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 2017

RESULTS

The board (the "Board") of directors (the "Director(s)") of ZH International Holdings Limited (the "Company") hereby announces the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016 as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**1,271,982**	79,569
Cost of sales and services provided		**(846,349)**	(18,217)
Gross profit		**425,633**	61,352
Other income		**4,757**	2,273
Other gains and losses	*5*	**(4,682)**	(24,776)
Administrative expenses		**(83,414)**	(57,170)
Sales and marketing expenses		**(56,353)**	(13,897)
Finance costs	*6*	**(10,974)**	(19,753)
Profit (loss) before taxation	*7*	**274,967**	(51,971)
Income tax expenses	*8*	**(122,652)**	(4,614)
Profit (loss) for the year		**152,315**	(56,585)

	NOTE	**2017** HK$'000	2016 HK$'000
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**64,485**	(27,640)
		64,485	(27,640)
Total comprehensive income (expense) for the year		**216,800**	(84,225)
Profit (loss) for the year attributable to:			
Owners of the Company		**152,456**	(56,702)
Non-controlling interests		**(141)**	117
		152,315	(56,585)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**216,489**	(85,284)
Non-controlling interests		**311**	1,059
		216,800	(84,225)
Earnings (loss) per share (HK cents)			
Basic	*10*	**2.47**	(0.97)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	11	**23,810**	20,625
Investment properties	11	**795,464**	582,448
Pledged deposits		**63,379**	4,148
		882,653	607,221
Current assets			
Inventories		**286**	199
Properties held for sale		**1,500,042**	–
Properties under development for sale		**14,455,301**	1,438,523
Deposits paid for land acquisitions		**3,766,461**	1,030,622
Accounts receivable, deposits and prepayments	12	**239,410**	57,397
Financial assets at fair value through profit or loss		**175,242**	187,403
Tax recoverable		**173,909**	68,067
Pledged deposits		**55,795**	8,646
Restricted bank balances		**194,387**	27,561
Bank balances and cash		**823,539**	230,359
		21,384,372	3,048,777
Investment properties classified as held for sale	13	**2,833**	42,187
		21,387,205	3,090,964
Current liabilities			
Accounts payable, deposits received and accruals	14	**2,225,563**	174,582
Deposits received and receipts in advance from property buyers	15	**3,147,923**	901,455
Amounts due to related companies	16	**2,878,297**	77,475
Loans from a related company	17	**3,197,920**	1,052,105
Bank and other borrowings – due within one year		**4,637,626**	157,550
Tax liabilities		**146,583**	8,765
		16,233,912	2,371,932
Net current assets		**5,153,293**	719,032
Total assets less current liabilities		**6,035,946**	1,326,253

	NOTES	**2017**	2016
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	*18*	**716,706**	716,706
Reserves		**662,894**	446,405
Total equity attributable to owners of the Company		**1,379,600**	1,163,111
Non-controlling interests		**(5,782)**	(6,093)
Total equity		**1,373,818**	1,157,018
Non-current liabilities			
Rental deposits received		**6,711**	768
Loans from a related company	*17*	**–**	109,535
Bank and other borrowings – due after one year		**4,646,849**	47,375
Deferred tax liabilities		**8,568**	11,557
		4,662,128	169,235
Total equity and non-current liabilities		**6,035,946**	1,326,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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, People's Republic of China (the "PRC") and overseas.

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

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 consolidation financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 REVISED 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's performance and financial positions for the current and prior year and/or on the disclosures set out in these financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financial activities.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatment[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 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Join Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

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 2021

The Group will adopt the above new and revised HKFRSs when they become effective.

