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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)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2015**

#### **RESULTS**

The Board of Directors (the “Board”) of ZH International Holdings Limited (formerly known as Heng Fai Enterprises Limited) (the “Company”) hereby announce the consolidated results of the Company and its subsidiaries (together referred to as the “Group”) for the nine months ended 31 December 2015 together with the comparative figures for the last financial year as set out in this announcement.

On 27 November 2015, the Company announced that the Board resolved to change the financial year end date of the Company from 31 March to 31 December. Accordingly, this set of consolidated final results covers the nine-month period from 1 April 2015 to 31 December 2015. Shareholders are advised that the comparative figures set out in this announcement for the last financial year from 1 April 2014 to 31 March 2015 may not be directly comparable.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*FOR THE PERIOD FROM 1 APRIL 2015 TO 31 DECEMBER 2015*

	<i>NOTES</i>	<b>1.4.2015 to 31.12.2015 HK\$'000</b>	1.4.2014 to 31.3.2015 HK\$'000
Revenue	3	<b>43,960</b>	60,661
Cost of operations		<b>(14,124)</b>	(15,343)
Gross profit		<b>29,836</b>	45,318
Other income		<b>2,146</b>	2,631
Other gains and losses	4	<b>29,811</b>	11,888
Administrative expenses		<b>(60,266)</b>	(99,417)
Sales and marketing expenses		<b>(5,534)</b>	–
Finance costs	5	<b>(13,322)</b>	(10,248)
Share of loss of an associate		<b>(61)</b>	(1,288)
Share of loss of a joint venture		<b>(353)</b>	(209)
Loss before taxation	6	<b>(17,743)</b>	(51,325)
Income tax expense	7	<b>(1,450)</b>	(4,005)
Loss for the period/year		<b>(19,193)</b>	(55,330)
<b>Other comprehensive income (expense)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<b>(13,015)</b>	(46,340)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of properties transferred from property, plant and equipment to investment properties		<b>17,036</b>	–
		<b>4,021</b>	(46,340)
<b>Total comprehensive expense for the period/year</b>		<b>(15,172)</b>	(101,670)
<b>(Loss) profit for the period/year attributable to:</b>			
Owners of the Company		<b>(19,655)</b>	(54,920)
Non-controlling interests		<b>462</b>	(410)
		<b>(19,193)</b>	(55,330)
<b>Total comprehensive (expense) income attributable to:</b>			
Owners of the Company		<b>(15,562)</b>	(99,727)
Non-controlling interests		<b>390</b>	(1,943)
		<b>(15,172)</b>	(101,670)
<b>Loss per share (HK cents)</b>	8		
Basic and diluted		<b>(0.47)</b>	(1.42)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2015**

	<i>NOTES</i>	<b>31.12.2015</b> <i>HK\$'000</i>	31.3.2015 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>21,197</b>	34,685
Investment properties		<b>1,085,984</b>	844,901
Interest in an associate		–	2,782
Interest in a joint venture		–	731
Deposit for acquisition of investment properties		<b>3,250</b>	775
Available-for-sale financial assets		–	2,718
Pledged bank deposits		<b>9,239</b>	6,711
		<hr/> <b>1,119,670</b>	<hr/> 893,303
<b>Current assets</b>			
Inventories		<b>258</b>	200
Properties under development for sale		<b>801,878</b>	–
Accounts receivable, deposits and prepayments	9	<b>15,289</b>	31,298
Financial assets at fair value through profit or loss		<b>9,812</b>	39,855
Tax recoverable		<b>2,916</b>	–
Pledged bank deposits		<b>30,669</b>	56,649
Restricted bank balances		<b>1,468</b>	1,335
Bank balances and cash		<b>202,787</b>	47,087
		<hr/> <b>1,065,077</b>	<hr/> 176,424
Investment properties classified as held for sale	10	<b>1,342</b>	99,142
		<hr/> <b>1,066,419</b>	<hr/> 275,566
<b>Current liabilities</b>			
Accounts payable, deposits received and accruals	11	<b>136,220</b>	23,419
Bank and other borrowings – due within one year		<b>158,938</b>	210,564
Obligations under finance leases		–	205
Amounts due to related companies		<b>143,832</b>	–
Amounts due to ultimate holding company		<b>26,740</b>	–
Loans from a related company		<b>182,486</b>	–
Bank overdraft		<b>7,748</b>	–
Tax liabilities		<b>2,464</b>	282
		<hr/> <b>658,428</b>	<hr/> 234,470
<b>Net current assets</b>		<hr/> <b>407,991</b>	<hr/> 41,096
<b>Total assets less current liabilities</b>		<hr/> <b>1,527,661</b>	<hr/> 934,399

