THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **ZH International Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the stockbroker, registered dealer in securities or other agent through whom the sale was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares of the Company.

Zh 正恒

ZH INTERNATIONAL HOLDINGS LIMITED

正恒國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

VERY SUBSTANTIAL ACQUISITION TRANSACTION IN RELATION TO ACQUISITIONS OF LAND USE RIGHTS IN HENAN PROVINCE, THE PRC AND FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

A letter from the Board is set out on pages 6 to 18 of this circular.

30 May 2018

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The following expressions in this circular have the meanings set out below unless the content requires otherwise:

"Acquisitions"	:	the First Acquisition, the Second Acquisition and the Third Acquisition
"Agreement"	:	the agreement entered into between Ms. Huang and the Company in relation to the sale and purchase of entire issued share capital of Honor Challenge Investment Limited on 27 September 2017
"Auction(s)"	:	the public auction(s) held by Land and Resources Bureau of Zhengzhou City at which the First Land Parcel, the Second Land Parcel and the Third Land Parcel were offered for sale, respectively
"Board"	:	the board of Directors
"close associates"	:	has the meaning ascribed to it under the Listing Rules
"Company"	:	ZH International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	:	has the meaning ascribed to it under the Listing Rules
"Consideration of First Land Parcel"	:	RMB635,420,000, being the price for the First Acquisition of the land use rights of the First Land Parcel
"Consideration of Second Land Parcel"	:	RMB458,650,000, being the price for the Second Acquisition of the land use rights of the Second Land Parcel
"Consideration of Third Land Parcel"	:	RMB610,070,000, being the price for the Third Acquisition of the land use rights of the Third Land Parcel
"controlling shareholder"	:	has the meaning ascribed to it under the Listing Rules
"Director(s)"	:	the director(s) of the Company
"Financial Assistance"	:	unsecured loan(s) provided by Zensun upon Henan Huafu's request, of unsecured loan(s) of RMB635,420,000, RMB458,650,000 and RMB610,070,000 pursuant to the First Loan Agreement, the Second Loan Agreement and the Third Loan Agreement, collectively and respectively

"First Acquisition"	:	the acquisition of land use rights of the First Land Parcel through listing for sale process at the Auction held on 10 April 2018
"First Confirmation Notice"	:	the confirmation notice of land transaction by auction* (成交確認書) issued on 10 April 2018 by Land and Resources Bureau of Zhengzhou City to Henan Huafu confirming the First Acquisition at the Auction
"First Land Parcel"	:	a piece of land located at south of Xincheng Road, east of Xinxi Street, Huiji District* (惠濟區新城路南、新西街東), Zhengzhou City, Henan Province, the PRC with a total site area of 79,585.58 sq.m. and permitted plot ratio between 1.0 and 3.3 which was offered for sale at the Auction held on 10 April 2018
"First Land Use Rights Grant Contract"	:	the land use rights grant contract entered into between Henan Huafu and Land and Resources Bureau of Zhengzhou City in respect of the First Land Parcel on 24 April 2018 and any supplemental agreement thereof
"First Loan Agreement"	:	the loan agreement entered into between Henan Huafu and Zensun on 10 April 2018 and any supplemental agreement thereof to provide unsecured loan(s) of RMB635,420,000 for the First Land Parcel with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Huafu in accordance with actual needs from the date of the First Loan Agreement at an interest rate of no more than 4% per annum on the loan amount actually drawn
"Group"	:	the Company and its subsidiaries from time to time
"Henan Huafu"	:	Henan Zensun Huafu Real Estate Company Limited* (河南正商華府置業有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
"HK$"	:	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	:	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party"	:	a third party independent of the Company and the connected persons of the Company

