ZH INTERNATIONAL HOLDINGS LIMITED
正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS

The board of directors (the "Board") of ZH International Holdings Limited (the "Company") hereby announces the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year") together with the comparative figures for the last financial period for the nine months ended 31 December 2015 (the "Corresponding Period") as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**1.1.2016 to 31.12.2016 *HK$'000***	1.4.2015 to 31.12.2015 *HK$'000*
Revenue	*4*	**79,569**	43,960
Cost of operations		**(18,217)**	(14,124)
Gross profit		**61,352**	29,836
Other income		**2,273**	2,146
Other gains and losses	*5*	**(24,776)**	29,811
Administrative expenses		**(57,170)**	(60,266)
Sales and marketing expenses		**(13,897)**	(5,534)
Finance costs	*6*	**(19,753)**	(13,322)
Share of loss of an associate		**–**	(61)
Share of loss of a joint venture		**–**	(353)
Loss before taxation	*7*	**(51,971)**	(17,743)
Income tax expense	*8*	**(4,614)**	(1,450)
Loss for the year/period		**(56,585)**	(19,193)

	NOTES	1.1.2016 to 31.12.2016 HK$'000	1.4.2015 to 31.12.2015 HK$'000
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(27,640)**	(13,015)
Item that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties transferred from property, plant and equipment to investment properties		**–**	17,036
		(27,640)	4,021
Total comprehensive expense for the year/period		**(84,225)**	(15,172)
(Loss) profit for the year/period attributable to:			
Owners of the Company		**(56,702)**	(19,655)
Non-controlling interests		**117**	462
		(56,585)	(19,193)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(85,284)**	(15,562)
Non-controlling interests		**1,059**	390
		(84,225)	(15,172)
Loss per share (HK cents)			
Basic and diluted	*9*	**(0.97)**	(0.47)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	**31.12.2016** **HK$'000**	31.12.2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**20,625**	21,197
Investment properties		**582,448**	1,085,984
Interest in an associate		**–**	–
Deposit paid for acquisition of investment properties		**–**	3,250
Pledged bank deposits		**4,148**	9,239
		607,221	1,119,670
Current assets			
Properties under development for sale		**1,438,523**	801,878
Deposits paid for land acquisitions		**1,030,622**	–
Inventories		**199**	258
Accounts receivable, deposits and prepayments	*11*	**57,397**	15,289
Financial assets at fair value through profit or loss		**187,403**	9,812
Tax recoverable		**68,067**	2,916
Pledged bank deposits		**8,646**	30,669
Restricted bank balances		**27,561**	1,468
Bank balances and cash		**230,359**	202,787
		3,048,777	1,065,077
Investment properties classified as held for sale	*12*	**42,187**	1,342
		3,090,964	1,066,419
Current liabilities			
Accounts payable, deposits received and accruals	*13*	**174,582**	78,970
Deposits received and receipt in advance from property buyers	*14*	**901,455**	57,250
Amounts due to related companies	*15*	**77,475**	143,832
Amounts due to ultimate holding company	*15*	**–**	26,740
Loans from a related company	*16*	**1,052,105**	182,486
Bank and other borrowings – due within one year		**157,550**	158,938
Bank overdraft		**–**	7,748
Tax liabilities		**8,765**	2,464
		2,371,932	658,428
Net current assets		**719,032**	407,991
Total assets less current liabilities		**1,326,253**	1,527,661

	NOTES	31.12.2016 HK$'000	31.12.2015 HK$'000
Capital and reserves			
Share capital	*17*	**716,706**	557,626
Reserves		**446,405**	541,155
Total equity attributable to owners of the Company		**1,163,111**	1,098,781
Non-controlling interests		**(6,093)**	(7,178)
Total equity		**1,157,018**	1,091,603
Non-current liabilities			
Rental deposits received		**768**	955
Loans from a related company	*16*	**109,535**	154,747
Bank and other borrowings – due after one year		**47,375**	267,986
Deferred tax liabilities		**11,557**	12,370
		169,235	436,058
Total equity and non-current liabilities		**1,326,253**	1,527,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL

ZH International Holdings Limited (the "Company") is a public limited liability company incorporated in Hong Kong with its shares listed on Main Board of 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 management, hotel operations and securities trading and investment in Hong Kong and overseas.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

In 2015, the Company changed its financial year end date from 31 March to 31 December because the directors of the Company (the "Directors") decided to bring the annual reporting period end date of the Group to align the financial year end date of the Company with that of the operating subsidiaries. Accordingly, shareholders are advised that the corresponding comparative amounts set out in this announcement cover nine-month period from 1 April 2015 to 31 December 2015, and therefore may not be directly comparable with the amounts shown for the current year.

2. BASIS OF PREPARATION

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 ("Listing Rules") and 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

4. REVENUE AND SEGMENT INFORMATION

	1.1.2016 to 31.12.2016	1.4.2015 to 31.12.2015
	HK$'000	*HK$'000*
Revenue is analysed as follows:		
Rental income	**53,826**	35,487
Income from hotel operations	**6,969**	5,113
Dividend income from financial assets at fair value through profit or loss	**8,704**	1,492
Property management fee income	**9,736**	1,513
Interest income	**334**	355
	79,569	43,960

Information reported to 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.

Accordingly, the Group's reportable segments under HKFRS 8 are as follows:

a) Securities trading and investment

b) Property investment and management in the United States of America (the "USA") on American Housing REIT, Inc. ("AHR") and Global Medical REIT, Inc. ("GMR"), both are operated and managed by a subsidiary 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, 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 and results by reportable and operating segments:

	Segment revenue		**Segment results**	
	1.1.2016 to 31.12.2016	1.4.2015 to 31.12.2015	**1.1.2016 to 31.12.2016**	1.4.2015 to 31.12.2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Securities trading and investment	**8,704**	1,492	**(14,790)**	1,216
Property investment and management in the USA on AHR and GMR	**47,433**	26,191	**(31,986)**	(13,067)
Property investment other than AHR and GMR	**16,129**	10,809	**8,045**	(5,783)
Hotel operations	**6,969**	5,113	**(928)**	(858)
Property development in the PRC	**–**	–	**(17,996)**	(6,996)
Others	**334**	355	**218**	114
	79,569	43,960	**(57,437)**	(25,374)
Unallocated corporate income			**858**	441
Unallocated corporate expenses			**(14,647)**	(36,820)
Other gains and losses			**19,397**	45,477
Unallocated finance costs			**(142)**	(1,053)
Share of loss of an associate			**–**	(61)
Share of loss of a joint venture			**–**	(353)
Loss before taxation			**(51,971)**	(17,743)
Income tax expense			**(4,614)**	(1,450)
Loss for the year/period			**(56,585)**	(19,193)

5. OTHER GAINS AND LOSSES

	1.1.2016 to 31.12.2016 *HK$'000*	1.4.2015 to 31.12.2015 *HK$'000*
Gain on disposal of investment properties	**349**	226
Gain on disposal of an associate *(note)*	**8,367**	–
Gain on disposal of a joint venture	**–**	279
Gain on disposal of available-for-sale financial assets	**–**	2,055
Bad debts written-off in respect of accounts receivable	**(387)**	(107)
Loss on disposal of property, plant and equipment	**–**	(258)
Loss on disposal of subsidiaries	**(13,128)**	–
Exchange gain (loss), net	**2,390**	(2,334)
Increase (decrease) in fair value of investment properties	**1,050**	(10,492)
Increase (decrease) in fair value of financial assets at fair value through profit or loss		
– realised	**6**	(755)
– unrealised	**(23,423)**	886
Bargain purchase arising from acquisition of subsidiaries	**–**	47,738
Impairment loss recognised in respect of amounts due from an investee	**–**	(4,625)
Impairment loss recognised in respect of interest in an associate	**–**	(2,540)
	(24,776)	29,811

Note: During the Year, the Group disposed its entire interest in RSI International Systems Inc. ("RSI"), a company listed on the TSX Venture Exchange of Canada for a consideration of approximately CAD1,486,000 and recorded a net gain of approximately HK$8,367,000.