4. REVENUE AND SEGMENT INFORMATION

	2017	2016
	HK$'000	*HK$'000*
Revenue is analysed as follows:		
Sales of properties	**1,190,797**	–
Rental income	**34,342**	53,826
Income from hotel operations	**5,648**	6,969
Dividend income from financial assets at fair value through profit or loss	**16,850**	8,704
Property management fee income	**24,345**	9,736
Others	**–**	334
	1,271,982	79,569

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) Property development in the PRC

b) Property investment and management in the United States of America (the "USA" or "U.S.") in American Housing REIT, Inc. ("AHR") and property management in the USA provided to Global Medical REIT, Inc. ("GMR") (Note 1), both performed through 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/or management businesses in Hong Kong, the USA, Singapore and Japan. Other than AHR and GMR which are operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the CODM.

Note 1: GMR was deemed disposed of as a subsidiary during the year ended 31 December 2016.

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

Segment revenue and results

	Segment revenue		**Segment results**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Property development in the PRC	**1,190,797**	–	**271,280**	(17,996)
Property investment and/or management in the USA through AHR and GMR	**43,566**	47,433	**(131)**	(31,986)
Property investment other than AHR and GMR	**15,121**	16,129	**13,166**	8,045
Securities trading and investment	**16,850**	8,704	**3,459**	(14,790)
Hotel operations	**5,648**	6,969	**(1,945)**	(928)
Others	**–**	334	**–**	218
	1,271,982	79,569	**285,829**	(57,437)
Unallocated corporate income			**4,668**	858
Other gains and losses			**(3,089)**	19,397
Unallocated corporate expenses			**(12,441)**	(14,647)
Unallocated finance costs			**–**	(142)
Profit (loss) before taxation			**274,967**	(51,971)

Segment assets

	2017	2016
	HK$'000	*HK$'000*
Property development in the PRC	**21,099,394**	2,637,334
Property investment and/or management in the USA through AHR and GMR	**341,902**	165,900
Property investment other than AHR and GMR	**560,311**	537,053
Securities trading and investment	**179,388**	191,518
Hotel operations	**8,124**	7,740
	22,189,119	3,539,545
Unallocated assets	**80,739**	158,640
	22,269,858	3,698,185

Segment results represent the profit from (loss incurred by) each segment without allocation of certain items, mainly comprising certain corporate income, certain other gains and losses, 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

	2017	2016
	HK$'000	*HK$'000*
Increase in fair value of investment properties	**12,380**	1,399
Decrease in financial assets at fair value through profit or loss	**(13,995)**	(23,417)
Exchange (loss) gain, net	**(2,875)**	2,390
Bad debts written-off in respect of accounts receivable	**(671)**	(387)
Gain on disposal of property, plant and equipment	**25**	–
Gain on disposal of an associate	**–**	8,367
Loss on disposal of subsidiaries	**–**	(13,128)
Others	**454**	–
	(4,682)	(24,776)

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interests on:		
Bank and other borrowings	**102,379**	19,753
Loans from a related company	**8,082**	11,381
	110,461	31,134
Less: capitalised in properties under development for sale	**(99,487)**	(11,381)
	10,974	19,753

Borrowing costs capitalised during the current year arose on the specific borrowings with rates ranged from 4%-7.43% (2016: 4%) per annum.

7. PROFIT (LOSS) BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging:		
Total staff costs:		
Directors' emoluments	**1,807**	1,781
Other staff:		
Salaries and other benefits	**36,089**	19,201
Retirement benefit scheme contributions	**1,086**	1,118
Total employee benefit expenses	**38,982**	22,100
Less: capitalised in properties under development for sale	**(3,051)**	(487)
	35,931	21,613
Auditor's remuneration		
– audit services	**1,650**	1,810
– non-audit services	**–**	40
Depreciation of property, plant and equipment	**1,067**	1,002
Operating lease payments	**1,850**	1,371
Profit (loss) before taxation has been arrived at after crediting:		
Interest income	**4,617**	334
Gross rental income from investment properties	**34,342**	53,826
Less: direct operating expenses incurred for:		
– investment properties generated rental income	**(7,516)**	(12,317)
– investment properties that did not generate rental income	**(391)**	(326)
	(7,907)	(12,643)
	26,435	41,183

