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ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

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

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



建泉融資有限公司

VBG Capital Limited

A letter from the Board is set out on pages 6 to 25 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 26 to 27 of this circular. A letter from VBG Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 40 of this circular.

A notice convening the EGM to be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Tuesday, 11 December 2018 at 9:30 a.m. is set out on pages 47 to 48 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. by 9:30 a.m. on Saturday, 8 December 2018) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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

22 November 2018

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DEFINITIONS

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

“2017 Supplemental Agreement”	the supplemental agreement dated 21 February 2017 entered into between the Company and Zensun Development to amend certain terms of the Master Services Agreement
“2018 Supplemental Agreement”	the supplemental agreement dated 11 October 2018 entered into between the Company and Zensun Development to amend certain terms of the Renewed 2017 Master Services Agreement
“Ancillary Services”	services which are ancillary but pertaining to the delivery of the Contracting Services, including but not limited to administration, payroll, human resources, disposal of construction wastes
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	ZH International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Contracting Services”	the provision of construction, engineering and related services by the relevant members of the Zensun Development Group to the relevant members of the Group, including but not limited to, building and general construction, civil engineering, building exterior and interior design, building repair, renovation, maintenance, consultancy and other services, demolition, piling and foundation, building and property fitting out and decoration work, construction and project management, supply of construction and building equipment and materials, electrical and mechanical engineering works, supply and installations of air-conditioning, heating and ventilation systems, fire services systems, plumbing and drainage systems, lift repair and maintenance services and electrical systems
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Definitive Agreement(s)”	definitive agreement(s) which may be entered into between any member(s) of the Group and any member(s) of the Zensun Development Group from time to time in relation to any of the Transactions at any time during the term of and pursuant to the Master Services Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on 11 December 2018 at 9:30 a.m. for the purpose of considering and, if thought fit, approving the 2018 Supplemental Agreement, the Transactions and the Revised 2018-2020 Annual Caps
“Group”	the Company and its subsidiaries from time to time
“Group’s Land Parcel(s)”	the 66 land parcels with total site area of approximately 3.03 million sq.m. and aggregate estimated GFA of approximately 8.36 million sq.m. in the PRC on hand held by the Group as at the date of the 2018 Supplemental Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, namely Dr. Liu Qiao, Mr. Liu Da and Mr. Ma Yuntao, formed to advise the Independent Shareholders in relation to the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Zhang, Ms. Huang and their respective associates
“Latest Practicable Date”	19 November 2018, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Services Agreement”	the agreement in relation to the Transactions entered into between the Company and Zensun Development on 22 December 2015
“Mr. Zhang”	Mr. Zhang Jingguo, the chairman, executive Director and chief executive officer of the Company and a Controlling Shareholder of the Company
“Ms. Huang”	Ms. Huang Yanping, the spouse of Mr. Zhang, the non-executive Director and a Controlling Shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Renewed 2017 Master Services Agreement”	the Master Services Agreement as amended by the 2017 Supplemental Agreement
“Renewed 2018 Master Services Agreement”	the Renewed 2017 Master Services Agreement as amended by the 2018 Supplemental Agreement
“Revised 2017–2019 Annual Caps”	the original maximum aggregate annual transaction amounts payable by the Group to the Zensun Development Group for the relevant Services for each of the financial years ending 31 December 2017, 2018 and 2019 as detailed in announcement of the Company dated 21 March 2017 and the 2017 Circular
“Revised 2018–2020 Annual Caps”	the proposed revised maximum aggregate annual transaction amounts payable by the Group to the Zensun Development Group for the relevant Services for each of the financial years ending 31 December 2018, 2019 and 2020, being RMB1,133,000,000, RMB2,404,000,000 and RMB1,534,000,000, respectively
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the Contracting Services, Ancillary Services and such other types of services the Company and Zensun Development may agree upon from time to time in writing
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s) of the Company
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance
“Transactions”	the transactions contemplated under the Master Services Agreement, the Renewed 2017 Master Services Agreement, and the Renewed 2018 Master Services Agreement, respectively

DEFINITIONS

“Zensun Development”	Henan Zensun Corporate Development Company Limited (河南正商企業發展有限責任公司), a company established under the laws of the PRC, which is beneficially wholly-owned by Mr. Zhang
“Zensun Development Group”	Zensun Development, its subsidiaries, and/or any other company in the equity capital of which Zensun Development and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors, and the subsidiaries of such company, and for the purpose of the Renewed 2018 Master Services Agreement, excludes members of the Group
“%”	per cent.



ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

Executive Directors:

Mr. Zhang Jingguo

(Chairman and Chief Executive Officer)

Mr. Zhang Guoqiang

Registered and principal office:

24/F., Wyndham Place,

40–44 Wyndham Street,

Central, Hong Kong

Non-executive Director:

Ms. Huang Yanping

Independent Non-executive Directors:

Dr. Liu Qiao

Mr. Liu Da

Mr. Ma Yuntao

22 November 2018

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

The Board refers to the announcement of the Company dated 11 October 2018 in relation to the further renewal of the Renewed 2017 Master Services Agreement by 2018 Supplemental Agreement and proposed revision of annual caps for transactions contemplated thereunder to the Revised 2018–2020 Annual Caps. Pursuant to the requirements of the Listing Rules, the Company will seek the approval of the Independent Shareholders in relation to the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps.

The purposes of this circular are, among other things: (i) to provide you with further details of the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the

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matters set out in (i); (iii) to set out the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the Independent Financial Adviser in relation to the matters set out in (i); and (iv) to give you the notice of the EGM at which an ordinary resolution will be proposed to approve the matters set out in (i).

Background

References are made to (i) the Company's announcement dated 22 December 2015 (the "2015 Announcement") and its circular dated 22 January 2016 (the "2016 Circular") in relation to the Master Services Agreement; (ii) the Company's announcements dated 21 February 2017 and 21 March 2017 (collectively, the "2017 Announcements") and its circular dated 26 April 2017 (the "2017 Circular") in relation to the 2017 Supplemental Agreement to the Master Services Agreement and the revision of annual caps.

As detailed in the 2015 Announcement and the 2016 Circular, the Company and Zensun Development entered into the Master Services Agreement on 22 December 2015 pursuant to which Zensun Development agreed to provide, or procure its subsidiaries to provide the Services to the Group. The Master Services Agreement, the transactions contemplated thereunder and the annual caps for each of the financial years ending 31 December 2016, 2017 and 2018 (the "2016-2018 Annual Caps") were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 12 February 2016. For the principal terms of the Master Services Agreement and the 2016-2018 Annual Caps, please refer to the 2015 Announcement and the 2016 Circular.

As detailed in the 2017 Announcements and the 2017 Circular, on 21 February 2017 the Company and Zensun Development entered into the 2017 Supplemental Agreement to amend certain terms of the Master Services Agreement and to revise the annual caps for transactions contemplated thereunder for each of the financial years ending 31 December 2017, 2018 and 2019, which were then further revised on 21 March 2017 to the Revised 2017-2019 Annual Caps. The 2017 Supplemental Agreement, the transactions contemplated thereunder and the Revised 2017-2019 Annual Caps were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 16 May 2017. For the principal terms of the 2017 Supplement Agreement, the Renewed 2017 Master Services Agreement and the Revised 2017-2019 Annual Caps, please refer to the 2017 Announcements and the 2017 Circular.

The Group wishes to continue to have the relevant member(s) of Zensun Development Group for their Services as a result of consequential demand stemming from the rapidly increasing land reserves over last years. Accordingly, on 11 October 2018, the Company and Zensun Development entered into the 2018 Supplemental Agreement to further extend the term of the Renewed 2017 Master Services Agreement up to and including 31 December 2020. The 2018 Supplemental Agreement is conditional upon approval by the Independent Shareholders at the EGM having been obtained.

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THE 2018 SUPPLEMENT AGREEMENT

Principal terms

Principal terms of the 2018 Supplemental Agreement and the proposed Renewed 2018 Master Services Agreement are summarised as follows:

Date of the 2018 Supplemental Agreement:

11 October 2018

Parties of the 2018 Supplemental Agreement:

- (1) The Company; and
- (2) Zensun Development

Terms amended:

Original terms under the Renewed 2017 Master Services Agreement:

- the effective date of the Renewed 2017 Master Services Agreement shall be 1 January 2017, subject to the fulfilment of conditions precedent to the 2017 Supplemental Agreement being fulfilled
- the effective term of the Renewed 2017 Master Services Agreement shall run from the effective date of the Renewed 2017 Master Services Agreement, and shall continue up to and including 31 December 2019

New terms under the Renewed 2018 Master Services Agreement:

- the effective date of the Renewed 2018 Master Services Agreement shall be 1 January 2018, subject to the fulfilment of conditions precedent to the 2018 Supplemental Agreement being fulfilled
- the effective term of the Renewed 2018 Master Services Agreement shall run from the effective date of the Renewed 2018 Master Services Agreement, and shall continue up to and including 31 December 2020

Save as disclosed above, all existing terms and conditions under the Renewed 2017 Master Services Agreement remain unchanged. Accordingly, when entering into the Definitive Agreement(s), the pricing policy, selection process of construction companies and corporate governance relating to the transactions contemplated thereunder as detailed in the 2017 Circular remain in place which are also set out in sections headed “Pricing Policy”, “Selection process of Construction Companies” and “Corporate Governance Relating to the Transactions” below.

