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ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(formerly known as Heng Fai Enterprises Limited)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The board (the “Board”) of Directors (the “Directors”) of ZH International Holdings Limited (formerly known as Heng Fai Enterprises Limited) (the “Company”), wishes to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015 (the “Period”), which have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended	
		30 September	
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	4	28,299	32,064
Cost of sales		(2,858)	(2,668)
Gross profit		25,441	29,396
Other income		719	198
Other gains and losses		1,541	27,828
Administrative expenses		(48,715)	(40,204)
Finance costs	6	(7,710)	(4,512)
Share of result of an associate		37	(988)
Share of result of a joint venture		(353)	–

		Six months ended	
		30 September	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
(Loss) profit before taxation	7	(29,040)	11,718
Income tax expense	8	(671)	(1,844)
		<hr/>	<hr/>
(Loss) profit for the Period		(29,711)	9,874
		<hr/>	<hr/>
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(13,040)	(12,339)
		<hr/>	<hr/>
		(13,040)	(12,339)
		<hr/>	<hr/>
Total comprehensive loss for the Period		(42,751)	(2,465)
		<hr/>	<hr/>
(Loss) profit for the Period attributable to:			
Owners of the Company		(30,362)	9,758
Non-controlling interests		651	116
		<hr/>	<hr/>
		(29,711)	9,874
		<hr/>	<hr/>
Total comprehensive income (loss) attributable to:			
Owners of the Company		(43,427)	(2,581)
Non-controlling interests		676	116
		<hr/>	<hr/>
		(42,751)	(2,465)
		<hr/>	<hr/>
(Loss) earnings per share (HK cents)			
basic and diluted	10	<i>Cents</i>	<i>Cents</i>
		(0.76)	0.27
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2015

	<i>Notes</i>	9.30.2015 HK\$'000 (unaudited)	3.31.2015 <i>HK\$'000</i> (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	32,027	34,685
Investment properties	<i>11</i>	922,200	844,901
Interest in an associate		2,833	2,782
Interest in a joint venture		–	731
Deposit for acquisition of investment properties		–	775
Available-for-sale financial assets		–	2,718
Pledged bank deposits		7,666	6,711
		<hr/> 964,726	<hr/> 893,303
Current assets			
Inventories		167	200
Trade and other receivables, deposits and prepayments	<i>12</i>	128,127	31,298
Financial assets at fair value through profit or loss		24,782	39,855
Pledged bank deposits		55,652	56,649
Restricted bank balances		–	1,335
Bank balances and cash		86,203	47,087
		<hr/> 294,931	<hr/> 176,424
Investment properties classified as held for sale		–	99,142
		<hr/> 294,931	<hr/> 275,566
Current liabilities			
Accounts payable and accruals	<i>13</i>	7,394	23,419
Bank and other borrowings – due within one year		102,376	210,564
Obligations under finance leases		–	205
Tax liabilities		697	282
Amount due to a related company		120,127	–
		<hr/> 230,594	<hr/> 234,470
Net current assets		<hr/> 64,337	<hr/> 41,096
Total assets less current liabilities		<hr/> 1,029,063	<hr/> 934,399

	<i>Notes</i>	9.30.2015 HK\$'000 (unaudited)	3.31.2015 <i>HK\$'000</i> (audited)
Capital and reserves			
Share capital	<i>14</i>	226,876	189,595
Reserves		513,290	557,265
		<hr/>	<hr/>
Total equity attributable to owners of the Company		740,166	746,860
Non-controlling interests		(6,892)	(7,568)
		<hr/>	<hr/>
Total equity		733,274	739,292
		<hr/>	<hr/>
Non-current liabilities			
Rental deposits received		2,387	1,609
Bank and other borrowings – due after one year		289,196	188,937
Obligations under finance leases		–	561
Deferred tax liabilities		4,206	4,000
		<hr/>	<hr/>
		295,789	195,107
		<hr/>	<hr/>
Total equity and non-current liabilities		1,029,063	934,399
		<hr/>	<hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

1. GENERAL

ZH International Holdings Limited (the “Company”) is a public limited liability company incorporated and domiciled in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) include property development, property investment and trading, hotel operations and securities trading and investment in Hong Kong and overseas.

