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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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HONOR CHALLENGE INVESTMENT LIMITED

Financial adviser to the Company



Alliance Capital Partners Limited

同人融資有限公司

THE ACQUISITION

The Board is pleased to announce that on 27 September 2017 (after trading hours), the Company and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of the Target Company at the total consideration of HK\$1,060,953,720. The Consideration will be settled by way of (i) allotment and issue of the Consideration Shares, being 4,212,000,000 new Shares, credited as fully paid, by the Company to the Vendor (or his nominee(s)), at the issue price of HK\$0.223 per Consideration Share at Completion; and (ii) issue of Convertible Bonds in the principal amount equal to HK\$121,677,720 by the Company to the Vendor (or his nominee(s)) at Completion subject to the terms and conditions set out in the Instrument.

The Consideration Shares represent: (i) approximately 68.19% of the total issued share capital of the Company as at the date of this announcement; and (ii) approximately 40.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Based on the Conversion Price of HK\$0.223 (subject to adjustments), it is estimated that a maximum number of 545,640,000 Conversion Shares may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represents (i) approximately 8.83% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and Conversion Shares.

LISTING RULES IMPLICATIONS

Major transaction

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Connected transaction

As the Vendor is a controlling shareholder and a Director of the Company, and thus a connected person of the Company within the meaning of the Listing Rules, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The entering into of the Agreement and the transactions contemplated thereunder, including (i) the Acquisition; (ii) the allotment and issue of the Consideration Shares under the Specific Mandate; (iii) the issue of the Convertible Bonds; and (iv) the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds under the Specific Mandate, are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Agreement. VBG Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and as to voting.

The EGM will be convened and held for the independent Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder including, but not limited to, (i) the Acquisition; (ii) the allotment and issue of the Consideration Shares; (iii) the issue of the Convertible Bonds; and (iv) the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the valuation report on the Property Projects; (iii) recommendation of the Independent Board Committee; (iv) letter of advice from the Independent Financial Adviser; (v) other information as required to be disclosed under the Listing Rules; and (vi) a notice of the EGM and a form of proxy is expected to be despatched by the Company to the Shareholders on or before 20 October 2017.

WARNING:

Completion is subject to fulfilment of the Conditions, and the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE ACQUISITION

The Board is pleased to announce that on 27 September 2017 (after trading hours), the Company and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of the Target Company at the total consideration of HK\$1,060,953,720. In accordance with the terms and conditions of the Agreement, the Consideration will be settled by way of (i) allotment and issue of the Consideration Shares, being 4,212,000,000 new Shares, credited as fully paid, by the Company to the Vendor (or his nominee(s)), at the issue price of HK\$0.223 per Consideration Share at Completion; and (ii) issue of Convertible Bonds in the principal amount equal to HK\$121,677,720 by the Company to the Vendor (or his nominee(s)) at Completion subject to the terms and conditions set out in the Instrument.

THE AGREEMENT

Date: 27 September 2017

Purchaser: The Company

Vendor: Ms. Huang, a non-executive Director and a controlling shareholder of the Company

Assets to be acquired

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the entire issued share capital of the Target Company.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

Consideration

The Consideration for the Sale Share is HK\$1,060,953,720. Subject to the terms and conditions of the Agreement, (i) part of the Consideration in the sum of HK\$939,276,000 shall be satisfied by the allotment and issue of the Consideration Shares, being 4,212,000,000 new Shares, credited as fully paid, by the Company to the Vendor (or his nominee(s)), at

the issue price of HK\$0.223 per Consideration Share at Completion; and (ii) part of the Consideration shall be satisfied by issue of Convertible Bonds in the principal amount equal to HK\$121,677,720 by the Company to the Vendor (or his nominee(s)) at Completion subject to the terms and conditions set out in the Instrument.