6. FINANCE COSTS

	1.1.2016 to 31.12.2016 *HK$'000*	1.4.2015 to 31.12.2015 *HK$'000*
Interests on:		
Bank and other borrowings	**19,753**	13,322
Loans from a related company	**11,381**	3,893
	31,134	17,215
Less: capitalised in properties under development for sale	**(11,381)**	(3,893)
	19,753	13,322

Borrowing costs capitalised during the Year arose on the specific borrowings which are at the rates of 4% (2015: 4%) per annum.

7. LOSS BEFORE TAXATION

	1.1.2016 to 31.12.2016 *HK$'000*	1.4.2015 to 31.12.2015 *HK$'000*
Loss before taxation has been arrived at after charging:		
Total staff costs:		
Directors' emoluments	**1,781**	6,952
Other staffs:		
Salaries and other benefits	**19,201**	14,011
Retirement benefit scheme contributions	**1,118**	475
Total employee benefit expenses	**22,100**	21,438
Less: capitalised in properties under development for sale	**(487)**	–
	21,613	21,438
Auditor's remuneration		
– audit services	**1,810**	1,810
– non-audit services	**40**	160
Operating lease payments	**1,371**	2,489
Depreciation of property, plant and equipment	**1,002**	1,196
Loss before taxation has been arrived at after crediting:		
Gross rental income from investment properties	**53,826**	35,487
Less: direct operating expenses incurred for:		
– investment properties generated rental income	**(12,317)**	(8,832)
– investment properties that did not generate rental income	**(326)**	(517)
	(12,643)	(9,349)
	41,183	26,138

8. INCOME TAX EXPENSE

	1.1.2016 to 31.12.2016 *HK$'000*	1.4.2015 to 31.12.2015 *HK$'000*
Income tax expense comprises:		
Current tax		
– Hong Kong	**–**	–
– Overseas	**5,437**	63
	5,437	63
(Over)under-provision in prior years		
– Hong Kong	**–**	–
– Overseas	**(498)**	850
	(498)	850
Deferred taxation	**(325)**	537
	4,614	1,450

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Year/Corresponding Period.

PRC enterprise income tax is calculated at the applicable income tax rate of 25% on the assessable profits for the Year/Corresponding Period.

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 Year/Corresponding Period.

Singapore income tax is calculated at 17% of assessable profit for the Year. According to the relevant Singapore tax regulations, certain Singapore subsidiaries of the Group enjoyed the partial tax exemption and tax rebate during the Year/Corresponding Period.

The subsidiaries in the USA are generally subject to federal income tax up to 35% (Corresponding Period: 35%) and state tax ranging from 4% to 9.99% (Corresponding Period: 5% to 9.99%) on the taxable income. Certain of these subsidiaries retained with undistributed income are also subject to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are LLCs which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal and state income tax purposes.

9. 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:

	1.1.2016 to 31.12.2016	1.4.2015 to 31.12.2015
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**56,702**	19,655

	1.1.2016 to 31.12.2016	1.4.2015 to 31.12.2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,850,836**	4,197,949

No dilutive effect to the loss per share for the Year as there were no potential ordinary shares in issue during the Year.

The computation of the diluted loss per share for the Corresponding Period did not assume the exercise of the Company's share options which were in issue during the Corresponding Period, because this would result in a decrease in the loss per share.

10. DIVIDENDS

The Directors did not recommend the payment of a dividend in respect of the Year/Corresponding Period.

11. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Accounts receivable	**10,124**	1,185
Prepaid business, value-added and other taxes	**37,449**	3,888
Other receivables, deposits and prepayments	**6,872**	10,216
	54,445	15,289
Amounts due from investees	**9,298**	6,346
Impairment on amounts due from an investee	**(6,346)**	(6,346)
	2,952	–
	57,397	15,289

Accounts receivable represents the management fee receivables, dividend receivables, rental receivables and hotel room revenue receivables.

