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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 TRANSACTION
ACQUISITIONS OF LAND USE RIGHTS
IN HENAN PROVINCE, THE PRC
AND
FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER**

A letter from the Board is set out on pages 6 to 18 of this circular.

2 November 2017

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DEFINITIONS

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

“Acquisitions”	:	the First Acquisition, the Second Acquisition and the Third Acquisition
“Agreement”	:	the agreement entered into between Ms. Huang and the Company in relation to the sale and purchase of entire issued share capital of Honor Challenge Investment Limited on 27 September 2017
“Auction(s)”	:	the public auction(s) held by Dengfeng Bureau of Land and Resources at which the First Land Parcel, the Second Land Parcel and the Third Land Parcel were offered for sale, respectively
“Board”	:	the board of Directors
“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
“Consideration of First Land Parcel”	:	RMB106,228,500, being the price for the First Acquisition
“Consideration of Second Land Parcel”	:	RMB65,312,000, being the price for the Second Acquisition
“Consideration of Third Land Parcel”	:	RMB130,496,250, being the price for the Third Acquisition
“controlling shareholder”	:	has the meaning ascribed to it under the Listing Rules
“Dengfeng Bureau of Land and Resources”	:	Dengfeng Bureau of Land and Resources* (登封市國土資源局)
“Director(s)”	:	the director(s) of the Company
“Financial Assistance”	:	unsecured loan(s) provided by Zensun upon Henan Xinghan’s request, of RMB106,228,500, RMB65,312,000 and RMB130,496,250 each for a duration of two years pursuant to the First Loan Agreement, the Second Loan Agreement and the Third Loan Agreement, collectively and respectively

DEFINITIONS

- “First Acquisition” : the acquisition of land use rights of the First Land Parcel through listing for sale process at the Auction held on 20 September 2017
- “First Confirmation Notice” : the confirmation notice of land transaction by auction* (成交確認書) issued on 22 September 2017 by Dengfeng Bureau of Land and Resources to Henan Xinghan confirming the First Acquisition at the Auction
- “First Land Parcel” : a piece of land located at Southwest District, Intersection of Taihe Road and Zhengtong Road, Dengfeng City* (登封市太和路與政通路交叉口西南區域), Henan Province, the PRC with a total site area of approximately 46,989.78 square meters and a permitted plot ratio between 1.1 and 1.7 which was offered for sale at the Auction held on 20 September 2017
- “First Land Use Rights Grant Contract” : the land use rights grant contract entered into between Henan Xinghan and Dengfeng Bureau of Land and Resources in respect of First Land Parcel on 26 September 2017 and any supplemental agreement thereof
- “First Loan Agreement” : the loan agreement entered into between Henan Xinghan and Zensun on 20 September 2017 and any supplemental agreement thereof to provide unsecured loan(s) of RMB106,228,500 for a duration of two years, with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Xinghan in accordance with actual needs within two years from the date of the First Loan Agreement at an interest rate of not more than 4% per annum on the loan(s) actually drawdown
- “Group” : the Company and its subsidiaries from time to time
- “Henan Xinghan” : Henan Xinghan Zensun Real Estate Company Limited* (河南興漢正商置業有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong
- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

- “Independent Third Party” : a third party independent of the Company and the connected persons of the Company
- “Latest Practicable Date” : 26 October 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
- “Listing Rules” : Rules Governing the Listing of Securities on the Stock Exchange
- “Mr. Zhang” : Mr. Zhang Jingguo, the Chairman, Chief Executive Officer and executive Director of the Company
- “Ms. Huang” : Ms. Huang Yanping, the non-executive Director and a controlling shareholder of the Company
- “PRC” : the People’s Republic of China, which shall, for the purposes of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
- “PRC Governmental Body” : has the meaning ascribed to it under the Listing Rules
- “PRC law” : has the meaning ascribed to it under the Listing Rules
- “RMB” : Renminbi, the lawful currency of the PRC
- “Second Acquisition” : the acquisition of land use rights of the Second Land Parcel through listing for sale process at the Auction held on 20 September 2017
- “Second Confirmation Notice” : the confirmation notice of land transaction by auction issued on 22 September 2017 by Dengfeng Bureau of Land and Resources to Henan Xinghan confirming the Second Acquisition at the Auction
- “Second Land Parcel” : a piece of land located at Northeast corner, Intersection of Hanque Road and Tianzhong Road, Dengfeng City* (登封市漢闕路與天中路交叉口東北角), Henan Province, the PRC with a total site area of approximately 27,210.04 square meters and a permitted plot ratio between 1.1 and 2.3 which was offered for sale at the Auction held on 20 September 2017

