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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

ACQUISITIONS OF LAND USE RIGHTS

The Board is pleased to announce that on 28 December 2017, Henan Xinghan, an indirect wholly-owned subsidiary of the Company, made two successful bids for the land use rights of the Land Parcel I and Land Parcel II through listing for sale process in the Auction held by Xinxiang Bureau of Land and Resources* (新鄉市國土資源局) for transfer of state-owned land use rights at a consideration of RMB441,093,215 and RMB347,477,850 respectively.

The Land Parcel I is located at south of Kelong Avenue, east of Xiner Street, Xinxiang City* (新鄉市科隆大道以南、新二街以東), Henan Province, the PRC with a total site area of 45,591.03 sq.m. and permitted plot ratio between 2.5 and 3.5. The Land Parcel I is designated for residential usage and commercial usage, with the term of 70 years for residential usage and 40 years for commercial usage.

The Land Parcel II is located at west of Xinzhong Avenue, southeast corner of the intersection of Hongyuan Street and Guihua Road, Xinxiang City* (新鄉市新中大道以西、鴻源街與規劃路東南角), Henan Province, the PRC with a total site area of 36,711.87 sq.m. and permitted plot ratio between 2.0 and 3.5. The Land Parcel II is designated for residential usage and commercial usage, with the term of 70 years for residential usage and 40 years for commercial usage.

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

The Board further announces that on 28 December 2017, Zensun entered into two loan agreements with Henan Xinghan to provide Financial Assistance to Henan Xinghan each for a duration of two years in the amount of RMB441,093,215 for Land Parcel I and RMB347,477,850 for Land Parcel II respectively.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated in respect of Acquisitions under Rule 14.07 of the Listing Rules exceed 25% but is less than 100%, the Acquisitions constitute a major transaction for the Company under the Listing Rules. Since each of the Acquisitions (i) involves an acquisition of governmental land in the PRC from a PRC Governmental Body through an auction governed by PRC Law; and (ii) is undertaken on a sole basis by the Group 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, each of the Acquisitions is only subject to reporting and announcement requirements and is exempt from shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

A circular containing, among other things, further details of the Acquisitions and such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 19 January 2018.

ACQUISITIONS OF LAND USE RIGHTS

The board (“**Board**”) of directors (“**Directors**”) of ZH International Holdings Limited (“**Company**”) is pleased to announce that on 28 December 2017, Henan Xinghan Zensun Real Estate Company Limited* (河南興漢正商置業有限公司) (“**Henan Xinghan**”), an indirect wholly-owned subsidiary of the Company, made two successful bids for the land use rights of two land parcels with code no. 2017-10 (“**Land Parcel I**”) and code no. 2017-11 (“**Land Parcel II**”) located in Xinxiang City, Henan Province, the People’s Republic of China (the “**PRC**”) through listing for sale process (the “**Acquisitions**”) in the public auction (“**Auction**”) held by Xinxiang Bureau of Land and Resources* (新鄉市國土資源局) for transfer of state-owned land use rights at a consideration of RMB441,093,215 for Land Parcel I and RMB347,477,850 for Land Parcel II respectively. The consideration of each of the Acquisitions was determined based on the Auction documents issued by Xinxiang Bureau of Land and Resources.

The Land Parcel I is located at south of Kelong Avenue, east of Xiner Street, Xinxiang City* (新鄉市科隆大道以南、新二街以東), Henan Province, the PRC with a total site area of 45,591.03 sq.m. and permitted plot ratio between 2.5 and 3.5. The Land Parcel I is designated for residential usage and commercial usage, with the term of 70 years for residential usage and 40 years for commercial usage.

The Land Parcel II is located at west of Xinzhong Avenue, southeast corner of the intersection of Hongyuan Street and Guihua Road, Xinxiang City* (新鄉市新中大道以西、鴻源街與規劃路東南角), Henan Province, the PRC with a total site area of 36,711.87 sq.m. and permitted plot ratio between 2.0 and 3.5. The Land Parcel II is designated for residential usage and commercial usage, with the term of 70 years for residential usage and 40 years for commercial usage.

A sum of RMB61,550,000 for Land Parcel I and RMB59,750,000 for Land Parcel II respectively, have been paid as the security deposit for the Auction. Pursuant to the procedures under the listing for sale process in the Auction, following the successful bids, Henan Xinghan shall submit qualification documents to Xinxiang Bureau of Land and Resources for verification. Upon completion of the verification process, Xinxiang Bureau of Land and Resource will issue a confirmation notice (“**Confirmation Notice**”) in respect

of the Land Parcel I and Land Parcel II to Henan Xinghan. The land use rights grant contracts in relation to the Acquisitions are expected to be entered between Henan Xinghan and Xinxiang Bureau of Land and Resources within ten working days from the date of the Confirmation Notice.

INFORMATION ON PARTIES TO THE ACQUISITIONS

Henan Xinghan is a company established in the PRC, an indirect wholly-owned subsidiary of the Company and its principal activity is property development.

Xinxiang Bureau of Land and Resources, being the seller of Land Parcel I and Land Parcel II, 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 Xinxiang City, Henan Province, the PRC, and the issue of various types of land certificates.

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

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Company and its subsidiaries (“**Group**”) are principally engaged in property development, property investment and management, hotel operations and securities trading and investment. The Board believes that each of the Acquisitions complements 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 is 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.

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

On 28 December 2017, Zensun Real Estate Co., Ltd* (河南正商置業有限公司) (“**Zensun**”), a company ultimately controlled by Ms. Huang Yanping who is a Director and the controlling shareholder of the Company, entered into two loan agreements (“**Loan Agreements**”) with Henan Xinghan pursuant to which Zensun has agreed to provide, upon Henan Xinghan's request, unsecured loan(s) of RMB441,093,215 for Land Parcel I and RMB347,477,850 for Land Parcel II, each for a duration of two years from the date of the Loan Agreements (“**Financial Assistance**”), 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 Land Parcel I and Land Parcel II.

As Ms. Huang Yanping is a Director and the controlling shareholder of the Company, the Financing 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 Rules Governing Listing of the Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated in respect of the Acquisitions under Rule 14.07 of the Listing Rules exceed 25% but is less than 100%, the Acquisitions constitute a major transaction for the Company under the Listing Rules. Since each of the Acquisitions (i) involves an acquisition of governmental land in the PRC from a PRC Governmental Body through an auction governed by PRC Law; and (ii) is undertaken on a sole basis by the Group 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, each of the Acquisitions is only subject to reporting and announcement requirements and is exempt from shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

A circular containing, among other things, further details of the Acquisitions and such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 19 January 2018.

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

Hong Kong, 28 December 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 Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao.

** For identification purpose only.*