The unaudited consolidated financial statements are presented in Hong Kong dollars (“HK\$”).

The unaudited consolidated financial statements for the six months ended 30 September 2015 were approved for issue by the Board on 27 November 2015. The consolidated financial statements is unaudited, but has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 March 2015 that is included in the Interim Financial Report as being previously reported information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on these financial statements. The auditor’s report was unqualified but included an other matter paragraph stating that the consolidated financial statements of the Group for the year ended 31 March 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 27 June 2014. The auditor’s report did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Group has not early adopted the amendments to Appendix 16 issued by the Stock Exchange in early 2015 which will be effective for accounting periods ending on or after 31 December 2015.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2015. The Group’s policies on financial risk management were set out in the financial statements included in the Company’s 2015 Annual Report and there have been no significant changes in the financial risk management policies for the six months ended 30 September 2015.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and a new Interpretation issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

The application of the amendments to HKFRSs and the new Interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

Information reported to the board of directors of the Company (the "Board"), being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is based on different business activities of the Group. This is also the basis upon which the Group is organised and managed. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable and operating segments under HKFRS 8 are as follows:

- a) Securities trading and investment
- b) Property investment and management in the USA by American Housing REIT, Inc. ("AHR") and Global Medical REIT, Inc. ("GMR")
- c) Property investment and trading other than AHR and GMR
- d) Hotel operations
- e) Property development

In addition, the money lending operations are included under “Others” and not presented as separate reportable segments. The following is an analysis of the Group’s revenue and results by reportable and operating segments:

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
By reportable segment:				
Securities trading and investments	742	3,940	(999)	3,029
Property investment and management in the USA by AHR and GMR	17,100	15,359	(9,711)	3,029
Property investment other than AHR and GMR	7,150	8,710	9,183	12,448
Hotel operations	3,222	3,643	(377)	(807)
Property development	–	–	(195)	–
Others	85	412	(630)	(383)
	<u>28,299</u>	<u>32,064</u>	<u>(2,729)</u>	<u>28,591</u>
Unallocated other income			2,746	4,035
Unallocated corporate expenses			(27,555)	(19,577)
(Loss) profit from operations			(27,538)	13,049
Finance costs			(1,465)	(343)
Gain on disposal of a joint venture			279	–
Share of results of associate and joint venture			(316)	(988)
(Loss) profit before income tax			(29,040)	11,718
Income tax expenses			(671)	(1,844)
(Loss) profit for the Period			<u>(29,711)</u>	<u>9,874</u>

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Fair value (loss) gain on financial assets at fair value through profit or loss	(1,536)	10,726
Fair value gain on revaluation of investment properties	7,250	14,657
Loss on disposal of investment properties	(2,468)	–
Gain on disposal of available-for-sale financial assets	2,055	–
Gain on disposal of a joint venture	279	–
Bad debts (written-off) recovery in respect of trade and other receivable	(990)	25
(Loss) gain on disposal of property, plant and equipment	(224)	15
Exchange (loss) gain, net	(2,825)	2,405
	<u>1,541</u>	<u>27,828</u>

6. FINANCE COSTS

	Six months ended	
	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Interest on bank and other borrowings	7,188	4,512
Interest on borrowings from a related company	522	–
	<u>7,710</u>	<u>4,512</u>

7. (LOSS) PROFIT FROM OPERATIONS

	Six months ended	
	30 September 2015 HK\$'000 (unaudited)	30 September 2014 HK\$'000 (unaudited)
(Loss) profit from operations has been arrived at after charging (crediting):		
Depreciation	670	907
Amortisation of prepaid lease payments	240	240
Dividend income	(742)	(3,940)
	<u>(742)</u>	<u>(3,940)</u>

8. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for each of the six months ended 30 September 2014 (the “Corresponding Period”) and the Period.

Taxes on overseas profits have been calculated on the estimated assessable profit for the Period at the rates of taxation prevailing in the countries in which the entity operates.