DEFINITIONS

- “Second Land Use Rights Grant Contract” : the land use rights grant contract entered into between Henan Xinghan and Dengfeng Bureau of Land and Resources in respect of Second Land Parcel on 26 September 2017 and any supplemental agreement thereof
- “Second Loan Agreement” : the loan agreement entered into between Henan Xinghan and Zensun on 20 September 2017 and any supplemental agreement thereof to provide unsecured loan(s) of RMB65,312,000 for a duration of two years, with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Xinghan in accordance with actual needs within two years from the date of the Second Loan Agreement at an interest rate of not more than 4% per annum on the loan(s) actually drawdown
- “SFO” : the 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
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “Third Acquisition” : the acquisition of land use rights of the Third Land Parcel through listing for sale process at the Auction held on 20 September 2017
- “Third Confirmation Notice” : the confirmation notice of land transaction by auction issued on 22 September 2017 by Dengfeng Bureau of Land and Resources to Henan Xinghan confirming the Third Acquisition at the Auction
- “Third Land Parcel” : a piece of land located at Northeast corner, Intersection of Yinghe Road and Tianzhong Road, Dengfeng City* (登封市穎河路與天中路交叉口東北角), Henan Province, the PRC with a total site area of approximately 50,435.88 square meters and a permitted plot ratio between 1.1 and 2.7 which was offered for sale at the Auction held on 20 September 2017

DEFINITIONS

- “Third Land Use Rights Grant Contract” : the land use rights grant contract entered into between Henan Xinghan and Dengfeng Bureau of Land and Resources in respect of Third Land Parcel on 26 September 2017 and any supplemental agreement thereof
- “Third Loan Agreement” : the loan agreement entered into between Henan Xinghan and Zensun on 20 September 2017 and any supplemental agreement thereof to provide unsecured loan(s) of RMB130,496,250 for a duration of two years, with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Xinghan in accordance with actual needs within two years from the date of the Third Loan Agreement at an interest rate of not more than 4% per annum on the loan(s) actually drawdown
- “Total Consideration” : RMB302,036,750 being the aggregate of Consideration of First Land Parcel, Consideration of Second Land Parcel and Consideration of Third Land Parcel
- “U.S.” or “United States” : the United States of America
- “Zensun” : Zensun Real Estate Co., Ltd* (河南正商置業有限公司), a company established in the PRC with limited liability and ultimately controlled by Ms. Huang
- “%” : per cent.

English names marked with “” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*



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

2 November 2017

To the Shareholders (for information only),

Dear Sir or Madam,

**MAJOR TRANSACTION
ACQUISITIONS OF LAND USE RIGHTS
IN HENAN PROVINCE, THE PRC
AND**

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

INTRODUCTION

Reference is made to the announcement of the Company dated 20 September 2017 in related to the Acquisitions. The purpose of this circular is to provide you with, among other things, further details of the Acquisitions and such other information as required under the Listing Rules.

The Board is pleased to announce that Henan Xinghan, an indirect wholly owned subsidiary of the Company, has been successful in the bidding of land use rights of the First Land Parcel, the Second Land Parcel and the Third Land Parcel through listings for sale process in the Auctions held by Dengfeng Bureau of Land and Resources for transfer of state-owned land use rights at a consideration of RMB106,228,500, RMB65,312,000 and RMB130,496,250 on 20 September 2017, respectively.

LETTER FROM THE BOARD

First Land Parcel

The First Land Parcel is located at Southwest District, Intersection of Taihe Road and Zhengtong Road, Dengfeng City* (登封市太和路與政通路交叉口西南區域), Henan Province, the PRC with a total site area of 46,898.78 square meters and a permitted plot ratio between 1.1 and 1.7. The First Land Parcel is designated for residential usage with the term of 70 years. A sum of RMB106,228,500 has been paid as the security deposit for the Auction. The First Confirmation Notice was issued by Dengfeng Bureau of Land and Resources on 22 September 2017 and the First Land Use Rights Grant Contract in relation to the First Acquisition was entered into between Henan Xinghan and Dengfeng Bureau of Land and Resources on 26 September 2017.

The Board further announces that on 20 September 2017, Zensun entered into the First Loan Agreement with Henan Xinghan to provide Financial Assistance to Henan Xinghan of RMB106,228,500 for a duration of two years.