The management fee has to be settled in arrears quarterly, pursuant to the revised management agreement entered into with GMR.

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 accounts receivable were aged by 0–60 days, based on invoice dates, and not impaired.

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 Year, the Group has reviewed the recoverable amount of amounts due from investees and considered no impairment is required (Corresponding Period: provision for HK$4,625,200).

12. INVESTMENT PROPERTIES CLASSIFIED AS HELD FOR SALE

As at 31 December 2016, the Group has 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$42,187,000 (2015: HK$1,342,000). The Directors assessed and concluded that the held-for-sale criteria set out in HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* for these disposals are met. Therefore, these contracted investment properties are classified as investment properties classified as held for sale as at 31 December 2016. The fair value of investment properties classified as held for sale is determined with reference to their contracted selling price. The disposals have been completed and consideration was received in full subsequent to the end of the reporting period and during the Year.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Accounts payable	**206**	459
Accrued construction cost	**155,099**	59,883
Rental deposits	**2,582**	3,041
Retention deposits and payable	**3,181**	–
Real estate and other tax payable	**1,820**	2,544
Other payables and accruals	**11,694**	13,043
	174,582	78,970

All accounts payable were aged within one year, based on invoice date.

14. DEPOSITS RECEIVED AND RECEIPT IN ADVANCE FROM PROPERTY BUYERS

Deposits received and receipt in advance from property buyers amounting to HK$447,570,000 (2015: HK$57,250,000) are expected to be released to profit or loss more than twelve months after the end of the reporting period.

15. AMOUNTS DUE TO RELATED COMPANIES AND ULTIMATE HOLDING COMPANY

The amounts due to related companies and the ultimate holding company are unsecured, interest-free and repayable on demand.

Ms. Huang Yanping ("Ms. Huang") has the controlling interests over these related companies.

16. LOANS FROM A RELATED PARTY

The Group has entered into loan agreements with Henan Zensun Real Estate Co., Ltd ("Zensun"), a company ultimately controlled by Ms. Huang, pursuant to which Zensun will provide unsecured loan(s).

Loan(s) with the aggregate amount of approximately HK$164,516,000 as at 31 December 2016 (2015: HK$337,233,000) are unsecured with interest bearing at the lower of (i) 4% per annum or (ii) such other interest rate the Group is able to borrow in an amount equal to the relevant loan from a bank or a financial institution at the date of drawdown. Except for the amount of HK$109,535,000 (2015: HK$154,747,000) which is repayable in 2018 and classified under non-current liabilities, the remaining amounts are repayable within one year.

The remaining loans amounting to approximately HK$997,124,000 as at 31 December 2016 (2015: nil) are unsecured, interest-free and repayable two years after the date of drawdown. Those amounts are not repayable within one year based on scheduled repayment dates have been shown under current liabilities as Zensun has discretionary rights to demand immediate repayment.

17. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Issued and fully paid:		
At 1 January 2016	**5,381,419,969**	**557,626**
Issue of new shares under share subscription	**795,400,000**	**159,080**
At 31 December 2016	**6,176,819,969**	**716,706**

All the shares issued during the Year rank *pari passu* with other shares in issue in all respects.

18. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2016 *HK$'000*	2015 *HK$'000*
Contracted for but not provided in respect of:		
Acquisition of investment properties	**–**	294,527
Acquisitions of land use rights	**1,356,434**	–
Property development expenditures for properties under development for sale	**369,054**	–
	1,725,488	294,527

19. RELATED PARTY TRANSACTIONS

	1.1.2016 to 31.12.2016	1.4.2015 to 31.12.2015
	HK$'000	*HK$'000*
Interest expenses to a related company and capitalised in properties under development for sale *(Note 16)*	**11,381**	3,893
Cost incurred in relation to construction, engineering and related service provided by a related company and capitalised in properties under development for sale *(note (i))*	**106,525**	–
Property management services income received from a related company of the then director *(note (ii))*	**–**	1,513
Commission expense to the then director *(note (iii))*	**–**	309

