in Henan Province; (ii) the solid background of the Zensun Development Group; and (iii) the positive outlook of the property market of the PRC and Zhengzhou City, we concur with the Directors that the entering into of the Supplemental Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### 2. Principal terms of the Supplemental Agreement

As aforementioned, the Company and Zensun Development entered into the Master Services Agreement on 22 December 2015, details of which are included in the announcement of the Company dated 22 December 2015 and the Previous Circular. The Master Services Agreement, the transactions contemplated thereunder and the Annual Caps were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 12 February 2016. The Supplemental Agreement is a supplemental agreement to the Master Services Agreement and the terms stipulated therein are consistent with those of the Master Services Agreement, save for the term of the agreement being amended from the period from 1 January 2016 (subject to the fulfilment of conditions precedent) to 31 December 2018 to the period from 1 January 2017 (subject to the fulfilment of conditions precedent) to 31 December 2019. The Board also approved to revise upward the Annual Caps and set the Revised Annual Caps as RMB367,000,000, RMB599,000,000 and RMB237,000,000 for the three financial years ending 31 December 2019, respectively. Consequently, upon completion of the Supplemental Agreement, the Transactions for the period from 1 January 2017 to 31 December 2019 will be subject to the terms and conditions of the Master Services Agreement together with the Supplemental Agreement. Our analysis regarding the Revised Annual Caps will be set forth under the section headed "The Revised Annual Caps" in this letter of advice.

Pursuant to the Supplemental Agreement, the pricing policy for determining the consideration for each Definitive Agreement will remain unchanged. For the provision of the Contracting Services under each Definitive Agreement, member(s) of the Zensun Development Group which is selected under the tender process shall provide construction and related services to the Group in accordance with the tender documents and construction contracts to be signed between them from time to time. The amount of fees payable by the Group for the Contracting Services shall be based on the fee quotes submitted by member(s) of the Zensun Development Group. The tender process will be subject to the selection procedures (the "**Selection Procedures**") as being highlighted below.

For the provision of other 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. The Group will review their submitted itemised cost and compare the same with those quoted by independent construction contractors to ensure that their submitted costs are on normal commercial terms and are no less favourable to the Group.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As further confirmed by the Directors, the Group has established a series of internal control measures to supervise the Selection Procedures with the following distinctive steps:

- (1) Tender invitations: In accordance with the relevant laws and regulations of the PRC, the construction contractor for a particular construction project should be selected following a tender process, under which a tenderer shall issue tender invitations to at least three specified legal persons or organisations with the relevant qualifications and capability. Accordingly, the Group will first invite the potential bidders to provide information regarding their qualifications, industry experience and proposed terms of engagement etc. to the Group for its consideration.
- (2) The Internal Review Committee: The Group has set up 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 selecting the suitable bidders. The Group will issue tender application documents to three to five bidders which are selected (the “**Selected Bidders**”). In the event that member(s) of the Zensun Development Group is one of the Selected Bidders, its completed tender application documents will have to be reviewed by the Internal Review Committee and the Internal Review Committee will only approve the application if that member(s) of the Zensun Development Group possesses competitive advantage in the particular construction project.
- (3) The Assessment Committee: 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 recommend two to three bidders from the Selected Bidders to the Group based on a “100-Point” scoring system. The scores are rated using the criteria of quotation (60 points), construction planning, technical skills, quality and scheduling (35 points) and service commitment (5 points) (the “**Criteria**”). The Group will then select the final successful construction contractor with the highest score from those recommended by the Assessment Committee to undertake the relevant construction project.

We understand from the Directors that there are abundant qualified and competent construction contractors of Henan Province who are independent to the Group. In the event that member(s) of the Zensun Development Group is the only bidder in the tender process, the Directors confirmed that the Group will not award the relevant construction contract to it but will make a new tender until there are enough bidders in the tender process.

For our due diligence regarding the Selection Procedures, we have independently researched over the internet for the relevant laws and regulations of the PRC which

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

govern the tender 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). We have also obtained the list of qualified and competent construction contractors of Henan Province on the web-site of relevant government authority. In addition, 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. Consistent 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/>. Furthermore, we have obtained and reviewed the rating standard of the Criteria (i.e. the 100-Point scoring system) and we consider the Criteria to be objective.

