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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "Board") of directors (the "Directors") of ZH International Holdings Limited (the "Company"), wishes to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017, which have been reviewed by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Unaudited Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**37,977**	42,363
Cost of operations		**(6,741)**	(8,411)
Gross profit		**31,236**	33,952
Other income		**267**	1,501
Other gains and losses	*5*	**1,712**	10,512
Administrative expenses		**(32,657)**	(34,690)
Sales and marketing expenses		**(5,773)**	(4,464)
Finance costs	*6*	**(4,332)**	(14,839)
Loss before taxation	*7*	**(9,547)**	(8,028)
Income tax expense	*8*	**(129)**	(229)
Loss for the period		**(9,676)**	(8,257)

	Notes	Unaudited Six months ended 30 June **2017** ***HK$'000***	 2016 *HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**30,859**	5,189
		30,859	5,189
Total comprehensive income (expense) for the period		**21,183**	(3,068)
(Loss) profit for the period attributable to:			
Owners of the Company		**(9,502)**	(8,300)
Non-controlling interests		**(174)**	43
		(9,676)	(8,257)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**20,892**	(5,385)
Non-controlling interests		**291**	2,317
		21,183	(3,068)
Loss per share (HK cent)			
Basic and diluted	*10*	**(0.15)**	(0.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Notes	**Unaudited 30 June 2017** *HK$'000*	Audited 31 December 2016 *HK$'000*
Non-current assets			
Property, plant and equipment	*11*	**21,459**	20,625
Investment properties	*11*	**798,059**	582,448
Pledged bank deposits		**4,395**	4,148
		823,913	607,221
Current assets			
Properties under development for sale		**4,737,560**	1,438,523
Deposits paid for land acquisitions		**6,861,152**	1,030,622
Inventories		**164**	199
Accounts receivable, deposits and prepayments	*12*	**94,652**	57,397
Financial assets at fair value through profit or loss		**190,337**	187,403
Tax recoverable		**95,572**	68,067
Pledged bank deposits		**13,300**	8,646
Restricted bank balances		**48,569**	27,561
Bank balances and cash		**271,876**	230,359
		12,313,182	3,048,777
Investment properties classified as held for sale		**2,146**	42,187
		12,315,328	3,090,964
Current liabilities			
Accounts payable, deposits received and accruals	*13*	**173,903**	174,582
Deposits received and receipt in advance from property buyers		**1,452,561**	901,455
Amounts due to related companies	*14*	**2,314,048**	77,475
Loans from a related company	*15*	**7,293,911**	1,052,105
Bank and other borrowings – due within one year		**124,483**	157,550
Tax liabilities		**20,235**	8,765
		11,379,141	2,371,932
Net current assets		**936,187**	719,032
Total assets less current liabilities		**1,760,100**	1,326,253

	Notes	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Capital and reserves			
Share capital	*16*	**716,706**	716,706
Reserves		**467,297**	446,405
Total equity attributable to owners of the Company		**1,184,003**	1,163,111
Non-controlling interests		**(5,802)**	(6,093)
Total equity		**1,178,201**	1,157,018
Non-current liabilities			
Rental deposits received		**1,142**	768
Loans from a related company	*15*	**40,292**	109,535
Bank and other borrowings – due after one year		**528,659**	47,375
Deferred tax liabilities		**11,806**	11,557
		581,899	169,235
Total equity and non-current liabilities		**1,760,100**	1,326,253

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL

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

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

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$").

The condensed consolidated financial statements for the six months ended 30 June 2017 were approved for issue by the Board on 25 August 2017. The condensed consolidated financial statements are unaudited, but have been reviewed by the Company's Audit Committee.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated financial statements for the six months ended 30 June 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016 which have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs").

The Group's policies on financial risk management were set out in the financial statements included in the Company's 2016 Annual Report and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2017.

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

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period and they are grouped under Level 1 of the fair value hierarchy with reference to quoted market bid prices. The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements at amortised cost approximate their fair values. There was no transfer between levels of the fair value hierarchy of financial instruments during the six months ended 30 June 2017.

The accounting policies applied to the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those of the Group's annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

The Group has adopted for the first time a number of new or revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are mandatorily effective in the current interim period. The adoption of the new and revised HKFRSs in the current period has no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

The Group has not early adopted the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK (IFRIC) 22	Foreign Currency Transaction and Advance Consideration[1]
Amendments to HKAS 28	Investments in Associates and Joint Venture[1]
Amendments to HKFRS 1	First Time Adoption of HKFRS[1]
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]

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

The Group has already commenced an assessment of the related impact of adopting the above new or revised HKFRSs to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will result.