Notes:

(i) The Group has entered into a master services agreement with Henan Zensun Corporate Development Company Limited ("Zensun Development"), which ultimately controlled by Mr. Zhang Jingguo, pursuant to which Zensun Development and its relevant members (collectively as "Zensun Development Group") provide contracting and ancillary services for the properties under development for sale of the Group in 2015. The initial term of the master services agreement commenced on 1 January 2016 and shall continue up to 31 December 2018. During the Year, the Group has entered definitive agreement for the respective services with member of Zensun Development Group. The annual maximum transaction amount in respect of these services provision for the Year shall be RMB92 million (approximately HK$107,318,000).

(ii) The Group earned property management services income for managing properties in the USA of SeD USA, LLC, which is a subsidiary of Singapore eDevelopment Limited, a listed company in Singapore over which Mr. Chan Heng Fai, the then director and the then ultimate controlling party of the Company, has significant influence during the Corresponding Period.

(iii) Mr. Chan Heng Fai is the then director of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group reported revenue of HK$79.6 million and gross profit of HK$61.4 million for the Year (Corresponding Period: HK$44.0 million and HK$29.8 million). The revenue and gross profit were mainly derived from the property investment and management business. Other gains and losses were recorded as net loss at HK$24.8 million during the Year (Corresponding Period: net gain at HK$29.8 million). Administrative expenses and selling expenses were HK$57.2 million and HK$13.9 million respectively for the Year as compared to HK$60.3 million and HK$5.5 million respectively for the Corresponding Period. The loss attributable to owners of the Company for the Year was approximately HK$56.7 million (Corresponding Period: HK$19.7 million).

The increase in the loss attributable to the owners of the Company were primarily due to (i) net loss attributable to the completion of deemed disposal of GMR in relation to its share offering and migration listing on the NYSE (the "GMR Offering") during 2016; and (ii) decrease in fair value of financial assets at fair value through profit or loss at the end of the reporting period, recorded in other gains and losses.

The basic loss per share for the Year was HK0.97 cent as compared to HK0.47 cents for the Corresponding Period.

The Directors did not recommend the payment of a dividend in respect of the Year.

Property Development

During the Year, the Group has three ongoing projects under development in Zhengzhou, PRC, namely Zensun Xinghan Garden, Zensun Jingkai Plaza and Zensun Shuxiangmingju project. Based on the current construction progress and the delivery schedule, they are expected to be completed in the fourth quarter of 2017, the first quarter of 2018 and the fourth quarter of 2019, respectively. Other than the three ongoing projects under development, the Group successfully bidded land use rights of four land parcels with code nos. 2016-012, 2016-114, 2016-127 and 2016-143 in public auctions held by Land and Resources Bureau of Zhenzhou City through a listing for sale process in the fourth quarter of 2016. These land parcels were all located in Zhenzhou City, Henan Province, PRC. The handover of these four land parcels has gradually completed in the first quarter of 2017.

Following the Group's strategy in expanding its business operation in Henan Province in the PRC, the Board will continue to identify new property development projects and bid for land use rights of other selective land parcels in the PRC with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

Hotel Operations

Revenue for the hotel operation division increased approximately 37% from HK$5.1 million to HK$7.0 million during the Year, contributing to a segment loss of approximately HK$0.9 million (Corresponding Period: HK$0.9 million).

Property Investment and Management in the USA on AHR and GMR

The division in property investment and management in the USA on AHR and GMR, both are operated and managed by Inter-American Management, LLC ("IAM"), the 85%-owned REIT management arm of the Group, contributed revenue of approximately HK$47.4 million (Corresponding Period: HK$26.2 million) and segment loss of approximately HK$32.0 million (Corresponding Period: HK$13.1 million) to the Group. In July 2016, GMR has completed the GMR Offering, and the Group's interest in GMR was diluted from 99.9% to 14.8% consequently. Since the GMR Offering constituted a deemed disposal transaction of the Group's interests with loss of control in GMR, thereafter, GMR was ceased to be subsidiary of the Company. The net loss arising from the GMR Offering increased in the segment loss for the Year. After the GMR Offering, the Group has continued to provide management services to GMR in return for property management fee income pursuant to the revised management agreement between GMR and IAM.