"Land and Resources Bureau of Zhengzhou City"	:	Land and Resources Bureau of Zhengzhou City* (鄭州市國土資源局)
"Latest Practicable Date"	:	25 May 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	:	Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Zhang"	:	Mr. Zhang Jingguo, the Chairman, Chief Executive Officer and executive Director of the Company
"Ms. Huang"	:	Ms. Huang Yanping, the non-executive Director and a controlling shareholder of the Company
"PRC"	:	the People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Governmental Body"	:	has the meaning ascribed to it under the Listing Rules
"PRC law"	:	has the meaning ascribed to it under the Listing Rules
"RMB"	:	Renminbi, the lawful currency of the PRC
"Second Acquisition"	:	the acquisition of land use rights of the Second Land Parcel through listing for sale process at the Auction held on 10 April 2018
"Second Confirmation Notice"	:	the confirmation notice of land transaction by auction* (成交確認書) issued on 10 April 2018 by Land and Resources Bureau of Zhengzhou City to Henan Huafu confirming the Second Acquisition at the Auction
"Second Land Parcel"	:	a piece of land located at south of Xingyun Road, east of Xinxi Street, Huiji District* (惠濟區幸運路南、新西街東), Zhengzhou City, Henan Province, the PRC with a total site area of 63,391.95 sq.m. and permitted plot ratio between 1.0 and 2.5 which was offered for sale at the Auction held on 10 April 2018

"Second Land Use Rights Grant Contract"	:	the land use rights grant contract entered into between Henan Huafu and Land and Resources Bureau of Zhengzhou City in respect of the Second Land Parcel on 24 April 2018 and any supplemental agreement thereof
"Second Loan Agreement"	:	the loan agreement entered into between Henan Huafu and Zensun on 10 April 2018 and any supplemental agreement thereof to provide unsecured loan(s) of RMB458,650,000 for the Second Land Parcel with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Huafu in accordance with actual needs from the date of the Second Loan Agreement at an interest rate of no more than 4% per annum on the loan amount actually drawn
"SFO"	:	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	:	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	:	the holder(s) of the Shares
"sq.m."	:	square meters
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited
"Third Acquisition"	:	the acquisition of land use rights of the Third Land Parcel through listing for sale process at the Auction held on 12 April 2018
"Third Confirmation Notice"	:	the confirmation notice of land transaction by auction* (成交確認書) issued on 16 April 2018 by Land and Resources Bureau of Zhengzhou City to Henan Huafu confirming the Third Acquisition at the Auction
"Third Land Parcel"	:	a piece of land located at east of Yule Road, south of Xingyun Road, Huiji District* (惠濟區娛樂路東、幸運路南), Zhengzhou City, Henan Province, the PRC with a total site area of 84,309.66 sq.m. and permitted plot ratio between 1.0 and 2.5 which was offered for sale at the Auction held on 12 April 2018

"Third Land Use Rights Grant Contract"	:	the land use rights grant contract entered into between Henan Huafu and Land and Resources Bureau of Zhengzhou City in respect of the Third Land Parcel on 27 April 2018 and any supplemental agreement thereof
"Third Loan Agreement"	:	the loan agreement entered into between Henan Huafu and Zensun on 12 April 2018 and any supplemental agreement thereof to provide unsecured loan(s) of RMB610,070,000 for the Third Land Parcel with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for draw down by Henan Huafu in accordance with actual needs from the date of the Third Loan Agreement at an interest rate of no more than 4% per annum on the loan amount actually drawn
"Total Consideration"	:	RMB1,704,140,000 being the aggregate of Consideration of the First Land Parcel, Consideration of the Second Land Parcel and Consideration of the Third Land Parcel
"U.S." or "United States"	:	the United States of America
"U.S.$"	:	United States dollars, the lawful currency of the United States
"Zensun"	:	Zensun Real Estate Co., Ltd* (河南正商置業有限公司), a company established in the PRC with limited liability and ultimately controlled by Ms. Huang
"%"	:	per cent.

English names marked with "" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

ZH INTERNATIONAL HOLDINGS LIMITED
正恒國際控股有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 185)

Executive Directors:
Mr. Zhang Jingguo
(Chairman and Chief Executive Officer)
Mr. Zhang Guoqiang

Non-executive Director:
Ms. Huang Yanping

Independent non-executive Directors:
Dr. Liu Qiao
Mr. Liu Da
Mr. Ma Yuntao

Registered and principal office:
24/F., Wyndham Place,
40–44 Wyndham Street,
Central, Hong Kong

30 May 2018

To the Shareholders (for information only),

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION TRANSACTION
IN RELATION TO ACQUISITIONS OF
LAND USE RIGHTS IN HENAN PROVINCE, THE PRC
AND
FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER**

INTRODUCTION

Reference is made to the announcements of the Company dated 10 April 2018 and 12 April 2018 in relation to the Acquisitions. The purpose of this circular is to provide you with, among other things, further details of the Acquisitions and such other information as required under the Listing Rules.