Determination of the Consideration

The Consideration was determined after arm's length negotiations with reference to, among others:

1. the unaudited net asset value of the Target Group as at 30 June 2017 in an amount of approximately RMB609.9 million (approximately HK\$719.8 million);
2. the indicative valuation of the Property Projects of the Target Group issued by an Independent Valuer at RMB7,192.6 million (approximately HK\$8,489.1 million);
3. the unaudited reassessed net asset value of the Target Group in an amount of approximately RMB943.0 million (equivalent to approximately HK\$1,113.0 million) ("**Reassessed NAV**") which was determined by adding (i) the unaudited net assets value of the Target Group as at 30 June 2017; and (ii) the increase in the unaudited net assets value of the Target Group in an amount of approximately RMB333.1 million (equivalent to approximately HK\$393.1 million) arising from the indicative valuation of the Property Projects of the Target Group issued by Independent Valuer after taking into account of the cost of newly acquired land and construction costs incurred in respect of the Property Projects of the Target Group subsequent to six months ended 30 June 2017 for an amount of approximately RMB438.6 million (equivalent to approximately HK\$517.7 million);
4. the average closing price of the Shares as quoted on the Stock Exchange for the last five trading days immediately preceding the Last Trading Day; and
5. the business development and future prospects of the Target Group.

The Directors consider that the Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Agreement is in the interests of the Company and the independent Shareholders as a whole.

Conditions

Completion is subject to and conditional upon fulfilment (or waiver) of the following Conditions:

- (i) the passing of all resolutions by the independent Shareholders at a general meeting of the Company approving the entering into the Agreement by the Company and the performance of the transactions contemplated hereunder including, without limitations, (i) the Acquisition; (ii), the allotment and issue of the Consideration Shares; (iii) the issue of the Convertible Bonds; and (iv) the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds, in accordance with the relevant provisions in the Listing Rules, the articles of the association of the Company and the applicable laws and regulations in Hong Kong;

- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;
- (iii) the warranties provided by the Vendor under the Agreement as at the date thereof remaining accurate as at the Completion Date;
- (iv) the Vendor having delivered to the Company a valuation report on the Property Projects from the Independent Valuer, with an effective date of the report of not earlier than 31 August 2017 and the value of the Property Projects is not less than RMB7,192,600,000;
- (v) in connection with the transactions contemplated under the Agreement:
 - (i) all requisite filings or registrations with all applicable government entities having been made;
 - (ii) all requisite governmental authorisations from all applicable governmental entities, on terms and conditions reasonably satisfactory to the Company, having been obtained; and
 - (iii) no proceedings that seek to restrain, prohibit, declare illegal, or otherwise challenge or interfere or obtain relief having been instituted or threatened;
- (vi) the completion of Restructuring including obtaining all necessary governmental authorisations from all applicable governmental entities in relation thereto.

Each of Conditions (i), (ii), (v) and (vi) cannot be waived by any party to the Agreement. Any of Conditions (iii) to (iv) may be waived by the Company at any time, in whole or in part, by written notice to the Vendor. If the Conditions are not fulfilled or waived (as the case may be) on or before the Long Stop Date, the parties to the Agreement are not obliged to complete the Acquisition and the Agreement may be terminated by written notice by one party to the Agreement to the other.

Completion

Completion shall take place on the third Business Day after the fulfilment or waiver of the Conditions (other than those Conditions that by their terms are intended to or may be fulfilled at Completion) or on such other date as the Parties may agree in writing.

Upon Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial results of the Group.

Consideration Shares

The Consideration Shares will be issued at the Issue Price of HK\$0.223 per Consideration Share which represents:

- (i) a premium of approximately 9.31% to the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on the date of signing of the Agreement; and

- (ii) a premium of approximately 7.73% to the average closing price of HK\$0.207 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of signing of the Agreement;

The Consideration Shares represent: (i) approximately 68.19% of the total issued share capital of the Company as at the date of this announcement; and (ii) approximately 40.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Convertible Bonds

The principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Vendor and the Company and are summarised below:

Principal amount:	HK\$121,677,720
Maturity Date:	the third anniversary of the issue date
Conversion Price:	HK\$0.223 per Conversion Share (subject to adjustment)
Interest Rate:	zero coupon rate
Conversion Period:	the period from the date of issue of the Convertible Bonds up to the maturity date (both days inclusive).
Conversion Rights:	subject to the terms and conditions of the Instrument, a bondholder shall have the right, exercisable during the conversion period, to convert the whole or any portion of the remaining outstanding principal amount of the Convertible Bonds (in integral multiples of HK\$6,083,886) held by such bondholder into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.

No conversion right attaching to the Convertible Bonds may be exercised in the following events:-

- (i) when the bondholder possesses inside information in relation to the Company;
- (ii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results of the Company;
- (iii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results of the Company; or
- (iv) the Company will be in breach of the minimum public float requirement under the Listing Rules.