Property Investment other than AHR and GMR

The property investment other than AHR and GMR divisions contributed revenue of approximately HK$16.1 million (Corresponding Period: HK$10.8 million) and segment profit of approximately HK$8.0 million (Corresponding Period: segment loss of HK$5.8 million) to the Group. The improvement of segment profit was attributable to a lesser extent of decrease in fair value of investment properties recorded during the Year for approximately HK$0.3 million as compared to approximately HK$11.8 million recorded during the Corresponding Period.

Securities Trading and Investment

During the Year, the Group's securities business recorded a revenue of HK$8.7 million and a segment loss of approximately HK$14.8 million, as compared to revenue of HK$1.5 million and segment profit of approximately HK$1.2 million recorded in the Corresponding Period. After the GMR Offering, the Group reclassified its investment in GMR as designated as at fair value through profit or loss. The significant increment in the revenue and segment loss of Securities business were primarily attributable to the dividends received from GMR and the decrease in its fair value at the end of reporting period.

Other Investment

During the Year, the Group disposed its entire interest in RSI, a company listed on the TSX Venture Exchange of Canada for a consideration of approximately CAD1.5 million and recorded a net gain of approximately HK$8.4 million.

Liquidity and Capital Resources

On 12 May 2016, the Company entered into subscription agreements with 8 subscribers pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the subscribers, an aggregate of 795,400,000 new ordinary shares of the Company ("Subscription Shares") in cash at subscription price of HK$0.20 per Subscription Share, subject to a lock-up period of six months. The transaction was completed on 30 May 2016 and net proceeds amounting to approximately HK$159 million were raised which is intended to be used for the general working capital and repayment of liabilities of the Group and as funds for future development of the Company when the investment opportunities arise.

As at 31 December 2016, the total equity of the Group was approximately HK$1,157.0 million (2015: HK$1,091.6 million) and the Group had bank balances and cash, restricted bank balances and pledged bank deposits amounting to approximately HK$270.7 million (2015: HK$244.2 million) mainly denominated in U.S. dollars, Hong Kong dollars, Renminbi, Singapore dollars and Japanese Yen. The increase of total borrowings to approximately HK$1,444.0 million (2015: HK$942.5 million) was mainly due to the loans from a related company for the property development projects in the PRC during the Year. The total borrowings were mainly denominated in Renminbi, U.S. dollars, Hong Kong dollars and Singapore dollars. As at 31 December 2016, the Group recorded a current ratio of 1.3 (2015: 1.6) and gearing ratio of 31.7% (2015: 31.9%). Gearing ratio is defined as the ratio of total borrowings less bank balances and cash, restricted bank balances and pledged bank deposits to total assets.

Material Acquisitions and Disposals for Material Investments

(a) On 8 January 2016, GMR entered into a sale and purchase agreement with Marina Towers LLC, pursuant to which, the vendor shall sell and GMR shall acquire a hospital named "Marina Towers" located at 709 South Harbor City Boulevard, Melbourne, Florida 32901, United States, for a purchase price of US$15.5 million. The acquisition was completed in March 2016.

(b) On 23 February 2016, GMR entered into a sale and purchase agreement with Cherry Hills Real Estate, LLC, pursuant to which, the vendor shall sell and GMR shall acquire an ambulatory surgery center and medical office building located in Westland, Michigan, United States, for a purchase price of US$4.75 million. The acquisition was completed in March 2016.

(c) On 19 April 2016, GMR entered into a sale and purchase agreement with Paper Mill Partners, L.P. and Ridgewood Surgery Center, L.P., pursuant to which, the vendors shall sell and GMR shall acquire a 17,000 square-foot medical office building and a 6,500 square-foot eye surgery center located at Wyomissing, United States, for an aggregate consideration of approximately US$9.2 million. The transaction was completed in July 2016.

