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ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

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

ACQUISITIONS OF LAND USE RIGHTS

The Board is pleased to announce that on 29 May 2019, Henan Longshui, an indirect wholly-owned subsidiary of the Company, made two successful bids for the land use rights of Land Parcel I and Land Parcel II through listing for sale process in the Auction held by Zhengzhou City Natural Resources and Planning Bureau* (鄭州市自然資源和規劃局) for transfer of state-owned land use rights at a consideration of RMB288,190,000 and RMB459,080,000 respectively.

Land Parcel I is located at east of Pearl Road and south of Yuwu Road, Guancheng District* (管城區明珠路以東、豫五路以南), Zhengzhou City, Henan Province, the PRC with a total site area of 28,608.73 sq.m. and permitted plot ratio between 1.1 and 2.5. Land Parcel I is designated for residential usage with the term of 70 years and underground transportation service usage with the term of 50 years.

Land Parcel II is located at east of Jingzhuang Road and south of Yuwu Road, Guancheng District* (管城區荊莊路以東、豫五路以南), Zhengzhou City, Henan Province, the PRC with a total site area of 45,604.51 sq.m. and permitted plot ratio between 1.1 and 2.5. Land Parcel II is designated for residential usage with the term is 70 years and underground transportation service usage with the term of 50 years .

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

The Board further announces that on 29 May 2019, Zensun entered into two loan agreements with Henan Longshui to provide Financial Assistance to Henan Longshui in the amount of RMB288,190,000 for Land Parcel I and RMB459,080,000 for Land Parcel II respectively.

LISTING RULES IMPLICATIONS

Taking into consideration the fact that the locations of Land Parcel I and Land Parcel II are adjacent to each other in Guancheng District, the Board took the liberty to aggregate the acquisition of Land Parcel I and the acquisition of Land Parcel II. As one of the applicable percentage ratios calculated in respect of the Acquisitions under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Acquisitions constitute a major transaction for the Company under the Listing Rules. Since the Acquisitions (i) involve an acquisition of governmental land in the PRC from a PRC Governmental Body through an auction governed by PRC Law; and (ii) are undertaken on a sole basis by the Group in its ordinary and usual course of business, the Acquisitions are regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules. Hence, the Acquisitions are only subject to reporting and announcement requirements and are exempt from shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

A circular containing, among other things, further details of the Acquisitions and such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 20 June 2019.

ACQUISITIONS OF LAND USE RIGHTS

The board ("**Board**") of directors ("**Directors**") of ZH International Holdings Limited ("**Company**") is pleased to announce that on 29 May 2019, Henan Zensun Longshui Real Estate Company Limited* (河南正商瓏水置業有限公司) ("**Henan Longshui**"), an indirect wholly-owned subsidiary of the Company, made two successful bids for the land use rights of two land parcels with code no. 鄭政出 [2019] No. 38 ("**Land Parcel I**") and code no. 鄭政出 [2019] No. 39 ("**Land Parcel II**") located in Guancheng District, Zhengzhou City, Henan Province, the People's Republic of China (the "**PRC**") through listing for sale process (the "**Acquisitions**") in the public auctions ("**Auction**") held by Zhengzhou City Natural Resources and Planning Bureau* (鄭州市自然資源和規劃局) for transfer of state-owned land use rights at a consideration of RMB288,190,000 for Land Parcel I and RMB459,080,000 for Land Parcel II respectively. The consideration of each of the Acquisitions was determined based on the Auction documents issued by Zhengzhou City Natural Resources and Planning Bureau.

Land Parcel I is located at east of Pearl Road and south of Yuwu Road, Guancheng District* (管城區明珠路以南、豫五路以南), Zhengzhou City, Henan Province, the PRC with a total site area of 28,608.73 sq.m. and permitted plot ratio between 1.1 and 2.5. Land Parcel I is designated for residential usage with the term of 70 years and underground transportation service usage with the term of 50 years.