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THE REVISION OF THE ANNUAL CAPS

The Revised 2018–2020 Annual Caps

The existing Revised 2017-2019 Annual Caps for the transactions under the Renewed 2017 Master Services Agreement for each of the financial years ending 31 December 2017, 2018 and 2019 are RMB367,000,000, RMB599,000,000 and RMB237,000,000, respectively. The Board proposed to set the Revised 2018-2020 Annual Caps for the Transactions for each of the financial years ending 31 December 2018, 2019 and 2020 as RMB1,133,000,000, RMB2,404,000,000 and RMB1,534,000,000, respectively.

The Revised 2018–2020 Annual Caps were determined based on:

- (i) the unaudited actual transaction amounts incurred for the Transactions for the six months ended 30 June 2018 which was approximately RMB252.2 million, as set out in section headed “Historical transaction amounts” below;
- (ii) the forecast amounts of the Transactions for each of the financial years ending 31 December 2018, 2019 and 2020 in relation to certain land parcels with an aggregated estimated GFA of approximately 2.92 million sq.m. held by the Group on hand that have completed their tendering process and awarded to Zensun Development Group; and
- (iii) an additional 10% buffer as possible variance of the costs in respect of the Services for these land parcels.

The Revised 2018–2020 Annual Caps have been determined with reference to the size and types of the property projects to be constructed, current development schedule and plan and the estimated quantity of Services in relation to the development of certain land parcels that have awarded to Zensun Development Group for the Services during the three financial years ending 31 December 2020.

The Revised 2018–2020 Annual Caps are proportioned into respective financial years by applying the estimated construction and engineering costs and related ancillary services payable in respect of these land parcels and following the current development plan and schedule. According to current development schedule of these land parcels, it is expected that the development from constructing these property projects will gradually commence from end of 2018 and 2019 and gradually turn to completion in 2020 and 2021 (the “**Construction Period**”). In connection with this development schedule throughout the Construction Period for these land parcels, substantial Services will normally be required during the first 15 months of the construction period of an individual land parcel, which is expected to fall from the fourth quarter of 2018 to fourth quarter of 2019. Therefore, the Revised 2018–2020 Annual Caps demonstrate a trend to increase from 2018 to 2019 and decrease from 2019 to 2020.

Since the Revised 2018–2020 Annual Caps are calculated primarily based on the estimated total costs for the Services during the Construction Period and such costs are subject to inflation and/or potential increase in market price and any unforeseeable

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changes on the property project(s), the Board has based on their experience in property construction industry in the PRC, included an additional 10% buffer as possible variance of the cost in respect of the Services in the Revised 2018–2020 Annual Caps for each of the financial years ending 31 December 2018, 2019 and 2020.

The Revised 2018-2020 Annual Caps did not take into account of the estimated transaction amounts which may arise from the Group’s business plan for future continual acquisition of land parcels.

The Directors (including the independent non-executive Directors) considered that the Revised 2018–2020 Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Historical transaction amounts

The actual transaction amounts paid and payable by the Group to Zensun Development Group for the Services pursuant to the Master Services Agreement and the Renewed 2017 Master Services Agreement for the financial year ended 31 December 2016, for the financial year ended 31 December 2017 and for the six months ended 30 June 2018 were approximately RMB91.3 million, RMB355.0 million and RMB252.2 million, respectively.

As at the Latest Practicable Date, the Directors confirm that the actual transaction amounts paid and payable by the Group to Zensun Development Group pursuant to the Renewed 2017 Master Services Agreement were within and not exceeded the Revised 2017-2019 Annual Caps.

Pricing Policy

The consideration for each Definitive Agreement will be determined in the following manners:

Provision of Services from the Zensun Development Group to the Group

For the provision of construction, engineering and related services under each Definitive Agreement, the member(s) of the Zensun Development Group which is selected following the relevant tender processes, shall provide construction and related services according to the tender documents and construction contracts to be signed between the member(s) of the Zensun Development Group and the Group from time to time. The amount of fees payable by the Group for the Contracting Services shall be based on the fee quotes to be submitted by the member(s) of the Zensun Development Group under the relevant tendering process which will be subject to the selection procedures set out in section headed “Selection Process of Construction Companies” below.

For the provision of Ancillary Services under each Definitive Agreement, the amount of fees payable by the Group shall be based on the actual cost incurred by the Zensun Development Group and the Group will review the itemised cost

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budgets submitted by member(s) of the Zensun Development Group and compare such cost budgets with similar costs quoted by other independent construction contractors or service providers before engaging Zensun Development Group to ensure that they are on normal commercial terms and are no less favourable to the Company than those offered by other independent third parties.

The Transactions to be carried out pursuant to the Renewed 2018 Master Services Agreement will be paid for and settled in cash or by method(s) otherwise agreed by the Group and the Zensun Development Group pursuant to the relevant Definitive Agreement. The relevant payment and settlement terms shall not be under terms less favorable than the market terms available to the Group from independent third parties.

Selection Process of Construction Companies

Under the Bidding Law of the People's Republic of China (中華人民共和國招標投標法) issued by the Standing Committee of the Ninth National People's Congress (全國人民代表大會常務委員會) at the 11th Session on 30 August 1999 and the Measures for the Bid Invitation and Bid Tendering for Construction and Engineering Projects (工程建設項目施工招標投標辦法) issued by National Development and Reform Commission, Ministry of Industry and Information, Ministry of Finance, Ministry of Housing and Urban-Rural Development, Ministry of Transport, Ministry of Railways, Ministry of Water Resources, State Administration of Radio, Film and Television, and Civil Aviation Administration of China (國家發展和改革委員會、工業和信息化部、財政部、住房和城鄉建設部、交通運輸部、鐵道部、水利部、國家廣播電影電視總局、中國民用航空局) on 11 March 2013, certain large-scale infrastructure and public works projects relating to social and public welfare and safety within the PRC, including the survey, design, engineering and supervision of such projects, as well as the procurement of major equipment and materials regarding engineering and construction, shall be subject to bidding. The Provisions on the Scope and Threshold of Construction Projects for Bid Invitation (工程建設項目招標範圍和規模標準規定) and the Administrative Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures (房屋建築和市政基礎設施工程施工招標投標管理辦法), issued and effective on 1 June 2001, provide the specific requirements for bidding. For example, for any of the aforesaid projects, construction contracts of more than RMB2.0 million in value, procurement contracts of more than RMB1.0 million in value, service contracts of more than RMB0.5 million in value or total project investments of more than RMB30.0 million shall be subject to bidding. Tenders are classified into public tenders and invitation tenders. If a project utilizing funds totally from investment of state capital or such funds of which the state capital has a holding or dominating position, it shall be subject to public tenders. For public tenders, a tender announcement shall be published on the newspapers and information network designated by the PRC government to invite unspecified legal persons or other organizations.

For invitation tenders, the tenderer shall issue tender invitations to at least three specified legal persons or other organizations with the capability to undertake construction projects in respect of the tender as well as good reputation and credibility.

Under the requirements of the relevant PRC laws and regulations, for a project for which a tender must be made in respect of construction works, if the number of bidders

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submitting tender documents is less than three, the tenderer shall make a new tender after analyzing the reason for the failure of the tender and adopt corresponding measures in accordance with the law. If the number of bidders for the new tender is still less than three, an engineering project subject to examination and approval may carry out no bid invitation any more upon approval of the relevant government authorities that examined and approved the project; for any other engineering project, the tenderer may decide by itself not to invite tenders any more. The tenderer will award the construction contract to the bidder with the higher score from the score sheets prepared by the assessment committee based on the 100-point scoring system with scoring criterion of quotation (60 points), construction planning, technical skills, quality and scheduling (35 points) and bidder's service commitment (5 points). Tender award result for the proposed construction project will be subject to approval by local governmental authority and bureau. If the member of the Zensun Development Group is the only bidder in the tender process, the Group will not award the construction contract to the bidder and will make a new tender until there are enough bidders in the tender process.

As for the case for developing the Group's Land Parcels, there will not involve any funding from state capital and the proposed construction project for these land parcels shall be subject to invitation tenders. In selecting our potential bidders, including the member(s) of the Zensun Development Group, for each individual property project, the Group will consider, among others, the following factors: their relevant industry experience in completing project developments of comparable size and type, their fee quotes, after-services to be offered, the quality of construction work, compliance with the construction schedules, the types of qualification licences that they hold and the sizes and composition of their management teams.

The member(s) of the Zensun Development Group will be selected based on independent assessments by the members of the assessment committees of the relevant tender bureau, taking into account various factors, including, but not limited to, its fee quote, construction schedule, quality of construction work, construction plan, allocation of manpower and safety measures and standard.