(d) On 23 May 2016, the Company, Hotel Room Xpress Pte. Ltd., Heng Fung Capital Company Limited and Xpress Credit Limited entered into a share purchase agreement with Ernest W. Moody Revocable Trust whereby the Group has agreed to sell and the purchaser has agreed to purchase 8,031,664 shares of RSI for cash consideration of approximately CAD1.5 million. The transaction was completed in June 2016.

(e) On 28 June 2016, GMR, IAM and Global Medical REIT L.P. entered into an underwriting agreement with Wunderlich Securities, Inc., as representative of the several underwriters named therein, relating to the GMR Offering. On 1 July 2016, GMR closed its share offering and issued 13,043,479 shares of its common stock at a price of US$10.00 per share resulting in gross proceeds of US$130,434,790. Additionally, on 11 July 2016 the underwriters exercised their over-allotment option in full, resulting in the issuance by GMR of an additional 1,956,521 shares of its common stock at a price of US$10.00 per share for gross proceeds of US$19,565,210. Total shares issued by GMR in the GMR Offering, including over-allotment option shares, were 15,000,000 and the Group's interest in GMR was diluted from 99.9% to 14.8%. As a consequence, GMR was ceased to be a subsidiary of the Company; and

(f) The Group has been successful in bidding of land use rights of five land parcels with code nos. of 2016-11, 2016-012, 2016-114, 2016-127, 2016-143 through listings for sale process in the auctions held by Land and Resources Bureau of Zhengzhou City for transfer of state-owned land use rights for a consideration of RMB185,000,000 on 1 July 2016, for a consideration of RMB802,000,000 on 23 November 2016, for a consideration of RMB348,340,000 on 9 December 2016, for a consideration of RMB610,870,000 on 15 December 2016, and for a consideration of RMB346,580,000 on 23 December 2016, respectively. The details of the land use rights of the first land parcel are set out in the announcement of the Company dated 4 July 2016 and the details of the remaining four land parcels are set out in the circular of the Company dated 18 January 2017.

Contingent Liabilities

As at 31 December 2016, the Group had contingent liabilities relating to guarantees amounting to approximately RMB408.4 million (approximately HK$456.0 million) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interests thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the consolidated financial statement for the Year as the default risk is low.

In addition, as at 31 December 2016, the Company has provided for its proportionate guarantee of S$2.1 million (approximately HK$11.3 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.

Pledge of Assets

The following assets are pledged to certain banks and a financial institution as securities to obtain banking facilities granted to the Group and mortgage facilities granted to certain property buyers at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Investment properties	**461,439**	774,684
Investment properties classified as held for sale	**28,818**	–
Property, plant and equipment	**11,664**	11,975
Pledged bank deposits	**12,794**	39,908
Financial assets at fair value through profit or loss	**–**	8,177
	514,715	834,744

In addition, the shares of certain subsidiaries are pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2015.

Foreign Exchange Exposure

The revenues, expenses, assets and liabilities are denominated substantially in Hong Kong dollars, U.S. dollars, Singapore dollars, Renminbi and Japanese Yen of respective group entities. Due to the currency peg of the Hong Kong dollars to the U.S. dollars, the exchange rate between these two currencies has remained stable and thus the Group currently does not implement 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 Singapore dollars, Renminbi and Japanese Yen through transactions, assets and liabilities should the need arise.

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. The Company has received Good MPF Employer Award for 2015-16 issued by Mandatory Provident Fund Authority in recognition of its compliance with employer's statutory obligations and provision of better retirement protection for employees. Share options may also be granted to eligible employees of the Group. Total staff costs, including Directors' emoluments during the Year, amounted to HK$22.1 million (Correspondence Period: HK$21.4 million).

As at 31 December 2016, the Group had 40 employees.

