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ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

**MAJOR TRANSACTION
IN RELATION TO ACQUISITION OF LAND USE RIGHTS IN
HENAN PROVINCE, THE PRC**

A letter from the Board is set out on pages 4 to 12 of this circular.

25 April 2019

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DEFINITIONS

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

- “Acquisition” : the acquisition of land use rights of the Land Parcel through listing for sale process at the Auction held on 11 January 2019
- “Auction” : the public auction held by Land and Resources Bureau of Zhengzhou City on 11 January 2019 at which the Land Parcel was offered for sale
- “Board” : the board of Directors
- “close associates” : has the meaning ascribed to it under the Listing Rules
- “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
- “Confirmation Notice” : the confirmation notice of land transaction by auction* (成交確認書) issued on 16 January 2019 by Land and Resources Bureau of Zhengzhou City to Henan Xinzhu confirming the Acquisition at the Auction
- “connected person(s)” : has the meaning ascribed to it under the Listing Rules
- “Consideration of the Land Parcel” : RMB672,600,000 being the price for the Acquisition
- “controlling shareholder” : has the meaning ascribed to it under the Listing Rules
- “Director(s)” : the director(s) of the Company
- “Group” : the Company and its subsidiaries from time to time
- “Henan Xinzhu” : Henan Xinzhu Real Estate Company Limited* (河南新築置業有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
- “HK\$” : Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

- “Hong Kong” : the Hong Kong Special Administrative Region of the People’s Republic of China
- “Independent Third Party” : a third party independent of the Company and the connected persons of the Company
- “Land and Resources Bureau of Zhengzhou City” : Land and Resources Bureau of Zhengzhou City* (鄭州市國土資源局)
- “Land Parcel” : a piece of land located at south of Hongmei Street and west of Chuanyang Road* (紅梅街以南、川楊路以西), Gaoxin District, Zhengzhou City, Henan Province, the PRC with a total site area of 51,395.40 sq.m. and permitted plot ratio between 1.1 and 2.5 which was offered for sale at the Auction
- “Land Use Rights Grant Contract” : the land use rights grant contract entered into between Henan Xinzhu and Land and Resources Bureau of Zhengzhou City in respect of the Land Parcel on 30 January 2019 and any supplemental agreement thereof
- “Latest Practicable Date” : 16 April 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
- “Listing Rules” : Rules Governing the Listing of Securities on the Stock Exchange
- “Mr. Zhang” : Mr. Zhang Jingguo, the Chairman, Chief Executive Officer and executive Director of the Company
- “Ms. Huang” : Ms. Huang Yanping, the non-executive Director and a controlling shareholder of the Company
- “PRC” : the People’s Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
- “PRC Governmental Body” : has the meaning ascribed to it under the Listing Rules
- “PRC law” : has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“RMB”	:	Renminbi, the lawful currency of the PRC
“SFO”	:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	:	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	:	the holder(s) of the Shares
“sq.m.”	:	square meters
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	:	the United States of America
“US\$”	:	United States dollars, the lawful currency of the United States
“Zensun”	:	Zensun Real Estate Co., Ltd* (河南正商置業有限公司), a company established in the PRC with limited liability, indirectly and wholly-owned by and controlled by Ms. Huang who is a Director and controlling shareholder of the Company
“%”	:	per cent.

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



ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

Executive Directors:

Mr. Zhang Jingguo

(Chairman and Chief Executive Officer)

Mr. Zhang Guoqiang

Registered and principal office:

24/F., Wyndham Place,

40-44 Wyndham Street,

Central, Hong Kong

Non-executive Director:

Ms. Huang Yanping

Independent non-executive Directors:

Dr. Liu Qiao

Mr. Liu Da

Mr. Ma Yuntao

25 April 2019

To the Shareholders (for information only),

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO ACQUISITION OF LAND USE RIGHTS IN
HENAN PROVINCE, THE PRC**

Reference is made to the announcement of the Company dated 11 January 2019, in relation to the Acquisition. The purpose of this circular is to provide you with, among other things, further details of the Acquisition and such other information as required under the Listing Rules.