3. ESTIMATES

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

In preparing the condensed consolidated financial statements, the significant judgement made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2016.

4. REVENUE AND SEGMENT INFORMATION

	Unaudited Six months ended 30 June 2017 *HK$'000*	2016 *HK$'000*
Revenue is analysed as follows:		
Rental income	**14,818**	39,072
Property management income	**9,766**	–
Dividend income from financial assets at fair value through profit or loss	**8,410**	319
Income from hotel operations	**2,668**	2,868
Interest income	**2,315**	104
	37,977	42,363

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.

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

a) Property development in the People's Republic of China ("PRC")

b) Property investment and management in the United States of America ("USA" or "U.S.") on American Housing REIT, Inc. ("AHR") and Global Medical REIT, Inc. ("GMR"), both of which are operated and managed by a subsidiary of the Group

c) Property investment other than AHR and GMR

d) Securities trading and investment

e) Hotel operations

The Group has property investment and management businesses in Hong Kong, the USA, Singapore and Japan. Other than property investment and management in AHR and GMR which are carried out in the USA, the property investment business 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

	Unaudited			
	Segment revenue Six months ended 30 June		Segment results Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By reportable segment:				
Property development in the PRC	–	–	**(11,046)**	(6,715)
Property investment and management in the USA on AHR and GMR	**17,159**	30,916	**(8,075)**	(7,614)
Property investment other than AHR and GMR	**7,425**	8,156	**2,741**	1,836
Securities trading and investment	**8,410**	319	**10,306**	(852)
Hotel operations	**2,668**	2,868	**(990)**	(881)
Others	**2,315**	104	**2,733**	(26)
	37,977	42,363	**(4,331)**	(14,252)
Other gains and losses			**(367)**	12,566
Unallocated corporate income			**–**	517
Unallocated corporate expenses			**(4,849)**	(6,714)
Unallocated finance costs			**–**	(145)
Loss before taxation			**(9,547)**	(8,028)
Income tax expense			**(129)**	(229)
Loss for the period			**(9,676)**	(8,257)

Segment assets

	Unaudited 30 June 2017	Audited 31 December 2016
	HK$'000	*HK$'000*
Property development in the PRC	**11,981,949**	2,637,334
Property investment and management in the USA on AHR and GMR	**351,086**	165,900
Property investment other than AHR and GMR	**541,209**	537,053
Securities trading and investment	**194,479**	191,518
Hotel operations	**8,105**	7,740
	13,076,828	3,539,545
Unallocated assets	**62,413**	158,640
	13,139,241	3,698,185

There are no differences from the Group's annual financial statements for the year ended 31 December 2016 in the basis of segmentation or in the basis of measurement of segment profit or loss.

Segment results represent the profit from (loss incurred by) each segment without allocation of certain items, mainly comprising certain other gains and losses, certain corporate income, certain corporate administrative expenses, Directors' and chief executives' salaries and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than unallocated assets (comprising certain property, plant and equipment, certain other receivables, deposits and prepayments, and certain bank balances and cash). Information about segment liabilities is not regularly reviewed by the CODM. Accordingly, no such information is presented.

5. OTHER GAINS AND LOSSES

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Gain (loss) on disposal of investment properties	**378**	(753)
Gain on disposal of property, plant and equipment	**27**	–
Gain on disposal of previously impaired available-for-sale financial assets *(Note)*	**446**	–
Gain on disposal of an associate	**–**	8,367
Increase (decrease) in fair value of financial assets at fair value through profit or loss	**1,508**	(1,188)
(Decrease) increase in fair value of investment properties	**(526)**	128
Exchange gain, net	**313**	4,246
Bad debts written-off in respect of accounts receivable	**(434)**	(288)
	1,712	10,512

Note: During the six months ended 30 June 2017, the Group disposed of its entire interest in an unlisted overseas equity investment and recorded a net gain of approximately HK$446,000. The carrying amount of such investment which was classified as available-for-sale financial assets was considered as impaired by the Directors after review of its recoverable amount and recognised its impairment in profit or loss in prior years.

6. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interests on:		
Bank and other borrowings	**12,906**	14,839
Loans from a related company	**3,607**	7,426
	16,513	22,265
Less: capitalised in properties under development for sale	**(12,181)**	(7,426)
	4,332	14,839

7. LOSS BEFORE TAXATION

	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**490**	482
Operating lease payments	**954**	683
Staff related cost (including Directors' emoluments)	**14,240**	11,973
after crediting:		
Gross rental income from investment properties	**14,818**	39,072
Less: direct operating expenses incurred for:		
– investment properties generated rental income	**(4,018)**	(5,620)
– investment properties that did not generate rental income	**(183)**	(130)
	(4,201)	(5,750)
	10,617	33,322

8. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Income tax expense comprises:		
Current tax		
– Hong Kong	**–**	–
– Overseas	**89**	50
	89	50
Under (over)-provision in prior years		
– Hong Kong	**–**	–
– Overseas	**40**	(434)
	129	(384)
Deferred taxation	**–**	613
	129	229

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits generated in Hong Kong for the six months ended 30 June 2017 and 2016.

Taxation on profits have been calculated on the estimated assessable profits for the six months ended 30 June 2017 at the rates of taxation prevailing in the countries/places in which the Group's entities operate.

9. DIVIDENDS

No dividend was paid during the six months ended 30 June 2017 (30 June 2016: Nil). The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

10. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to owners of the Company for the six months ended 30 June 2017 of approximately HK$9,502,000 (30 June 2016: HK$8,300,000) and the weighted average number of 6,176,819,969 (30 June 2016: 5,516,900,189) ordinary shares in issue during the period.

No dilutive effect to the loss per share as there are no potential ordinary shares in issue for the six months ended 30 June 2017 (30 June 2016: Nil).

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired investment properties and property, plant and equipment of approximately HK$215.4 million (30 June 2016: approximately HK$294.8 million).

In addition, during the six months ended 30 June 2017, the Group disposed of certain investment properties and property, plant and equipment with an aggregate carrying amount of approximately HK$19.2 million (30 June 2016: approximately HK$11.7 million).

12. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Unaudited 30 June 2017 ***HK$'000***	Audited 31 December 2016 *HK$'000*
Accounts receivable	**9,964**	10,124
Prepaid business, value-added and other taxes	**70,293**	37,449
Other receivables, deposits and prepayments	**14,304**	6,872
	94,561	54,445
Amounts due from investees	**6,437**	9,298
Impairment on amounts due from an investee	**(6,346)**	(6,346)
	91	2,952
	94,652	57,397

All accounts receivable were aged within 60 days, based on invoice dates, and not impaired.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Accounts payable	**126**	206
Accrued construction costs	**146,253**	155,099
Rental deposits	**6,604**	2,582
Retention deposits and payable	**5,215**	3,181
Real estate and other taxes payable	**2,872**	1,820
Other payables and accrual	**12,833**	11,694
	173,903	174,582

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

14. AMOUNTS DUE TO RELATED COMPANIES

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

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

15. LOANS FROM A RELATED COMPANY

The related company is Henan Zensun Real Estate Co., Ltd. ("Zensun"), in which Ms. Huang has controlling interests.

The loans amounting to HK$187,795,000 (31 December 2016: HK$164,516,000) are unsecured, 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$40,292,000 (31 December 2016: HK$109,535,000) which is repayable in November 2018 and classified under non-current liabilities, the remaining amount is repayable within one year.

The remaining loans amounting to HK$7,146,408,000 (31 December 2016: HK$997,124,000) 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 has been shown under current liabilities as Zensun has discretionary rights to demand immediate repayment.

In the opinion of the Directors, the carrying amounts of the loans approximate their fair values at initial recognition.

16. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Ordinary shares with no par value:		
At 1 January 2016	5,381,419,969	557,626
Issue of shares under share subscription	795,400,000	159,080
At 30 June 2016, 1 January 2017 and 30 June 2017	6,176,819,969	716,706

17. EVENTS AFTER THE REPORTING DATE

On 5 July 2017, the Group has made a successful bid for the land parcel in an auction held by Land and Resources Bureau of Zhengzhou City through listing for sale process for transfer of state-owned land use rights at a consideration of RMB2,205.0 million (approximately HK$2,538.4 million). Further information in respect of the acquisition is available in the Company's announcement dated 5 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2017, the Group recorded a turnover of approximately HK$38.0 million, representing a decrease of approximately 10% as compared to a turnover of approximately HK$42.4 million in the corresponding period of 2016. The decrease was a result of the combined net effect attributable to the completion of share offering in the New York Stock Exchange in the U.S. and deemed disposal of our previous subsidiary, GMR in July 2016 ("Completion of GMR Offering"), primarily reflected by: (i) the decrease in rental income due to the de-consolidation of GMR; and partially compensated by (ii) the increase in property management income from providing REIT management services to GMR and the increase in dividend income from the securities trading and investment in GMR.