8. INCOME TAX EXPENSE

	2017 *HK$'000*	2016 *HK$'000*
Income tax expense comprises:		
Current tax		
– Hong Kong	**–**	–
– The PRC	**71.948**	–
– Overseas	**617**	5,437
	72,565	5,437
Under (over) provision in prior years		
– Hong Kong	**–**	–
– Overseas	**91**	(498)
	91	(498)
PRC Land appreciation tax	**51,275**	–
Deferred taxation	**(1,279)**	(325)
	122,652	4,614

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

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for both years.

The subsidiaries in the USA are generally subject to Federal Income Tax rate of a maximum of 35% and State Income Tax ranging from 3% to 8.25% (2016: 4% to 9.99%) on the taxable income. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies 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 tax purposes.

On 22 December 2017, president of USA signed into law the tax legislation commonly known as the Tax Cuts and Jobs Act (the "Act"). The effects of new legislation are recognised upon enactment, which (for federal legislation) is the date the president signs a bill into law. Accordingly, recognition of the tax effects of the Act is required in the interim and annual periods that include 22 December 2017. The Act reduces the Federal Income Tax rate to 21%, effective 1 January 2018, for all corporations.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

9. DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the year (2016: Nil).

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following information:

	2017	2016
	HK$'000	*HK$'000*
Profit (loss)		
Profit (loss) for the purpose of basic earnings (loss) per share	**152,456**	(56,702)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**6,176,820**	5,850,836

No diluted earnings (loss) per share for both 2017 and 2016 were presented as there were no potential ordinary shares in issue for both years.

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2017, the Group acquired investment properties and property, plant and equipment of approximately HK$218.6 million (2016: approximately HK$294.6 million).

During the year ended 31 December 2017, the Group disposed of certain investment properties and property, plant and equipment with an aggregate carrying amount of approximately HK$45.1 million (2016: approximately HK$752.2 million).

12. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Accounts receivable:		
– Sales of properties	**69,273**	–
– Others	**13,214**	10,124
Prepaid business, value-added and other taxes	**124,869**	37,449
Other receivables, deposits and prepayments	**32,054**	6,872
	239,410	54,445
Amounts due from investees	**6,346**	9,298
Impairment on amounts due from an investee	**(6,346)**	(6,346)
	–	2,952
	239,410	57,397

Accounts receivable represent receivables from sales of properties, property management fee receivables, dividend receivables, rental receivables and hotel room revenue receivables.

Receivable arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements.

The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes.

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

All accounts receivable were aged less than 3 months.

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 of HK$69,273,000 (2016: Nil) past due but not impaired were overdue less than 1 month at the end of the year.

As at 31 December 2017, amounts due from investees were fully impaired.

13. INVESTMENT PROPERTIES CLASSIFIED AS HELD FOR SALE

In 2017, 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$2,833,000 (2016: HK$42,187,000). 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 2017. 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.

14. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Accounts payable	**252**	206
Accrued construction costs *(Note)*	**2,120,891**	155,099
Rental deposits	**1,307**	2,582
Retention deposits and payable	**13,276**	3,181
Real estate and other taxes payable	**22,205**	1,820
Other payables and accruals	**67,632**	11,694
	2,225,563	174,582

The average credit period of accounts payable ranges from 30 to 90 days (2016: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs is amounts due to a related company of HK$291,073,000 (2016: Nil) for its construction work.

15. DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE FROM PROPERTY BUYERS

Deposits received and receipts in advance from property buyers amounting to HK$2,891,567,000 (2016: HK$447,570,000) are expected to be released to profit or loss more than twelve months after the end of the reporting period.

16. AMOUNTS DUE TO RELATED COMPANIES

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

Ms. Huang Yanping ("Ms. Huang") and together with its spouse, Mr. Zhang Jingguo ("Mr. Zhang") have the controlling interests over these related companies.