The Board is pleased to announce that Henan Xinzhu, an indirect wholly owned subsidiary of the Company, has been successful in the bidding of land use rights of the Land Parcel through listings for sale process in the Auction held by Land and Resources Bureau of Zhengzhou City for transfer of state-owned land use rights of the Land Parcel at a consideration of RMB672,600,000 on 11 January 2019.

The value of the Land Parcel shall be its consideration.

LETTER FROM THE BOARD

THE LAND PARCEL

The Land Parcel is located at south of Hongmei Street and west of Chuanyang Road* (紅梅街以南、川楊路以西), Gaoxin District, Zhengzhou City, Henan Province, the PRC with a total site area of 51,395.40 sq.m. and permitted plot ratio between 1.1 and 2.5. The Land Parcel is designated for residential usage with a term of 70 years. A sum of RMB437,630,000 has been paid as the security deposit for the Auction of the Land Parcel. The Confirmation Notice was issued by Land and Resources Bureau of Zhengzhou City on 16 January 2019. The Land Use Rights Grant Contract was entered into between Henan Xinzhu and Land and Resources Bureau of Zhengzhou City on 30 January 2019. The Group will finance the Acquisition and the development of the Land Parcel with internal resources.

THE CONFIRMATION NOTICE

Date : 16 January 2019

Parties : Henan Xinzhu; and
Land and Resources Bureau of Zhengzhou City

Code of the land parcel : 鄭政出 [2018] 175#

Consideration : RMB672,600,000, which was arrived at after bidding at the Auction. A sum of RMB473,630,000 has been paid by Henan Xinzhu as the security deposit for the Auction of the Land Parcel. The details of the payment terms of the Consideration of the Land Parcel are set out in the Land Use Rights Grant Contract.

MAJOR TERMS OF THE LAND USE RIGHTS GRANT CONTRACT

Date : 30 January 2019

Parties : Henan Xinzhu (as transferee); and
Land and Resources Bureau of Zhengzhou City (as transferor)

Location of the land parcel : south of Hongmei Street and west of Chuanyang Road* (紅梅街以南、川楊路以西), Gaoxin District, Zhengzhou City, Henan Province, the PRC

Total site area : 51,395.40 sq.m.

Conditions of the land use rights : The permitted plot ratio between 1.1 and 2.5

LETTER FROM THE BOARD

Nature of the land use rights	:	Residential use
Term of the land use rights	:	70 years
Payment terms of the consideration	:	(1) A sum of RMB437,630,000 has been paid by Henan Xinzhu on 9 January 2019 as the security deposit for the Auction of the Land Parcel (2) The remaining amount of RMB234,970,000 is payable within 10 working days from the date of the Land Use Rights Grant Contract
Handover date	:	On or before 29 April 2019
Commencement of construction	:	On or before 29 January 2020
Completion of construction	:	On or before 29 July 2022

It is currently expected that the Land Parcel will be used for the property development for residential use. The estimated construction gross floor area for the Land Parcel will be approximately 128,488.50 sq.m. based on the permitted plot ratio. The capital commitment for this development project will be no less than RMB694.6 million. The construction work on the Land Parcel shall be subject to invitation tenders.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under the Listing Rules. Since the Acquisition (i) involves an acquisition of governmental land in the PRC from a PRC Governmental Body (as defined under Listing Rules) through an auction governed by PRC Law; and (ii) is undertaken on a sole basis by the Group (being a “**qualified issuer**” as defined under Rule 14.04(10B) of the Listing Rules) in its ordinary and usual course of business, the Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules. Hence, the Acquisition is only subject to reporting and announcement requirement and is exempt from shareholders’ approval requirements pursuant to Rule 14.33A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

LETTER FROM THE BOARD

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

INFORMATION OF THE PARTIES

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

Henan Xinzhu is a company established in the PRC, indirect wholly-owned subsidiary of the Company and property development company.