Ranking:	Conversion Shares which falls to be issued and allotted upon the exercise of the conversion rights attaching to the Convertible Bonds shall rank <i>pari passu</i> in all respects with all other Shares in issue on the relevant date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.
Transferability:	The Convertible Bonds may be transferred to an affiliate of the bondholder without prior written consent from the Company and may be transferred to any other person after receiving prior written consent from the Company.
Adjustment of the Conversion Price:	<p>The Conversion Price shall from time to time be adjusted upon the following events:</p> <ul style="list-style-type: none"> (i) consolidation or sub-division of Shares; (ii) capitalisation of profits or reserves; (iii) capital distributions; (iv) rights issues of Shares or options, warrants or other rights to subscribe or purchase Shares; (v) issue of Shares or any options, warrants or other rights to subscribe for or purchase Shares wholly for cash at less than 90% of the current market price of the Shares; (vi) other issues of securities at less than 90% of the current market price of the Shares; or (vii) issues at less than the Conversion Price. <p>“Current market price” means, in respect of a Share on a particular date, the average of the closing price for the five consecutive trading days ending on the trading day immediately preceding such date.</p>
Application for listing:	No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.
Voting rights:	The bondholder will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being a bondholder.

- Redemption: Unless (i) the maturity of the Convertible Bonds is accelerated upon the occurrence of an event of default, or (ii) the Convertible Bonds are redeemed prior to the maturity date, the Company shall redeem all outstanding Convertible Bonds on the maturity date at the Base Redemption Amount.
- No redemption: The Convertible Bonds may not be redeemed by the Company at any time at the Company's discretion prior to the maturity date of the Convertible Bonds.
- Event of default: If any event of default set out in the terms and conditions of the Instrument occurs and (if such event of default is capable of remedy) the relevant period for the Company to remedy such event of default expires, the bondholder may give notice to the Company that the Convertible Bonds shall be redeemed by the Company at the Base Redemption Amount pursuant to the terms of the Instrument.
- Other undertakings: (a) the Company will notify the bondholder in writing immediately upon becoming aware of the occurrence of any event of default; and
- (b) the Company shall at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with.

Conversion Price

The Conversion Price of HK\$0.223 per Conversion Share, represents:

- (i) a premium of approximately 9.31% to the closing price of HK\$0.204 per Share as quoted on the Stock Exchange on the date of signing of the Agreement; and
- (ii) a premium of approximately 7.73% to the average closing price of HK\$0.207 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of signing of the Agreement.

Based on the Conversion Price of HK\$0.223 (subject to adjustments), it is estimated that a maximum number of 545,640,000 Conversion Shares may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represents (i) approximately 8.83% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and Conversion Shares.

The Conversion Price was arrived at after arm's length negotiations between the Vendor and the Company with reference to the prevailing market prices of the Shares as shown above.

SPECIFIC MANDATE

The Consideration Shares and the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Conversion Shares.

CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 6,176,819,969 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue of the Consideration Shares; and (iii) immediately after the issue of the Consideration Shares and the full conversion of the Convertible Bonds (assuming that the number of total issued Shares has not been changed since the date of this announcement other than the issue of the Consideration Shares and the Conversion Shares):

	as at the date of this announcement		immediately after the issue of the Consideration Shares		immediately after the issue of the Consideration Shares and the full conversion of the Convertible Bonds (assuming that the number of total issued Shares has not been changed since the date of this announcement other than the issue of the Consideration Shares and the Conversion Shares) (Note 1)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Joy Town Inc. (Note 2)	3,579,612,209	57.95	3,579,612,209	34.46	3,579,612,209	32.74
Vendor (Note 3)	0	0	4,212,000,000	40.54	4,757,640,000	43.51
Controlling Shareholders	3,579,612,209	57.95	7,791,612,209	75.00	8,337,252,209	76.25
Public Shareholders	2,597,207,760	42.05	2,597,207,760	25.00	2,597,207,760	23.75
Total	<u>6,176,819,969</u>	<u>100</u>	<u>10,388,819,969</u>	<u>100</u>	<u>10,934,459,969</u>	<u>100</u>

Notes:

- (1) This is a theoretical illustration only, assuming that the Convertible Bonds have been converted in full at the Conversion Price, and the maximum number of Conversion Shares will be 545,640,000 Shares. However, under the terms of the Convertible Bonds, bondholders shall not convert the Convertible Bonds if such conversion will result in non-compliance with the public float requirement.
- (2) Ms. Huang is the sole shareholder of Joy Town Inc.
- (3) As the Vendor is a connected person of the Company, the Shares held by the Vendor shall not be counted towards the public float of the Company.
- (4) Any discrepancies between the total figures and the sums of direct aggregations are due to the rounding off of decimal places.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company was established on 5 March 2015. It is an investment holding company incorporated in the BVI. Upon Completion, the Target Company would indirectly hold 100% interests in Henan Zhongzhou, Xinzheng Xingcheng, Henan Donghua, and Henan Shangbin. As at the date hereof, the entire issued share capital of the Target Company is held by the Vendor.

The Target Group, which owns the properties under development in Zhengzhou City, Henan Province, the PRC, is primarily engaged in property development in the PRC.

Hong Kong Company

Hong Kong Company is a limited liability company incorporated under the laws of Hong Kong principally engaged in investment holding. As at the date hereof, the entire issued share capital of Hong Kong Company is held by the Target Company.

Henan Zhongzhou

Henan Zhongzhou is a limited liability company established under the laws of PRC principally engaged in property development. As at the date hereof, the entire equity interests in Henan Zhongzhou is held by Zensun and upon Completion, the entire issued share capital of Henan Zhongzhou will be held by Hong Kong Company.

Xinzheng Xingcheng

Xinzheng Xingcheng is a limited liability company established under the laws of PRC principally engaged in property development. As at the date hereof, the entire equity interests in Xinzheng Xingcheng is held by Zensun and upon Completion, the entire issued share capital of Xinzheng Xingcheng will be held by Hong Kong Company.

Henan Donghua

Henan Donghua is a limited liability company established under the laws of PRC principally engaged in property development. As at the date hereof, the entire equity interests in Henan Donghua is held by Zensun and upon Completion, the entire issued share capital of Henan Donghua will be held by Hong Kong Company.

Henan Shangbin

Henan Shangbin is a limited liability company established under the laws of PRC principally engaged in property development. As at the date hereof, the entire equity interests in Henan Shangbin is held by Zensun and upon Completion, the entire issued share capital of Henan Shangbin will be held by Hong Kong Company.

The Target Group is established and developed by the Vendor and costs of the acquiring the Target Group is reflected in the net asset value of the Target Group.

Set out below are the details of the Property Projects which are indirectly and wholly owned by the Target Group:

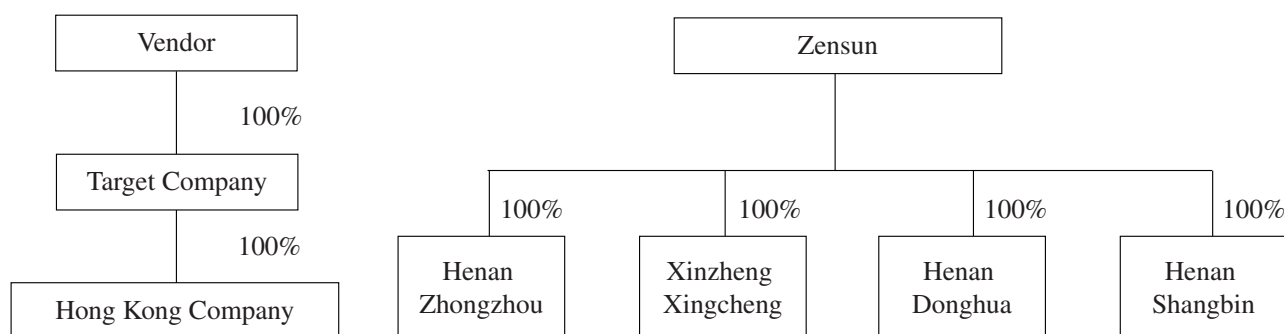
Property project:	Zensun Shanshuishangjing	Zensun Binhemingzhu	Zensun Zhongzhou City	Zensun Lakeview Spring <i>(Note)</i>
Registered owner:	Henan Donghua	Henan Shangbin	Henan Zhongzhou	Xinzheng Xingcheng
Date(s) of issue of the land use rights certificate(s):	16 March 2016	16 April 2014	6 November 2014/ 11 November 2014/ 6 November 2014/ 15 March 2017/ 15 March 2017/ 22 January 2017	8 October 2015/ 8 October 2015
Area of the land(s):	68,332.58 square meters	31,462.03 square meters	82,933.16/ 31,891.16/ 38,556.25/ 29,343.02/ 29,996.33/ 9,192.34 square meters	49,280.46, 49,602.42 and 49,105.53/ 44,581.11, 39,439.16 and 42,316.00/ 40,819.14 square meters