17. LOANS FROM A RELATED PARTY

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

The loans amounting to HK$31,063,000 (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. The amounts are repayable within one year (2016: HK$54,981,000). As at 31 December 2016, the entire amount of HK$109,535,000 was repayable in 2018 and therefore classified under non-current liabilities.

The remaining loans amounting to HK$3,166,857,000 (2016: HK$997,124,000) are unsecured, interest-free and repayable on demand. Those amounts are shown under the current liabilities as Zensun has the discretionary rights to demand immediate repayment.

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

18. SHARE CAPITAL OF THE COMPANY

	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 31 December 2016 and 31 December 2017	**6,176,819,969**	**716,706**

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	2017 *HK$'000*	2016 *HK$'000*
Contracted for but not provided in respect of:		
Acquisitions of land use rights	**1,263,778**	1,356,434
Property development expenditures	**2,795,093**	369,054
	4,058,871	1,725,488

20. RELATED PARTY TRANSACTIONS

Related company	Transactions	**2017** **HK$'000**	2016 *HK$'000*
Zensun	Interest expenses (capitalised in properties under development for sale) *(Note (i))*	**8,082**	11,381
Relevant members of Henan Zensun Corporate Development Company Limited (the "Zensun Development Group")	Construction costs (capitalised in properties under development for sale) *(Notes (i) and (ii))*	**426,307**	106,525

Notes:

(i) Zensun and Zensun Development Group are the entities controlled by ultimate controlling party of the Company and together with its spouse.

(ii) The transaction constitutes continuing connected transactions as defined under Chapter 14A of the Listing Rules. In 2015, the Group has entered into a master services agreement with Henan Zensun Corporate Development Company Limited ("Zensun Development"), pursuant to which Zensun Development Group provides contracting and ancillary services for the properties under development for sale of the Group. The initial term of the master services agreement commenced on 1 January 2016 and continued up to 31 December 2018, and subsequently amended as up to 31 December 2019 during the year of 2017. During the year ended 31 December 2017, the Group has entered into definitive agreements for the respective services with members of Zensun Development Group and incurred construction costs paid and payable to Zensun Development Group of HK$426,307,000 (2016: HK$106,525,000). The annual maximum transaction amount in respect of these services provision for the year ended 31 December 2017 was RMB367 million (approximately HK$440.8 million) (2016: RMB92 million (approximately HK$107.3 million)).

Balances with related parties are set out in the consolidated statement of financial position, and details of terms are set out in notes 14, 16 and 17 of this announcement.

The Group is licensed by Zensun to use the trademark of "Zensun", "正商", on a royalty-free basis until July 2020.

Save as above, no transaction has 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) (2016: Nil).

21. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

(i) In January 2018, the Group acquired land use rights of a land parcel located in Zhengzhou City, Henan Province, the PRC through listing for sale process in a public auction held by Land and Resources Bureau of Zhengzhou City for transfer of state-owned land use rights at a consideration of RMB1,146,000,000 (equivalent to HK$1,376,346,000). The land parcel is designated for residential and commercial and financial usage, with the term of 70 years for residential usage and the term of 40 years for commercial and financial usage. The handover of the land parcel is expected to be completed on or before second quarter of 2018.

(ii) In January 2018, the Group acquired land use rights of three land parcels located in Xinzheng City, Henan Province, the PRC through listing for sale process in a public auction held by Land and Resources Bureau of Xinzheng City for transfer of state-owned land use rights at an aggregate consideration of RMB2,820,520,000 (equivalent to HK$3,387,444,000). These land parcels are designated for residential usage with the term of 70 years. The handover of these land parcels are expected to be completed on or before second quarter of 2018.

(iii) In February 2018, the Group entered into a subscription agreement and thereafter issued a US$200,000,000 7.5% bonds due in 2019. The Group intended to use the gross proceeds from the bonds for general corporate purpose.