For the six months ended 30 June 2017, the loss attributable to owners of the Company increased to approximately HK$9.5 million. The increase was the net effects of (i) decrease in other gains and losses due to the gain from one-off disposal transaction of an associate during the first half of 2016; (ii) increase in sales and marketing expenses for property development in the PRC; and partially set-off by (iii) exclusion of the loss from GMR after the Completion of GMR Offering.

The basic loss per share for the six months ended 30 June 2017 was HK0.15 cents (30 June 2016: HK0.15 cents).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

BUSINESS REVIEW

Property Development

During the six months ended 30 June 2017, the Group successfully bidded land use rights of two land parcels in Beijing, the PRC in public auction held by PRC governmental body through listing-for-sale process. The handover of these two land parcels are expected to be completed before the fourth quarter of 2017. The Group persists continuing effort to expand its land reserve to complement the strategy in expanding its business operation in Henan Province and other first and second tier cities in the PRC. As at 30 June 2017, the Group had six property projects under development and two proposed property development projects with an aggregate estimated GFA of approximately 1.5 million square meters in the PRC.

Hotel Operations

Revenue for the hotel operation division declined approximately 7% to approximately HK$2.7 million during the six months ended 30 June 2017, contributing to a segment loss of approximately HK$1.0 million compared to approximately HK$0.9 million over the corresponding period of 2016.

Securities Trading and Investment

During the six months ended 30 June 2017, revenue from the Group's securities business significantly raised to approximately HK$8.4 million, and recorded a segment gain of HK$10.3 million as compared to revenue of approximately HK$0.3 million with a segment loss of approximately HK$0.9 million over the corresponding period of 2016. The significant increment was due to the dividend income from investment in GMR after Completion of GMR Offering and its increase in fair value as financial assets at fair value through profit or loss during the period.

Property Investment and Management in the USA on AHR and GMR

During the six months ended 30 June 2017, the property investment and management in the USA on AHR and GMR through the 85%-owned REIT management arm of the Group contributed revenue of approximately HK$17.2 million (30 June 2016: HK$30.9 million) and operating loss of approximately HK$8.1 million (30 June 2016: HK$7.6 million) to the Group. The decrease of segment revenue was attributable to the decrease in rental income from GMR after the Completion of GMR Offering in July 2016.

Property Investment other than AHR and GMR

During the six months ended 30 June 2017, the property investment other than AHR and GMR divisions contributed segment revenue of approximately HK$7.4 million and operating profit of approximately HK$2.7 million, as compared with the segment revenue of approximately HK$8.2 million and operating profit of approximately HK$1.8 million over the corresponding period of 2016. The segment profit was improved as a result of the decrease in fair value loss of investment properties of approximately HK$0.6 million during the period as compared to approximately HK$1.5 million over the corresponding period of 2016.

Other Investment

During the six months ended 30 June 2017, the Group disposed of its entire interest in an unlisted overseas equity investment for a consideration of approximately HK$0.5 million. In prior years, such equity investment were previously classified as available-for-sale financial assets, and subsequently thereafter recorded an impairment loss in profit and loss after the review of its recoverable amounts by reference to the expected future cash inflows. The disposal transaction completed during the period therefore resulted a net gain of approximately HK$0.5 million.

FINANCIAL REVIEW

Liquidity and Capital Resources

Cash Position

As at 30 June 2017, the carrying amount of the Group's cash and bank balances including pledged bank deposits and restricted bank balances was approximately HK$338.1 million (31 December 2016: approximately HK$270.7 million), representing an increase of approximately 25%. The total cash and bank balances were mainly denominated in Hong Kong dollars, Renminbi, US dollars, Singapore dollars and Japanese Yen.

As at 30 June 2017, certain bank balances of the Group were pledged to certain banks and financial institution as securities for the banking facilities granted to the Group and also the mortgage loan facilities granted to the property buyers of the Group. The total pledged bank deposits was approximately HK$17.7 million as at 30 June 2017 (31 December 2016: approximately HK$12.8 million).