THE FIRST CONFIRMATION NOTICE

Date : 22 September 2017

Parties : Henan Xinghan; and
Dengfeng Bureau of Land and Resources

Code of the land parcel : 登政出(2016) – 32

Consideration : RMB106,228,500, which was arrived at after bidding at the Auction. A sum of RMB106,228,500 has been paid by Henan Xinghan as the security deposit for the Auction. The details of the payment terms of the Consideration of the First Land Parcel are set out in the First Land Use Rights Grant Contract.

LETTER FROM THE BOARD

MAJOR TERMS OF THE FIRST LAND USE RIGHTS GRANT CONTRACT

Date	:	26 September 2017
Parties	:	Henan Xinghan (as transferee); and Dengfeng Bureau of Land and Resources (as transferor)
Location of the land parcel	:	Southwest District, Intersection of Taihe Road and Zhengtong Road, Dengfeng City* (登封市太和路與政通路交叉口西南區域), Henan Province, the PRC
Total site area	:	46,898.78 square meters
Conditions of the land use rights	:	The permitted plot ratio shall be between 1.1 and 1.7
Nature of the land use rights	:	Residential use
Term of the land use rights	:	70 years
Payment terms of the consideration	:	A sum of RMB106,228,500 has been paid by Henan Xinghan as the security deposit for the Auction, which amount is equivalent to the Consideration of the First Land Parcel. As such, full payment of the Consideration of the First Land Parcel has been made.
Handover date	:	On or before 26 December 2017
Commencement of construction	:	On or before 27 August 2018
Completion of construction	:	On or before 27 July 2020

It is currently expected that the First Land Parcel will be used for the property development for residential use. The estimated maximum construction gross floor area for the First Land Parcel will be approximately 79,727.93 square meters based on the permitted plot ratio. The capital commitment for this development project will be no less than RMB345,878,100. The construction work of the First Land Parcel shall be subject to invitation tenders.

LETTER FROM THE BOARD

Second Land Parcel

The Second Land Parcel is located at Northeast corner, Intersection of Hanque Road and Tianzhong Road, Dengfeng City* (登封市漢闕路與天中路交叉口東北角), Henan Province, the PRC with a total site area of 27,210.04 square meters and a permitted plot ratio between 1.1 and 2.3. The Second Land Parcel is designated for residential usage and commercial (wholesale & retailing, accommodation & catering) usage with the term of 70 years for residential usage and 40 years for commercial (wholesale & retailing, accommodation & catering) usage. A sum of RMB65,312,000 has been paid as the security deposit for the Auction. The Second Confirmation Notice was issued by Dengfeng Bureau of Land and Resources on 22 September 2017 and the Second Land Use Rights Grant Contract in relation to the Second Acquisition was entered into between Henan Xinghan and Dengfeng Bureau of Land and Resources on 26 September 2017.

The Board further announces that on 20 September 2017, Zensun entered into the Second Loan Agreement with Henan Xinghan to provide Financial Assistance to Henan Xinghan of RMB65,312,000 for a duration of two years.

THE SECOND CONFIRMATION NOTICE

Date : 22 September 2017

Parties : Henan Xinghan; and
Dengfeng Bureau of Land and Resources

Code of the land parcel : 登政出 (2017) – 06

Consideration : RMB65,312,000, which was arrived at after bidding at the Auction. A sum of RMB65,312,000 has been paid by Henan Xinghan as the security deposit for the Auction. The details of the payment terms of the Consideration of the Second Land Parcel are set out in the Second Land Use Rights Grant Contract.

LETTER FROM THE BOARD

MAJOR TERMS OF THE SECOND LAND USE RIGHTS GRANT CONTRACT

Date	:	26 September 2017
Parties	:	Henan Xinghan (as transferee); and Dengfeng Bureau of Land and Resources (as transferor)
Location of the land parcel	:	Northeast corner, Intersection of Hanque Road and Tianzhong Road, Dengfeng City* (登封市漢闕路與天中路交叉口東北角), Henan Province, the PRC
Total site area	:	27,210.04 square meters
Conditions of the land use rights	:	The permitted plot ratio shall be between 1.1 and 2.3
Nature of the land use rights	:	Residential use and commercial (wholesale & retailing, accommodation & catering) use
Term of the land use rights	:	70 years for residential usage and 40 years for commercial (wholesale & retailing, accommodation & catering) usage
Payment terms of the consideration	:	A sum of RMB65,312,000 has been paid by Henan Xinghan as the security deposit for the Auction, which amount is equivalent to the Consideration of the Second Land Parcel. As such, full payment of the consideration of the Second Land Parcel has been made.
Handover date	:	On or before 26 December 2017
Commencement of construction	:	On or before 27 August 2018
Completion of construction	:	On or before 1 January 2021

LETTER FROM THE BOARD

It is currently expected that the Second Land Parcel will be used for the property development for residential use and commercial (wholesale & retailing, accommodation & catering) use. The estimated maximum construction gross floor area for the Second Land Parcel will be approximately 62,583.10 square meters based on the permitted plot ratio. The capital commitment for this development project will be no less than RMB371,295,800. The construction work of the Second Land Parcel shall be subject to invitation tenders.

