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ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

VERY SUBSTANTIAL ACQUISITION TRANSACTION ACQUISITION OF LAND USE RIGHTS IN HENAN PROVINCE, THE PRC AND FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

ACQUISITION OF LAND USE RIGHTS

The Board is pleased to announce that on 14 August 2018, Henan Jiaruichang, an indirect wholly-owned subsidiary of the Company, made a successful bid for the land use rights of the Land Parcel through listing for sale process in the Auction held by Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City* (鄭州市國土資源局鄭東新區分局) for transfer of state-owned land use rights at a consideration of RMB2,480,000,000.

The Land Parcel is located at east of Longteng 2nd Street, south of Ruyi River West 2nd Street* (龍騰二街以東、如意河西二街以南), Zhengdong New District, Zhengzhou City, Henan Province, the PRC with a total site area of 68,818.90 sq.m. and permitted plot ratio between 1.0 and 1.5. The Land Parcel is designated for residential usage with the term of 70 years.

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

The Board further announces that on 14 August 2018, Zensun entered into a loan agreement with Henan Jiaruichang to provide Financial Assistance to Henan Jiaruichang in the amount of RMB2,480,000,000 for the Land Parcel.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in respect of Acquisition under Rule 14.07 of the Listing Rules exceeds 100%, the Acquisition constitutes a very substantial acquisition transaction for the Company under the Listing Rules. Since the Acquisition (i) involves an acquisition of governmental land in the PRC from a PRC Governmental Body through an auction governed by PRC Law; and (ii) is undertaken on a sole basis by the Group in its ordinary and usual course of business, 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.

A circular containing, among other things, further details of the Acquisition and such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 4 September 2018.

ACQUISITION OF LAND USE RIGHTS

The board (“**Board**”) of directors (“**Directors**”) of ZH International Holdings Limited (“**Company**”) is pleased to announce that on 14 August 2018, Henan Jiaruichang Real Estate Company Limited* (河南嘉瑞昌置業股份有限公司) (“**Henan Jiaruichang**”), an indirect wholly-owned subsidiary of the Company, made a successful bid for the land use rights of a land parcel with code no. 鄭政東出 [2018] 18# (the “**Land Parcel**”) located in Zhengdong New District, Zhengzhou City, Henan Province, the People’s Republic of China (the “**PRC**”) through listing for sale process (the “**Acquisition**”) in the public auction (“**Auction**”) held by Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City* (鄭州市國土資源局鄭東新區分局) for transfer of state-owned land use rights at a consideration of RMB2,480,000,000 for the Land Parcel. The consideration of the Acquisition was determined based on the Auction documents issued by Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City.

The Land Parcel is located at east of Longteng 2nd Street, south of Ruyi River West 2nd Street* (龍騰二街以東、如意河西二街以南), Zhengdong New District, Zhengzhou City, Henan Province, the PRC with a total site area of 68,818.90 sq.m. and permitted plot ratio between 1.0 and 1.5. The Land Parcel is designated for residential usage with the term of 70 years.

A sum of RMB1,920,000,000 for the Land Parcel has 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 Jiaruichang shall submit qualification documents to Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City for verification. Upon completion of the verification process, Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City will issue a confirmation notice (“**Confirmation Notice**”) in respect of the Land Parcel to Henan Jiaruichang. The land use rights grant contract in relation to the Acquisition will be entered into between Henan Jiaruichang and Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City on or before the date determined by Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City as stipulated in the Confirmation Notice.

INFORMATION ON PARTIES TO THE ACQUISITION

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

Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City, being the seller 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 Zhengdong New District, 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, Zhengdong New District Bureau of Land and Resources Bureau of Zhengzhou City and its beneficial owner are third parties independent of the Group and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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 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 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 14 August 2018, Zensun Real Estate Co., Ltd* (河南正商置業有限公司) (“**Zensun**”), a company ultimately controlled by Ms. Huang Yanping who is a Director and the controlling shareholder of the Company, entered into a loan agreement (“**Loan Agreement**”) with Henan Jiaruichang pursuant to which Zensun has agreed to provide, upon Henan Jiaruichang's request, unsecured loan(s) of RMB2,480,000,000 for the Land Parcel (“**Financial Assistance**”), with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Jiaruichang 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 Acquisition and the development of the Land Parcel.

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 Jiaruichang. 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

As one of the applicable percentage ratios calculated in respect of the Acquisition under Rule 14.07 of the Listing Rules exceeds 100%, the Acquisition constitutes a very substantial acquisition transaction for the Company under the Listing Rules. Since the Acquisition (i) involves an acquisition of governmental land in the PRC from a PRC Governmental Body through an auction governed by PRC Law; and (ii) is undertaken on a sole basis by the Group in its ordinary and usual course of business, 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.

A circular containing, among other things, further details of the Acquisition and such other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 4 September 2018.

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

Hong Kong, 14 August 2018

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

** For identification purpose only.*