	<b>31.12.2015</b> <i>HK\$'000</i>	31.3.2015 <i>HK\$'000</i>
<b>Capital and reserves</b>		
Share capital	<b>557,626</b>	189,595
Reserves	<b>541,155</b>	557,265
	<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>	<b>1,098,781</b>	746,860
Non-controlling interests	<b>(7,178)</b>	(7,568)
	<hr/>	<hr/>
<b>Total equity</b>	<b>1,091,603</b>	739,292
	<hr/>	<hr/>
<b>Non-current liabilities</b>		
Rental deposits received	<b>955</b>	1,609
Bank and other borrowings – due after one year	<b>267,986</b>	188,937
Loans from a related company	<b>154,747</b>	–
Obligations under finance leases	<b>–</b>	561
Deferred tax liabilities	<b>12,370</b>	4,000
	<hr/>	<hr/>
	<b>436,058</b>	195,107
	<hr/>	<hr/>
<b>Total equity and non-current liabilities</b>	<b>1,527,661</b>	934,399
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 APRIL 2015 TO 31 DECEMBER 2015

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investments properties and certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied for the first time in the current period the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the amendments to HKFRSs in the current period has had no material effect on the Group’s financial performance and positions for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

### 3. REVENUE AND SEGMENT INFORMATION

	<b>1.4.2015 to 31.12.2015 HK\$'000</b>	1.4.2014 to 31.3.2015 HK\$'000
Revenue is analysed as follows:		
Rental income	<b>35,487</b>	41,086
Income from hotel operations	<b>5,113</b>	6,666
Dividend income from financial assets at fair value through profit or loss	<b>1,492</b>	6,343
Property management fee income	<b>1,513</b>	6,276
Interest income	<b>355</b>	290
	<b>43,960</b>	60,661

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.

During the current period, the Group has expanded its property development business in the PRC and therefore it constitutes a new operating and reportable segment.

Accordingly, the Group’s reportable 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”), both are subsidiaries of the Group
- c) Property investment other than AHR and GMR
- d) Hotel operations
- e) Property development in the People’s Republic of China (“the PRC”)

The Group has property investment and management businesses in Hong Kong, the United States of America (the “USA”), Singapore and Japan. Other than AHR and GMR which operate in the USA, the property investment businesses in other regions are aggregated into one reportable segment.

The following is an analysis of the Group's revenue, results and assets by reportable and operating segments:

### Segment revenue and results

	Segment revenue		Segment results	
	1.4.2015 to 31.12.2015 <i>HK\$'000</i>	1.4.2014 to 31.3.2015 <i>HK\$'000</i>	1.4.2015 to 31.12.2015 <i>HK\$'000</i>	1.4.2014 to 31.3.2015 <i>HK\$'000</i>
Securities trading and investment	1,492	6,393	1,216	16,432
Property investment and management in the USA by AHR and GMR	26,191	30,389	(13,067)	(3,079)
Property investment other than AHR and GMR	10,809	16,973	(5,783)	9,400
Hotel operations	5,113	6,666	(858)	(4,658)
Property development in the PRC	–	–	(6,996)	–
Others	355	240	114	(133)
	<u>43,960</u>	<u>60,661</u>	<u>(25,374)</u>	<u>17,962</u>
Unallocated corporate income			441	102
Unallocated corporate expenses			(36,820)	(67,175)
Other gains and losses			45,477	–
Unallocated finance costs			(1,053)	(717)
Share of loss of an associate			(61)	(1,288)
Share of loss of a joint venture			(353)	(209)
Loss before taxation			<u>(17,743)</u>	<u>(51,325)</u>
Income tax expense			<u>(1,450)</u>	<u>(4,005)</u>
Loss for the period/year			<u><u>(19,193)</u></u>	<u><u>(55,330)</u></u>