	Six months ended	
	30 September 2015 HK\$'000 (unaudited)	30 September 2014 HK\$'000 (unaudited)
Current tax		
– Hong Kong	–	–
– Overseas	–	1,825
	–	1,825
Under-provision in prior years		
– Overseas	671	19
Total tax expenses for the Period	671	1,844

9. DIVIDEND

No dividend was paid during the Period or the Corresponding Period. The Directors do not recommend the payment of an interim dividend.

10. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) profit per share is based on the loss attributable to owners of the Company for the Period of approximately HK\$30,362,000 (Corresponding Period: profit of approximately HK\$9,758,000) and the weighted average number of 3,983,293,047 (Corresponding Period: 3,640,886,683) ordinary shares in issue during the Period.

There were no potential dilutive ordinary shares for each of the Corresponding Period and the Period, and therefore, diluted (loss) earnings per share was the same as the basic earnings per share.

11. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired investment properties, property, plant and equipment of approximately HK\$85.1 million (Corresponding Period: approximately HK\$264.3 million).

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

An aging analysis of the trade receivables at the end of the reporting period is as follows:

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Trade receivable (within 60 days)	1,296	1,836
Deposit placed in brokers' accounts	275	19,089
Prepayment in relation to acquisition of land in China	120,127	–
Other receivables, deposits and prepayments	1,762	5,534
	<u>123,460</u>	<u>26,459</u>
Amount due from an investee	5,797	6,560
Impairment in relation to amount due from an investee	(1,130)	(1,721)
	<u>4,667</u>	<u>4,839</u>
	<u>128,127</u>	<u>31,298</u>

13. ACCOUNTS PAYABLES AND ACCRUALS

An aging analysis of the trade payables at the end of the Period, based on the invoice date, is as follows:

	30 September 2014 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Accounts payable	408	561
Rental deposits	1,623	2,821
Real estate tax payable	1,801	1,052
Deposits received for disposal of investment properties	–	851
Receipt in advance in relation to the open offer of the Company's shares	–	11,299
Other payables and accrual	3,562	6,835
	<u>7,394</u>	<u>23,419</u>

14. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
<i>Issued and fully paid:</i>		
At 1 April 2015	3,655,657,172	189,595
Issuance of new shares – open offer	365,565,717	35,583
Exercise of share options	10,197,080	1,150
Transferred from share option reserve upon exercise of share options	–	548
	<hr/>	<hr/>
At 30 September 2015	4,031,419,969	226,876
	<hr/>	<hr/>

15. PLEDGE OF ASSETS

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Property, plant and equipment	22,954	23,255
Investment properties	763,321	702,242
Pledged bank deposits	63,318	63,360
Financial assets at fair value through profit or loss	–	33,840
Investment properties classified as held for sale	–	99,142
	<hr/>	<hr/>
	849,593	921,839
	<hr/>	<hr/>

In addition, the shares of certain subsidiaries are pledged as securities to obtain certain banking facilities granted to the Group at the end of the reporting period.

16. CAPITAL COMMITMENT

The Group had the following capital commitments at the end of the Period:

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Authorised but not contracted for in respect of acquisition of investment properties	–	8,280
	<hr/>	<hr/>
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of investment property	145,313	–
	<hr/>	<hr/>

17. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following material transactions with related parties during the Period:

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense paid to related company (<i>note 1</i>)	<u>522</u>	<u>–</u>
Property development management services income received from ex-director (<i>note 2</i>)	<u>1,512</u>	<u>5,546</u>

Notes:

- (1) The Group has entered into a loan agreement with Zensun Real Estate Co., Ltd (“Zensun”), a company ultimately controlled by Ms. Huang Yanping, pursuant to which Zensun will provide unsecured loan(s) up to a maximum aggregate amount of RMB150,000,000 for a duration of one year from the date of the loan agreement. Such loan(s) will be available for drawdown in accordance with actual needs within one year from the date of the loan agreement at an interest rate of 4% per annum on the loan(s) actually drawdown or such other interest rate that the project company is able to borrow in an amount equal to the relevant loan from a bank or a financial institution, whichever is the lower.
- (2) The Group earned property development management services income for management of properties under development in the USA from SeD USA, LLC, which is a subsidiary of Singapore eDevelopment Limited, a listed company in Singapore over which Mr. Chan Heng Fai, an ex-director and ex-controlling shareholder of the Company has significant influence. The provision of management services to these related parties were subsequently terminated in June 2015.