The Board is pleased to announce that Henan Huafu, an indirect wholly owned subsidiary of the Company, has been successful in the bidding of land use rights of three land parcels through listings for sale process in the Auctions held by Land and Resources Bureau of Zhengzhou City for transfer of state-owned land use rights of (i) the First Land Parcel and the Second Land Parcel at a consideration of RMB635,420,000 and RMB458,650,000 respectively on 10 April 2018; and (ii) the Third Land Parcel at a consideration of RMB610,070,000 on 12 April 2018.

The value of the First Land Parcel, the Second Land Parcel and the Third Land Parcel shall be their respective consideration.

THE FIRST LAND PARCEL

The First Land Parcel is located at south of Xincheng Road, east of Xinxi Street, Huiji District* (惠濟區新城路南、新西街東), Zhengzhou City, Henan Province, the PRC with a total site area of 79,585.58 sq.m. and permitted plot ratio between 1.0 and 3.3. The First Land Parcel is designated for residential use with the term of 70 years. A sum of RMB317,710,000 has been paid as the security deposit for the Auction of the First Land Parcel. The First Confirmation Notice was issued by Land and Resources Bureau of Zhengzhou City on 10 April 2018. The First Land Use Rights Grant Contract was entered into between Henan Huafu and Land and Resources Bureau of Zhengzhou City on 24 April 2018.

On 10 April 2018, Zensun entered into the First Loan Agreement with Henan Huafu to provide Financial Assistance to Henan Huafu of RMB635,420,000.

THE FIRST CONFIRMATION NOTICE

Date	:	10 April 2018
Parties	:	Henan Huafu; and Land and Resources Bureau of Zhengzhou City
Code of the land parcel	:	鄭政出 [2018] 45#
Consideration	:	RMB635,420,000, which was arrived at after bidding at the Auction. A sum of RMB317,710,000 has been paid by Henan Huafu as the security deposit for the Auction of the First Land Parcel. The details of the payment terms of the Consideration of First Land Parcel are set out in the First Land Use Rights Grant Contract.

MAJOR TERMS OF THE FIRST LAND USE RIGHTS GRANT CONTRACT

Date	:	24 April 2018
Parties	:	Henan Huafu (as transferee); and Land and Resources Bureau of Zhengzhou City (as transferor)

Location of the land parcel	:	south of Xincheng Road, east of Xinxi Street, Huiji District* (惠濟區新城路南、新西街東), Zhengzhou City, Henan Province, the PRC
Total site area	:	79,585.58 sq.m.
Conditions of the land use rights	:	The permitted plot ratio between 1.0 and 3.3
Nature of the land use rights	:	Residential use
Term of the land use rights	:	70 years
Payment terms of the consideration	:	(1) A sum of RMB317,710,000 has been paid by Henan Huafu on 8 April 2018 as the security deposit for the Auction of the First Land Parcel (2) The remaining amount of RMB317,710,000 is payable within 60 calendar days from the date of the First Land Use Rights Grant Contract
Handover date	:	On or before 23 July 2018
Commencement of construction	:	On or before 23 April 2019
Completion of construction	:	On or before 23 October 2021

It is currently expected that the First Land Parcel will be used for the property development for residential use. The estimated maximum construction gross floor area for the First Land Parcel will be approximately 262,633 sq.m. based on the permitted plot ratio. The capital commitment for this development project will be no less than RMB1,568 million. The construction work of the First Land Parcel shall be subject to invitation tenders.