#### 4. OTHER GAINS AND LOSSES

	1.4.2015 to 31.12.2015 <i>HK\$'000</i>	1.4.2014 to 31.3.2015 <i>HK\$'000</i>
Bargain purchase arising from acquisition of subsidiaries	47,738	–
(Decrease) increase in fair value of held-for-trading investments	(131)	10,764
(Decrease) increase in fair value of investment properties	(10,492)	6,996
Impairment loss recognised in respect of available for sale financial assets	–	(616)
Impairment loss recognised in respect of amounts due from an investee	(4,625)	(1,721)
Impairment loss recognised in respect of interest in an associate	(2,540)	–
Gain on disposal of a joint venture	279	–
Gain on disposal of investment properties	226	–
Gain on disposal of available-for-sale financial assets	2,055	–
Bad debts written-off in respect of trade and other receivables	(107)	(851)
Loss on disposal of property, plant and equipment	(258)	(10)
Exchange loss, net	(2,334)	(2,674)
	<u>29,811</u>	<u>11,888</u>

#### 5. FINANCE COSTS

	1.4.2015 to 31.12.2015 <i>HK\$'000</i>	1.4.2014 to 31.3.2015 <i>HK\$'000</i>
Interests on:		
bank and other borrowings	13,261	9,985
finance leases	21	20
loans from a related company	3,893	–
Other finance costs	40	243
	<u>17,215</u>	<u>10,248</u>
Less: capitalised in properties under development for sale	(3,893)	–
	<u>13,322</u>	<u>10,248</u>

Borrowing costs capitalised during the current period arose on the specific borrowings which is at the rate of 4% (31.3.2015: nil) per annum.



## 6. LOSS BEFORE TAXATION

	1.4.2015 to 31.12.2015 <i>HK\$'000</i>	1.4.2014 to 31.3.2015 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Total staff costs:		
Directors' emoluments	6,952	19,480
Other staffs:		
Salaries and other benefits	14,011	22,254
Retirement benefit scheme contributions	475	821
	<b>21,438</b>	42,555
Auditor's remuneration		
– audit services	1,810	1,710
– non-audit services	160	168
Operating lease payments	2,489	2,617
Depreciation of property, plant and equipment	1,196	2,164
after crediting:		
Rental income from investment properties	35,487	41,086
Less: Direct outgoings		
– relating to investment properties generated rental income during the period/year	(8,832)	(9,994)
– relating to investment properties that did not generate rental income	(517)	(299)
	<b>(9,349)</b>	(10,293)
	<b>26,138</b>	30,793

## 7. INCOME TAX EXPENSE

	1.4.2015 to 31.12.2015 <i>HK\$'000</i>	1.4.2014 to 31.3.2015 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	–	–
Tax in other jurisdictions	913	275
Deferred taxation	537	3,730
	<b>1,450</b>	4,005

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the period/year.

PRC Enterprise Income Tax is calculated at the applicable income tax rate of 25% on the assessable profits of the companies.

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax has been made in the consolidated financial statements as there are no assessable profits in Hong Kong and the PRC for the period/year.

Singapore income tax is calculated at 17% of assessable profit for the period/year. According to the relevant Singapore tax regulations, certain Singapore subsidiaries of the Group enjoyed the partial tax exemption during the period/year.

The subsidiaries in the USA are subject to Federal Income Tax of up to 35% and State Income Tax of 5% to 9.99% (31.3.2015: 5% to 8.25%) on the taxable income. Certain subsidiaries are LLCs which are by default disregarded entities (i.e. viewed as divisions of the holding company) and taxed as part of their holding company for federal and state income tax purposes.

## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following information:

	<b>1.4.2015 to 31.12.2015 HK\$'000</b>	1.4.2014 to 31.3.2015 HK\$'000
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	<u>(19,655)</u>	<u>(54,920)</u>
	<b>1.4.2015 to 31.12.2015 '000</b>	1.4.2014 to 31.3.2015 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,197,949</u>	<u>3,867,147</u>

The computation of the diluted loss per share for the current period and prior year does not assume the exercise of the Company's share options which were in issue during the period/year, because this would result in a decrease in the loss per share.

Weighted average number of ordinary shares for the year ended 31 March 2015 has been calculated taking into account the bonus element of the open offer of one share of the Company for every ten existing shares that completed in April 2015.

## 9. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	<b>31.12.2015</b> <i>HK\$'000</i>	31.3.2015 <i>HK\$'000</i>
Trade receivable	<b>1,185</b>	1,836
Deposits placed in brokers' accounts	<b>260</b>	19,089
Prepaid business taxes	<b>3,888</b>	–
Amounts due from a related company	<b>912</b>	–
Other receivables, deposits and prepayments	<b>9,044</b>	5,534
	<u><b>15,289</b></u>	<u>26,459</u>
Amounts due from an investee	<b>6,346</b>	6,560
Impairment on amounts due from an investee	<b>(6,346)</b>	(1,721)
	<u>–</u>	<u>4,839</u>
	<u><b>15,289</b></u>	<u>31,298</u>

Trade receivables represents the rental receivables and hotel room revenue receivables.

The settlement terms of rental receivables are upon presentation of demand notes. Rental receivables in the USA are initially received by the property managers appointed by the Group as collection agents. Pursuant to agreements between the property managers and the Group, the property managers shall pay the rental collected on behalf of the Group on a monthly basis.

Hotel room revenue is normally settled by cash or credit card.

All trade receivables were aged by 0–60 days, based on invoice dates, and not impaired.

Amounts due from a related company represent the receivables from the provision of property management services to SeD USA, LLC. The amount has to be settled in arrears monthly and is due within 6 months to one year based on invoice date and due date.

Accounts receivable that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Accounts receivable that was past due but not impaired as the Group has hold collaterals over the balances. Based on past experience, the management believes that no additional allowance for impairment is necessary as there is no significant change in credit quality and the balances are considered to be fully recoverable.

During the period/year, the Group has reviewed the recoverable amount of amounts due from an investee and considered an impairment of HK\$4,625,000 (31.3.2015: HK\$1,721,000) is required.

## 10. INVESTMENT PROPERTIES CLASSIFIED AS HELD FOR SALE

During the current period, the Group entered into agreements with independent third parties for the disposals of certain investment properties located in the USA for an aggregate cash consideration of approximately HK\$1,342,000. The directors of the Company assessed and concluded that the held-for-sale criteria set out in HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* are met. Therefore, the investment properties are classified as assets held for sale as at 31 December 2015. The fair value of the investment properties classified as held for sale as at 31 December 2015 is determined with reference to the contracted selling price. The disposals have been completed and consideration was received in full subsequent to the end of the reporting period.

During the year ended 31 March 2015, the Group entered into agreements with independent third parties for the disposals of certain investment properties located in Singapore for an aggregate cash consideration of approximately HK\$99,142,000. The disposals have been completed and consideration was received in full during the current period.

## 11. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	<b>31.12.2015</b> <i>HK\$'000</i>	31.3.2015 <i>HK\$'000</i>
Accounts payable	<b>60,342</b>	561
Rental deposits	<b>3,041</b>	2,821
Real estate tax payable	<b>2,544</b>	1,052
Deposits received and receipt in advance from property buyers	<b>57,250</b>	–
Other payables and accruals	<b>13,043</b>	6,835
Receipt in advance in relation to the open offer of the Company's shares	–	11,299
Deposits received for disposal of investment properties	–	851
	<b>136,220</b>	23,419

All trade payables are aged within one year, based on invoice date.