Corporate Governance Relating to the Transactions

The Directors are of the view that the interests of the Independent Shareholders will be adequately protected with regard to the above continuing connected transactions with Zensun Development Group for the following reasons:

1. The Group adopts an independent mechanism with the following features to govern and monitor the selection process for our potential bidders:
 - (a) an internal tender review committee (the "**Internal Tender Review Committee**"), which comprises members appointed by the independent non-executive Directors and accountable to the independent non-executive Directors, will be responsible for reviewing the terms and conditions of tenders, which shall also comply with the requirements of the relevant governmental authorities. The members of the Internal Tender Review Committee will include the heads of the Group's

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tendering and sourcing department and project management department, the general managers of the Group's regional companies and the project managers of the Group's property development projects. The appointment of the members of the Internal Tender Review Committee by our independent non-executive Directors will be based on nominations by the management team of the Group comprising three Directors, namely Mr. Zhang, Mr. Zhang Guoqiang and Ms. Huang;

- (b) objective criteria for identifying potential bidders, such as the price and quality of construction work, size of the project and construction schedule and services, will be prescribed by the Internal Tender Review Committee in relation to each of our project developments and such criteria must be approved by the independent non-executive Directors;
- (c) the relevant project company will contact potential bidders and those which are interested in submitting bids will provide the Group with information regarding their qualifications, industry experience and the sizes and composition of their management teams; and
- (d) the relevant project company will be responsible for compiling a list of potential bidders in accordance with the prescribed criteria laid down by the Internal Tender Review Committee and the relevant project company will issue tender application documents to three to five selected construction companies with competent qualifications.

In the event that Zensun Development Group is chosen as one of the potential construction companies after the selection process described above and it submits a completed tender application document to the relevant project company, the relevant project company will submit Zensun Development Group's tender application document to the Internal Tender Review Committee for review and approval. The Internal Tender Review Committee will only approve Zensun Development Group's application if Zensun Development Group possesses competitive advantage in that particular construction project.

The bidder shall submit tender documents to the tenderer or the tendering agency appointed by it based on the tenderer instruction, main terms of the contract and standards and methods of tender evaluation. The assessment committee established by the tenderer is responsible for reviewing tenders. For a project for which a tender must be made in accordance with the applicable PRC laws and regulations, the assessment committee shall comprise representatives of the tenderer and experts in the areas of technology and finance. Under the requirements of the relevant PRC laws and regulations, the number of members of the experts in the assessment committee shall be an odd number no less than five and the experts in the areas of technology and finance shall not be less than two thirds of the total number of members. According to the Temporary Measures on the Experts and Pool of Experts for Assessment of Bids (評標專家和評標專家庫管理暫行辦

LETTER FROM THE BOARD

法) (the “**Measures**”), the pool of experts must comprise at least 500 industry experts and the industry experts have the right to assess the bids independently in accordance with relevant rules without any interference. Industry experts in the pool of experts are required to possess certain qualifications under the relevant local tender laws and regulations. For example, industry experts must have a minimum of eight years’ experience in the relevant professional field, be able to fulfill responsibilities with fairness, honesty and integrity, and be knowledgeable in the construction tender laws, regulations, rules and measures of the PRC and the local municipality.

According to the Measures, the selected industry expert(s) will be replaced if he/she is found to have a conflict of interest. The assessment committee will select two to three bidders for recommendation to the tenderer and the tenderer will award the construction contract to the final bidder with highest score from the score sheets prepared by the assessment committee based on the 100-point scoring system with scoring criterion of quotation (60 points), construction planning, technical skills, quality and scheduling (35 points) and bidder’s service commitment (5 points). To evaluate the quotation, the assessment committee will calculate the average tender price as benchmark price and the tender quotation assessment mark is calculated as follows:

- (i) If the tender price equals to the benchmark price, the bidder will get 50 points (“**Benchmark Score**”) and for every 1% that the tender price is less than benchmark price, the Benchmark Score will be increased by 2 points (subject to maximum of 10 points);
- (ii) For every 1% that the tender price is less than 95% of the benchmark price, the Benchmark Score will be deducted by 2 points until the Benchmark Score gets to zero; and
- (iii) For every 1% that the tender price is more than benchmark price, the Benchmark Score will be deducted by 3 points until the Benchmark Score gets to zero.

For the criteria of construction planning, technical skills, quality and scheduling, it is divided into 8 sub-criteria, namely (i) construction method; (ii) labor force & construction machine preparation; (iii) technical measures to guarantee the construction quality; (iv) technical and organization measures to guarantee the construction safety; (v) technical and organization measures to guarantee the construction environment; (vi) technical and organization measures to guarantee the construction schedule; (vii) construction planning schedule and (viii) construction site-plan, with each criterion ranges from 0 to 5 marks.

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2. Currently, independent third party construction contractors are sufficiently available for Services in the market. To the best knowledge of the Directors, there are abundant construction contractors in the region with competent qualifications, skills, knowledge and experience comparable to Zensun Development Group, who are independent third parties, on the list of contractors maintained by the Group for invitation tenders. Subject to the tendering process, the Group will engage these independent third party construction contractors who can offer the best and most favourable terms for the development projects.

3. The Group will continue to maintain the Transactions with Zensun Development Group contemplated under the Master Services Agreement (as renewed in 2017 and subjected to further renew in 2018) accounting for only within a portion (the “Transaction Portion(s)”) against the total estimated aggregate construction costs in connection with the development of all the Group’s Land Parcels (“Total Construction Costs”). Based on the historical transactions and the best estimates made by the Group with the information currently available and all other prevailing market conditions, the Total Construction Costs are set out as below. The Transaction Portions for the two financial years ended 31 December 2017 and for the three financial years ending 31 December 2020 have been maintained within 15%–24%. The Transaction Portions slightly varied among each respective financial year are attributable to the development plan, construction period and schedule of all the Group’s Land Parcels.

	Year ended 31 December 2016 (unaudited) RMB’ million	Year ended 31 December 2017 (unaudited) RMB’ million	Year ending 31 December			Aggregate for the three years ending 31 December 2020 (forecasted) RMB’ million
			2018 (forecasted) RMB’ million	2019 (forecasted) RMB’ million	2020 (forecasted) RMB’ million	2020 (forecasted) RMB’ million
Transactions with Zensun Development Group/Revised 2018-2020 Annual Caps	91.3	355.0	1,133	2,404	1,534	5,071
Total Construction Costs incurred/expected to be incurred	411.0	2,275.6	5,547.3	10,097.2	11,628.7	27,273.2
Transaction Portions	22.2%	15.6%	20.4%	23.8%	13.2%	18.6%

LETTER FROM THE BOARD

4. The Group will further adopt internal control measures to closely monitor the aggregate amount of the Transactions with Zensun Development Group and the Transaction Portion and limit the Transactions such that the Transaction Portion not to be over a percentage of the Total Construction Cost for the three financial years ending 31 December 2020 (“Percentage Limit(s)”). In the events that either (i) the Percentage Limit has been reached, or (ii) the Percentage Limit will be exceeded if further property project is to be awarded, the Group will not award further property project to Zensun Development Group even if Zensun Development Group has won the relevant tender for such property project. Base on the best estimates made by the Group with the information currently available and all other prevailing market conditions, the Percentage Limit will be set as 24.0% and 14.0% against the Total Construction Costs for financial years ending 31 December 2019 and 2020 respectively, such that the Percentage Limit will be achieved no higher than 18.6% against the Total Construction Costs in aggregate of the three financial years.
5. The Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the Revised 2018–2020 Annual Caps for the financial years concerned under the Renewed 2018 Master Services Agreement; (ii) the terms of the Transactions and the Definitive Agreements (together with the Revised 2018–2020 Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors’ annual review on the terms of the Transactions and the Definitive Agreements (together with the Revised 2018–2020 Annual Caps) must be included in the Company’s subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the Transactions are carried out in accordance with the pricing policies of the Company, and the Revised 2018–2020 Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Revised 2018–2020 Annual Caps, or that there is any material amendment to the terms of the Renewed 2018 Master Services Agreement, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions and to seek Independent Shareholders’ approval if required.

The Directors (including independent non-executive Directors) consider that these methods and procedures can ensure that the Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP'S LAND PARCELS

As at the date of the 2018 Supplemental Agreement, the Group's Land Parcels comprised of two completed property projects and 26 on-going property projects on hand with 66 land parcels with total site area of approximately 3.03 million sq.m. and aggregate estimated GFA of approximately 8.36 million sq.m. in the PRC. Interests of all these property projects in the PRC are 100% attributable to the Group. Details including the current development plan and schedule of these property projects are set out as below.