Third Land Parcel

The Third Land Parcel is located at Northeast corner, Intersection of Yinghe Road and Tianzhong Road, Dengfeng City* (登封市穎河路與天中路交叉口東北角), Henan Province, the PRC with a total site area of 50,435.88 square meters and a permitted plot ratio between 1.1 and 2.7. The Third Land Parcel is designated for residential usage and commercial (wholesale & retailing, accommodation & catering) usage with the term of 70 years for residential usage and 40 years for commercial (wholesale & retailing, accommodation & catering) usage. A sum of RMB130,496,250 has been paid as the security deposit for the Auction. The Third Confirmation Notice was issued by Dengfeng Bureau of Land and Resources to Henan Xinghan on 22 September 2017 and the Third Land Use Rights Grant Contract in relation to the Third Acquisition was entered into between Henan Xinghan and Dengfeng Bureau of Land and Resources on 26 September 2017.

The Board further announces that on 20 September 2017, Zensun entered into the Third Loan Agreement with Henan Xinghan to provide Financial Assistance to Henan Xinghan of RMB130,496,250 for a duration of two years.

THE THIRD CONFIRMATION NOTICE

Date : 22 September 2017

Parties : Henan Xinghan ; and
Dengfeng Bureau of Land and Resources

Code of the land parcel : 登政出 (2017) – 07

Consideration : RMB130,496,250, which was arrived at after bidding at the Auction. A sum of RMB130,496,250 has been paid by Henan Xinghan as the security deposit for the Auction. The details of the payment terms of the Consideration of the Third Land Parcel are set out in the Third Land Use Rights Grant Contract.

LETTER FROM THE BOARD

MAJOR TERMS OF THE THIRD LAND USE RIGHTS GRANT CONTRACT

Date	:	26 September 2017
Parties	:	Henan Xinghan (as transferee); and Dengfeng Bureau of Land and Resources (as transferor)
Location of the land parcel	:	Northeast corner, Intersection of Yinghe Road and Tianzhong Road, Dengfeng City* (登封市穎河路與天中路交叉口東北角), Henan Province, the PRC
Total site area	:	50,435.88 square meters
Conditions of the land use rights	:	The permitted plot ratio shall be between 1.1 and 2.7
Nature of the land use rights	:	Residential use and commercial (wholesale & retailing, accommodation & catering) use
Term of the land use rights	:	70 years for residential usage and 40 years for commercial (wholesale & retailing, accommodation & catering) usage
Payment terms of the consideration	:	A sum of RMB130,496,250 has been paid by Henan Xinghan as the security deposit for the Auction, which amount is equivalent to the Consideration of the Third Land Parcel. As such, full payment of the Consideration of the Third Land Parcel has been made.
Handover date:	:	On or before 26 December 2017
Commencement of construction	:	On or before 27 August 2018
Completion of construction	:	On or before 1 January 2021

LETTER FROM THE BOARD

It is currently expected that the Third Land Parcel will be used for the property development for residential use and commercial (wholesale & retailing, accommodation & catering) use. The estimated maximum construction gross floor area for the Third Land Parcel will be approximately 136,176.88 square meters based on the permitted plot ratio. The capital commitment for this development project will be no less than RMB789,568,400. The construction work of the Third Land Parcel shall be subject to invitation tenders.

The value of the First Land Parcel, the Second Land Parcel and the Third Land Parcel shall be their respective consideration.

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

On 20 September 2017, Zensun, a company ultimately controlled by Ms. Huang Yanping who is a Director and a controlling shareholder of the Company, entered into the First Loan Agreement, the Second Loan Agreement and the Third Loan Agreement (“**Loan Agreement(s)**”) with Henan Xinghan pursuant to which Zensun has agreed to provide, upon Henan Xinghan’s request, unsecured loan(s) of RMB106,228,500 for the First Land Parcel, RMB65,312,000 for the Second Land Parcel and RMB130,496,250 for the Third Land Parcel each for a duration of two years from the date of the Loan Agreements, with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Xinghan in accordance with actual needs within two years from the date of the Loan Agreements at an interest rate of no more than 4% per annum on the loan(s) actually drawdown. The proceeds from the Financial Assistance will be used to finance the Acquisitions and the development of the First Land Parcel, the Second Land Parcel and the Third Land Parcel.

