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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**

**SUPPLEMENTAL AGREEMENT TO THE MASTER SERVICES AGREEMENT**

**AND**

**REVISION OF ANNUAL CAPS**



建泉融資有限公司

**VBG Capital Limited**

**Independent Financial Adviser**

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

**SUPPLEMENTAL AGREEMENT AND REVISION OF ANNUAL CAPS**

Reference is made to the Company's announcement dated 22 December 2015 and its circular dated 22 January 2016 in relation to the Master Services Agreement and the transactions contemplated thereunder and the Annual Caps.

On 21 February 2017, the Company and Zensun Development entered into the Supplemental Agreement to amend certain terms of the Master Services Agreement. Further, the Board also proposed to revise the Annual Caps for the Transactions for each of the financial years ending 31 December 2017, 2018 and 2019 to cater for the latest business plan of the Group.

## **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, a controlling shareholder of the Company interested in approximately 57.95% of the issued share capital of the Company as at the date of this announcement, Zensun Development is 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, and the Supplemental Agreement, the Transactions and the Revised Annual Caps are subject to re-compliance with the requirements of the Listing Rules.

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Revised Annual Caps are higher than 5% and the Revised Annual Caps exceed HK\$10,000,000, the Supplemental Agreement, the Transactions and the Revised Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the EGM for the purpose of seeking approval from the Independent Shareholders in relation to the Supplemental Agreement, the Transactions and the Revised Annual Caps. An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the Supplemental Agreement, the Transactions and the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. VBG Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement, the Transactions and the Revised Annual Caps.

A circular containing, among other things, (a) further information about the Supplemental Agreement, the Transactions and the Revised Annual Caps; (b) the letter of advice from VBG Capital to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement, the Transactions and the Revised Annual Caps; (c) the recommendation from the Independent Board Committee in relation to the Supplemental Agreement, the Transactions and the Revised Annual Caps; and (d) a notice of the EGM will be despatched to the Shareholders on or before 14 March 2017.

## **BACKGROUND**

Reference is made to the Company's announcement dated 22 December 2015 (the "**Announcement**") and its circular dated 22 January 2016 (the "**Circular**") in relation to the Master Services Agreement and the transactions contemplated thereunder and the Annual Caps.

As disclosed in the Announcement and the 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 and the transactions contemplated thereunder and the 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, please refer to the Announcement and the Circular.

## **THE SUPPLEMENTAL AGREEMENT**

On 21 February 2017, the Company entered into the Supplemental Agreement with Zensun Development to amend certain terms of the Master Services Agreement. The Supplemental Agreement is conditional upon approval by the Independent Shareholders at the EGM having been obtained.

Principal terms of the Master Services Agreement as amended by the Supplemental Agreement are summarized as follows:

**Parties:** (1) The Company; and

(2) Zensun Development

**Date of the Supplemental Agreement:** 21 February 2017

**Terms amended:** Original terms under the Master Services Agreement

- the Effective Date shall be 1 January 2016, subject to the fulfilment of conditions precedent to the Master Services Agreement being fulfilled
- the initial term of the Master Services Agreement shall commence on the Effective Date, and shall continue up to and including 31 December 2018

New terms under the Master Services Agreement as amended by the Supplemental Agreement

- the Effective Date shall be 1 January 2017, subject to the fulfilment of condition precedent to the Supplemental Agreement being fulfilled
- the initial term of the Master Services Agreement shall commence on the Effective Date, and shall continue up to and including 31 December 2019

Save as disclosed above, all existing terms and conditions under the 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 as stated in the Circular remain in place.

## **THE REVISION OF THE ANNUAL CAPS**

### **The Revised Annual Caps**

The Annual Caps under the Master Services Agreement for the year ended 31 December 2016 and the years ending 31 December 2017 and 2018 are RMB92,000,000, RMB36,000,000 and RMB15,000,000, respectively. The Board proposed to revise the Annual Caps for the Transactions for each of the financial years ending 31 December 2017, 2018 and 2019 to RMB1,288,000,000, RMB2,932,000,000 and RMB3,232,000,000, respectively.