Project number	Property project	Location	Expected commencement time	Expected completion time	Type	Number of land parcel	Total site area (sq.m.) Approximately	Total estimated GFA (sq.m.) Approximately
COMPLETED PROPERTY PROJECTS								
1.	Zensun Jingkai Plaza	North of Jingnan 2nd Road and east of Jingkai 9th Avenue, Zhengzhou City	N/A	N/A	Commercial	1	47,736	292,835
2.	Zensun Xinghan Garden	East of the intersection of Dahe Road and Guxu Road, Zhengzhou City	N/A	N/A	Residential	1	34,439	85,902
PROPERTY PROJECTS UNDER DEVELOPMENT/PLANNING								
3.	Zensun Scholar Garden	The intersection of east to Sanglin East Road and north to Ruifeng Road, Zhengzhou City	2nd quarter of 2017	4th quarter of 2019	Commercial	1	25,357	143,371
4.	Zensun Longhushangjing	North of Chaoyang Road and east of Zhongyi Road, Zhengzhou City	4th quarter of 2017	4th quarter of 2020	Residential	1	62,286	185,842
5.	Zensun Voyage Mansion	West of Jingkai 17th Avenue, north of Hanghai East Road, Zhengzhou City	4th quarter of 2017	2nd quarter of 2020	Commercial	1	55,631	279,396
6.	Zhengzhou Zensun River Valley (Phase I)	North of Lvda Road and west of Yuxiu Road, Zhengzhou City	2nd quarter of 2017	4th quarter of 2020	Residential	1	94,426	300,681
	Zhengzhou Zensun River Valley (Phase II)	North of Lvda Road, east of Hongsong Road; and east of Wenyun Road, Zhengzhou City	3rd quarter of 2017	4th quarter of 2020 to 1st quarter of 2021	Residential & commercial	2	117,087	391,823
	Zhengzhou Zensun River Valley (Phase III)	North of Lvda Road, east of Jinzun Road; and south of Chunxi Road, east of Yuxiu Road and west of Jinzun Road, Zhengzhou City	4th quarter of 2017 to 4th quarter of 2018	1st quarter of 2021 to 1st quarter of 2022	Residential	3	135,308	310,701

LETTER FROM THE BOARD

Project number	Property project	Location	Expected commencement time	Expected completion time	Type	Number of land parcel	Total site area (sq.m.) Approximately	Total estimated GFA (sq.m.) Approximately
7.	Zensun River Home	South of Xincheng Road, east of Yule Road; and east of Xinxi Street and south of Xinyun Road; and east of Nanbei Avenue and west of Tianshan Road, Zhengzhou City	2nd quarter of 2017 to 4th quarter of 2018	3rd quarter of 2020 to 1st quarter of 2022	Residential & commercial	5	357,266	1,329,773
8.	Zensun Prosperity Court	South of Shisu Road and east of Fengshuo South Road, Zhengzhou City	4th quarter of 2017	2nd quarter of 2020	Residential	1	8,051	37,447
9.	Zensun Grand Garden	Huaifang Village & Xingong Village, Nanyuan County, Fengtai District, Beijing	2nd quarter of 2018	3rd quarter of 2021	Residential	1	41,314	171,252
10.	Zensun Yazhu Garden	5th Avenue District, Shunyi Newtown, Renhe Town, Shunyi District, Beijing	2nd quarter of 2018	3rd quarter of 2021	Residential	1	41,170	135,392
11.	Dengfeng Zensun City • Yu Garden	Southwest District of Intersection of Taihe Road and Zhengtong Road, Dengfeng City	1st quarter of 2018	1st quarter of 2021	Residential	1	46,899	125,656
	Dengfeng Zensun City • Xi Garden	Northeast corner of Intersection of Denggao Road and Fuyou Road, Dengfeng City	4th quarter of 2018	1st quarter of 2021	Residential & commercial	1	15,992	39,979
	Dengfeng Zensun City • Tai Garden	Northwest corner of Intersection of Denggao Road and Fuyou Road, Dengfeng City	4th quarter of 2018	1st quarter of 2021	Residential & commercial	1	32,986	82,466
	Dengfeng Zensun City • Xiang Garden	Northeast corner of Intersection of Hanque Road and Tianzhong Road, Dengfeng City	1st quarter of 2018	1st quarter of 2021	Residential & commercial	1	27,210	90,716
	Dengfeng Zensun City • He Garden	Northeast corner of Intersection of Yinghe Road and Tianzhong Road, Dengfeng City	1st quarter of 2018	1st quarter of 2021	Residential & commercial	1	50,436	186,983
12.	Zensun Twin Cranes Lake	South of Heshou Outer Ring Road and west of Shuanghe Lake 2nd Steet, Zhengzhou City	2nd quarter of 2018	3rd quarter of 2020	Commercial	1	11,215	57,440

LETTER FROM THE BOARD

Project number	Property project	Location	Expected commencement time	Expected completion time	Type	Number of land parcel	Total site area (sq.m.) Approximately	Total estimated GFA (sq.m.) Approximately
13.	Xuchang Zensun Scholar Mansion	North of Nongda Road, south of Gui Hua Nong Xuan Road and west of Gui Hua Han Lin Road, Jianan District, Xuchang City	2nd quarter of 2018	4th quarter of 2020	Residential	2	115,449	421,287
14.	Xuchang Zensun Golden Mile House	East of Laodong North Road and south of Gui Hua Zhou Zhuang Street, Jianan District, Xuchang City	3rd quarter of 2018	4th quarter of 2021	Residential	1	60,948	238,093
15.	Zensun Longshuishangjing	South of North 3rd Ring Road and east of Longhu Neihuan East Road, Zhengzhou City	3rd quarter of 2018	1st quarter of 2021	Residential	1	58,338	204,775
16.	Xinxiang Zensun Golden Mile House (Phase I)	South of Kelong Avenue and east of Xiner Street, Xinxiang City	3rd quarter of 2018	1st quarter of 2021	Residential & commercial	1	45,591	232,406
	Xinxiang Zensun Golden Mile House (Phase II)	West of Xinzhong Avenue, southeast corner of intersection of Hongyuan Street and Guihua Road, Xinxiang City	3rd quarter of 2018	1st quarter of 2021	Residential & commercial	1	36,712	176,469
17.	Zensun Voyage Garden	West of Jingkai 17th Avenue and south of Jingbei 4th Road, Zhengzhou City	4th quarter of 2018	1st quarter of 2021	Residential & commercial	1	50,921	286,806
18.	Zensun South Longhu Valley-view Garden	West of Guihua 3rd Road and north of reserve land of Government, Longhu Town, Xinzheng City	4th quarter of 2018	1st quarter of 2022	Residential	1	43,470	186,983
19.	Zensun South Longhu Valley-view Court	South of Guihua 1st Road, west of Qushi Road, and west of reserve land of Government, Longhu Town, Xinzheng City	1st quarter of 2019	1st quarter of 2022	Residential	2	92,321	276,963
20.	Zensun Xishan Town	Zhaoling Village and Caodian Village, Mihe Town, Gongyi City	4th quarter of 2018 to 1st quarter of 2019	4th quarter of 2020 to 1st quarter of 2021	Residential, commercial, catering & public utility	23	987,701	1,198,752

LETTER FROM THE BOARD

Project number	Property project	Location	Expected commencement time	Expected completion time	Type	Number of land parcel	Total	
							Total site area (sq.m.) Approximately	estimated GFA (sq.m.) Approximately
21.	Xuchang Zensun Orchids Mansion	South of Guihua Zhuyuan Street and east of Guihua Yongxian Road, Jianan District, Xuchang City	4th quarter of 2018 to 1st quarter of 2019	2rd quarter of 2022	Residential	1	62,832	174,777
22.	ZH International Headquarters Building	North of Wanghu Road and east of Heshou Outer Ring Road, Zhengzhou City	4th quarter of 2018	2nd quarter of 2021	Commercial	1	10,701	37,454
23.	Zensun Voyage House	West of Jingkai 17th Avenue and north of Jingbei 1st Road, Zhengzhou City	4th quarter of 2018	4th quarter of 2020	Residential,	1	35,702	148,917
24.	Zensun Qingya Court	Northwest corner of Intersection of Tashan Road and National Highway 310, Xingyang City	1st quarter of 2019	2nd quarter of 2021	Residential	1	12,777	38,331
25.	Zensun Zhenruishangjing	East of Longteng 2nd Street, south of Ruyi River West 2nd Street, Zhengdong New District, Zhengzhou City	1st quarter of 2019	3rd quarter of 2021	Residential	1	68,812	103,228
26.	Wuhan Zensun Scholar Mansion	West of the intersection of Chenggong Avenue and Maoxing Road, Caidian Street, Caidian District, Wuhan City	2nd quarter of 2019	2nd quarter of 2021	Residential	1	46,888	164,108
27.	Project name to be determined	South of Qiaohang Road, east of Linghan Street, Airport Economy Zone, Zhengzhou City	2nd quarter of 2019	2nd quarter of 2022	Residential	1	54,298	146,603
28.	Zensun Fenghuashangjing	South of Longhu Neihuan East Road, east of Chunlei Street, Zhengdong New District, Zhengzhou City	2nd quarter of 2019	2nd quarter of 2021	Residential	1	45,505	77,358
Grand total						66	3,033,782	8,360,965