Save as above, no transactions have been entered into with the Directors (being the key management personnel) during the Period other than the emoluments paid to them (being key management personnel compensation) (Corresponding Period: Nil)

18. SUBSEQUENT EVENTS

- (i) On 30 September 2015, Global Medical REIT, Inc. (“GMR”) entered into a sale and purchase agreement with Star Medreal, LLC, pursuant to which GMR has agreed to acquire and the vendor has agreed to dispose of, a hospital named as Star Medical Center Hospital located at 4100 Mapleshade Lane, Plano, Texas 75075, United States for a purchase price of US\$17.5 million. The acquisition is expected to be completed in December 2015;
- (ii) On 2 October 2015, the Company entered into a sale and purchase agreement with Ms. Huang Yanping (“Ms. Huang”), pursuant to which, Ms. Huang has conditionally agreed to sell and the Company has conditionally agreed to acquire the entire interest of Vigor Capital Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands for a consideration of HK\$405,000,000 which was satisfied by the issuance of the 1,350,000,000 new shares of the Company on 24 November 2015.
- (iii) On 6 October 2015, GMR has entered into an asset purchase agreement with the vendor. Pursuant to the agreement, the vendor shall sell and GMR shall acquire a hospital named as Crescent Medical Centre located at 2600 West Pleasant Run Road, Lancaster, Texas 75146, United States, for US\$20.5 million. The transaction is expected to be completed in January 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of approximately HK\$28.3 million for the Period, representing a decrease of approximately 12% as compared to a turnover of approximately HK\$32.1 million for the Corresponding Period. The decrease was mainly resulted from the net effect of: (i) the decrease in dividend income and termination of a property development management service; and (ii) the increase in the rental income during the Period mainly resulted from decrease in the revenue from securities trading and investment, the loss on foreign exchange, a reduction in the fair value gain on investment properties; and a loss in fair value of financial assets at fair value through profit or loss.

The loss attributable to owners of the Company for the six months ended 30 September 2015 was approximately HK\$30.4 million compared to a profit of approximately HK\$9.8 million for the Corresponding Period.

The basic loss per share for the six months ended 30 September 2015 was HK0.76 cents compared to basis earnings of HK0.27 cents for the Corresponding Period.

Property Development

The Group has continued to identify new property development projects and attractive investment opportunities. During the Period, the Group has made a successful bid for the land use right of a land parcel No. (2015) 39 in Zhengzhou City, Henan Province (“Land Parcel”) in a listing for sale process held by Zhengzhou City Land and Resources Bureau for transfer of state-owned land use right for RMB95,780,000. The Land Parcel is located at the northwest region of Zhengzhou City with a site area of 34,438.75 sq.m. and a permitted plot ratio between 1.0 and 2.0. The Land Parcel is designated for residential usage with the term for 70 years. The Group has obtained the land title certificate of the Land Parcel on 10 October 2015.

Hotels Operations

Revenue for the hotel operation division declined 11.6% to approximately HK\$3.2 million in the Period, contributing to a loss by the segment of approximately HK\$0.4 million compared to approximately HK\$0.8 million over the Corresponding Period.

Securities Trading and Investment

During the Period, the Group’s securities business recorded an operating loss of approximately HK\$1.0 million as compared to a profit of approximately HK\$14.3 million in the Corresponding Period.

Property investment and management in the USA by AHR and GMR

The property investment and management in the USA by American Housing REIT, Inc. (“AHR”) and GMR division contributed revenues of approximately HK\$17.1 million (Corresponding Period: HK\$15.4 million) and operating loss of approximately HK\$9.7 million (Corresponding Period: profit of HK\$3.0 million) to the Group.

Property investment other than AHR and GMR

The property investment other than AHR and GMR division contributed revenues of approximately HK\$7.2 million (Corresponding Period: HK\$8.7 million) and operating profit of approximately HK\$9.2 million (Corresponding Period: HK\$12.4 million) to the Group, including a fair value gain on revaluation of investment properties of approximately HK\$7.3 million compared to approximately HK\$14.7 million in the Corresponding Period.