Subsequent Event

Subsequent to the end of the reporting period, the Group has entered into two agreements with two independent third parties, CBC Oxford McKinney, LLC and Oxford Derby Memory Care, LLC to acquire two senior housing communities in the USA, namely, the Oxford Grand McKinney and the Glen Carr House, for consideration of US$17,050,000 (approximately HK$132,284,000), and US$10,500,000 (approximately HK$81,465,000) respectively. Upon completion of the acquisition transactions, the two senior housing communities will be classified as the Group's investment properties.

OUTLOOK AND PROSPECTS

The Group will continue to be principally engaged in the business of property development, property 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 recent successful bids for land parcels complemented the Group's strategy in expanding its business operation in Henan Province, the PRC. Thus, the Board will continue to bid for land use rights of other selective land parcels in the PRC with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years. Furthermore, the Company will leverage on the PRC property development and investment experience of its management team to seek development in suitable projects with potential to deliver value to its 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 Zensun. The synergistic effect brought by Zensun will improve the position of the Group in the real estate industry in PRC.

The USA

In the USA, the Group has 14.8% equity interest in a NYSE-listed REIT, GMR and 99% equity interest in an USA Over-The-Counter ("OTC") listed REIT, AHR, both are operated and managed by IAM, the 85%-owned REIT management arm of the Group, led by a specialised team of highly-experienced professionals with deep knowledge in the USA real estate market.

1. *GMR*

As mentioned above, the Group's percentage holding in the issued share capital of GMR was reduced to approximately 14.8% and the Group has continued providing management services and receiving recurring management fees directly to and from GMR pursuant to the revised management agreement between GMR and IAM after the GMR Offering. It is expected that future fund raising of GMR will further increase its capital base which in return increases the management fee income to be received from GMR.

2. *AHR*

AHR was listed on the OTC in 2010. AHR is currently 99%-controlled by the Company and owns a portfolio of single-family rentals primarily in Texas, Florida, Georgia and North Carolina. With the Group's strategy in seeking for higher-than-average annualised yield, the Group revisits the current properties portfolio of AHR and diversifies its investment from single family housing to senior housing communities in order to seize the potential opportunity for the current strong demand on retirement communities and elderly care industries in the USA. Subsequently in February 2017, the Group has entered into two agreements to acquire two senior housing communities in USA, namely, the Oxford Grand McKinney and the Glen Carr House for a total consideration of US$27.6 million (approximately HK$213.7 million) in expanding AHR properties portfolio.

Other Operations

The Group remains cautious on Singapore property market and does not expect to make a material investment in this market in the foreseeable future. For the non-core Japan hotel business, while the Group is seeking potential buyers to dispose the hotels or operation to enable the Group to deploy its resources in the most efficient way, it is 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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the 2017 annual general meeting of the Company ("2017 AGM"), the register of members of the Company will be closed from Tuesday, 20 June 2017 to Friday, 23 June 2017, 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 2017 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, 19 June 2017.

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company follows the Model Code in Appendix 10 to the 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 have fully complied with the Model Code during the Year.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee"), 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 Year.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the year ended 31 December 2016 and nine months period ended 31 December 2015 included in this preliminary announcement of final results 2016 do not constitute the Company's statutory annual consolidated financial statements for those year/period 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 nine months period ended 31 December 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 year ended 31 December 2016 in due course.

The Company's auditor has reported on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016. 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, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 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 Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect 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 Year, save for the deviations which are explained below.

Pursuant to code provision A.1.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly internals. Although only two regular Board meetings were held during the Year, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Directors. In addition, senior management of the Group provided to the Directors the information in respect of the Group's business development and activities from time to time and, when required, ad hoc Board meetings will be held.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be segregated. 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 chairman and chief executive officer.

Pursuant to code provision C.2.5 of the CG Code, the Group should have an internal audit function. The Company conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible and review on the adequacy and effectiveness of the risk management and internal control systems of the Group. During the Year, the Board through the Audit Committee had conducted an annual review on the risk management and internal control systems of the Group, including the analysis and appraisal of its adequacy and effectiveness.

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 2017 AGM will be held on Friday, 23 June 2017 and the notice of the 2017 AGM 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 year ended 31 December 2016 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, 29 March 2017

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