Note: The above development schedule for commencement and completion time for the property projects under development and planning are based on the current management plans and projection.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE 2018 SUPPLEMENTAL AGREEMENT AND REVISION OF THE ANNUAL CAPS

Since the second quarter of 2017, the Group has adopted a concrete strategy for further expansion of its property development business in the PRC. The Group has proactively and continuously attended different public auctions and successfully completed acquisitions of land use rights of 19 and 40 land parcels through listings for sale and acquisition processes with different local, governmental land bureaus, independent third parties during the year of 2017 and the first three quarters of 2018, respectively. These 59 newly acquired land parcels have contributed total site area of approximately 2.59 million square meters and aggregate estimated GFA of approximately 6.54 million square meters in support of our land reserves in the PRC. As at the date of the 2018 Supplemental Agreement, the Group had two completed property projects and 26 on-going property projects on hand with 66 land parcels with total site area of approximately 3.03 million sq.m. and aggregate estimated GFA of approximately 8.36 million sq.m. in the PRC. The continual successful land acquisitions complement the Group's strategy in expanding its business operation in Henan Province, the PRC. Thus, 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 a focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

In view of the strong support to the expanding land reserves for the Group's property development business in the PRC, it is anticipated that the demand for the respective Contracting Services and Ancillary Services for the Group's property projects on hand are rapidly and substantially increasing. In this regards, the Board considers that the Renewed 2018 Master Services Agreement and the Revised 2018-2020 Annual Caps will facilitate the Group to cope with the construction and development of these land parcels.

As detailed in the 2017 Circular, Zensun Development Group possesses the required qualifications and experience in carrying out the Contracting Services and Ancillary Services with good quality standard for property projects in the PRC, accordingly, the Board wishes to continue to invite Zensun Development Group to tender for their Contracting Services and Ancillary Services for the Group's property projects.

Having considered the forecast amounts for construing and developing of all the Group's Land Parcels (including those newly acquired land parcels and together with the on-going property projects), it is estimated that the Revised 2017-2019 Annual Caps in relation to each of the financial years ending 31 December 2018 and 2019 will not be sufficient to meet the Group's requirements. The Company therefore contemplates to revise the annual caps and propose the Revised 2018-2020 Annual Caps under the Renewed 2018 Master Services Agreement.

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

LETTER FROM THE BOARD

To ensure fairness in the contractor engagement and compliance with relevant laws and regulations, the Group has adopted the independent mechanism to govern and monitor the selection procedures on the tendering procedures as detailed in the section headed “Corporate Governance Relating to the Transactions” above.

In view of the above substantial growth of the Group’s property development business in the PRC during the year of 2017 and the first three quarters of 2018, it is expected there will be substantial increment on revenue and also the asset value of the Group in the coming few years. Based on management projection and taking into consideration of the development of all the Group’s Land Parcels, the Revised 2018–2020 Annual Caps in aggregate will only account for approximately 8.8% of the total estimated aggregate sales proceeds and approximately 18.6% of the total estimated aggregate construction cost in respect of all the Group’s Land Parcels for the three financial years ending 31 December 2020, respectively. The Group will adopt internal control measures to closely monitor the aggregate amount of the Transactions and limit the amount not to be over a percentage of the total estimated aggregate construction cost in respect of all the Group’s Land Parcels for the three financial years ending 31 December 2020 at Percentage Limit as detailed in the section headed “Corporate Governance Relating to the Transactions” above.

As such with the above measures, the Directors (including the independent non-executive Directors) believe that the Group will not have heavy reliance on Zensun Development Group for its future property development.

The Directors (excluding the independent non-executive Directors who will only provide their view after considering the advice of the Independent Financial Adviser, and Mr. Zhang and Ms. Huang who have abstained themselves in this regard) are of the view that (i) the terms of the 2018 Supplemental Agreement and the Transactions have been negotiated on an arm’s length basis and on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Revised 2018-2020 Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE ZENSUN DEVELOPMENT GROUP

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

So far as known to the Directors, the core businesses of the Zensun Development Group include property development, property management, construction and investment holding in the PRC.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As Zensun Development is beneficially wholly-owned by Mr. Zhang and Mr. Zhang is an executive Director and the spouse of Ms. Huang, the non-executive Director and a Controlling Shareholder of the Company interested in approximately 57.95% of the issued share capital of the Company through Joy Town Inc., Zensun Development is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under the Listing Rules. Given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Transactions calculated with reference to the Revised 2018–2020 Annual Caps is more than 5% and the Revised 2018–2020 Annual Caps exceed HK\$10,000,000, the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps are subject to the approval by the Independent Shareholders by way of a poll and Mr. Zhang and Ms. Huang and their associates, which together held approximately 57.95% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting in respect of the resolution to approve, among others, the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps at the EGM.

Mr. Zhang and Ms. Huang have abstained from voting in the Board meeting in which the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps were approved.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

THE EGM

A notice convening the EGM to be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on 11 December 2018 at 9:30 a.m. is set out on pages 47 to 48 of this circular. An ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps.

In view of the interests of Mr. Zhang and Ms. Huang in the Transactions, Mr. Zhang and Ms. Huang and their associates, in aggregate held 3,579,612,209 Shares as at the Latest Practicable Date, will abstain from voting at the EGM. The results of the poll will be published on the websites of the Company and the Stock Exchange on the day of the above meeting.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Tricor Friendly Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. by 9:30 a.m. on Saturday, 8 December 2018) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM in accordance with the articles of association of the Company. The results of the poll shall be deemed to be the resolutions of the general meeting in which the poll was demanded or required and the poll results will be published on the websites of Stock Exchange (www.hkexnews.hk) and the Company (www.zhsuccess.com) after the EGM.

RECOMMENDATION

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 28 to 40 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered the terms of the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps, and taken into account the advice of the Independent Financial Adviser, considers that the terms of the 2018 Supplemental Agreement are on normal commercial terms, and that the terms of the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM as set out in the notice of the EGM.

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors are of the view that the terms of the 2018 Supplemental Agreement are on normal commercial terms, and that the terms of the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors also recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the additional information set out in the Appendix to this circular.

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



ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

22 November 2018

To the Independent Shareholders,

Dear Sir or Madam,

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

We refer to the circular of the Company dated 22 November 2018 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the 2018 Supplemental Agreement, the Transactions, the Revised 2018–2020 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 28 to 40 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 25 of the Circular and the general information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps, and taken into account the advice of the Independent Financial Adviser, we consider that the 2018 Supplemental Agreement and the Transactions are in the ordinary and usual course of business of the Group and the 2018 Supplemental Agreement has been negotiated on an arm’s length basis and on normal commercial terms and that the terms of the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2018 Supplemental Agreement, the Transactions and the Revised 2018–2020 Annual Caps.

Yours faithfully,
For and on behalf of

The Independent Board Committee of
ZH International Holdings Limited

Liu Qiao

Liu Da

Ma Yuntao

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Supplemental Agreement and the Revised 2018-2020 Annual Caps for the purpose of inclusion in this circular.



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

22 November 2018

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF THE MASTER SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2018 Supplemental Agreement and the Revised 2018-2020 Annual Caps, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 22 November 2018 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular unless the context requires otherwise.

References are made to (i) the Company's announcement dated 22 December 2015 and its circular dated 22 January 2016 in relation to the Master Services Agreement; and (ii) the Company's announcements dated 21 February 2017 and 21 March 2017 and its circular dated 26 April 2017 in relation to the 2017 Supplemental Agreement to the Master Services Agreement and the revision of annual caps. On 22 December 2015, the Company entered into the Master Services Agreement with Zensun Development, pursuant to which Zensun Development agreed to provide, or procure its subsidiaries to provide the Services to the Group. Subsequently on 21 February 2017, the Company and Zensun Development entered into the 2017 Supplemental Agreement to amend certain terms of the Master Services Agreement and set the Revised 2017-2019 Annual Caps.

On 11 October 2018, the Company announced that as the Group wishes to continue to have member(s) of Zensun Development Group for their Services subject to the relevant tender process for its property projects in the PRC with consideration of the consequential demand stemming from the rapidly increasing land reserves of the Group over the past years, the Company and Zensun Development entered into the 2018 Supplemental

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement on 11 October 2018 to further extend the term of the Renewed 2017 Master Services Agreement to up to and including 31 December 2020. In addition, based on the Company's current estimation, it is proposed that the Revised 2018-2020 Annual Caps be set at RMB1,133,000,000, RMB2,404,000,000 and RMB1,534,000,000 for each of the three years ending 31 December 2018, 2019 and 2020, respectively.

According to the Letter from the Board, the Transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The 2018 Supplemental Agreement, the Transactions and the Revised 2018-2020 Annual Caps are therefore subject to the reporting, annual review, announcement and independent shareholders' approval requirements.