Other Investments

As at 30 September 2015, the Group held approximately 23% voting rights of the issued share capital in RSI International Systems Inc. (“RSI”), a company listed on the TSX Venture Exchange of Canada. During the Period, the Group shared RSI’s profit of approximately HK\$0.04 million.

During the Period, the Group held 40% interest in a joint venture, SLP-MORE Limited and the Group shared a loss of approximately HK\$0.4 million. In August 2015, the Group has disposed of its entire interest in SLP-MORE Limited with a gain of approximately HK\$0.3 million

Liquidity and Capital Resources

As at 30 September 2015, the total equity of the Group was approximately HK\$733.3 million (31 March 2015: HK\$739.3 million) and the Group had bank balances and cash, restricted bank balances and pledged bank deposits amounting to approximately HK\$149.5 million (31 March 2015: HK\$111.8 million) mainly denominated in U.S. dollars, Hong Kong dollars, Singapore dollars and Japanese Yen. The increase of total borrowings to approximately HK\$511.7 million (31 March 2015: HK\$400.3 million) was mainly due to the bank financing for the acquisition of medical facility under GMR in the USA and the loans from a related company for the acquisition of a piece of land in China during the Period. The borrowings were mainly denominated in United States dollars, Renminbi, Hong Kong dollars and Singapore dollars. As at 30 September 2015, the Group recorded a current ratio of 1.3 (31 March 2015: 1.2) and gearing ratio of 28.8% (31 March 2015: 24.7%). Gearing ratio is defined as the ratio of total borrowings less bank balances and cash and pledged bank deposits to total assets.

Material Acquisitions and Disposals for Material Investments

On 9 February 2015, Expats Residences Pte Ltd (“Expats”), a subsidiary of the Company has entered into an option to purchase agreement with an individual third party buyer, pursuant to which Expats has agreed to offer to sell to the buyer a residential unit located at 38 Dakota Crescent #14-09 Singapore 399938 for a consideration of S\$2,550,000. The offer was accepted by the buyer on 17 February 2015 and completed in April 2015;

On 25 March, 2015, China Credit Singapore Pte Ltd. (“CCSPL”), a subsidiary of the Company has entered into an option to purchase agreement with an individual third party buyer, pursuant to which CCSPL has agreed to offer to sell to the buyer the properties situated at No. 35 & No. 36 North Canal Road, Singapore 059291 and Singapore 059292 respectively at a consideration of S\$15,000,000. The offer was accepted by the Buyer on 15 April 2015 and completed in July 2015;

On 14 April 2015, Expats has entered into an option to purchase agreement with an individual third party buyer, pursuant to which Expats has agreed to offer to sell to the buyer a residential unit located at 40 Dakota Crescent #09-13 Singapore 399939 for a consideration of S\$2,530,000. The offer was accepted by the buyer on 29 April 2015 and completed in July 2015;

On 12 August 2015, the Group has made a successful bid for the Land Parcel in a listing for sale process held by Zhengzhou City Land and Resources Bureau for transfer of state-owned land use right for RMB95,780,000. The Group has obtained the land title certificate of the Land Parcel on 10 October 2015.

As discloses in 2015 Annual Report, the Group outlined a three-pronged strategy (the “Corporate and Business Update”) involving (i) the seeding and growing of real estate investment trusts (“REITs”), principally in the U.S., with a target annualized yield of 8.0%; (ii) developing a steady stream of recurring income from the Group’s direct management of these REITs via an 85%-owned U.S. subsidiary, Inter-American Group Holdings Inc. (“IA”); and (iii) raising capital for both the Company and the REITs through listings on various international exchanges.