THE SECOND LAND PARCEL

The Second Land Parcel is located at south of Xingyun Road, east of Xinxi Street, Huiji District* (惠濟區幸運路南、新西街東), Zhengzhou City, Henan Province, the PRC with a total site area of 63,391.95 sq.m. and permitted plot ratio between 1.0 and 2.5. The Second Land Parcel is designated for residential use with the term of 70 years. A sum of RMB229,400,000 has been paid as the security deposit for the Auction of the Second Land Parcel. The Second Confirmation Notice was issued by Land and Resources Bureau of Zhengzhou City on 10 April 2018. The Second Land Use Rights Grant Contract was entered into between Henan Huafu and Land and Resources Bureau of Zhengzhou City on 24 April 2018.

On 10 April 2018, Zensun entered into the Second Loan Agreement with Henan Huafu to provide Financial Assistance to Henan Huafu of RMB458,650,000.

THE SECOND CONFIRMATION NOTICE

Date	:	10 April 2018
Parties	:	Henan Huafu; and Land and Resources Bureau of Zhengzhou City
Code of the land parcel	:	鄭政出 [2018] 46#
Consideration	:	RMB458,650,000, which was arrived at after bidding at the Auction. A sum of RMB229,400,000 has been paid by Henan Huafu as the security deposit for the Auction of the Second Land Parcel. The details of the payment terms of the Consideration of Second Land Parcel are set out in the Second Land Use Rights Grant Contract.

MAJOR TERMS OF THE SECOND LAND USE RIGHTS GRANT CONTRACT

Date	:	24 April 2018
Parties	:	Henan Huafu (as transferee); and Land and Resources Zhengzhou City (as transferor)
Location of the land parcel	:	south of Xingyun Road, east of Xinxi Street, Huiji District* (惠濟區幸運路南、新西街東), Zhengzhou City, Henan Province, the PRC
Total site area	:	63,391.95 sq.m.
Conditions of the land use rights	:	The permitted plot ratio between 1.0 and 2.5
Nature of the land use rights	:	Residential use
Term of the land use rights	:	70 years for residential use

Payment terms of the consideration	:	(1) A sum of RMB229,400,000 has been paid by Henan Huafu on 8 April 2018 as the security deposit for the Auction of the Second Land Parcel
		(2) The remaining amount of RMB229,250,000 is payable within 60 days from the date of the Second Land Use Rights Grant Contract
Handover date	:	On or before 23 July 2018
Commencement of construction	:	On or before 23 April 2018
Completion of construction	:	On or before 23 October 2021

It is currently expected that the Second Land Parcel will be used for the property development for residential use. The estimated maximum construction gross floor area for the Second Land Parcel will be approximately 158,480 sq.m. based on the permitted plot ratio. The capital commitment for this development project will be no less than RMB1,104 million. The construction work of the Second Land Parcel shall be subject to invitation tenders.

THE THIRD LAND PARCEL

The Third Land Parcel is located at east of Yule Road, south of Xingyun Road, Huiji District* (惠濟區娛樂路東、幸運路南), Zhengzhou City, Henan Province, the PRC with a total site area of 84,309.66 sq.m. and permitted plot ratio between 1.0 and 2.5. The Third Land Parcel is designated for residential use with the term of 70 years. A sum of RMB305,050,000 has been paid as the security deposit for the Auction of the Third Land Parcel. The Third Confirmation Notice was issued by Land and Resources Bureau of Zhengzhou City on 16 April 2018. The Third Land Use Rights Grant Contract was entered into between Henan Huafu and Land and Resources Bureau of Zhengzhou City on 27 April 2018.

On 12 April 2018, Zensun entered into the Third Loan Agreement with Henan Huafu to provide Financial Assistance to Henan Huafu of RMB610,070,000.

THE THIRD CONFIRMATION NOTICE

Date	:	16 April 2018
Parties	:	Henan Huafu; and
		Land and Resources Bureau of Zhengzhou City
Code of the land parcel	:	鄭政出 [2018] 50#

Consideration	:	RMB610,070,000, which was arrived at after bidding at the Auction. A sum of RMB305,050,000 has been paid by Henan Huafu as the security deposit for the Auction of the Third Land Parcel. The details of the payment terms of the Consideration of Third Land Parcel are set out in the Third Land Use Rights Grant Contract.