The Independent Board Committee comprising Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the 2018 Supplemental Agreement and the Revised 2018-2020 Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the 2018 Supplemental Agreement is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the 2018 Supplemental Agreement, the Transactions and the Revised 2018-2020 Annual Caps at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from having acted as the independent financial adviser of the Company relating to (i) the continuing connected transactions in relation to the 2017 Supplemental Agreement and the Revised 2017-2019 Annual Caps; (ii) the major and connected transaction in relation to a proposed acquisition of the Company which an announcement dated 27 September 2017 was issued; and (iii) the existing engagement in connection with the 2018 Supplemental Agreement and the Revised 2018-2020 Annual Caps, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the 2018 Supplemental Agreement and the Revised 2018-2020 Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion with regard to the 2018 Supplemental Agreement and the Revised 2018-2020 Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the announcements of the Company regarding the Transactions and the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, Zensun Development Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the 2018 Supplemental Agreement, the Transactions and the Revised 2018-2020 Annual Caps. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

In addition, Shareholders should note that as the Revised 2018-2020 Annual Caps are relating to future events and estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2020, and they do not represent forecasts of revenues or costs to be recorded from the Renewed 2018 Master Services Agreement. Consequently, we express no opinion as to how closely the actual revenue or cost to be incurred under the Renewed 2018 Master Services Agreement will correspond with the proposed Revised 2018-2020 Annual Caps.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2018 Supplemental Agreement and the Revised 2018-2020 Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the 2018 Supplemental Agreement

Information on the Group

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

Set out below is a summary of the consolidated financial information on the Group for the six months ended 30 June 2018 and 2017, and the two years ended 31 December 2017 as extracted from the Company's interim report for the six months ended 30 June 2018 (the "2018 Interim Report") and its annual report for the year ended 31 December 2017 (the "2017 Annual Report"), respectively:

	For the six months ended 30 June 2018 (unaudited) HK\$'000	For the six months ended 30 June 2017 (unaudited) HK\$'000	For the year ended 31 December 2017 (audited) HK\$'000	For the year ended 31 December 2016 (audited) HK\$'000
Revenue	394,323	37,977	1,271,982	79,569
Profit/(Loss) for the period/year	34,998	(9,676)	152,315	(56,585)

As depicted by the above table, the Group recorded revenue of approximately HK\$1,272.0 million for the year ended 31 December 2017, representing a drastic increase of approximately 1,498.6% as compared to the prior year. With reference to the 2017 Annual Report, the revenue in 2017 was mainly derived from the Group's property development business in the PRC. As the Group completed and has started to deliver its first two property development projects since the fourth quarter of 2017, the property development business contributed revenue of approximately HK\$1,190.8 million (2016: Nil) to the Group in 2017. During the six months ended 30 June 2018, the Group recorded revenue of approximately HK\$394.3 million, representing again a drastic increase of approximately 938.3% as compared to the corresponding period of the prior year. With reference to the 2018 Interim Report, the revenue in the first half of 2018 was mainly derived from the property development business in the PRC. Due to the continual delivery of the Group's first two completed property development projects, the property development business contributed revenue of approximately HK\$348.6 million (the corresponding period of 2017: Nil) to the Group in the first half of 2018.

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Given the aforesaid satisfactory performance of the Group's property development business in the PRC, the Group has been able to turn around its loss making position since the year ended 31 December 2017, and enjoyed net profit of approximately HK\$152.3 million and HK\$35.0 million for the year ended 31 December 2017 and the six months ended 30 June 2018, respectively.

Information on Zensun Development Group

So far as known to the Directors, the core businesses of Zensun Development Group include property development, property management, construction and investment holdings in the PRC.

Based on the fact that Zensun Development Group (i) possesses the relevant construction and engineering qualification certificate(s) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and the Housing and Urban-Rural Development Department of Henan Province (河南省住房和城鄉建設廳); and (ii) has proven track record in providing construction, engineering and related services in the PRC, the Directors consider that Zensun Development Group possesses the required qualifications and experience in carrying out the Services with good quality standard. For our due diligence purpose, we have requested and obtained (i) copies of the said construction and engineering qualification certificate(s) possessed by Zensun Development Group; and (ii) information regarding the track record of Zensun Development Group in providing construction, engineering and related services in the PRC.

Overview of the property market of the PRC and Zhengzhou City

Although there has been global concern on whether the economic growth in the PRC would stay strong under the complex and ever-changing macro-environment, the preliminary estimation published in January 2018 by the National Bureau of Statistics of China (the "National Bureau") at <http://www.stats.gov.cn> stated that the gross domestic product ("GDP") of the PRC in 2017 was approximately RMB82,712.2 billion, or an approximate 6.9% increase as compared to the prior year. The property sector moved in the same direction with the total investment in real estate reaching approximately RMB10,979.9 billion in 2017, representing an approximate 7.0% growth; among which the investment in residential properties went up by approximately 9.4%. The total floor space newly commenced construction in 2017 was approximately 1,786.5 million sq.m., up by approximately 7.0% as compared to the prior year. Specifically, the floor space newly commenced construction of residential properties increased by approximately 10.5%. The total floor space of commercial buildings sold in 2017 was approximately 1,694.1 million sq.m., up by approximately 7.7%; among which the floor space of residential properties and offices sold jumped by approximately 5.3% and 24.3%, respectively. The total sales of commercial buildings in 2017 were approximately RMB13,370.1 billion, up by approximately 13.7%, among which the sales of residential properties and offices jumped by approximately 11.3% and 17.5%, respectively.

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Zhengzhou City is the provincial capital of Henan Province in east-central PRC, and is classified by the National Bureau as the top 15 First-tier Cities in the PRC. With reference to the statistics released in April 2018 by the Zhengzhou Bureau of Statistics at <http://tjj.zhengzhou.gov.cn>, Zhengzhou City had a population of approximately 9.9 million with total and per capita GDP of approximately RMB913.0 billion and RMB93,143 in 2017 respectively, which were approximately 12.5% and 10.7% higher than those in 2016 respectively. The disposable income per urban resident also rose by approximately 8.5% to approximately RMB36,050 in 2017.

Moreover, substantial advancement in the property sector of Zhengzhou City has been observed. The total investment in real estate in 2017 was approximately RMB335.9 billion, representing an approximate 20.9% growth; among which the investment in residential properties went up by approximately 26.2%. The total floor space newly commenced construction in 2017 was approximately 54.5 million sq.m., up by approximately 3.1% as compared to the prior year. Specifically, the floor space newly commenced construction of residential properties in 2017 increased by approximately 7.2%. The substantial investment in real estate sector was concurrently supported by strong demand as well, with the total floor space sold and total sales being approximately 31.0 million sq.m. and RMB267.4 billion, respectively, representing a growth of approximately 8.3% and 14.6%, respectively as compared to the prior year. Among which, the total floor space of residential buildings sold and sales of residential buildings in 2017 were approximately 27.4 million sq.m. and RMB227.7 billion, respectively, representing an increase of approximately 6.4% and 9.4%, respectively as compared to the prior year.

Reasons for the entering into of the 2018 Supplemental Agreement

As advised by the Directors, since the second quarter of 2017, the Group has adopted a concrete strategy for further expansion of its property development business in the PRC. The Group has proactively and continuously attended different public auctions and successfully completed acquisitions of land use rights of 19 and 40 land parcels through listings for sale and acquisition processes with different local, governmental land bureaus, and independent third parties during 2017 and the first three quarters of 2018, respectively. These 59 newly acquired land parcels have contributed total site area of approximately 2.59 million sq.m. and an aggregate estimated gross floor area (GFA) of approximately 6.54 million sq.m. in support of the Group's land reserves in the PRC. As at the date of the 2018 Supplemental Agreement, the Group held two completed property projects and 26 ongoing property projects, with 66 land parcels (i.e. the Group's Land Parcels) of total site area of approximately 3.03 million sq.m. and an aggregate estimated GFA of approximately 8.36 million sq.m. in the PRC. The continual successful land acquisitions complement the Group's strategy in expanding its business operations in Henan Province, the PRC. We were advised by the Directors that the Group will continue to identify new property development projects and bid for land use rights of other selective land parcels in the PRC with a focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

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As mentioned under the sub-section headed “Information on Zensun Development Group” of this letter of advice, Zensun Development Group possesses the required qualifications and experience in carrying out the Services with good quality standard for property projects in the PRC; accordingly, the Directors wish to continue to invite Zensun Development Group for tenders for the Services for the Group’s property projects.

In view of the strong support to the expanding land reserves for the Group’s property development business in the PRC, the Directors expected that the demand for the respective Contracting Services and Ancillary Services for the Group’s property projects on hand will be rapidly and substantially increasing. Having considered the forecast amounts for construction and development of all the Group’s Land Parcels, it is estimated that the existing annual caps for each of the years ending 31 December 2018 and 2019 will be insufficient to meet the Group’s requirements. The Company therefore contemplates to revise and propose the Revised 2018-2020 Annual Caps under the Renewed 2018 Master Services Agreement. In this regard, the Directors consider that the Renewed 2018 Master Services Agreement and the Revised 2018-2020 Annual Caps will facilitate the Group to cope with the construction and development of its land parcels.