As Ms. Huang is a Director and controlling shareholder of the Company, each of the Financial Assistance will constitute a connected transaction in the form of financial assistance from Zensun in favour of Henan Xinghan. However, as the Financial Assistance is not secured by any assets of the Group, and as the Directors consider that the Financial Assistance is on normal commercial terms or better, the Financial Assistance is fully-exempted from shareholders’ approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Board believes that each of the Acquisitions complement the Group's strategy in expanding its development in Henan Province and other first and second tier cities in the PRC. The Directors further consider that each of the Acquisitions is a transaction of revenue nature carried out in the ordinary and usual course of business and is on normal commercial terms, which is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company will continue to seek viable business opportunities in accordance with its overall strategy. The Company will make use of the Group's financial, human and technological resources to enhance its portfolio, asset base and brand image.

INFORMATION OF THE PARTIES

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

Henan Xinghan is a company established in the PRC, an indirect wholly-owned subsidiary of the Company and is a property development company. Zensun is a company established in the PRC and ultimately controlled by Ms. Huang who is a Director and controlling shareholder of the Company.

Dengfeng Bureau of Land and Resources, being the transferor of the land use rights of the First Land Parcel, the Second Land Parcel and the Third Land Parcel, is a PRC Governmental Body and is responsible for, among other things, administering the examination and approval of land planning, assignment and transfer of the land use rights of the state-owned land in Dengfeng City, Henan Province, the PRC, and the issue of various types of land certificates.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Dengfeng Bureau of Land and Resources and its ultimate beneficial owners are third parties independent of the Group and its connected persons.

FINANCIAL EFFECTS OF THE ACQUISITIONS OF THE COMPANY

As the Group will finance the Total Consideration with Financial Assistance from Zensun, the total assets and the total liabilities of the Group will be increased by approximately RMB106,228,500 accordingly upon the completion of the First Acquisition, approximately RMB65,312,000 accordingly upon the completion of the Second Acquisition and approximately RMB130,496,250 accordingly upon the completion of the Third Acquisition. Save for the aforesaid effects from the Acquisitions, the Company considers that there will not be any material effect on the earnings of the Group immediately upon the Acquisitions. In view of the future prospects of the property market in Henan Province, the PRC, it is anticipated that the Acquisitions will improve the Group's trading prospects in the future and the Directors consider the Acquisitions will contribute to the revenue and earnings base of the Group upon completion of these property projects but the quantification of such contribution will depend on the future performance of the Group.

LETTER FROM THE BOARD

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Following completion of the Acquisitions, the Group will continue to be principally engaged in the business of property development, property investment and management, hotel operation, and look for investment opportunities which strengthen profitability under the acceptable risk in Hong Kong, the PRC and overseas markets.

The Group will primarily finance the repayments on financial assistance from Zensun through proceeds from the pre-sale and sale of Group's properties, internally generated cash flows from other operations, and borrowings from commercial banks and financial institutions. Going forward, the Group believes our future fund needs in support of project construction and land acquisition activities will be satisfied by the above-mentioned sources and additional issuance of equity securities or other capital market instruments.

The Group seeks to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. The Group will also continue to assess available financial resources in support of our business needs on an ongoing basis and plan and adjust our development schedule or implement cost control measures if necessitated by our then-existing financial conditions and cash requirements.

The Group intends to continue to access existing capital resources, and to seek new sources of funding, to maintain and grow our business on a cost-effective basis.