Deposits received and receipt in advance from property buyers are expected to be released to profit or loss more than twelve months after the end of the reporting period as the properties are expected to be delivered after twelve months from the end of the reporting period.

## **DIVIDEND**

The Board does not recommend the payment of a dividend in respect of the nine months ended 31 December 2015 (last financial year ended 31 March 2015: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining Shareholders who are entitled to attend and vote at the 2016 annual general meeting of the Company (“2016 AGM”), the register of members of the Company will be closed from Tuesday, 21 June 2016 to Thursday, 23 June 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2016 AGM, unregistered holders of shares of the Company should ensure that all transfers of Shares accompanied by the relevant Share certificates and appropriate transfer forms must be lodged with the office of the Company’s Share Registrar, Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 June 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The Group reported revenue of HK\$44.0 million and gross profit of HK\$29.8 million for the nine month ended 31 December 2015 (“Period”) (2014/15: HK\$60.7 million and HK\$45.3 million). The revenue and gross profit were mainly derived from the property investment business. Other gains and losses, mainly the bargain purchase arising from acquisition of equity interest in Vigor Capital Holdings Limited, decrease in fair value of investment properties, impairment loss recognized in respect of interest in an associate, impairment loss recognised in respect of amounts due from an investee and exchange loss, was net gain at HK\$29.8 million in the period. Administrative expenses was HK\$60.3 million for the Period as compared with HK\$99.4 million last year, mainly due to reduction in staff costs (including directors’ emolument) and legal and professional fees in relation to secondary listing and other prospective fund raising exercises in the previous financial year. The loss attributable to owners of the Company for the Period was approximately HK\$19.7 million (2014/15: HK\$54.9 million).

The basic loss per share for the Period was HK0.47 cent as compared to HK1.42 cents in the previous year.

#### *(a) Property development in the PRC*

During the Period, the Group has two property development projects under development, one is located at the northwest region of Zhengzhou City with a site area of 34,439 sq.m. and a permitted plot ratio between 1.0 and 2.0 and the other is located at the Economic and Technological Development Zone of Zhengzhou City with a site area of approximately 48,000 sq.m. and has a gross floor area of approximately 296,000 sq.m. It is expected that the projects will be completed at the last quarter of 2017. Pre-sales for certain blocks of the projects were commenced with revenue recognized up until 2018. During the Period, no revenue is recognized and recorded a sale and marketing expenses of HK\$5.5 million.

(b) *Hotels operations*

The revenue of the hotel operation division was approximately HK\$5.1 million for the Period (2014/15: HK\$6.7 million). The segment loss of approximately HK\$0.8 million (2014/15: HK\$4.7 million).

(c) *Securities Trading and Investment*

During the Period, the Group's securities business recorded a revenue of HK\$1.5 million and an operating profit of approximately HK\$1.2 million (2014/15: HK\$6.4 million and HK\$16.4 million), mainly due to the reduction in securities portfolio in responses to the stock market decline during the Period.

(d) *Property Investment and Management in the USA by American Housing REIT Inc. ("AHR") and Global Medical REIT, Inc. ("GMR")*

The property investment and management in the USA by AHR and GMR division contributed revenues of approximately HK\$26.2 million (2014/15: HK\$30.4 million) and operating loss of approximately HK\$13.1 million (2014/15: HK\$3.1 million) to the Group, including a fair value gain on investment properties of approximately HK\$1.3 million (2014/15: HK\$4.4 million).

(e) *Property Investment other than AHR and GMR*

The property investment other than AHR and GMR division contributed revenues of approximately HK\$10.8 million (2014/15: HK\$17.0 million) and operating loss of approximately HK\$5.8 million (2014/15: operating profit of HK\$9.4 million) to the Group, including a fair value loss on revaluation of investment properties of approximately HK\$11.0 million (2014/15: fair value gain of HK\$2.6 million).