Location(s):	Zhacheng Road South and Dongfengqu North	Jingkai No. 14 Main Street East, Jingnanjiu Road South	South of Hejiang Road and East of Qingshan Road/ South of Lijiang Road and East of Qingshan Road/ South of Hejiang Road and West of Qingshan Road/ South of Nansanhuan Road and West of Zichen Road/ North of Xinzhou Road and West of Qingshan Road/ North of Lijiang Road and West of Zhongzhou Road	Zhengxin Highway West and East of Gongzhuhu/ Huarui Road East and Gongzhuhu West/ Huarui Road West and Xincun North Road North
Term(s) of the land use rights:	until 20 July 2086	until 16 September 2056	until 12 January 2085/ 12 January 2085/ 12 January 2085/ 4 February 2057/ 11 April 2057/ 12 January 2065 and 22 January 2065	until May 2085/ May 2085
Type(s) of land usage:	Residential	Commercial	Residential/ Residential/ Residential/ Commercial, Retail and Catering/ Commercial, Retail and Catering/ Street Land	Residential/ Residential/ Residential
Gross floor area:	297,413.64 square meters	171,702.51 square meters	360,472.61/ 170,032.58/ 153,632.72/ 146,978.84/ 177,687.28/ 6,722.00 square meters	355,228.66/ 405,365.92/ 81,638.28 square meters

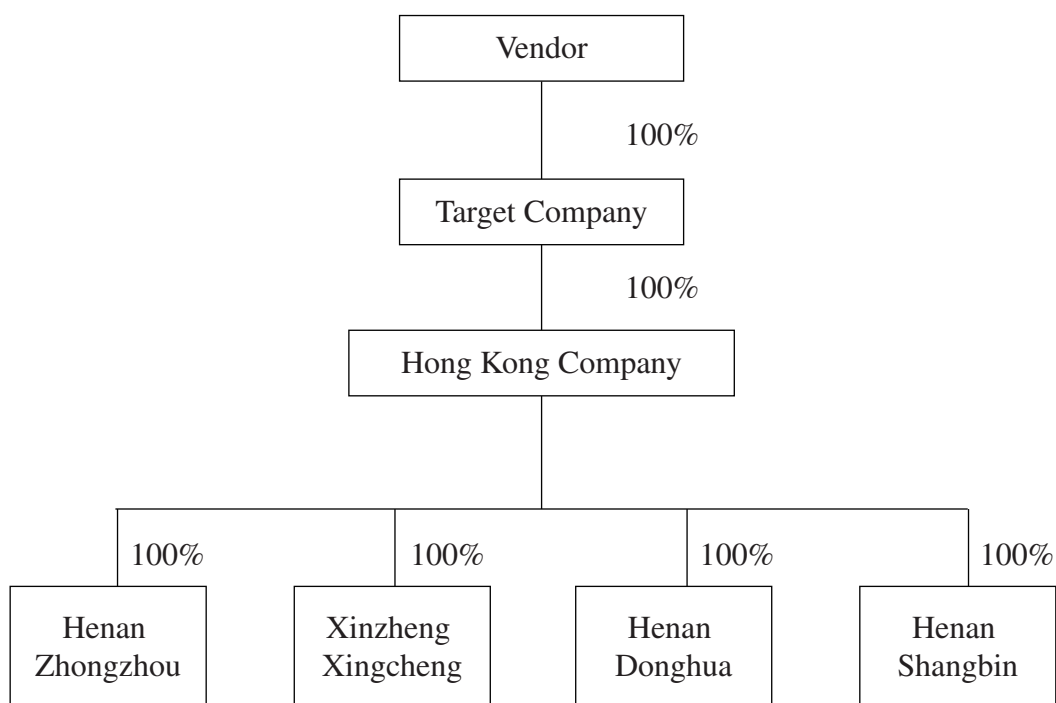
Expected completion year(s):	July 2019	July 2020	December 2017 and August 2018/ December 2019/ May 2019/ August 2020/ July 2020/ April 2018	December 2017, December 2018 and May 2019/ May 2019/ June 2021
Current status:	Under development	Under development	Under development	Under development
Plot ratio(s):	Less than 2.5	Less than 3.80	Less than 3.5 and more than 1.0/ Less than 3.5 and more than 1.0/ Less than 3.2 and more than 1.0/ Less than 3.5 and more than 1.0/ Less than 4.5 and more than 1/ Not applicable	Less than 2 and more than 1/ Less than 2 and more than 1/ Less than 2 and more than 1