Land Parcel II is located at east of Jingzhuang Road and south of Yuwu Road, Guancheng District* (管城區荊庄路以東、豫五路以南), Zhengzhou City, Henan Province, the PRC with a total site area of 45,604.51 sq.m. and permitted plot ratio between 1.1 and 2.5. Land Parcel II is designated for residential usage with the term of 70 years and underground transportation service usage with the term of 50 years.

A sum of RMB144,100,000 for Land Parcel I and RMB229,540,000 for Land Parcel II respectively, have been paid as the security deposit for the Auction. Pursuant to the procedures under the listing for sale process in the Auction, within two working days

following the successful bid, Henan Longshui shall submit qualification documents to Zhengzhou City Natural Resources and Planning Bureau for verification. Upon completion of the verification process, Zhengzhou City Natural Resources and Planning Bureau will issue a confirmation notice (“**Confirmation Notice**”) in respect of Land Parcel I and Land Parcel II to Henan Longshui. The land use rights grant contracts in relation to the Acquisitions will be entered into between Henan Longshui and Zhengzhou City Natural Resources and Planning Bureau on or before the date determined by Zhengzhou City Natural Resources and Planning Bureau as stipulated in the Confirmation Notice.

INFORMATION ON PARTIES TO THE ACQUISITIONS

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

Zhengzhou City Natural Resources and Planning Bureau, being the seller of Land Parcel I and Land Parcel II, is a PRC Governmental body and is responsible for, among other things, administering the examination and approval of land planning, assignment and transfer of the land use rights of the state-owned land in 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 having made all reasonable enquiries, Zhengzhou City Natural Resources and Planning Bureau and its beneficial owner are third parties independent of the Group and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in property development, property investment and management, hotel operations and securities trading and investment. The Board believes that the Acquisitions complement the Group’s strategy in expanding its development in Henan Province and other first and second tier cities in the PRC.

The Directors further consider that the Acquisitions are a transaction of revenue nature is carried out in the ordinary and usual course of business and is on normal commercial terms, which is fair and reasonable and in the interests of the Company and its shareholders (“**Shareholders**”) as a whole.

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

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

On 29 May 2019, Zensun Real Estate Co., Ltd* (河南正商置業有限公司) (“**Zensun**”), a company ultimately controlled by Ms. Huang Yanping who is a Director and the controlling shareholder of the Company, entered into two loan agreements (“**Loan Agreements**”) with Henan Longshui pursuant to which Zensun has agreed to provide, upon Henan Longshui’s request, unsecured loan(s) of RMB288,190,000 for Land Parcel I and RMB459,080,000 for Land Parcel II (“**Financial Assistance**”), with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Longshui in accordance with actual needs at an interest rate of no

more than 4% per annum on the loan(s) actually drawdown. The proceeds from the Financial Assistance will be used to finance the Acquisitions and the development of Land Parcel I and Land Parcel II.

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

LISTING RULES IMPLICATIONS

Taking into consideration the fact that the locations of Land Parcel I and Land Parcel II are adjacent to each other in Guancheng District, the Board took the liberty to aggregate the acquisition of Land Parcel I and the acquisition of Land Parcel II. As one of the applicable percentage ratios calculated in respect of the Acquisitions under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Acquisitions constitute a major transaction for the Company under the Listing Rules. Since the Acquisitions (i) involve an acquisition of governmental land in the PRC from a PRC Governmental Body through an auction governed by PRC Law; and (ii) are undertaken on a sole basis by the Group in its ordinary and usual course of business, the Acquisitions are regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules. Hence, the Acquisitions are only subject to reporting and announcement requirements and are exempt from shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

A circular containing, among other things, further details of the Acquisitions and such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 20 June 2019.

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

Hong Kong, 29 May 2019

As at the date of this announcement, the executive Directors are Mr. Zhang Jingguo and Mr. Zhang Guoqiang; the non-executive Director is Ms. Huang Yanping and the independent non-executive Directors are Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao.

** For identification purpose only.*