(f) *Other Investments*

As at 31 December 2015, the Group held approximately 22% 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 loss of approximately HK\$0.06 million and recognized an impairment loss of HK\$2.5 million.

## **Liquidity and Capital Resources**

On 22 April 2015, the Company completed an open offer of one share of the Company for every ten existing shares. Gross proceeds amounting to approximately HK\$36.6 million were raised for the Group's operating cash flow purpose.

As at 31 December 2015, the total equity of the Group was approximately HK\$1,091.6 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\$244.2 million (31 March 2015: HK\$111.8 million) mainly denominated in U.S. dollars, Hong Kong dollars, Renminbi, Singapore dollars and Japanese Yen. The increase of total borrowings to approximately HK\$942.5 million (31 March 2015: HK\$400.3 million) was mainly due to the loans from the related parties and amounts due to related parties and bank financing for the acquisition of medical facilities under GMR in the USA and the property development projects in the PRC during the Period. The borrowings were mainly denominated in Renminbi, United States dollars, Hong Kong dollars and Singapore dollars. As at 31 December 2015, the Group recorded a current ratio of 1.6 (31 March 2015: 1.2) and gearing ratio of 31.9% (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**

- (a) On 14 April 2015, Expats Residences Pte Ltd. ("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;
- (b) On 3 August 2015, GMR entered into a sale and purchase agreement with Associates Properties, LP (supplemented on 4 September 2015), pursuant to which GMR has agreed to acquire and the vendor has agreed to dispose of, an office/surgery centre named as West Mifflin Office and Surgery Center located at 9970 Mountain View Drive, West Mifflin, Pennsylvania, United States for a purchase price of US\$10.75 million. The acquisition was completed on 25 September 2015;
- (c) On 30 September 2015, 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 was completed in January 2016;

- (d) 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 agreed to dispose of and the Company has agreed to acquire of the entire interest in Vigor Capital Holdings Limited, which indirectly held a property development project in the PRC for a consideration of HK\$405 million to be satisfied by issuing of 1,350,000,000 ordinary shares of the Company to Ms. Huang’s nominee, Joy Town Inc.. The acquisition was completed on 24 November 2015;
- (e) On 6 October 2015, GMR entered into a sale and purchase agreement with R&K Healthcare Real Estate, LLC., pursuant to which GMR has agreed to acquire and the vendor has agreed to dispose of, a hospital named as Crescent Medical Centre located at 2600 West Pleasant Run Road, Lancaster, Texas 75146, United States, for a purchase price of US\$20.5 million. The acquisition was subsequently lapsed.
- (f) On 14 December, 2015, GMR entered into a sale and purchase agreement with 6 sellers, pursuant to which GMR has agreed to acquire and the sellers have agreed to dispose of, a six building, 52,266 square foot medical clinic portfolio for a purchase price of US\$20.0 million. Five of the facilities are located in Tennessee and one facility is located in Mississippi. The acquisition was completed on 31 December 2015.

### **Capital Commitments**

At 31 December 2015, the Group had contracted but not provided for commitments of acquisition of two investment properties amounting to approximately HK\$294.5 million (31 March 2015: HK\$8.3 million). One of which amounting to approximately HK\$135.6 million was completed in January 2016 and the other amounting to approximately HK\$158.9 million was lapsed subsequent to the end of the reporting period.

### **Events After the Reporting Period**

Subsequent to the end of the reporting period,

- (i) the Group has entered into two agreements to acquire two investment properties located in the USA for an aggregate consideration of approximately US\$20.2 million; and
- (ii) the Group has converted US\$15 million of principal under the convertible debenture of GMR into 1,176,656 shares in GMR’s common stock and increased the equity interest in GMR from 99.5% to 99.9%.