The PRC

During the year of 2016, the Company began to leverage on the PRC property development and investment experience of its management team to seek different suitable projects in anticipation of high potential returns to Shareholders. The Group has successfully bid five pieces of land parcels in the second half of 2016, with total considerations of approximately RMB2.29 billion. These land parcels were all located in Zhengzhou City, Henan Province, the PRC. Construction work has already been commenced for one of these new land parcels during 2016 and the handover process for the other four new land parcels have been completed in the first quarter of 2017. As of 31 December 2016, the Group has three ongoing projects under development in Zhengzhou City, namely Zensun Xinghan Garden, Zensun Jingkai Plaza and Zensun Shuxiangmingzhu Project. Based on the current construction progress and the delivery schedule, they are expected to be completed in the fourth quarter of 2017, the first quarter of 2018 and the fourth quarter of 2019, respectively. In April 2017, the Group has made two successful bids for land use rights of two land parcels in Beijing City, the PRC with site area of approximately 53,213.75 square meters for residential and educational use at a consideration of RMB2,890,000,000 and site area of approximately 41,170.23 square meters for residential, commercial and office use at a consideration of RMB1,210,000,000 respectively. These two development projects are expected to be completed no later than the second quarter of 2021. In July 2017, the Group has also made a successful bid for land use rights of one land parcel in Zhengzhou City with site area of 62,286.39 square meters for residential use at a consideration of RMB2,205,000,000. This development project is

LETTER FROM THE BOARD

expected to be completed no later than the third quarter of 2020. Following the Group's strategy in expanding its business operation in the PRC, the Board will continue to identify new property development projects and 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 addition to existing business partner, the Company will continue to seek potential partners' cooperation to explore capital resources, reduce capital investment at an early stage and facilitate project development. The management remains cautiously optimistic on the long-term prospects of the real estate industry and will quicken its property development and sales of its development projects in the PRC through making use of its own advantages and leveraging on the national network and business resources of Zensun. The synergistic effect brought by Zensun will improve the position of the Group in the real estate industry in the PRC.

The United States

As at the Latest Practicable Date, the Group has 12.0% equity interest in a New York Stock Exchange ("NYSE") listed REIT, namely Global Medical REIT, Inc. ("GMR") and 99% equity interest in an U.S. Over-The-Counter ("OTC") company, namely American Housing REIT, Inc. ("AHR"), both are operated and managed by Inter-American Management, LLC ("IAM"), the 85%-owned REIT management arm of the Group, led by a specialised team of highly experienced professionals with deep knowledge in the U.S. real estate market.

1. GMR

The Group has continued providing management services and receiving recurring management fees directly to and from GMR pursuant to the management agreement between GMR and IAM after the GMR Offering. It is expected that future fund raising of GMR will increase its capital base which in return increases the management fee income to be received from GMR.

2. AHR

AHR is currently 99%-controlled by the Company and owns a portfolio of single-family rentals primarily in Texas, Florida, Georgia and North Carolina. With the Group's strategy in seeking for higher-than-average annualised yield, the Group revisits the current properties portfolio of AHR and diversifies its investment from single family housing to senior housing communities in order to seize the potential opportunity for the current strong demand on retirement communities and elderly care industry on the U.S. Two purchase agreements were entered into to acquire two senior housing communities in the U.S., namely, the Oxford Grant McKinney and the Glen Carr House for total consideration of US\$27.6 million. Both transactions were completed in April 2017.

LETTER FROM THE BOARD

Other operations

The Group remains cautious on Singapore property market and does not expect to make a material investment in this market in the foreseeable future. For the non-core Japan hotel business, while the Group is seeking potential buyers to dispose the hotels or operation to enable the Group to deploy its resources in the most efficient way, it is actively seeking ways to enhance its overall profitability with a view to enabling the operations to be self-sustainable.

Overall

The Company will make use of the Group's financial, human and technological resources to enhance its portfolio, asset base and brand image.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in respect of the Acquisitions are more than 25% but less than 100%, the Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Since each of the Acquisitions (i) involves an acquisition of governmental land in the PRC from a PRC Governmental Body (as defined under Listing Rules) through an auction governed by PRC Law; and (ii) is undertaken on a sole basis by the Group (being a “**qualified issuer**” as defined under Rule 14.04(10B) of the Listing Rules) in its ordinary and usual course of business, each of the Acquisitions is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules. Hence, the Acquisitions are only subject to reporting and announcement requirements and are exempt from shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

As Ms. Huang is a Director and controlling shareholder of the Company, each of the Financial Assistance will constitute a connected transaction in the form of financial assistance from Zensun in favour of Henan Xinghan. However, as the Financial Assistance is not secured by any assets of the Group, and as the Directors consider that the Financial Assistance is on normal commercial terms or better, the Financial Assistance is fully-exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

To the best of the knowledge, information, and belief of the Directors, after having made all reasonable enquiries, as no Shareholder has material interests in the Acquisitions, no Shareholder would be required to abstain from voting if the Company is to convene a general meeting for approving the Acquisitions. However, in accordance with the Listing Rules, the Acquisitions are subject to reporting and announcement requirements but is exempt from shareholders' approval requirements, the Company will not be required to convene an extraordinary general meeting for approving the Acquisitions.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the First Confirmation Notice and the First Land Use Rights Grant Contract in respect of the First Acquisition; the terms of the Second Confirmation Notice and the Second Land Use Rights Grant Contract in respect of the Second Acquisition and the terms of the Third Confirmation Notice and the Third Land Use Rights Grant Contract in respect of the Third Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors have any material interest in the Acquisitions, the First Land Use Rights Grant Contract, the Second Land Use Rights Grant Contract and the Third Land Use Rights Grant Contract.