In view of the above and in particular having considered that:

- (i) save for the term of the agreement being amended from the period from 1 January 2016 (subject to the fulfilment of conditions precedent) to 31 December 2018 to the period from 1 January 2017 (subject to the fulfilment of conditions precedent) to 31 December 2019, the major terms of the Master Services Agreement, including the pricing policy for determining the consideration for each Definitive Agreement, will remain unchanged;
- (ii) the selection of construction contractor shall follow the tender process, which is subject to the Selection Procedures in accordance with the relevant laws and regulations of the PRC and are under the Group’s supervision by its internal control measures;
- (iii) there are abundant qualified and competent construction contractors of Henan Province who are independent to the Group. In the event that member(s) of the Zensun Development Group is the only bidder in the tender process, the Directors confirmed that the Group will not award the relevant construction contract to it but will make a new tender until there are enough bidders in the tender process;
- (iv) also, in the event that member(s) of the Zensun Development Group is one of the Selected Bidders, its completed tender application documents will have to be reviewed by the Internal Review Committee and the Internal Review Committee will only approve the application if that member(s) of the Zensun Development Group possesses competitive advantage in the particular construction project;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) points (iii) and (iv) above suggest that for every construction project, the Group must ensure that the Selected Bidders will include other independent qualified and competent construction contractors and member(s) of the Zensun Development Group will be included as the Selected Bidders only if it possesses competitive advantage in that particular construction project; and
- (vi) following the Selection Procedures, only the construction contractor with the highest score rated by the independent Experts based on the objective “100-Point” scoring system will be selected as the final successful construction contractor to undertake the relevant construction project, regardless of its relationship with the Group (if any),

we are of the opinion that the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. The Revised Annual Caps

The table below demonstrates the historical transaction amount of the Transactions for the year ended 31 December 2016, the Annual Caps and the Revised Annual Caps:

	<b>For the year ended/ending 31 December</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amount of the Transactions (unaudited)	91,320	Not applicable	Not applicable	Not applicable
The Annual Caps	92,000	36,000	15,000	Not applicable
The Revised Annual Caps	Not applicable	367,000	599,000	237,000

As advised by the Company, the Revised Annual Caps were determined based on (i) the unaudited historical transaction amount incurred for the Transactions as disclosed above and the Annual Caps; (ii) the unaudited historical transaction amounts incurred for the relevant contracting and ancillary Services in relation to the construction of other ongoing project held by the Group; and (iii) 50% of the sum of (a) the forecasted amounts of the Transactions for each of the three financial years ending 31 December 2019 in relation to the Additional Five Land Parcels and (b) an additional 10% buffer as possible variance of the costs in respect of the relevant Contracting and Ancillary Services for the Additional Five Land Parcels.

To assess the fairness and reasonableness of the Revised Annual Caps, we have enquired into the Directors for the basis of determining the Revised Annual Caps and independently reviewed the relevant calculations. In the first place, we understand from the Directors that the Group may require the Services from member(s) of the Zensun

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Development Group for construction of the Relevant Land Parcels. As such, the Revised Annual Caps were estimated with reference to the construction plans of the said land parcels, which indicate the respective development time schedule and the budgeted construction and engineering costs to be incurred at each stage of construction of each of those land parcels. We have requested and obtained from the Company such construction plans, and discussed with the Directors in relation to the construction scale and breakdown of the budgeted construction and engineering costs. As presented under the sub-section headed "Information on the Group" of this letter of advice, following the respective construction plans, construction of the First Land Parcel has already commenced in 2015 and is expected to be completed in 2017; whilst construction of the Additional Five Land Parcels will last from 2016 to 2019 or 2017 to 2020 (as the case may be). Regarding the expected development schedule for those land parcels throughout the Construction Period, we understand from the Directors that substantial Services will be required during the first 15 months of the construction period of the individual land parcel, which is expected to fall from the third quarter of 2017 to the third quarter of 2018. With this being the case, we concur with the Directors that it is reasonable that the Revised Annual Caps, which were calculated primarily based on the expected proportion of the budgeted total construction and engineering costs and related ancillary services payable in respect of the Relevant Land Parcels in each of the respective year, increased from 2017 to 2018, and was the lowest in 2019. On the other hand, given that the construction of those land parcels is of medium to long term, their actual construction and engineering costs may vary from the budgets due to inflation and/or potential increase in market price and any unforeseeable factors. We therefore concur with the Directors that it is reasonable to set aside an additional buffer when calculating the Revised Annual Caps and we consider 10% to be acceptable.

Furthermore, we understand from the Directors that in order to ensure that the Group does not place undue reliance on any particular construction contractor for its future property development and to minimise the risk to its business operations in this regard, 50% of the forecasted amounts of the Transactions for the three financial years ending 31 December 2019 have been adopted for the purpose of the Revised Annual Caps. Based on the Company's current projection, the Revised Annual Caps in aggregate would account for approximately 13.1% of the total expected sales proceeds and approximately 33.6% of the total budgeted construction and engineering costs in respect of the Relevant Land Parcels during the three financial years ending 31 December 2019. In this relation, as mentioned under the section headed "Principal terms of the Supplemental Agreement" of this letter of advice, we have obtained the list of qualified and competent construction contractors of Henan Province on the web-site of relevant government authority, from where we noted that there are abundant qualified and competent construction contractors of Henan Province who are independent to the Group. Moreover, in the event that member(s) of the Zensun Development Group is the only bidder in the tender process, the Directors confirmed that the Group will not award the relevant construction contract to it but will make a new tender until there are enough bidders in the tender process.