The Revised Annual Caps were determined based on (i) the unaudited historical transaction amounts incurred for the Transactions as disclosed in the paragraph headed "Historical transaction amounts" in this announcement; and (ii) the forecast amounts of the Transactions for each of the financial years ending 31 December 2017, 2018 and 2019 which are expected to exceed the initial estimates of the Company for the corresponding periods due to the successful bidding of the five land parcels and future plan for continual acquisition of land parcels as mentioned in the section headed "Reasons for and benefits of the supplemental agreement and revision of the annual caps " in this announcement.

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) considered that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Historical transaction amounts**

There were no Services provided by the Zensun Development Group to the Group before the Master Services Agreement came into effect. The unaudited aggregate transaction amounts paid and payable by the Group to Zensun Development for the transactions conducted pursuant to the Master Services Agreement for the year ended 31 December 2016 was RMB91,320,000.

## **REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT AND REVISION OF THE ANNUAL CAPS**

In August 2015, the Company has made a successful bid for the land use rights of a land parcel under code no. (2015)-39 in Zhengzhou City, Henan Province, the PRC as disclosed in the Company's announcement dated 13 August 2015. Subsequently in the year of 2016, the Group has

also made successful bids for the land use rights of another five land parcels in Zhengzhou City, Henan Province, the PRC under code nos. (2016)-11, (2016)-12, (2016)-114, (2016)-127 and (2016)-143 as stated in the Company's announcements dated 4 July 2016, 24 November 2016, 9 December 2016, 15 December 2016 and 23 December 2016, respectively. For details of the land parcels under code nos. (2016)-12, (2016)-114, (2016)-127 and (2016)-143, please refer to Company's circular dated 18 January 2017. The Board believes that the acquisitions of land parcels complement the Group's strategy in expanding its business operation in Henan Province, the PRC. Thus, the Board will continue to 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.

As the Group has been successful in the bidding of land use rights of six land parcels in the years of 2015 and 2016 and will continue to bid for other selective land parcels as mentioned above, the Board considers that the Master Services Agreement as amended by the Supplemental Agreement and the Revised Annual Caps will facilitate the Group to cope with the construction and development of these land parcels. In view of the forecast for constructing and developing of these land parcels, it is estimated that the Annual Caps for each of the financial years ending 31 December 2017 and 2018 will not be sufficient to meet the Group's requirements. The Company therefore contemplates to revise the Annual Caps under the Master Services Agreement.

In view of the above, 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 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 Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE GROUP AND THE ZENSUN DEVELOPMENT 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.

So far as known to the Directors, the core business of the Zensun Development Group include property development, property management, Contracting Services and investment holdings.

## **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 controlling shareholder of the Company interested in approximately 57.95% of the issued share capital of the Company as at the date of this announcement, Zensun Development is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the



“Annual Caps”	the 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 2016, 2017 and 2018 as detailed in the Announcement and the Circular
“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
“Board”	the board of Directors
“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“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”	an extraordinary general meeting of the Company to be convened for the purposes of considering and, if thought fit, approving the Supplemental Agreement, the Transactions and the Revised Annual Caps
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board 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 Supplemental Agreement, the Transactions and the Revised Annual Caps
“Independent Financial Adviser” or “VBG Capital ”	VBG Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance in Hong Kong, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, the Transactions and the Revised Annual Caps
“Independent Shareholders”	Shareholder(s) other than Mr. Zhang, Ms. Huang and their respective associates
“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 announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Revised 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 2017, 2018 and 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the Contracting Services and the Ancillary Services
“Shareholders”	the holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance
“Supplemental Agreement”	the Supplemental Agreement dated 21 February 2017 entered into by the Company and Zensun Development in related to the Master Services Agreement
“Transactions”	the transactions contemplated under the Master Services Agreement as amended by the Supplemental Agreement

“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 Master Services Agreement and the Supplemental Agreement, excludes members of the Group
“%”	per cent.

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

Hong Kong, 21 February, 2017

*As at the date of this announcement, the executive Directors are Mr. Zhang Jingguo, Mr. Zhang Guoqiang, Mr. Eric Jackson Chang; 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.*