Capital Structure, Borrowings and Charges on the Group's assets

The capital structure of the Group consists of net debt, which includes bank and other borrowings, amounts due to related companies and loans from a related company, net of bank balances and cash, restricted bank balances and pledged bank deposits, and equity attributable to owner of the Company, comprising issued share capital and reserves. As at 30 June 2017, the total equity of the Group was approximately HK$1,178.2 million (31 December 2016: HK$1,157.0 million).

As at 30 June 2017, the Group's aggregate borrowings including bank and other borrowings, loans from a related company and amounts due to related companies amounted to approximately HK$10,301.4 million (31 December 2016: HK$1,444.0 million), of which approximately HK$9,732.4 million (31 December 2016: HK$1,287.1 million) are repayable within 1 year or on demand, approximately HK$569.0 million (31 December 2016: HK$156.9 million) are repayable after 1 year. The aggregate borrowings were mainly denominated in Renminbi, US dollars, Singapore dollars and Hong Kong dollars.

As at 30 June 2017, certain bank facilities granted to the Group together the mortgage loan facilities granted to the property buyers of the Group were secured by certain plant and equipment, investment properties, properties under development for sale and bank deposits with total carrying values of approximately HK$1,784.7 million (31 December 2016: HK$514.7 million). In addition, shares of certain subsidiaries of the Group are pledged to secure certain banking facilities granted to the Group as at 30 June 2017.

The Group's bank and other borrowings carried various floating interest rates linking up with international lending rates including Hong Kong Interbank Offered Rate, Singapore Dollar Swap Offered Rate, Singapore Interbank Offered Rate, London Interbank Offered Rate and the base lending rate of the People's Bank of China. The Group's interest rate risk is mainly driven from the bank and other borrowings with floating interest rates. As at 30 June 2017, loans from a related company amounting to approximately HK$187.8 million (31 December 2016: HK$164.5 million) carried at a fixed interest rate 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 drawndown.

The Group did not use any financial instruments for hedging purpose.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from its related companies in which Ms. Huang has beneficial interests and continued to look for external financing sources. The Group's overall strategy remains unchanged from prior period.

Key Financial Ratios

As at 30 June 2017, the Group recorded a current ratio of 1.1 (31 December 2016: 1.3) and a gearing ratio of approximately 75.8% (31 December 2016: 31.7%). Gearing ratio is defined as the ratio of total borrowings less cash and bank balances, restricted bank balances and pledged bank deposits to total assets. The increase in gearing ratio was primarily attributable to the increase in loans from a related company and amounts due to related companies for the expansion in property development operation in the PRC during the six months ended 30 June 2017.

Capital Commitments

As at 30 June 2017, the capital commitments of the Group in connection with the property development expenditures for properties under development for sale were HK$1,321.7 million (31 December 2016: HK$369.1 million). The Group did not have outstanding land premium resulting from land acquisitions (31 December 2016: HK$1,356.4 million).

Contingent Liabilities

As at 30 June 2017, the Group had contingent liabilities relating to guarantees amounting to approximately RMB454.9 million (approximately HK$523.7 million) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group. 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 the accrued interest 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 property buyers; 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 financial statements for the six months ended 30 June 2017 as the default risk is low.

In addition, as at 30 June 2017, the Group has provided for its proportionate guarantee of S$2.1 million (approximately HK$11.9 million) to a bank in connection with banking facilities granted to an overseas unlisted company, Corporate Residence Pte Ltd, of which 10% interest were previously owned by the Group. Following to the completion of disposal transaction of such entire 10% equity investment during the six months ended 30 June 2017, release of such proportionate guarantee was in progress.

Foreign Exchange Exposure

The revenues, expenses, assets and liabilities are denominated substantially in Hong Kong dollars, US dollars, Renminbi, Singapore dollars and Japanese Yen in its respective group entities. Due to the currency peg of the Hong Kong dollars to the US 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 Renminbi, Singapore dollars and Japanese Yen through transactions, assets and liabilities should the need arise.

Significant Investment Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Venture and Future Plans for Material Investments or Capital Assets

(a) On 14 February 2017 (U.S. time), American Senior Housing REIT, Inc, an indirect 98.82% owned subsidiary of the Company, 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 U.S., namely, the Oxford Grand McKinney and the Glen Garr House, at a consideration of US$17.1 million and US$10.5 million, respectively. The acquisitions were completed in April 2017.