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

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

FINANCIAL EFFECTS OF THE ACQUISITION OF THE COMPANY

As the Group intends to use its own funds to finance the consideration of the Acquisition and accordingly it is expected that there would be no material financial effect on the Group's total assets and total liabilities upon completion of the Acquisition. The Company considers that there will not be any material effect on the earnings of the Group immediately upon the Acquisition. In view of the future prospects of the property market in Henan Province, the PRC, it is anticipated that the Acquisition will improve the Group's trading prospects in the future and the Directors consider the Acquisition will contribute to the revenue and earnings base of the Group upon completion of this property development project but the quantification of such contribution will depend on the future performance of the property market.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

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

LETTER FROM THE BOARD

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

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

The PRC

During the year of 2018, the Group acquired 51 land parcels through listings for sale and acquisition processes with different local, governmental land bureaus, independent third parties. Details of certain large-scaled land acquisitions completed during 2018 are summarized as below:

- (a) In January 2018, the Group has made four successful bids for land use rights including (i) a land parcel in Zhengzhou City, Henan Province, the PRC with site area of approximately 50,920.98 sq.m. for residential use and commercial and financial use at a consideration of RMB1,146,000,000; and three land parcels in Xinzheng City, Henan Province, the PRC: (ii) with site area of approximately 43,470.40 sq.m. for residential use at a consideration of RMB800,870,000; (iii) with site area of approximately 46,805.08 sq.m. for residential use at a consideration of RMB1,024,160,000; and (iv) with site area of approximately 45,515.87 sq.m. for residential use at a consideration of RMB995,490,000. These development projects are expected to be completed gradually and no later than the fourth quarter of 2020 and 2021 and the first quarter of 2022, respectively;
- (b) In March 2018, the Group has made sixteen successful bids for land use rights for sixteen land parcels in Gongyi City, Henan Province, the PRC with total site area of approximately 743,799.14 sq.m. for residential use, commercial and public facilities use at an aggregate consideration of RMB312,420,000. These development projects are expected to be completed gradually and no later than the fourth quarter of 2020;
- (c) In April 2018, the Group has made four successful bids for land use rights of three land parcels in Zhengzhou City, Henan Province, the PRC (i) with site area of approximately 79,585.58 sq.m for residential use at a consideration of RMB635,420,000; (ii) with site area of approximately 63,391.95 sq.m for residential use at a consideration of RMB458,650,000; (iii) with site area of approximately 84,309.66 sq.m. for residential use at a consideration of RMB610,070,000; and (iv) one land parcel in Xuchang City, Henan Province, the PRC with site area of approximately 62,832 sq.m. for residential use at a consideration of RMB284,500,000. These development projects are expected to be completed gradually and no later than the fourth quarter of 2021;

LETTER FROM THE BOARD

- (d) In June 2018, the Group has made seven successful bids for land use rights for seven land parcels in Gongyi City, Henan Province, the PRC with total site area of approximately 243,903.45 sq.m. for residential use, commercial, accommodation and catering usage at an aggregate consideration of RMB134,890,000. These development projects are expected to be completed gradually and no later than the first quarter of 2021;
- (e) In August 2018, the Group has made five successful bids for land use rights including (i) one land parcel in Wuhan City, Hubei Province, the PRC with site area of approximately 46,888 sq.m. for residential use at a consideration of RMB656,440,000; and four land parcels in Zhengzhou City, Henan Province, the PRC: (ii) with site area of approximately 68,818.90 sq.m. for residential use at a consideration of RMB2,480,000,000; (iii) with site area of approximately 44,426.12 sq.m. for residential use at a consideration of RMB241,640,000; (iv) with site area of approximately 31,005.38 sq.m. for retail, wholesale, catering, hotel and commercial finance usages at a consideration of RMB270,960,000; and (v) with site area of approximately 54,297.57 sq.m. for residential use at a consideration of RMB746,300,000. These development projects are expected to be completed gradually and no later than the second quarter of 2020 and 2021, the third quarter of 2021 and the fourth quarter of 2022, respectively;
- (f) In September 2018, the Group has made a successful bid for land use rights for one land parcel in Zhengzhou City, Henan Province, the PRC with site area of approximately 45,504.68 sq.m. for residential use at consideration of RMB1,740,000,000. This development project is expected to be completed no later than the fourth quarter of 2021;
- (g) In October 2018, the Group has made two successful bids for land use rights in Huiji District, Zhengzhou City, Henan Province, the PRC (i) with site area of approximately 40,941.43 sq.m. for residential use at a consideration of RMB326,480,000; and (ii) with site area of approximately 14,646.68 sq.m. for retailing, commercial, catering and hostel usages at a consideration of RMB114,320,000. These development projects are expected to be completed no later than the second quarter of 2022 and the second quarter of 2021, respectively;
- (h) In November 2018, the Group has made five successful bids for land use rights for two land parcels in Shangjie District, Zhengzhou City, Henan Province, the PRC, (i) with site area of approximately 47,846.72 sq.m. at a consideration of RMB132,210,000; (ii) with site area of approximately 50,148.08 sq.m. at a consideration of RMB138,560,000; and three land parcels in Xinxiang County Henan Province, the PRC, (iii) with site area of approximately 30,360.30 sq.m. at a consideration of RMB42,534,800; (iv) with site area of approximately 66,051.30 sq.m. at a consideration of RMB65,688,000; and (v) with site area of approximately 54,106.80 sq.m. at a consideration of RMB53,809,300. These five land parcels are for commercial and residential usages. The first two development projects are expected to be completed no later than the second