MAJOR TERMS OF THE THIRD LAND USE RIGHTS GRANT CONTRACT

Date	:	27 April 2018
Parties	:	Henan Huafu (as transferee); and Land and Resources Bureau of Zhengzhou City (as transferor)
Location of the land parcel	:	east of Yule Road, south of Xingyun Road, Huiji District* (惠濟區娛樂路東、幸運路南), Zhengzhou City, Henan Province, the PRC
Total site area	:	84,309.66 sq.m.
Conditions of the land use rights	:	The permitted plot ratio between 1.0 and 2.5
Nature of the land use rights	:	Residential use
Term of the land use rights	:	70 years for residential use
Payment terms of the consideration	:	(1) A sum of RMB305,050,000 has been paid by Henan Huafu on 10 April 2018 as the security deposit for the Auction of the Third Land Parcel (2) The remaining amount of RMB305,020,000 is payable within 60 days from the date of the Third Land Use Rights Grant Contract
Handover date	:	On or before 26 July 2018
Commencement of construction	:	On or before 26 April 2019
Completion of construction	:	On or before 26 October 2021

It is currently expected that the Third Land Parcel will be used for the property development for residential use. The estimated maximum construction gross floor area for the Third Land Parcel will be approximately 210,774 sq.m. based on the permitted plot ratio. The capital commitment for this development project will be no less than RMB1,485 million. The construction work of the Third Land Parcel shall be subject to invitation tenders.

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

On 10 April 2018, Zensun, a company ultimately controlled by Ms. Huang who is a Director and controlling shareholder of the Company, entered into the First Loan Agreement with Henan Huafu pursuant to which Zensun has agreed to provide, upon Henan Huafu's request, unsecured loan(s) of RMB635,420,000 for the First Land Parcel with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Huafu in accordance with actual needs from the date of the First Loan Agreement at an interest rate of no more than 4% per annum on the loan amount actually drawn. The proceeds from the Financial Assistance will be used to finance the First Acquisition and the development of the First Land Parcel.

On 10 April 2018, Zensun, a company ultimately controlled by Ms. Huang who is a Director and controlling shareholder of the Company, entered into the Second Loan Agreement with Henan Huafu pursuant to which Zensun has agreed to provide, upon Henan Huafu's request, unsecured loan(s) of RMB458,650,000 for the Second Land Parcel with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Huafu in accordance with actual needs at an interest rate of no more than 4% per annum on the loan amount actually drawn. The proceeds from the Financial Assistance will be used to finance the Second Acquisition and the development of the Second Land Parcel.

On 12 April 2018, Zensun, a company ultimately controlled by Ms. Huang who is a Director and controlling shareholder of the Company, entered into the Third Loan Agreement with Henan Huafu pursuant to which Zensun has agreed to provide, upon Henan Huafu's request, unsecured loan(s) of RMB610,070,000 for the Third Land Parcel with discretionary right on Zensun to demand immediate repayment. Such loan(s) will be available for drawdown by Henan Huafu in accordance with actual needs at an interest rate of no more than 4% per annum on the loan amount actually drawn. The proceeds from the Financial Assistance will be used to finance the Third Acquisition and the development of the Third Land Parcel.

As Ms. Huang is a Director and controlling shareholder of the Company, each of the Financial Assistance will constitute a connected transaction in the form of financial assistance from Zensun in favour of Henan Huafu. However, as the Financial Assistance is not secured by any assets of the Group, and as the Directors consider that the Financial Assistance is on normal commercial terms or better, the Financial Assistance is fully-exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Board believes that the Acquisitions complement the Group's strategy in expanding its development Henan Province and other first and second tier cities in the PRC. The Directors further consider that the Acquisitions are transactions of revenue nature carried out in the ordinary and usual course of business and are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company will continue to seek viable business opportunities in accordance with its overall strategy. The Company will make use of the Group's financial, human and technological resources to enhance its portfolio, asset base and brand image.

INFORMATION OF THE PARTIES

The Group is principally engaged in property development, property investment and management, hotel operations and securities trading and investment.