(iv) On 9 March 2018, a termination agreement was entered into between the Company and Ms. Huang to terminate the agreement dated 27 September 2017 and as amended by the supplemental agreement dated 30 January 2018 entered into between the Company and Ms. Huang, all in relation to the acquisition of all the issued share capital of Honor Challenge Investment Limited.

(v) In March 2018, the Group acquired land use rights of sixteen land parcels located in Gongyi City, Henan Province, the PRC through listing for sale process in a public auction held by Gongyi Municipal Bureau of Land and Resources for transfer of state-owned land use rights at an aggregate consideration of RMB312,420,000 (equivalent to HK$375,216,000). These land parcels are designated for residential usage, and/or commercial usage, or public facilities usage with the terms of 70 years for residential usage and/or the terms of 40 years for commercial or terms of 50 years for public facilities usage. The handover of these land parcels is expected to be completed on or before second quarter of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS AND DIVIDEND

For the year ended 31 December 2017, the Group recorded a turnover of approximately HK$1,272.0 million and gross profit of approximately HK$425.6 million, representing an increase of 1,498% as compared to turnover of approximately HK$79.6 million and increase of 593% as compared to gross profit of approximately HK$61.4 million in the corresponding period. The revenue and gross profit in 2017 were mainly derived from the property development business in the PRC. The significant increase in revenue and gross profit was primarily attributable to the Group's expansion in property development business in the PRC starting from 2015. The Group completed and delivered its first two property development projects in 2017.

The Group had net other losses of approximately HK$4.7 million in 2017, as compared to net other losses of approximately HK$24.8 million in 2016. The Group's net other losses in 2017 mainly represented the combined effect of decrease in fair value of financial assets at fair value through profit or loss of approximately HK$14.0 million (2016: approximately HK$23.4 million) and the net exchange loss of approximately HK$2.9 million (2016: net exchange gain of approximately HK$2.4 million), offset with the increase in fair value of investment properties of approximately HK$12.4 million (2016: approximately HK$1.4 million). The significant decrease of the net other losses was due to an one off effect from the deemed disposal loss of GMR in relation to its share offering and migration listing on the New York Stock Exchange ("NYSE") in July 2016.

The Group's sales and marketing costs increased by 306% from approximately HK$13.9 million in 2016 to approximately HK$56.4 million in 2017. The Group's administrative expenditure increased by 46% from approximately HK$57.2 million in 2016 to approximately HK$83.4 million in 2017. Such increases were in line with the further business expansion in the Group's property development business in the PRC during the year ended 31 December 2017.

The Group's income tax expenses increased from approximately HK$4.6 million in 2016 to approximately HK$122.7 million in 2017. The increase was primarily attributable to the increase in PRC Enterprise Income Tax and PRC land appreciation tax arising from the operating profits in property development business in the PRC in 2017.

As a result of the foregoing, the Group's profit attributable to owners of the Company for the year amounted to approximately HK$152.5 million (2016: loss attributable to owners of the Company amounted to approximately HK$56.7 million).

The basic earnings per share for the year ended 31 December 2017 was HK2.47 cents (2016: loss per share of HK0.97 cent).

The Board does not recommend the payment of a dividend in respect of the year (2016: Nil).

BUSINESS REVIEW

Property Development in the PRC

During the year ended 31 December 2017, the property development business contributed revenue of approximately HK$1,190.8 million (2016: Nil) and segment profit of approximately HK$271.3 million (2016: segment loss of approximately HK$18.0 million) to the Group. The significant increase of revenue and segment profit was attributable to the delivery of the first two completed property development projects in 2017.

During the year ended 31 December 2017, the Group has continuously made successful bids of land parcels through listings for sale and acquisition processes from independent third parties in Henan Province and also Beijing, the PRC. Those successful bids further complemented the Group's strategy in expanding its business operation with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC. The Group persists continuing effort to expand its land reserve.