In line with this strategy:

- (a) The Group acquired an approximately 95%-stake in U.S.– domiciled OnTarget360 Group, Inc., which merged with American Housing REIT, Inc. (“AHR”) for the purpose of facilitating a re-domicile into the State of Maryland in FY2014. AHR intends to elect to be treated as a REIT for U.S. federal income tax purposes. Shares of AHR are traded over the counter in the United States of America. During the Period, AHR acquired 40 single family homes located in the metropolitan regions of Texas, Georgia, Florida and North Carolina, for an aggregate purchase price of approximately US\$1.1 million. On 24 April 2014, AHR distributed its first quarterly dividend with an annualized yield of 8.39%, thereafter it consistently generating higher-than-average annualized yield in excess of 8%.
- (b) The Group acquired an approximately 94%-stake in Scoop Media, Inc., which merged with Global Medical REIT, Inc. (“GMR”) for the purpose of facilitating a redomicile into the State of Maryland in FY2014, GMR intends to elect to be treated as a REIT for U.S. federal income tax purposes. Shares of GMR are trade over the counter in the U.S. During the Period, GMR acquired an office/surgery centre named as West Mifflin Office and Surgery Center located at 9970 Mountain View Drive, West Mifflin, Pennsylvania, United States for aggregate costs of approximately US\$11.6 million. GMR has been distributing higher-than-average annualized dividend yield in excess of 8.0% since July 2014.

Contingent Liabilities

The Company has provided for its proportionate guarantee of S\$2.1 million to a bank in connection with banking facilities granted to Corporate Residence Pte Ltd, a company which is 90% owned by SingHaiyi Group Limited and 10% by the Group.

Foreign Exchange Exposure

The revenues, expenses, assets and liabilities are denominated substantially in U.S. dollars, Hong Kong dollars, Reminbi, Singapore dollars, and Japanese Yen. Due to currency peg of the Hong Kong dollars to the U.S. dollars, the exchange rate between these two currencies has remained stable, the Group has not implemented any hedging or other alternatives. Going forward, the Group may formulate a foreign currency hedging policy to provide a reasonable margin of safety for its exposure to Japanese Yen, Reminbi and Singapore dollars through transactions, assets and liabilities.

Human resources

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance-related bonuses. Share options may also be granted to eligible employees of the Group. Total staff costs, including Directors' emoluments during the Period, amounted to HK\$14.8 million (Correspondence Period: HK\$23.3 million).

As at 30 September 2015, the Group had approximately 50 employees.

Pledge of Assets

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	30 September 2014 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Property, plant and equipment	22,954	23,255
Investment properties	763,321	702,242
Pledged bank deposits	63,318	63,360
Financial assets at fair value through profit or loss	–	33,840
Investment properties classified as held for sale	–	99,142
	849,593	921,839

In addition, the shares of certain subsidiaries are pledged as securities to obtain certain banking facilities granted to the Group at the end of the reporting period.

Outlook and Prospects

The PRC

The Company will leverage on the PRC property development and investment experience of its new management team to seek to develop suitable projects with potential to deliver value to our shareholders. They will be conducted through cooperation to explore capital resources, reduce capital investment at early stage and facilitate projects development. The management remains cautiously optimistic on the long-term prospects of the real estate industry and will quicken the 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 Henan Zensun Real Estate Co., Ltd, a company ultimately controlled by Ms. Huang Yanping, the non-executive director and controlling shareholder of the Company (“Ms. Huang”). The synergistic effect brought by Zensun will improve the position of the Group in the real estate industry in China.

As stated in the Company’s annual report for the year ended 31 March 2015, the PRC government has launched a national strategy to develop the middle China economic zone. As a complementary and strategic support, and an important modern comprehensive traffic hub, Henan province will become an important area for economic growth in China which has a promising driving force for economic development. Riding on our professional real estate development capabilities and experience, and the resources accumulated for decades, the Group intends to identify more opportunities in terms of real estate development, and living facilities in relevant industries, so as to revitalize the development of our Group. In line with the Group’s overall strategy, in August 2015 the Group successfully bid a parcel of land in Zhengzhou City, Henan Province with a total site area of 34,438.75 sq.m.