LETTER FROM THE BOARD

quarter of 2022 and the last three development projects are expected to be completed no later than the fourth quarter of 2022; and

- (i) In December 2018, the Group has made two successful bids for land use rights in Xinxiang County, Henan Province, the PRC, (i) with site area of approximately 58,642 sq.m. at a consideration of RMB58,319,500; and (ii) with site area of approximately 52,386.70 sq.m. at a consideration of RMB52,098,600. These two land parcels are for commercial and residential usages. These two development projects are expected to be completed respectively no later than the fourth quarter of 2022.

Following the Group's strategy in expanding its business operation in the PRC, the Board will continue to identify new property development projects and bid for land use rights of other selective land parcels in the PRC with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

In addition to existing business partners, the Company will continue to seek potential partners' cooperation to explore capital resources, reduce capital investment at an early stage and facilitate project development. The management remains cautiously optimistic on the long-term prospects of the real estate industry and will quicken its property development and sales of its development projects in the PRC through making use of its own advantages and leveraging on the national network and business resources of Zensun. The synergistic effect brought by Zensun will improve the position of the Group in the real estate industry in the PRC.

The United States

As at the Latest Practicable Date, the Group has approximately 11% equity interest in a New York Stock Exchange listed REIT, Global Medical REIT, Inc. ("**GMR**") and 99% equity interest in American Housing REIT, Inc. ("**AHR**"), both are operated and managed by Inter-American Management, LLC ("**IAM**"), the 85%-owned REIT management arm of the Group, led by a specialized team of highly experienced professionals with deep knowledge in the U.S. real estate market.

1. GMR

The Group has continued providing REIT management services and receiving recurring management fees directly to and from GMR pursuant to the revised management agreement between GMR and IAM. During the year of 2018, GMR continuously enlarged its asset base with 14 acquisitions of medical and healthcare facilities. In December 2018, the Group subscribed for 1,111,111 new shares of GMR at a total consideration of approximately US\$10 million in a GMR's underwritten public offering and increased its equity interest in GMR from approximately 12% to approximately 14% as a result of the subscription. It is expected that future fund raising of GMR will further increase its capital base which in return increases the management fee income to be received from GMR.

LETTER FROM THE BOARD

2. *AHR*

AHR is currently 99%-controlled by the Company and owns a portfolio of single-family rentals primarily in Texas, Florida, Georgia and North Carolina. Further to the single-family housing, AHR have diversified its investment to senior housing communities in order to seize the potential opportunity for the current strong demand on retirement communities and elderly care industry in the USA for higher-than-average annualised yield.