During the year ended 31 December 2017, the Group completed its first two property development projects, namely Zensun Xinghan Garden and Zensun Jingkai Plaza, respectively, with aggregate gross floor area ("GFA") amounted to approximately 379,000 sq.m. Zensun Xinghan Garden is a residential project, while Zensun Jingkai Plaza is a commercial complex project with offices and apartments. Upon completion of these two property development projects, the Group have delivered both properties to the customers in accordance with the related terms of sales and purchase agreements in the fourth quarter of 2017.

As at 31 December 2017, the Group had 2 completed property projects and 14 projects under development and planning with aggregate of total estimated GFA of approximately 3.5 million sq.m. in the PRC. The Group adopts a proactive strategy in project development business and will adjust its pace of business expansion and project development progress as and when appropriate.

Property Investment and/or Management in the USA on AHR and GMR

During the year ended 31 December 2017, the property investment and management in the USA on AHR and GMR through Inter-American Management, LLC ("IAM"), the 85%-owned REIT management arm of the Group, contributed revenue of approximately HK$43.6 million (2016: approximately HK$47.4 million) and segment loss of approximately HK$0.1 million (2016: approximately HK$32.0 million) to the Group. The significant decrease in the segment loss was due to an one off effect from the deemed disposal loss of GMR in relation to its share offering and migration listing on the NYSE in July 2016. The Group has continued to provide management services to GMR in return for property management fee income pursuant to the management agreement between GMR and IAM after GMR offering.

In addition, the Group acquired two senior housing communities in the USA, namely the Oxford Grand McKinney and the Glen Carr House, respectively, during the year ended 31 December 2017. The acquisitions have brought up new rental income to the Group and contributed an increase in fair value of investment properties, which in turn improved the overall segment results.

Property Investment other than AHR and GMR

During the year ended 31 December 2017, the property investment other than AHR and GMR divisions contributed revenue of approximately HK$15.1 million (2016: approximately HK$16.1 million) and segment profit of approximately HK$13.2 million (2016: approximately HK$8.0 million) to the Group. The improvement of segment profit was attributable to a larger extent of increase in fair value of investment properties recorded during the year, which was in line with the better market conditions.

Securities Trading and Investment

During the year ended 31 December 2017, the Group's securities business recorded a revenue of approximately HK$16.9 million and a segment profit of approximately HK$3.5 million, as compared to revenue of approximately HK$8.7 million and segment loss of approximately HK$14.8 million recorded in 2016. The increment in revenue and segment profit were primarily attributable to the full year effect of dividend income from investment in GMR in 2017.

Hotel Operations

During the year ended 31 December 2017, revenue from the hotel operation division declined from approximately HK$7.0 million to approximately HK$5.6 million, which also contributed to a segment loss of approximately HK$1.9 million (2016: approximately HK$0.9 million).

Other Investment

During the year ended 31 December 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 year and therefore recognized a net gain of approximately HK$0.5 million.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 31 December 2017, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances was approximately HK$1,137.1 million (2016: approximately HK$270.7 million), representing an increase of approximately 320%. The total cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars, US dollars, Singapore dollars and Japanese Yen.

As at 31 December 2017, certain bank balances and deposits of the Group were pledged to certain banks and financial institutions 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 deposits was approximately HK$119.2 million as at 31 December 2017 (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, loans from a related company, and amounts due to related companies, net of bank balances and cash, restricted bank balances and pledged deposits, and equity attributable to owners of the Company, comprising issued share capital and reserves. As at 31 December 2017, net debt and equity attributable to owners of the Company were approximately HK$14,223.6 million (2016: approximately HK$1,173.3 million) and approximately HK$1,379.6 million (2016: approximately HK$1,163.1 million), respectively.