In light of the above basis of determination of the Revised Annual Caps, we are of the view that the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. Relevant Listing Rules' requirements

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 Revised Annual Caps for the years concerned under the Supplemental Agreement; (ii) the terms of the Master Services Agreement and the Supplemental Agreement (together with the Revised 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 and the Supplemental Agreement (together with the Revised 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 Revised Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Revised Annual Caps, or that there is any material amendment to the terms of the Master Services Agreement and the Supplemental Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the aforesaid stipulated requirements for continuing connected transactions of the Listing Rules in place, the Transactions under the Master Services Agreement and the Supplemental 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 Supplemental Agreement and the Revised Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Supplemental Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. 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 Supplemental Agreement, the Transactions and the Revised 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*

*Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 12 years of experience in corporate finance industry.*

## 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	Approximate percentage of the issued share capital of the Company
Mr. Zhang	Spouse Interest ( <i>Note 2</i> )	3,579,612,209(L)	57.95%
Ms. Huang	Interest of controlled corporation ( <i>Note 1</i> )	3,579,612,209(L)	57.95%

*Notes:*

- (1) These Shares are owned by Joy Town Inc., which is wholly and beneficially owned by Ms. Huang.
- (2) Mr. Zhang (*chairman, chief executive officer and executive Director of the Company*) is the spouse of Ms. Huang, 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 December 2016, 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, none of the Directors was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's business except that Mr. Zhang and Ms. Huang are interested in Zensun and/or its subsidiaries/associated companies which are engaged in construction, property development and related business in the PRC.

As the Board of Directors of the Company is independent of the boards of these companies, the Company has therefore been capable of carry on its business independently of, and at arm's length from, the above businesses.

**(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	Approximate percentage of the issued share capital of the Company
Joy Town Inc.	Beneficial owner ( <i>Note 1</i> )	3,579,612,209(L)	57.95%
Chan Heng Fai	Beneficial owner and spouse interest ( <i>Note 2</i> )	322,580,166(L)	5.22%
Chan Yoke Keow	Beneficial owner and spouse interest ( <i>Note 2</i> )	322,580,166(L)	5.22%

*Notes:*

- (1) Ms. Huang is the sole director and shareholder of Joy Town Inc.
- (2) Mr. Chan Heng Fai and Ms. Chan Yoke Keow are spouse to each other and 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**

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 December 2016, 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:

<b>Name</b>	<b>Qualification</b>
VBG Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under 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 December 2016 (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. MISCELLANEOUS**

- (a) The registered and principal office of the Company is situated at 24/F., Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.
- (b) The share registrar of the Company is Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The joint company secretaries of the Company are Mr. Chan Chi Keung, who is a member of Hong Kong Institute of Certified Public Accountants and Mr. Yuen Ping Man, who is a fellow member of the Institute of Chartered Secretaries and Administrators (U.K.) and of the Hong Kong Institute of Chartered Secretaries.
- (d) 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 following documents 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:

- (a) the Supplemental Agreement and the Master Services Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out in pages 22 to 23 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 24 to 35 of this circular; and
- (d) the written consent referred to in paragraph 6 of this appendix.



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an 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 Tuesday, 16 May 2017 at 9:30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the Supplemental Agreement (as defined and described in the circular of the Company dated 26 April 2017 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Supplemental 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 Revised Annual Caps as defined and described in the Circular in respect of the consideration payable under the Transactions (as defined in the Circular) for each of the three financial years ending 31 December 2019 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 Supplemental Agreement, the Revised Annual Caps 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, 26 April 2017

## 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 (i.e. by 9:30 a.m. on Saturday, 13 May 2017) (or any adjournment thereof).
4. For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from 11 May to 16 May 2017 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on 10 May 2017.
5. 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.
6. If a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed or adjourned. The Company will post an announcement on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.zhsuccess.com>) to notify shareholders of the Company of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.
7. All times and dates specified herein refer to Hong Kong local times and dates.
8. The meeting will be conducted in Chinese and no translation will be provided.

As at the date of this notice, the Board comprises two executive Directors, namely, Mr. Zhang Jingguo and Mr. Zhang Guoqiang; one non-executive Director, namely, Ms. Huang Yanping; and three independent non-executive Directors, namely, Dr. Liu Qiao, Mr. Liu Da and Mr. Ma Yuntao.