Note: In relation to the land situated at Huarui Road East and Gongzhuhu West, Xinzheng Xingcheng had entered into the land use rights grant contract with the relevant land bureau but have not obtained the land use rights certificate as at the date of this announcement.

The shareholding structure of the Target Group as at the date of this announcement is set out as follows:



The shareholding structure of the Target Group immediately before the Completion of the Acquisition is set out as follows:



Financial information of the Target Group

Set out below is the combined financial information of the Target Group for each of the two financial years ended 31 December 2015 and 31 December 2016:

	For the year ended	
	31 December 2015	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit/(loss) before taxation	(20,095)	(64,548)
Profit/(loss) after taxation	(15,165)	(48,754)

Set out below is the combined financial position of the Target Group as at 30 June 2017:

	As at
	30 June 2017
	<i>RMB'000</i>
	(unaudited)
Net assets	609,897

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in the businesses of property development, property investment and management, hotel operations and securities trading and investment.

The Directors consider that the Acquisition represents a strategic expansion in line with the Group's general business strategy. As stated in the Group's interim report for the six months ended 30 June 2017, the Company will continue to leverage on the PRC property development and investment experience of its management team to seek development in suitable projects with potential to deliver value to its Shareholders. The Target Group, having four property development projects under construction in the PRC as at 31 August 2017, serves as a suitable acquisition target of the Group so as to expand its PRC property development segment rapidly.

Also, the Directors consider that the Acquisition could create a synergy between the Group and the Target Group by way of sharing resources and utilising management expertise of the Group. As the Target Group has a similar business operation as the Group, upon completion of the Acquisition, the Group could utilise the existing resources of the Target Group, such as project development staff, sales staff, suppliers and certain qualified competent construction contracts in other property development projects. With the enlarged group of property portfolio and relevant expertise, the Group could take on larger scale development projects to further expand and develop its business.

The Directors are of the view that the Acquisition is in the interests of the Group and the terms of Acquisition in the Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Major transaction

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Connected transaction

As the Vendor is a controlling shareholder and a Director of the Company, and thus a connected person of the Company within the meaning of the Listing Rules, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. The entering into of the Agreement and the transactions contemplated thereunder, including (i) the Acquisition; (ii) the allotment and issue of the Consideration Shares under the Specific Mandate; (iii) the issue of the Convertible Bonds; and (iv) the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds under the Specific Mandate, are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Agreement. VBG Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and as to voting.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Agreement and the transactions contemplated thereunder including, but not limited to, (i) the Acquisition; (ii) the allotment and issue of the Consideration Shares; (iii) the issue of the Convertible Bonds; and (iv) the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the valuation report on the Property Projects; (iii) recommendation of the Independent Board Committee; (iv) letter of advice from the Independent Financial Adviser; (v) other information as required to be disclosed under the Listing Rules; and (vi) a notice of the EGM and a form of proxy is expected to be despatched by the Company to the Shareholders on or before 20 October 2017.

Completion is subject to fulfilment of the Conditions, and the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Acquisition”	the acquisition of Sale Share under the Agreement
“Agreement”	the agreement entered into between the Vendor and the Company on 27 September 2017 in relation to sale and purchase of Sale Share in the Target Company

“Base Redemption Amount”	in respect of any principal amount of the outstanding Convertible Bonds and to be redeemed by the Company (other than in an early redemption due to the occurrence of an event of default), an amount equal to the aggregate of: <ol style="list-style-type: none"> (1) 100% of the principal amount of the outstanding Convertible Bonds; (2) interest accrued and unpaid under the conditions of the Instrument; and (3) any other payment accrued and outstanding to the bondholder pursuant to the terms and conditions of the Instrument.
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday or Sunday) on which commercial banks are open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	ZH International Holdings Limited, a limited liability company incorporated in the Hong Kong, and its shares are listed on the Main Board of the Stock Exchange (stock code: 185)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement
“Completion Date”	the date of Completion
“Conditions”	the condition(s) precedent to Completion set out in the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition
“Consideration Shares”	4,212,000,000 new Shares to be allotted and issued to the Vendor (or his nominee(s)), at the Issue Price upon Completion
“Conversion Price”	the conversion price of HK\$0.223 per Conversion Share (subject to adjustments)
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds

“Convertible Bonds”	zero coupon redeemable convertible bonds at the Conversion Price in the principal amount of HK\$121,677,720 to be issued to the Vendor (or his nominee(s)) by the Company upon Completion subject to the terms and conditions of the Instrument
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder including, but not limited to, (i) the Acquisition; (ii) the allotment and issue of the Consideration Shares; (iii) the issue of the Convertible Bonds; and (iv) the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Group”	the Company and its subsidiaries from time to time
“Henan Donghua”	Henan Zensun Donghua Real Estate Co., Ltd.* (河南正商東華置業有限公司), a limited liability company established under the laws of the PRC, a subsidiary of Zensun as at the date hereof and a member of the Target Group
“Henan Shangbin”	Henan Zensun Shangbin Real Estate Co., Ltd.* (河南正商尚濱置業有限公司), a limited liability company established under the laws of the PRC, a subsidiary of Zensun as at the date hereof and a member of the Target Group
“Henan Zhongzhou”	Henan Zensun Zhongzhou Real Estate Co., Ltd.* (河南正商中州置業有限公司), a limited liability company established under the laws of the PRC, a subsidiary of Zensun as at the date hereof and a member of the Target Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Company”	Champ Win Enterprise Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Target Company as at the date hereof and a member of the Target Group
“Independent Board Committee”	an independent committee of the Board established which comprises all the independent non-executive Directors to advise the independent Shareholders on the fairness and reasonableness of terms of the Agreement, and to advise the independent Shareholders how to vote at the EGM

“Independent Financial Advisor”	VBG Capital Limited, a licensed corporation to carry out types 1 and 6 regulated activities under the SFO
“Independent Valuer”	APAC Asset Valuation and Consulting Limited, an independent professional valuer appointed by the Company for the valuation of the Property Projects
“Instrument”	the deed poll constituting the Convertible Bonds to be executed by the Company
“Issue Price”	HK\$0.223 per Consideration Share
“Last Trading Day”	27 September 2017, being the last trading day of the Shares on the Stock Exchange before the publication of this announcement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	1 February 2018 (or such other date as the Vendor and the Purchaser may agree in writing)
“Ms. Huang”	Ms. Huang Yanping, a controlling shareholder and a Director of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property Projects”	the property development projects undertaken by Henan Zhongzhou, Xinzheng Xingcheng, Henan Donghua and Henan Shangbin in Zhengzhou city, Henan Province, PRC with details set out in the paragraph “Information on the Target Group”
“Reassessed NAV”	the unaudited reassessed net assets value of the Target Group as at 30 June 2017, determined with reference to the basis and adjustments as set out in the paragraph “Determination of the Consideration” in this announcement
“Restructuring”	the transfer of shares or equity interests of members of the Target Group so that upon completion of such transfer the Target Company shall be the direct or indirect shareholder of all members of the Target Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	1 ordinary share, representing the entire issued share capital of the Target Company

“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 the Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM for (i) the allotment and issue of the Consideration Shares; and (ii) the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Honor Challenge Investment Limited, a company incorporated in BVI with limited liability owned as to 100% by the Vendor as at the date hereof
“Target Group”	Target Company, Hong Kong Company, Henan Zhongzhou, Xinzheng Xingcheng, Henan Donghua, and Henan Shangbin
“Vendor”	Ms. Huang
“Xinzheng Xingcheng”	Xinzheng Zensun Xingcheng Real Estate Co., Ltd.* (新鄭正商興城置業有限公司), a limited liability company established under the laws of the PRC, a subsidiary of Zensun as at the date hereof and a member of the Target Group
“Zensun”	Henan Zensun Real Estate Co., Ltd* (河南正商置業有限公司), a limited liability company established under the laws of the PRC, a company ultimately controlled by Ms. Huang
“%”	per cent.

* For identification purpose only

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

Hong Kong, 27 September 2017

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