(b) On 27 April 2017, the Group has been successful in bidding of land use rights of two land parcels in Beijing, the PRC through listing for sale process in the public auction held by Land and Resources Committee of Beijing Municipal Bureau of Land and Resources for transfer of state-owned land use rights at a consideration of RMB2,890.0 million and RMB1,210.0 million, respectively. The handover of these two land parcels are expected to be completed before the fourth quarter of 2017.

Employee and Remuneration Policy

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 continued to receive Good MPF Employer Award for 2016-17 issued by Mandatory Provident Fund Authority in recognition of its compliance with employer's statutory obligations and provision of better retirement protection for employees. Moreover, two new awards, namely "e-Contribution Award" and "Support for MPF Management Award" have been received for 2016-17 from Mandatory Provident Fund Authority by the Company which has adopted electronic means for MPF Administration, and has striven to encourage employees to actively manage their MPF. The Company adopted a share option scheme on 28 August 2013 and share options may also be granted to eligible employees of the Group. Total staff related costs, including Directors' emoluments during the six months ended 30 June 2017, amounted to approximately HK$14.2 million (30 June 2016: HK$12.0 million).

As at 30 June 2017, the Group had 52 employees.

Outlook and Prospects

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

The PRC

Based on the current construction progress and the delivery schedule projected by the Group, one of the property projects under development, namely Zensun Xinghan Garden, is expected to be completed in the fourth quarter of 2017. It will be the first completed property project of the Group, which is the important move for the Group's property development operation. Revenue from the sale of properties are expected to be recognised upon its completion and delivery of the completed properties.

The continuous successful bids for land parcels complemented the Group's strategy in expanding its business operation in the PRC. Thus, the Board will continue to bid for land use rights of other selective land parcels in the PRC with a focus in Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

In view of the above positive development in land acquisitions and the ongoing property development projects, the Group's needs on construction work for properties development is expected to increase substantially in the near future. In this regard, the Company entered into the Supplemental Agreement with Henan Zensun Corporate Development Company Limited during the six months ended 30 June 2017 in relation to the Master Services Agreement to extend the terms up to 31 December 2019 for construction work services to be agreed in Definitive Agreement(s) to be provided by Zensun Development Group. Thereafter, the Annual Caps under the Master Services Agreement as amended by the Supplemental Agreement for the three financial years ending 31 December 2019 have been approved for increment during the period. Further information in respect of the Supplemental Agreement to the Master Services Agreement and revision of Annual Caps, is available in the Company's circular dated 26 April 2017.

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 partners, 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 expedite 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 U.S.

As at the date of this announcement, the Group has 12.0% equity interest in a NYSE-listed REIT, GMR and 99% equity interest in an USA 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

After the Completion of GMR Offering in July 2016, the Group has continued providing REIT management services and receiving recurring management fees directly to and from GMR pursuant to the revised management agreement between GMR and IAM. In June 2017, GMR have announced the commencement of its second underwritten public offering of 3.5 million shares of its common stock, plus additional of 0.5 million shares of common stock to cover over-allotments. It is expected that future fund raising of GMR will further increase its capital base which in return increase 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. During the six months ended 30 June 2017, two senior housing communities in USA, namely, the Oxford Grand McKinney and the Glen Carr House were acquired at a total consideration of US$27.6 million and resulted in the expansion of the AHR properties portfolio. AHR is proactively accelerating its acquisition pipeline in respect of facilities in elderly care industries in the USA in order to assist future capital fund raising in potential international stock exchange for migration listing.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all code provisions ("Code Provisions") and, where applicable, the recommended best practices of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017, save for the deviations which are explained below:

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. Review on the risk management and internal control systems of the Group, including the analysis and appraisal of its adequacy and effectiveness, are conducted in an ongoing basis.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. The Company has made specific enquiry with all the Directors and, all the Directors confirmed that they have fully complied with the required standards set out in the Model Code during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee is primarily responsible to assist the Board in reviewing and monitoring the financial reporting process, risk management and internal control systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed, among other things, financial reporting matters including a review of the unaudited condensed consolidated results for the six months ended 30 June 2017 of the Group.

ACKNOWLEDGEMENT

We would like to thank the management and all of our staff for their hard work and dedication, as well as our shareholders for their continuous support to the Group.

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

The Company's interim report for the six months ended 30 June 2017 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, 25 August 2017

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