As at 31 December 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$15,360.7 million (2016: approximately HK$1,444.0 million), of which approximately HK$10,713.8 million (2016: approximately HK$1,287.1 million) are repayable within one year or on demand, and approximately HK$4,646.9 million (2016: approximately HK$156.9 million) are repayable after one year. The aggregate borrowings were mainly denominated in Renminbi, US dollars, Singapore dollars and Hong Kong dollars.

As at 31 December 2017, certain bank and financial institutions facilities granted to the Group together the mortgage loan facilities granted to the property buyers of the Group were secured by certain property, plant and equipment, investment properties, properties held for sale, properties under development for sale and pledged deposits with total carrying values of approximately HK$12,582.6 million (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 31 December 2017.

The Group's bank and other borrowings carried various fixed interest rates from 4.35% per annum to 7.43% per annum and 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 31 December 2017, except the amounts of approximately HK$31.1 million (2016: approximately HK$164.5 million) recorded in loans from a related company 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 remaining amounts in loans from a related company and the amounts due to related parties were interest-free.

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 and continued to look for external financing sources. The Group's overall strategy remains unchanged from prior year.

Key Financial Ratios

As at 31 December 2017, the Group recorded a current ratio of 1.3 (2016: 1.3) and a gearing ratio of approximately 63.9% (2016: 31.7%). Gearing ratio is defined as the ratio of total borrowings less bank balances and cash, restricted bank balances and pledged 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 year ended 31 December 2017.

Capital Commitments

As at 31 December 2017, the capital commitments of the Group in connection with land premium resulting from land acquisitions and the property development expenditures were approximately HK$1,263.8 million (2016: approximately HK$1,356.4 million) and approximately HK$2,795.1 million (2016: approximately HK$369.1 million), respectively.

Contingent Liabilities

As at 31 December 2017, the Group had contingent liabilities relating to guarantees amounting to approximately HK$1,184.6 million (2016: approximately HK$456.0 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 year ended 31 December 2017 as the default risk is low.

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 arises.

Significant Investments 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. These development projects are expected to be completed no later than the third quarter of 2021.

(c) In July 2017, the Group has also made a successful bid for land use rights of one land parcel in Zhengzhou City, Henan Province, the PRC with site area of 62,286.39 square meters for residential use at a consideration of RMB2,205,000,000. This development project is expected to be completed no later than the fourth quarter of 2020.

(d) On 20 September 2017, the Group has made three successful bids for land use rights for three land parcels in Dengfeng City, Henan Province, the PRC (i) with site area of approximately 46,898.78 sq.m. for residential use at a consideration of RMB106,228,500; (ii) with site area of approximately 27,210.04 sq.m. for residential use and commercial (wholesale & retailing, accommodation & catering) use at a consideration of RMB65,312,000; and (iii) and with site area of approximately 50,435.88 sq.m. for residential use and commercial (wholesale & retailing, accommodation & catering) use at a consideration of RMB130,496,250. These development projects are expected to be completed no later than the first quarter of 2021.

(e) On 21 September 2017, the Group has made two successful bids for land use rights for two land parcels in Dengfeng City, Henan Province, the PRC (i) with site area of approximately 15,991.63 sq.m. for residential use and commercial (wholesale & retailing, accommodation & catering) use at a consideration of RMB25,429,400; (ii) with site area of approximately 32,986.48 sq.m. for residential use and commercial (wholesale & retailing, accommodation & catering) use at a consideration of RMB52,448,800. These development projects are expected to be completed no later than the first quarter of 2021.

(f) On 27 September 2017, the Company entered into an agreement with Ms. Huang to acquire the entire issued share capital of Honor Challenge Investment Limited at a total consideration of HK$1,060,953,720. On 30 January 2018, the Company and Ms. Huang entered into a supplemental agreement to amend and extend the long stop date to 1 August 2018. On 9 March 2018, a termination agreement was entered into between the Company and Ms. Huang to terminate the Agreement as amended by the supplemental agreement.