Accordingly, the Directors (including the independent non-executive Directors) would recommend the Shareholders to vote in favour of the resolution for approving the Acquisitions if an extraordinary general meeting of the Company is required to be held to consider and approve the Acquisitions.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for the year ended 31 March 2015, for the nine months ended 31 December 2015 and for the year ended 31 December 2016 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zhsuccess.com>):

- annual report of the Company for the year ended 31 March 2015 published on 29 July 2015 (pages 66 to 162);
- annual report of the Company for the nine months ended 31 December 2015 published on 28 April 2016 (pages 60 to 169); and
- annual report of the Company for the year ended 31 December 2016 published on 25 April 2017 (pages 77 to 185).

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Acquisitions and the financial resources and the banking facilities available to the Group (including the Financial Assistance) and in the absence of unforeseen circumstances, the Group will have sufficient working capital to meet its requirements for at least 12 months from the date of this circular.

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has outstanding borrowings of approximately HK\$12,923.1 million, comprising mortgage loans of approximately HK\$60.7 million, bank loans of approximately HK\$2,676.1 million and loans and amounts from related companies of approximately HK\$10,186.3 million. The Group's borrowings and financial guarantees in respect of mortgage facilities provided to the Group's properties buyers were secured by certain land and buildings, investment properties, properties under development for sale and bank deposits of the Group with carrying value of approximately HK\$5,307.9 million.

As at 30 September 2017, the Group provided financial guarantees in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by the Group's properties buyers amounting to approximately HK\$761.7 million. These guarantees will be released upon the earlier of (i) the repayment of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

In addition, as at 30 September 2017, the Group has provided for its proportionate guarantee of approximately HK\$12.1 million to a financial institution in connection with loan facilities granted to an overseas unlisted company, Corporate Residence Pte Ltd, of

which 10% interest were previously owned by the Group. Following to the completion of disposal transaction of such entire 10% equity investment during the six months ended 30 June 2017, release of such proportionate guarantee was in progress.

Save as aforesaid and apart from the intra-group liabilities, as at the close of business on 30 September 2017, the Group did not have outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

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 corporations

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:

Ordinary Shares of the Company

Name of Director	Capacity in which interests are held	Number of Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Zhang	Spousal Interest (<i>Note 3</i>)	8,337,252,209	135.00
Ms. Huang	Interest of controlled corporation (<i>Note 1</i>)	3,579,612,209	57.95
	Beneficial owner (<i>Note 2</i>)	4,757,640,000	77.03

Notes:

- (1) 3,579,612,209 Shares are owned by Joy Town Inc., which is wholly and beneficially owned by Ms. Huang.
- (2) Ms. Huang is interested in (i) 4,212,000,000 consideration Shares to be issued by the Company under the Agreement; and (ii) convertible bonds to be issued by the Company with a principal amount of HK\$121,677,720 under the Agreement which may be converted into 545,640,000 Shares upon conversion.
- (3) 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 8,337,252,209 Shares.

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

Save as disclosed in the paragraph headed “Material Acquisition after 31 December 2016”, 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 businesses except that Mr. Zhang and Ms. Huang are interested in Zensun, Henan Zensun Corporate Development Group Limited* (河南正商企業發展有限責任公司) and/or their subsidiaries/associated companies which are engaged in construction, property development and related business in the PRC.

As the Board is independent of the boards of directors of these companies, the Company has therefore been capable of carrying on its businesses 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:

Name of Shareholder	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company (%)
Joy Town Inc.	Beneficial owner (<i>Note 1</i>)	3,579,612,209	57.95
Chan Heng Fai	Beneficial owner (<i>Note 2</i>)	322,580,166	5.22
Chan Yoke Keow	Beneficial owner (<i>Note 2</i>)	322,580,166	5.22

Notes:

- (1) Ms. Huang is the sole director and shareholder of Joy Town Inc.
- (2) These Shares are owned by Chan Heng Fai and Chow Yoke Keow. Chan Heng Fai is the spouse of Chan Yoke Keow, they are deemed interest in the Shares held by each other.