### **Contingent Liabilities**

At 31 December 2015 and 31 March 2015, the Group has outstanding a financial guarantee issued to a bank in respect of banking facilities granted to an investee in which the Group has a 10% equity interest. The aggregate amount that could be required to be paid if the guarantee was called upon is approximately HK\$11.5 million (31 March 2015: HK\$11.9 million). In the opinion of the directors of the Company, the fair value of the guarantee is insignificant at initial recognition, 31 March 2015 and 31 December 2015 as the directors of the Company consider that the possibility of default is remote. Accordingly, no value has been recognised on the consolidated statement of financial position. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.



## Foreign Exchange Exposure

The revenues, expenses, assets and liabilities are denominated substantially in Singapore dollars, Hong Kong dollars, U.S. dollars, Renminbi and Japanese Yen. Due to the currency peg of the Hong Kong dollar to the U.S. dollar, the exchange rate between these two currencies has remained stable and thus 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, Renminbi 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 bonus. Share options may also be granted to eligible employees of the Group.

At the end of the reporting period, the Group had approximately 43 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:

	<b>31.12.2015</b> <i>HK\$'000</i>	31.3.2015 <i>HK\$'000</i>
Property, plant and equipment	<b>11,975</b>	23,255
Investment properties	<b>774,684</b>	702,242
Pledged bank deposits	<b>39,908</b>	63,360
Financial assets at fair value through profit or loss	<b>8,177</b>	33,840
Investment properties classified as held for sale	–	99,142
	<b>834,744</b>	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

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

## **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. In addition to existing business partner, 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 Henan Zensun Real Estate Co., Ltd ("Zensun"). The synergistic effect brought by Zensun will improve the position of the Group in the real estate industry in China.

## **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 in-depth knowledge in the U.S. real estate market.

## **GMR**

GMR is accelerating its acquisition pipeline and moving to migrate to the New York Stock Exchange. Following its completion, the Company's percentage holding in the issued share capital of GMR will be substantially reduced and the Company will continue providing management services and receiving recurring management fees directly to and from GMR pursuant to the management agreement between GMR and IAM. It is expected that the offering and future fund raising of GMR will increase its capital base which in return increases the management fee income to be received from GMR.

## **AHR**

AHR was listed on the OTC in 2010. 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, seek viable business opportunities in accordance with its overall strategy, closely monitor the market situation and enhance all areas of operations which can raise the level of financial discipline, improve profitability within the Group and deliver the best returns to the Shareholders.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the nine months ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of a Director subsequent to the date of the Company's annual report for the year ended 31 March 2015 are set out below:

Mr. Zhang Jingguo, an executive Director, chief executive officer and chairman of the Company, was appointed as a non-executive director of Bank of Zhengzhou Co., Ltd. in February 2012, the shares of which were listed on the Stock Exchange on 23 December 2015.

Mr. Liu Da, an independent non-executive Director of the Company, was resigned from the position of independent non-executive director, chairman of the audit committee, members of the nomination committee and remuneration committee of Long Ji Tai He Holding Limited (listed on the Hong Kong Stock Exchange) on 16 October 2015.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company follows the Model Code in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with Directors, all Directors confirmed that they fully complied with the Model Code during the nine months ended 31 December 2015.

## **AUDIT COMMITTEE**

The audit committee of the Company, comprises three independent non-executive Directors, namely Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements of the Group for the nine months ended 31 December 2015.

## **PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS**

The financial information relating to the nine months ended 31 December 2015 and year ended 31 March 2015 included in this preliminary announcement of final results 2015 do not constitute the Company's statutory annual consolidated financial statements for those period/year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the nine months ended 31 December 2015 in due course.

The Company's auditor has reported on the consolidated financial statements of the Company and its subsidiaries for the nine months ended 31 December 2015. The auditor's report was unqualified and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the consolidated statement of financial position of the Group as at 31 December 2015, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the period from 1 April 2015 to 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements for the period. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect of the Group did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **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.

## **PUBLIC FLOAT**

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on 23 June 2016 and the notice of the Annual General Meeting will be published and despatched in the manner as required by the Listing Rules and the Company's articles of association in due course.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S AND COMPANY'S WEBSITE**

The Company's annual report for the nine months ended 31 December 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](http://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, 30 March, 2016

*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.*