At the same time, as a result of the substantial growth of the Group’s property development business in the PRC during 2017 and the first three quarters of 2018, the Directors advised us that it is expected that there will be substantial increment on the revenue and also the asset value of the Group in the coming few years. Based on the Company’s projection and taking into consideration of the development of all the Group’s Land Parcels, the Revised 2018–2020 Annual Caps in aggregate will account for approximately 8.8% of the total estimated sales proceeds and approximately 18.6% of the total estimated construction costs in respect of all the Group’s Land Parcels (the “**Total Construction Costs**”) for the three years ending 31 December 2018, 2019 and 2020. According to the Directors, the Group will adopt internal control measures to closely monitor and limit the aggregate amount of the Transactions to not exceeding a percentage of the Total Construction Costs for the three years ending 31 December 2018, 2019 and 2020 (the “**Percentage Limit**”). In the event that either (i) the Percentage Limit has been reached, or (ii) the Percentage Limit will be exceeded if further construction contract is to be awarded, the Group will not award further construction contract to Zensun Development Group even if Zensun Development Group has won the relevant tender. Based on the best estimates made by the Group with the information currently available and all other prevailing market conditions, the Percentage Limit will be set as approximately 23.8% and 13.2% against the Total Construction Costs for the financial years ending 31 December 2019 and 2020 respectively, such that the Percentage Limit will not be higher than approximately 18.6% against the Total Construction Costs in aggregate for the three financial years ending 31 December 2018, 2019 and 2020. Moreover, to ensure fairness in the construction contractor engagement and compliance with the relevant laws and regulations, the Group, as being demonstrated in the below sub-section of this letter of advice, has adopted independent mechanism to govern and monitor the Selection Procedures (as defined below). As such, the Directors believe that the Group will not have heavy reliance on Zensun Development Group for its future property development.

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Taking into account (i) the significant improvement of the Group's profitability in 2017 and 2018 attributable to the satisfactory performance of the Group's property development business; (ii) the strategy of the Group in expanding its business operations in Henan Province; (iii) the solid background of Zensun Development Group; and (iv) the positive outlook of the property market of the PRC and Zhengzhou City, we concur with the Directors that the entering into of the 2018 Supplemental Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the 2018 Supplemental Agreement

As aforementioned, the Company and Zensun Development entered into the Master Services Agreement on 22 December 2015, details of which are included in the announcement of the Company dated 22 December 2015 and its circular dated 22 January 2016. The Master Services Agreement and the transactions contemplated thereunder were approved by the then independent Shareholders at an extraordinary general meeting of the Company held on 12 February 2016. Subsequently on 21 February 2017, the Company and Zensun Development entered into the 2017 Supplemental Agreement to amend certain terms of the Master Services Agreement and set the Revised 2017-2019 Annual Caps. The 2017 Supplemental Agreement and the Revised 2017-2019 Annual Caps were also approved by the then independent Shareholders at an extraordinary general meeting of the Company held on 16 May 2017.

The 2018 Supplemental Agreement is a supplemental agreement to the Renewed 2017 Master Services Agreement and the terms stipulated therein are consistent with those of the Renewed 2017 Master Services Agreement, save for the term of the agreement being amended from the period from 1 January 2017 (subject to the fulfilment of conditions precedent) to 31 December 2019 to the period from 1 January 2018 (subject to the fulfilment of conditions precedent) to 31 December 2020. The Board also approved to revise upward the Revised 2017-2019 Annual Caps and set the Revised 2018-2020 Annual Caps at RMB1,133,000,000, RMB2,404,000,000 and RMB1,534,000,000 for the three years ending 31 December 2018, 2019 and 2020, respectively. Our analysis regarding the Revised 2018-2020 Annual Caps will be set forth under the section headed "The Revised 2018-2020 Annual Caps" of this letter of advice.

Pursuant to the 2018 Supplemental Agreement, the pricing policy for determining the consideration for each Definitive Agreement will remain unchanged. For the provision of the Contracting Services, member(s) of Zensun Development Group which is selected under the tender process shall provide construction and related services to the Group in accordance with the tender documents and construction contracts to be signed between them from time to time. The amount of fees payable by the Group for the Contracting Services shall be based on the fee quotes submitted by member(s) of Zensun Development Group. The tender process will be subject to the selection procedures (the "**Selection Procedures**") as being highlighted below.

For the provision of the Ancillary Services under each Definitive Agreement, the amount of fees payable by the Group shall be based on the actual costs incurred by member(s) of Zensun Development Group. The Group will review their submitted

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

Summarised from the sub-section headed “Corporate Governance Relating to the Transactions” of the Letter from the Board, the Group has established a series of internal control measures to supervise the Selection Procedures with the following distinctive steps:

- (1) Tender invitations: In accordance with the relevant laws and regulations of the PRC, the construction contractor for a particular construction project should be selected following an invitation tender process, under which a tenderer shall issue tender invitations to at least three specified legal persons or organisations with relevant qualifications and capability. Accordingly, the Group will first invite the potential bidders to provide information regarding their qualifications, industry experience and the sizes and composition of their management teams etc. to the Group for its consideration.
- (2) The Internal Tender Review Committee: The Group has set up an independent internal tender review committee (the “**Internal Tender Review Committee**”) to, amongst others, lay down the objective criteria, such as fee quote, the quality of construction work, size of the project and the construction schedule and services, for selecting the suitable bidders. The Group will issue tender application documents to three to five bidders which are selected (the “**Selected Bidders**”). In the event that member(s) of Zensun Development Group is one of the Selected Bidders, its completed tender application documents will have to be reviewed by the Internal Tender Review Committee and the Internal Tender Review Committee will only approve the application if that member(s) of Zensun Development Group possesses competitive advantage in the particular construction project.
- (3) The Assessment Committee: In accordance with the relevant laws and regulations of the PRC, the completed tender application documents of the Selected Bidders will be subject to further review by an assessment committee (the “**Assessment Committee**”) comprising representatives of the tenderer and experts in the areas of technology and finance (the “**Experts**”). The Assessment Committee will prepare the score sheets and recommend two to three bidders from the Selected Bidders to the Group based on a “100-point” scoring system. The scores are rated using the criteria of quotation (60 points), construction planning, technical skills, quality and scheduling (35 points) and bidder’s service commitment (5 points) (the “**Criteria**”). The Group will then select the final successful construction contractor with the highest score from those recommended by the Assessment Committee to undertake the relevant construction project.

We understand from the Directors that there are sufficient qualified and competent construction contractors available in the market who are independent to the Group. In the event that member(s) of Zensun Development Group is the only bidder in the tender

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process, the Directors confirmed that the Group will not award the relevant construction contract to it but will make a new tender until there are enough bidders in the tender process.

For our due diligence regarding the Selection Procedures, we have independently researched over the Internet for the relevant laws and regulations of the PRC which govern the tender process of construction projects, namely the Tendering and Bidding Law of the PRC (中華人民共和國招標投標法), the Measures for the Bid Invitation and Bid Tendering for Construction and Engineering Projects (工程建設項目施工招標投標辦法), the Provisions on the Scope and Threshold of Construction Projects for Bid Invitation (工程建設項目招標範圍和規模標準規定) and the Administrative Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures (房屋建築和市政基礎設施工程施工招標投標管理辦法). We have also obtained the list of qualified and competent construction contractors of Henan Province on the web-site of relevant government authority. In addition, we have discussed with the Directors regarding the composition of the Internal Tender Review Committee as well as the Assessment Committee. We noted that members of the Internal Tender Review Committee shall be appointed by the independent non-executive Directors and be accountable to the independent non-executive Directors; whereas the Assessment Committee shall comprise at least two thirds of the Experts. Consistent with the Temporary Measures on the Experts and Pool of Experts for Assessment of Bids (評標專家和評標專家庫管理暫行辦法) promulgated by the PRC regulatory authority(ies), the Experts must be selected from a pool (the “Pool”) of at least 500 industry experts possessing relevant experience and qualifications. We have independently researched over the Internet for the aforesaid regulatory measures and accessed the web-site of the Pool at <http://www.hnzhpbzjk.gov.cn/>. Furthermore, we have obtained and reviewed the rating standard of the Criteria (i.e. the “100-point” scoring system) and we consider the Criteria to be objective.