Other operations

The Group will regularly review the Singapore property market to explore business opportunity in this market in the foreseeable future. For the non-core Japan hotel business, while the Group is seeking potential buyers to dispose the hotels or operation to enable the Group to deploy its resources in the most efficient way, it is actively seeking ways to enhance its overall profitability with a view to enabling the operation to be self-sustainable.

Overall

The Company will make use of the Group's financial, human and technological resources to enhance its portfolio, asset base and brand image in the PRC, USA and overseas with business growth opportunities.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under the Listing Rules. Since the Acquisition (i) involves an acquisition of governmental land in the PRC from a PRC Governmental Body (as defined under Listing Rules) through an auction governed by PRC Law; and (ii) is undertaken on a sole basis by the Group (being a “**qualified issuer**” as defined under Rule 14.04(10B) of the Listing Rules) in its ordinary and usual course of business, the Acquisition is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules. Hence, the Acquisition is only subject to reporting and announcement requirements and is exempt from shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

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

LETTER FROM THE BOARD

RECOMMENDATION

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

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

ADDITIONAL INFORMATION

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

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

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for the year ended 31 December 2016, for the year ended 31 December 2017 and for the year ended 31 December 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.zhsuccess.com>):

- annual report of the Company for the year ended 31 December 2016 published on 25 April 2017 (pages 77 to 185);
- annual report of the Company for the year ended 31 December 2017 published on 25 April 2018 (pages 86 to 198); and
- annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (pages 97 to 225).

2. WORKING CAPITAL

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

3. INDEBTEDNESS STATEMENT

As at the close of business on 28 February 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has outstanding borrowings of approximately RMB27,339.7 million, comprising mortgage loans of approximately RMB42.0 million, bank and other loans of approximately RMB12,356.1 million, bonds of approximately RMB668.7 million, issued assets backed securities of approximately RMB993.5 million and loans and amounts from related companies of approximately RMB13,279.4 million. Lease liabilities of the Group was approximately RMB7.1 million. The Group's facilities and financial guarantees in respect of mortgage loan facilities provided to the Group's properties buyers were secured by certain land and buildings, investment properties, properties under development and pledged deposits of the Group with total carrying value of approximately RMB19,100.5 million. In addition, shares of certain subsidiaries of the Group are pledged to secure certain bank and financial institutions facilities granted to the Group. Certain bank and financial institutions facilities were guaranteed by related companies, in which controlled by controlling shareholder of the Company and together with her spouse. No any assets of the Group was pledged to these related companies in respect of the guarantees.

As at 28 February 2019, the Group provided financial guarantees in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by the Group's properties buyers amounting to approximately RMB4,630.8 million. These guarantees will be released upon the earlier of (i) the repayment of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Save as aforesaid and apart from the intra-group liabilities, as at the close of business on 28 February 2019, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or 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 (Note 1)	3,579,612,209	57.95
Ms. Huang	Interest of controlled corporation (Note 2)	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., which are ultimately owned by a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. Joy Town Inc. is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust. Superior Glory Enterprises Limited, Notable Reward Pte Limited, 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	Superior Glory Enterprises Limited	Interest of controlled corporation (Note)	1	100
Ms. Huang	Notable Reward Limited	Interest of controlled corporation (Note)	1	100
Ms. Huang	Zensun Group Limited	Interest of controlled corporation (Note)	1	100
Ms. Huang	Joy Town Inc.	Beneficial owner (Note)	1	100

Note: 3,579,612,209 shares are directly held by Joy Town Inc., which are ultimately owned by a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. Joy Town Inc. is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust. Superior Glory Enterprises Limited, Notable Reward Pte Limited, 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

Save as disclosed in the paragraph headed “Material Acquisition after 31 December 2018”, 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 2018, 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

