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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)

VERY SUBSTANTIAL ACQUISITION 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 22 January 2018, Henan Xinhang*, an indirect wholly-owned subsidiary of the Company, made three successful bids for land use rights of Land Parcel I, Land Parcel II and Land Parcel III through listing for sale process in the Auction held by Land and Resources Bureau of Xinzheng City* (新鄭市國土資源局) for transfer of state-owned land use rights at consideration of RMB800,870,000, RMB1,024,160,000 and RMB995,490,000, respectively.

Land Parcel I is located at west of Guihua 3rd Road, north of reserve land of Government, Longhu Town* (龍湖鎮規劃三路西側、政府儲備土地北側), Xinzheng City, Henan Province, the PRC with a total site area of 43,470.40 sq.m. and a permitted plot ratio between 1.0 to 3.0. Land Parcel I is designated for residential usage with the term of 70 years.

Land Parcel II is located at south of Guihua 1st Road, west of reserve land of Government, Longhu Town* (龍湖鎮規劃一路南側、政府儲備土地西側), Xinzheng City, Henan Province, the PRC with a total site area of 46,805.08 sq.m. and a permitted plot ratio between 1.0 to 3.0. Land Parcel II is designated for residential usage with the term of 70 years.

Land Parcel III is located at south of Guihua 1st Road, west of Qiushi Road, Longhu Town* (龍湖鎮規劃一路南側、求實路西側), Xinzheng City, Henan Province, the PRC with a total site area of 45,515.87 sq.m. and a permitted plot ratio between 1.0 to 3.0. Land Parcel III is designated for residential usage with the term of 70 years.

FINANCIAL ASSISTANCE

The Board further announces that on 22 January 2018, Zensun entered into three loan agreements with Henan Xinhang to provide Financial Assistance to Henan Xinhang in the

amount of RMB800,870,000 for Land Parcel I, RMB1,024,160,000 for Land Parcel II and RMB995,490,000 for Land Parcel III, each for a duration of two years.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in respect of the Acquisitions exceeds 100%, the Acquisitions constitute a very substantial acquisition 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 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 12 February 2018.

ACQUISITIONS OF LAND USE RIGHTS

The board ("**Board**") of directors ("**Directors**") of ZH International Holdings Limited ("**Company**") is pleased to announce that on 22 January 2018, Henan Zensun Xinhang Real Estate Company Limited* (河南正商新航置業有限公司) ("**Henan Xinhang**"), an indirect wholly-owned subsidiary of the Company, made three successful bids for land use rights of three land parcels, under land code no. 鄭政新鄭出 (2017) – 6 ("**Land Parcel I**"), land code no. 鄭政新鄭出 (2017) – 9 ("**Land Parcel II**") and land code no. 鄭政新鄭出 (2017) – 10 ("**Land Parcel III**") in Xinzheng City, Henan Province, the People's Republic of China (the "**PRC**") through listing for sale process ("**Acquisitions**") in the public auction ("**Auction**") held by Land and Resources Bureau of Xinzheng City* (新鄭市國土資源局) for transfer of state-owned land use rights at consideration of RMB800,870,000 for Land Parcel I, RMB 1,024,160,000 for Land Parcel II and RMB 995,490,000 for Land Parcel III, respectively. The consideration of each of the Acquisitions was determined based on the Auction documents issued by Land and Resources Bureau of Xinzheng City.

Land Parcel I is located at west of Guihua 3rd Road, north of reserve land of Government, Longhu Town* (龍湖鎮規劃三路西側、政府儲備土地北側), Xinzheng City, Henan Province, the PRC with a total site area of 43,470.40 sq.m. and a permitted plot ratio between 1.0 to 3.0. Land Parcel I is designated for residential usage with the term of 70 years.

Land Parcel II is located at south of Guihua 1st Road, west of reserve land of Government, Longhu Town* (龍湖鎮規劃一路南側、政府儲備土地西側), Xinzheng City, Henan Province, the PRC with a total site area of 46,805.08 sq.m. and a permitted plot ratio between 1.0 to 3.0. Land Parcel II is designated for residential usage with the term of 70 years.

Land Parcel III is located at south of Guihua 1st Road, west of Qiushi Road, Longhu Town* (龍湖鎮規劃一路南側、求實路西側), Xinzheng City, Henan Province, the PRC with a total site area of 45,515.87 sq.m. and a permitted plot ratio between 1.0 to 3.0. Land Parcel

III is designated for residential usage with the term of 70 years.

A sum of RMB423,870,000 for Land Parcel I, RMB386,160,000 for Land Parcel II and RMB375,490,000 for Land Parcel III have been paid as the security deposit for the Auction. Pursuant to the procedures under the listing for sale process in the Auction, within two working days following the successful bids, Henan Xinhang shall submit qualification documents to Land and Resources Bureau of Xinzheng City for verification. Upon completion of the verification process, Land and Resources Bureau of Xinzheng City will issue confirmation notice (“**Confirmation Notice**”) in respect of Land Parcel I, Land Parcel II and Land Parcel III to Henan Xinhang. The land use rights grant contracts in relation to the Acquisitions are expected to be entered between Henan Xinhang and Land and Resources Bureau of XinZheng City within ten working days from the date of the Confirmation Notice.

INFORMATION ON PARTIES TO THE ACQUISITIONS

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

Land and Resources Bureau of Xinzheng City, being the seller of Land Parcel I, Land Parcel II and Land Parcel III, 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 Xinzheng 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, Land and Resources Bureau of Xinzheng City and its beneficial owner are third parties independent of the Group and its connected persons.

REASON 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 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 the Acquisitions are transactions of revenue nature are carried out in the ordinary and usual course of business and are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its shareholders (“**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 22 January 2018, 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 three loan agreements (“**Loan**

Agreements”) with Henan Xinhang pursuant to which Zensun has agreed to provide, upon Henan Xinhang’s request, unsecured loan(s) of RMB800,870,000 for Land Parcel I, RMB1,024,160,000 for Land Parcel II and RMB995,490,000 for Land Parcel III, each for a duration of two years from the date of the Loan Agreements (“**Financial Assistance**”), with discretionary rights on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Xinhang 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 Land Parcel I, Land Parcel II and Land Parcel III.

As Ms. Huang Yanping is a Director and the controlling shareholder of the Company, the Financial Assistance will constitute a connected transaction in the form of financial assistance from Zensun in favour of Henan Xinhang. 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 (“**Listing Rules**”).

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in respect of the Acquisitions exceeds 100%, the Acquisitions constitute a very substantial acquisition 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, 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 12 February 2018.

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

Hong Kong, 22 January 2018

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.*