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

- (i) save for the term of the agreement being amended from the period from 1 January 2017 (subject to the fulfilment of conditions precedent) to 31 December 2019 to the period from 1 January 2018 (subject to the fulfilment of conditions precedent) to 31 December 2020, the major terms of the Revised 2017 Master Services Agreement, including the pricing policy for determining the consideration for each Definitive Agreement, will remain unchanged;
- (ii) the selection of construction contractor shall follow the tender process, which is subject to the Selection Procedures in accordance with the relevant laws and regulations of the PRC and are under the Group’s supervision by its internal control measures;
- (iii) there are sufficient qualified and competent construction contractors available in the market who are independent to the Group. In the event that member(s) of Zensun Development Group is the only bidder in the tender process, the Directors confirmed that the Group will not award the relevant construction contract to it but will make a new tender until there are enough bidders in the tender process;

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

we are of the opinion that the terms of the 2018 Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. The Revised 2018-2020 Annual Caps

The table below demonstrates the Revised 2018-2020 Annual Caps for the three years ending 31 December 2018, 2019 and 2020, respectively:

	For the year ending 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Revised 2018–2020 Annual Caps	1,133,000	2,404,000	1,534,000

As advised by the Company, the Revised 2018-2020 Annual Caps were determined based on (i) the unaudited actual transaction amount incurred for the Transactions for the six months ended 30 June 2018 which was approximately RMB252.2 million; (ii) the forecast amounts of the Transactions for each of the years ending 31 December 2018, 2019 and 2020 in relation to certain land parcels with an aggregate estimated GFA of approximately 2.92 million sq.m. held by the Group that have completed their tender process and awarded to Zensun Development Group (the “**Tendered Land Parcels**”); and (iii) an additional 10% buffer as possible variance of the costs in respect of relevant Services for these land parcels.

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To assess the fairness and reasonableness of the Revised 2018-2020 Annual Caps, we have enquired into the Directors for the basis of determining the Revised 2018-2020 Annual Caps and independently reviewed the relevant calculations. We noted that due to the fact that the relevant tender process of the Tendered Land Parcels has been completed to fulfil their respective construction plan and in accordance with the Selection Procedures awarded to Zensun Development Group, the Group shall require the Services from member(s) of Zensun Development Group for construction and development of the Tendered Land Parcels. The Revised 2018-2020 Annual Caps were estimated with reference to the construction plans of the Tendered Land Parcels, which indicate the respective development time schedule and the budgeted construction and engineering costs to be incurred at each stage of construction of those land parcels. We have requested and obtained from the Company such construction plans, and discussed with the Directors in relation to the construction scale and breakdown of the budgeted construction and engineering costs. Based on our discussion with the Directors, we understand that the construction of a majority of the Tendered Land Parcels has commenced/is expected to commence (as the case may be) in 2018/2019 and will be completed in 2020/2021. Regarding the expected development schedule of those land parcels throughout their respective construction period, the Directors advised us that substantial Services will be required during the first 15 months of the construction period, which is expected to fall from the fourth quarter of 2018 to the fourth quarter of 2019. With this being the case, we concur with the Directors that it is reasonable that the Revised 2018-2020 Annual Caps, which were calculated primarily based on the expected proportion of the budgeted total construction and engineering costs and related ancillary services payable in respect of the Tendered Land Parcels in each of the respective years, to be the highest in 2019. On the other hand, given that the construction period is of medium to long term, the actual construction and engineering costs of those land parcels may vary from the budgets due to inflation and/or potential increase in market price and any unforeseeable factors. Hence, we concur with the Directors that it is reasonable to set aside an additional buffer when calculating the Revised 2018-2020 Annual Caps and we consider 10% to be acceptable.

In light of the above basis of determination of the Revised 2018-2020 Annual Caps, we are of the view that the Revised 2018-2020 Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Relevant Listing Rules' requirements

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the Revised 2018-2020 Annual Caps for the years concerned under the Renewed 2018 Master Services Agreement; (ii) the terms of the Renewed 2018 Master Services Agreement (together with the Revised 2018-2020 Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Renewed 2018 Master Services Agreement (together with the Revised 2018-2020 Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the

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Transactions are carried out in accordance with the pricing policies of the Company, and the Revised 2018-2020 Annual Caps are not being exceeded. In the event that the total amounts of the Transactions exceed the Revised 2018-2020 Annual Caps, or that there is any material amendment to the terms of the Renewed 2018 Master Services Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Furthermore, we have requested and obtained the minutes of the audit committee meeting of the Company as well as the Board meeting to review the historical Transactions. Based on the above records, we noted that the historical Transactions were subject to review by the independent non-executive Directors and the audit committee of the Company, and we concur with the Directors that the internal control measures of the Group in relation to the Transactions have been properly carried out.

With the aforesaid stipulated requirements for continuing connected transactions of the Listing Rules in place, the Transactions under the Renewed 2018 Master Services Agreement will be monitored and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2018 Supplemental Agreement and the Revised 2018-2020 Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the 2018 Supplemental Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the 2018 Supplemental Agreement, the Transactions and the Revised 2018-2020 Annual Caps, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Deputy Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 14 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interest in the Shares, underlying Shares and debentures of the Company and its associated 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 any of 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:

Long positions

(i) Interest in the 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 1</i>)	3,579,612,209	57.95
Ms. Huang	Interest of controlled corporation (<i>Note 2</i>)	3,579,612,209	57.95

Notes:

- (1) Mr. Zhang (Chairman, Chief Executive Officer and Executive Director of the Company) is the spouse of Ms. Huang, he is deemed to be interested in 3,579,612,209 Shares.

- (2) 3,579,612,209 Shares are directly held by Joy Town Inc., in which is wholly owned by Zensun Group Limited. Ms. Huang as the sole shareholder of Zensun Group Limited is deemed to be interested in the Shares held by Joy Town Inc. Both Zensun Group Limited and Joy Town Inc. are holding companies of the Company, each of them is an associated corporation of the Company under SFO.

Long positions

- (ii) Interest in ordinary shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity in which the interests are held	Number of share held	Approximate percentage of the issued share capital (%)
Ms. Huang	Zensun Group Limited	Interest of controlled corporation (<i>Note</i>)	1	100
Ms. Huang	Joy Town Inc.	Beneficial owner (<i>Note</i>)	1	100

Note: 3,579,612,209 Shares are directly held by Joy Town Inc., in which is wholly owned by Zensun Group Limited. Ms. Huang as the sole shareholder of Zensun Group Limited is deemed to be interested in the Shares held by Joy Town Inc. Mr. Zhang is the sole director of Zensun Group Limited and Ms. Huang is the sole director of Joy Town Inc.. Both Zensun Group Limited and Joy Town Inc. are holding companies of the Company, each of them is an associated corporation of the Company under SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company or their respective associates had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2017, 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 and his/her close associates 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 individually and collectively deemed interested in Zensun, Henan Zensun Corporate Development Company Limited* (河南正商企業發展有限責任公司) and/or their subsidiaries and 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:

Long positions in the Shares of the Company

Name of Shareholder	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company (%)
Zensun Group Limited	Interest of controlled corporation (<i>Note 1</i>)	3,579,612,209	57.95
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) Joy Town Inc. is wholly-owned by Zensun Group Limited. Ms. Huang as the sole shareholder of Zensun Group Limited is deemed to be interested in the Shares held by Joy Town Inc.. Mr. Zhang is the sole director of Zensun Group Limited and Ms. Huang is the sole director 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 LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

6. EXPERTS AND CONSENT

- (a) The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
VBG Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO

VBG Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, VBG Capital did not have any direct or indirect interest in any assets which had since 31 December 2017 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, VBG Capital was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. MISCELLANEOUS

- (a) The registered and principal office of the Company is situated at 24/F., Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.
- (b) The share registrar of the Company is Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Mr. Yuen Ping Man, who is a fellow member of the Institute of Chartered Secretaries and Administrators (U.K.) and of the Hong Kong Institute of Chartered Secretaries.
- (d) This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, from the date of this circular, up to and including the date of the EGM:

- (a) the 2017 Supplemental Agreement, the 2018 Supplemental Agreement and the Master Services Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out in pages 26 to 27 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 40 of this circular; and
- (d) the written consent referred to in paragraph 6 of this appendix.



ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of ZH International Holdings Limited (the “**Company**”) will be held at Cliftons Hong Kong, Level 5, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Tuesday, 11 December 2018 at 9:30 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the 2018 Supplemental Agreement (as defined and described in the circular of the Company dated 22 November 2018 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the 2018 Supplemental Agreement marked “B” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the Transactions as defined and described in the Circular and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the Revised 2018–2020 Annual Caps as defined and described in the Circular in respect of the consideration payable under the Transactions (as defined in the Circular) for each of the financial years ending 31 December 2018, 2019 and 2020 be and are hereby approved; and

NOTICE OF EGM

- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she or they may in his/her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the 2018 Supplemental Agreement, the Revised 2018–2020 Annual Caps and the transactions contemplated thereunder and all matters incidental or ancillary thereto.”

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

Hong Kong, 22 November 2018

Registered and principal office:

24/F., Wyndham Place,
40–44 Wyndham Street,
Central, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A member who is the holder of two or more shares (the “Shares”) in the Company may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointer or of his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the share registrar of the Company, Tricor Friendly Limited, which is situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (i.e. by 9:30 a.m. on Saturday, 8 December 2018) (or any adjournment thereof).
4. For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from 6 December to 11 December 2018 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on 5 December 2018.

NOTICE OF EGM

5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. If a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed or adjourned. The Company will post an announcement on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.zhsuccess.com>) to notify shareholders of the Company of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.
7. All times and dates specified herein refer to Hong Kong local times and dates.
8. The meeting will be conducted in Chinese and no translation will be provided.

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