Henan Huafu is company established in the PRC, an indirect wholly-owned subsidiary of the Company and property development company. Zensun is a company established in the PRC and ultimately controlled by Ms. Huang who is a Director and controlling shareholder of the Company.

Land and Resources Bureau of Zhengzhou City, being the transferor of the land use rights of the First Land Parcel, the Second Land Parcel and the Third Land Parcel, is a PRC Governmental Body and is responsible for, among other things, administering the examination and approval of land planning, assignment and transfer of the land use rights of the state-owned land in Zhengzhou City, Henan Province, the PRC, and the issue of various types of land certificates.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Land and Resources Bureau of Zhengzhou City and its ultimate beneficial owners are third parties independent of the Group and its connected persons.

FINANCIAL EFFECTS OF THE ACQUISITIONS OF THE COMPANY

As the Group will finance the Total Consideration with Financial Assistance from Zensun, the total assets and the total liabilities of the Group will be increased by approximately RMB635,420,000 accordingly upon completion of the First Acquisition, approximately RMB458,650,000 accordingly upon completion of the Second Acquisition, approximately RMB610,070,000 accordingly upon completion of the Third Acquisition. Save for the aforesaid effects from the Acquisitions, the Company considers that there will not be any material effect on the earnings of the Group immediately upon the Acquisitions. In view of the future prospects of the property market in Henan Province, the PRC, it is anticipated that the Acquisitions will improve the Group's trading prospects in the future and the Directors consider the Acquisitions will contribute to the revenue and earnings base of the Group upon completion of these property development projects but the quantification of such contribution will depend on the future performance of the Group.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Following completion of the Acquisitions, the Group will continue to be principally engaged in the business of property development, property investment and management, hotel operation, 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 Zensun 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

During the year of 2016, the Company began to leverage on the PRC property development and investment experience of its management team to seek different suitable projects in anticipation of high potential returns to Shareholders. The Group has successfully bidded five pieces of land parcels in the second half of 2016, with total considerations of approximately RMB2.29 billion. These land parcels were all located in Zhengzhou City, Henan Province, the PRC. Construction work has already been commenced for one of these new land parcels during 2016 and the handover process for the other four new land parcels have been completed in the first quarter of 2017. As of 31 December 2016, the Group has three ongoing projects under development in Zhengzhou City, namely Zensun Xinghan Garden, Zensun Jingkai Plaza and Zensun Shuxiangmingzhu Project. Zensun Xinghan Garden and Zensun Jingkai Plaza have been completed in the fourth quarter of 2017. Based on the current construction progress and the delivery schedule, Zensun Shuxiangmingzhu Project are expected to be completed in the fourth quarter of 2019.

During the year of 2017 and the first quarter of 2018, the Group has made fourteen and twenty successful bids, respectively, for large-scaled land parcels and also certain medium to small-scaled land parcels through listings for sale and acquisition processes from independent third parties.

(a) In April 2017, the Group has made two successful bids for land use rights of two land parcels in Beijing City, the PRC with site area of approximately 53,213.75 sq.m. for residential and educational use at a consideration of RMB2,890,000,000 and site area of approximately 41,170.23 sq.m. for residential, commercial and office use at a consideration of RMB1,210,000,000 respectively. These two development projects are expected to be completed no later than the second quarter of 2021;

(b) In July 2017, the Group has made a successful bid for land use rights of one land parcel in Zhengzhou City with site area of 62,286.39 sq.m. for residential use at a consideration of RMB2,205,000,000. This development project is expected to be completed no later than the third quarter of 2020;

(c) In September 2017, the Group has made five successful bids for land use rights for five 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; (iii) 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; (iv) 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; and (v) 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 gradually no later than the third quarter of 2020 and the first quarter of 2021;

(d) In November 2017, the Group has made three successful bids for land use rights for three 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; and (iii) with site area of approximately 60,948 sq.m. for residential use at a consideration of RMB250,500,000. These development projects are expected to be completed gradually no later than the fourth quarter of 2020 and the fourth quarter of 2021;