In October 2015, the Company entered into a sale and purchase agreement with Ms. Huang, pursuant to which, Ms. Huang has conditionally agreed to sell and the Company has conditionally agreed to acquire the entire interest of Vigor Capital Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands for a consideration of HK\$405,000,000 which was satisfied by the issuance of the 1,350,000,000 new shares of the Company on 24 November 2015. The acquisition represents a strategic expansion of the Group in line with the Group’s general business strategy. The Vigor Group via its subsidiary owns a property project in Zhengzhou city in the PRC. Such property project consists of a land parcel located at the Economic and Technological Development Zone of Zhengzhou city with a site area of 47,736.04 sq.m. and has a gross floor area of approximately 296,000 sq.m.. The land parcel is designated for commercial and financial usage. It is intended that the property project will be developed into 9 blocks of commercial centers for sale which comprising office (approximately 174,000 sq.m.), apartments (approximately 28,000 sq.m.) and retail space (approximately 12,000 sq.m.) with the remaining being public area, carparking spaces and other ancillary purposes. It is intended that the property project will be developed into a commercial center and the property project is expected to be completed at the last quarter of 2017 and to have positive impact on contracted sales, cash flows, revenue and profit after completion of the acquisition, by directly leveraging the Group’s brand recognition and management expertise.

The US

In the US, the Group has two U.S. Over-The-Counter (“OTC”) listed REITs, namely Global Medical REIT Inc. (“GMR”) and American Housing REIT Inc. (“AHR”) which are managed by Inter-American Management, LLC (“IAM”), the 85%-owned REIT management arm of the Group, led by a specialised team of highly-experienced professionals with deep knowledge in the U.S. real estate market.

GMR

GMR was listed on the OTC since 2012. As an OTC-listed company, GMR is regulated by the Securities and Exchange Commission in the United States. GMR is 99%-held by the Company and managed by IAM, which distributed its maiden distribution in July 2014, and it is building a medical real estate portfolio of specialised, high-acuity medical facilities, and seeks to pay monthly distributions with a higher-than-average annualised yield of 8%. GMR’s strategy is to acquire licensed, specialised medical facilities leased to locally-dominant health care providers on long-term leases with annual rent increases. These leases are structured as triple net which require the tenant to pay for all property operating expenses including property taxes, insurance, maintenance, and capital expenses.

GMR targets situations where healthcare operators wish to monetize their real estate to redeploy into core health care operations and immediate growth initiatives. A key differentiator is GMR’s preference for high-acuity single-tenanted properties which require deep health care knowledge and industry expertise to underwrite creating an investment “barrier to entry” for “generalist” real estate investors that focus on generic office, residential, and retail real estate.

GMR acquires property on a long-term sale-leaseback basis which provides GMR with secured, predictable, growing rent income. GMR’s deep experience and contacts within the health care real estate community enable GMR to source non-brokered investment opportunities off-market and on favourable terms. GMR is able to originate property acquisitions with healthcare operators directly by catering specifically to their capital, accounting, legal, regulatory, and strategic needs.

GMR has been continually seeking suitable investment projects to strengthen its pipe-line. As part of its expansion strategy, it has recently acquired a hospital in Texas with total floor area of 104,369 square feet, as detailed in the Company’s announcement dated 9 October 2015.

AHR

AHR was listed on the OTC in 2010. As an OTC-listed company, AHR is regulated by the Securities and Exchange Commission in the United States. AHR is currently 99%-controlled by the Company and it owns a portfolio of single-family rentals primarily in Texas, Florida, Georgia and North Carolina, and seeks to pay a significantly higher-than-average annualised yield quarterly.

Other operations

The Group remains cautious about Singapore property market and does not expect to make a material investment in this market in the foreseeable future. For the Japan hotel operation, the Group is now actively seeking ways to enhance its overall profitability with a view to enabling the operations 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.

The management will continue to streamline the corporate structure, divest non-core non-performing businesses and seek viable business opportunities in accordance with its overall strategy and closely monitor the market situation and enhance all areas of operations, to raising levels of financial discipline and improving profitability within the Group in order to deliver the best returns to the Shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the securities of the Company. The Company has made specific enquiry with all Directors and, all Directors confirmed that they have fully complied with the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all code provisions ("Code Provisions") and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules throughout the Period, with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Mr. Zhang Jingguo, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Chief Executive Officer.

AUDIT COMMITTEE

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group and discussed, among other things, financial reporting matters including a review of the unaudited interim financial information for the Period. The Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S AND COMPANY’S WEBSITE

The Company’s interim report for the six months ended 30 September 2015 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information” and on the website of the Company at <http://www.zhsuccess.com> under “Investor Relations” in due course.

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

Hong Kong, 27 November 2015

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.