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 ACQUISITION AFTER 31 DECEMBER 2016

On 27 September 2017, after the date to which the latest published audited accounts of the Company were made up, the Company and Ms. Huang entered into an agreement pursuant to which Ms. Huang has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of Honor Challenge Investment Limited at a 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 Ms. Huang (or her nominee(s)), at the issue price of HK\$0.223 per consideration Share at completion of the Agreement; and (ii) issue of convertible bonds in the principal amount equal to HK\$121,677,720 by the Company to Ms. Huang (or her nominee(s)) at completion of the Agreement subject to the terms and conditions set out in the instrument constituting the convertible bonds.

Details and further particulars of the acquisition transaction of the entire issued share capital of Honor Challenge Investment Limited are disclosed in the announcement which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.zhsuccess.com>) on 27 September 2017.

5. 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.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding up to and including the Latest Practicable Date:

- (a) On 14 December, 2015, GMR entered into a sale and purchase agreement with 6 sellers, pursuant to which GMR has agreed to acquire and the sellers have agreed to dispose of, a six building, 52,266 square foot medical clinic portfolio for a purchase price of US\$20.0 million. Five of the facilities are located in Tennessee and one facility is located in Mississippi. The acquisition was completed in December 2015;
- (b) On 8 January 2016, GMR entered into a sale and purchase agreement with Marina Towers, LLC, pursuant to which, the vendor shall sell and GMR shall acquire a hospital named "Marina Towers" located at 709 South Harbor City Boulevard, Melbourne, Florida 32901, United States, for a purchase price of US\$15.5 million. The acquisition was completed in March 2016;
- (c) On 23 February 2016, GMR entered into a sale and purchase agreement with Cherry Hills Real Estate, LLC, pursuant to which, the vendor shall sell and GMR shall acquire an ambulatory surgery center and medical office building located in Westland, Michigan, United States, for a purchase price of US\$4.75 million. The acquisition was completed in March 2016;

- (d) On 19 April 2016, GMR entered into a sale and purchase agreement with Paper Mill Partners, L.P. and Ridgewood Surgery Center, L.P., pursuant to which, the vendors shall sell and GMR shall acquire a 17,000 square-foot medical office building and a 6,500 square-foot eye surgery center located at Wyomissing, United States, for an aggregate consideration of approximately US\$9.2 million. The acquisition was completed in July 2016;
- (e) On 12 May 2016, the Company entered into subscription agreements with 8 subscribers pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the subscribers, an aggregate of 795,400,000 Shares in cash at subscription price of HK\$0.20 per subscription share, subject to a lock-up period of six months. The transaction was completed in May 2016;
- (f) On 23 May 2016, the Company, Hotel Room Xpress Pte. Ltd., Heng Fung Capital Company Limited and Xpress Credit Limited entered into a share purchase agreement with Ernest W. Moody Revocable Trust whereby the Group has agreed to sell and the purchaser has agreed to purchase of 8,031,664 shares of RSI International Systems Inc. for cash consideration of approximately CAD1.49 million. The transaction was completed in June 2016;
- (g) On 28 June 2016, GMR, IAM, Global Medical REIT, LP, a Delaware limited partnership, and Wunderlich Securities, Inc, entered into a underwriting agreement in relation to the offer and sale of Shares of GMR;
- (h) On 14 February 2017, American Senior Housing REIT, Inc., an indirect 98.82% owned subsidiary of the Company, has entered into two agreements with two Independent Third Parties, CBC Oxford McKinney, LLC and Oxford Derby Memory Care, LLC to acquire two senior housing communities in the U.S., namely, the Oxford Grand McKinney and the Glen Garr House, for a consideration of US\$17,050,000 and a consideration US\$10,500,000 respectively. The transaction was completed in April 2017; and
- (i) On 27 September 2017, the Company entered into an agreement with Ms. Huang to acquire the entire issued share capital of Honor Challenge Investment Limited at a total consideration of HK\$1,060,953,720.

7. 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 consolidated financial statement of the Company were made up.

8. GENERAL

- (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, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The joint 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) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (save for Saturdays and public holidays) at the principal place of business of the Company in Hong Kong, from the date of this circular, up to and including 16 November 2017.

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the nine months ended 31 December 2015 and for the year ended 31 December 2016;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (d) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2016 being the date of the latest published audited accounts; and
- (e) this circular.