(e) In December 2017, the Group has made three successful bids for land use rights for a land parcel in Zhengzhou City, Henan Province, the PRC with (i) site area of approximately 58,337.95 sq.m. for residential use at a consideration of RMB1,825,000,000; and two land parcels in Xinxiang City, Henan Province, the PRC; (ii) with site area of approximately 45,591.03 sq.m. for residential use and commercial use at a consideration of RMB441,093,215; and (iii) 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 gradually no later than the first quarter of 2021 and the first quarter of 2022;

(f) In January 2018, the Group has made four successful bids for land use rights for a land parcel in Zhengzhou City, Henan Province, the PRC (i) with site area of approximately 50,920.98 sq.m. for residential use and commercial and financial use at a consideration of RMB1,146,000,000; and three land parcels in Xinzheng City, Henan Province, the PRC; (ii) with site area of approximately 43,470.40 sq.m. for residential use at a consideration of RMB800,870,000; (iii) with site area of approximately 46,805.08 sq.m. for residential use at a consideration of RMB1,024,160,000; and (iv) with site area of approximately 45,515.87 sq.m. for residential use at a consideration of RMB995,490,000. These development projects are expected to be completed gradually no later than the first quarter of 2021 and the first quarter of 2022;

(g) In March 2018, the Group has made sixteen successful bids for land use rights for sixteen land parcels in Gongyi City, Henan Province, the PRC with total site area of approximately 743,799.14 sq.m. for residential use, commercial and public facilities use at an aggregate consideration of RMB312,420,000. These development projects are expected to be completed gradually no later than the fourth quarter of 2020.

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

In addition to existing business partner, the Company will continue to seek potential partners' cooperation to explore capital resources, reduce capital investment at an early stage and facilitate project development. The management remains cautiously optimistic on the long-term prospects of the real estate industry and will quicken its property development and sales of its development projects in the PRC through making use of its own advantages and leveraging on the national network and business resources of Zensun. The synergistic effect brought by Zensun will improve the position of the Group in the real estate industry in the PRC.

The United States

As at the Latest Practicable Date, the Group has 12.0% equity interest in a New York Stock Exchange ("**NYSE**") listed REIT, namely Global Medical REIT, Inc. ("**GMR**") and 99% equity interest in an U.S. Over-The-Counter company, namely American Housing REIT, Inc. ("**AHR**"), both are operated and managed by Inter-American Management, LLC ("**IAM**"), the 85%-owned REIT management arm of the Group, led by a specialised team of highly experienced professionals with deep knowledge in the U.S. real estate market.

1. GMR

The Group has continued providing management services and receiving recurring management fees directly to and from GMR pursuant to the management agreement between GMR and IAM after the GMR offering. It is expected that future fund raising of GMR will increase its capital base which in return increases 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 industry on the U.S. Two purchase agreements were entered into to acquire two senior housing communities in the U.S., namely, the Oxford Grant McKinney and the Glen Carr House for total consideration of US$27.6 million. Both transactions were completed in April 2017.

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.

LISTING RULES IMPLICATIONS

Taking into consideration the fact that the locations of the First Land Parcel, the Second Land Parcel and the Third Land Parcel are adjacent to each other in Huiji District, the Board took the liberty to aggregate the First Acquisition of the First Land Parcel, the Second Acquisition of the Second Land Parcel and the Third Acquisition of the Third Land Parcel. As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisitions in aggregate exceed 100%, the Acquisitions in aggregate constitute a very substantial acquisition transaction of the Company under the Listing Rules. Since each of the Acquisitions, (i) involves an acquisition of governmental land in the PRC from a PRC Governmental Body (as defined under Listing Rules) through an auction governed by PRC Law; and (ii) is undertaken on a sole basis by the Group (being a "**qualified issuer**" as defined under Rule 14.04(10B) of the Listing Rules) in its ordinary and usual course of business, each of the Acquisitions is regarded as a qualified property acquisition under Rule 14.04(10C) of the Listing Rules. Hence, each of the Acquisitions is only subject to reporting and announcement requirements and is exempt from shareholders' approval requirements pursuant to Rule 14.33A of the Listing Rules.