Save as disclosed in the paragraph headed “Material Acquisition after 31 December 2018”, 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 (%)
Vistra Trust (Singapore) Pte Limited	Trustee	3,579,612,209	57.95
Superior Glory Enterprises Limited	Interest of controlled corporation (<i>Note 1</i>)	3,579,612,209	57.95
Notable Reward Limited	Interest of controlled corporation (<i>Note 1</i>)	3,579,612,209	57.95
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) These Shares are owned by Joy Town Inc., which are ultimately owned by a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee. Joy Town Inc. is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust. Ms. Huang is the sole director of Joy Town Inc. and Notable Reward Limited and Mr. Zhang is the sole director of Zensun Group Limited.
- (2) These Shares are owned by Chan Heng Fai and Chan Yoke Keow. Chan Heng Fai is the spouse of Chan Yoke Keow, they are deemed interest in the Shares held by each other.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL ACQUISITION AFTER 31 DECEMBER 2018

On 29 January 2019, the Group entered into a share transfer agreement with Henan Huizheng City Construction Company Limited, which is ultimately controlled by Ms. Huang to acquire a land parcel by way of acquisition of the entire equity interest of the company holding the land parcel at a consideration of RMB50,000,000. The acquisition was completed in February 2019.

Save as disclosed above, the Group did not enter into or complete any agreement for material acquisition in which Directors had any direct or indirect interest after 31 December 2018.

5. MATERIAL LITIGATION

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

6. MATERIAL CONTRACTS

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

- (a) On 27 September 2017, the Company entered into an agreement with Ms. Huang to acquire the entire issued share capital of Honor Challenge Investment Limited at a total consideration of HK\$1,060,953,720. On 30 January 2018, the Company and Ms. Huang entered into a supplemental agreement to amend and extend the long stop date to 1 August 2018. On 9 March 2018, a termination agreement was entered into between the Company and Ms. Huang to terminate the agreement as amended by the supplemental agreement;

- (b) On 7 February 2018, the Company as the issuer entered into a subscription agreement with Ever Diamond Global Company Limited as the guarantor, AMTD Global Markets Limited as the placing agent and the investors in relation to the issue and sale of US\$200,000,000 7.5% bonds due 2019. All conditions precedent of the subscription agreement have been fulfilled and closing has taken place. All subscription monies have been received by the Company on 14 February 2018;
- (c) On 18 April 2018, the Company as subscriber entered into a subscription agreement with China First Capital Group Limited as issuer to conditionally agree to subscribe for US\$47,000,000 9.7% notes due 19 October 2018. All conditions precedent of the subscription agreement have been fulfilled and the closing has taken place in April 2018;
- (d) On 31 July 2018, the Group has successfully issued the asset-backed securities through the establishment of P&A – Xinghan Zensun’s Account Receivables for the Balance Payment of Properties Sold Asset-backed Securities Scheme with an aggregate size of RMB1,600,000,000 with two tranches. Further information in respect of the issue scheme is available in the Company’s announcement dated 31 July 2018;
- (e) On 12 December 2018, the Group has subscribed for 1,111,111 new GMR shares at a total consideration of approximately US\$10 million in a GMR’s underwritten public offering. The Group’s equity interest in GMR increased from approximately 12% to approximately 14% as a result of the subscription; and
- (f) On 22 January 2019, the Company as the issuer entered into a subscription agreement with Ever Diamond Global Company Limited as the guarantor, Yuanyin Securities Limited as the placing agent and the investors in relation to the issue and sale of US\$100,000,000 8% bonds due in 2020. All conditions precedent of the subscription agreement have been fulfilled and closing has taken place. All subscription monies have been received by the Company on 28 January 2019.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statement of the Company were made up.

8. GENERAL

- (a) The registered and principal office of the Company is situated at 24/F., Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.
- (b) The share registrar of the Company is Tricor Friendly Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The joint secretaries of the Company are Mr. Kwok Pak Shing, who is a member of Hong Kong Institute of Certified Public Accountants and Mr. Yuen Ping Man, who is a fellow member of the Institute of Chartered Secretaries and Administrators (U.K.) and of the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (save for Saturdays and public holidays) at the principal place of business of the Company in Hong Kong, from the date of this circular, up to and including 10 May 2019.

- (a) the amended memorandum and new articles of association of the Company;
- (b) the annual reports of the Company for the year ended 31 December 2017 and for the year ended 31 December 2018;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (d) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2018 being the date of the latest published audited accounts; and
- (e) this circular.