(g) On 10 November 2017, the Group has made two successful bids for land use rights for two land parcels in Xuchang City, Henan Province, the PRC (i) with site area of approximately 59,989 sq.m. for residential use at a consideration of RMB175,400,000; (ii) with site area of approximately 55,460 sq.m. for residential use at a consideration of RMB179,000,000. These development projects are expected to be completed no later than the fourth quarter of 2020.

(h) On 23 November 2017, the Group has made a successful bid for land use rights for a land parcel in Xuchang City, Henan Province, the PRC with site area of approximately 60,948 sq.m. for residential use at a consideration of RMB250,500,000. This development project is expected to be completed no later than the fourth quarter of 2020.

(i) On 27 December 2017, the Group has made a successful bid for land use rights for a land parcel in Zhengzhou City, Henan Province, the PRC with site area of approximately 58,337.95 sq.m. for residential use at a consideration of RMB1,825,000,000. This development project is expected to be completed no later than the first quarter of 2021.

(j) On 28 December 2017, the Group has made two successful bids for land use rights for two land parcels in Xinxiang City, Henan Province, the PRC (i) with site area of approximately 45,591.03 sq.m. for residential use and commercial use at a consideration of RMB441,093,215; (ii) with site area of approximately 36,711.87 sq.m. for residential use and commercial use at a consideration of RMB347,477,850. These development projects are expected to be completed no later than the first quarter of 2021.

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 year ended 31 December 2017, amounted to approximately HK$39.0 million (2016: HK$22.1 million).

As at 31 December 2017, the Group had 89 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 Group will primarily finance the repayments on financial assistance from the controlling shareholder through proceeds from the pre-sale and sale of Group's properties, internally generated cash flows from other operations, and borrowings from commercial banks and financial institutions. Going forward, the Group believes our future fund needs in support of project construction and land acquisition activities will be satisfied by the above-mentioned sources and additional issuance of equity securities or other capital market instruments.

The Group seeks to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. The Group will also continue to assess available financial resources in support of our business needs on an ongoing basis and plan and adjust our development schedule or implement cost control measures if necessitated by our then-existing financial conditions and cash requirements.

The Group intends to continue to access existing capital resources, and to seek new sources of funding, to maintain and grow our business on a cost-effective basis.

The PRC

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 identify new property development projects and 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 a supplemental agreement with Henan Zensun Corporate Development Company Limited (the "Supplemental Agreement") during the year ended 31 December 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 year of 2017. 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 takes 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 the PRC.

The U.S.

As at the date of this announcement, the Group has 12% equity interest in a NYSE-listed REIT, GMR and 99% equity interest in an USA OTC Company, 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

   The Group has continued providing REIT management services and receiving recurring management fees directly to and from GMR pursuant to the management agreement between GMR and IAM after GMR offering. During the year ended 31 December 2017, GMR have launched several fund raising campaigns including underwritten public offering in the aggregate of 4 million shares of its common stock. 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 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 year ended 31 December 2017, two senior housing communities in the 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 will regularly review the Singapore property market to explore business opportunities in this market in the foreseeable future. For the non-core Japan hotel business, while the Group is seeking potential buyers to dispose of 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 in the PRC, USA and overseas with business growth opportunities.

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

During the year ended 31 December 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 year ended 31 December 2017, 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. 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 Issuer (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 year ended 31 December 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, auditing and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRELIMINARY ANNOUNCEMENT OF AUDITED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of final results 2017 do not constitute the Company's statutory annual consolidated financial statements for those years 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 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 and will deliver the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required in due course.

The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2017 and 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; 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 2017 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.

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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the 2018 annual general meeting of the Company ("2018 AGM"), the register of members of the Company will be closed from 7 June 2018 to 12 June 2018, 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 2018 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 6 June 2018.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on 12 June 2018 and the notice of the 2018 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 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, 28 March 2018

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