As Ms. Huang is a Director and controlling shareholder of the Company, each of the Financial Assistance will constitute a connected transaction in the form of financial assistance from Zensun in favour of Henan Huafu. However, as the Financial Assistance is not secured by any assets of the Group, and as the Directors consider that the Financial Assistance is on normal commercial terms or better, the Financial Assistance is fully-exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

To the best of the knowledge, information, and belief of the Directors, after having made all reasonable enquiries, as no Shareholder has material interests in the Acquisitions, no Shareholder would be required to abstain from voting if the Company is to convene a general meeting for approving the Acquisitions. However, in accordance with the Listing Rules, the Acquisitions are subject to reporting and announcement requirements but are exempt from Shareholders' approval requirements, the Company will not be required to convene an extraordinary general meeting for approving the Acquisitions.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the First Confirmation Notice and the First Land Use Rights Grant Contract in respect of the First Acquisition; the terms of the Second Confirmation Notice and the Second Land Use Rights Grant Contract in respect of the Second Acquisition; and the terms of the Third Confirmation Notice and the Third Land Use Rights Grant Contract in respect of the Third Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors have any material interest in the Acquisitions and the First Land Use Rights Grant Contract, the Second Land Use Rights Grant Contract and the Third Land Use Rights Grant Contract.

Accordingly, the Directors (including the independent non-executive Directors) would recommend the Shareholders to vote in favour of the resolution for approving the Acquisitions if an extraordinary general meeting of the Company is required to be held to consider and approve the Acquisitions.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
ZH International Holdings Limited
Zhang Jingguo
Chairman, Chief Executive Officer and Executive Director

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for the nine months ended 31 December 2015, for the year ended 31 December 2016 and for the year ended 31 December 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.zhsuccess.com):

- annual report of the Company for the nine months ended 31 December 2015 published on 28 April 2016 (pages 60 to 169);
- annual report of the Company for the year ended 31 December 2016 published on 25 April 2017 (pages 77 to 185); and
- annual report of the Company for the year ended 31 December 2017 published on 25 April 2018 (pages 86 to 198).

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of performance and other information of the Group for the nine months ended 31 December 2015, year ended 31 December 2016 and year ended 31 December 2017 principally extracted from the annual reports of the Company for the nine months ended 31 December 2015, year ended 31 December 2016 and year ended 31 December 2017, respectively. Unless the context otherwise requires, capitalised terms used therein shall have the same meanings as those ascribed in the Company's annual reports for the nine months ended 31 December 2015, year ended 31 December 2016 and year ended 31 December 2017, respectively.

(i) For the nine months ended 31 December 2015

BUSINESS REVIEW

Our business

The Company was founded in 1965, with business focus on property development, property investment and trading, hotel operations and securities trading and investment. For the details of the major properties, please refer to Particulars of Major Properties section on page 171.

(a) Property development in the PRC

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

(b) Hotels operations

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

(c) Securities Trading and Investment

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

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

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

(e) Property Investment other than AHR and GMR

The property investment other than AHR and GMR division contributed revenues of approximately HK$10.8 million (2014/15: HK$17.0 million) and operating loss of approximately HK$5.8 million (2014/15: operating profit of HK$9.4 million) to the Group, including a fair value loss on investment properties of approximately HK$11.8 million (2014/15: fair value gain of HK$2.6 million).

(f) Other Investments

As at 31 December 2015, the Group held approximately 22% voting rights of the issued share capital in RSI International Systems Inc. ("**RSI**"), a company listed on the TSX Venture Exchange of Canada. During the Period, the Group shared RSI's loss of approximately HK$0.06 million and recognized an impairment loss of HK$2.5 million.

COMPETITION

Competition in property development market is keen. We compete with other property developers in the PRC, some of which may have better track records and market reputation, more financial or other resources and experiences than us. We compete with other property developers in acquisition of land for development and to attracting customers.

Competition in property market is keen. We compete with other landlords in terms of rent charge, quality of service and efficiency. We compete with other landlords to attracting customers.

Competition in the office leasing market is intense. Our competitors are commercial real estate landlords particularly those with properties near our properties. Such intensed competition includes factors like location and rent. This competition could have a material adverse effect on our ability to lease space and on the amount of rent that we receive.

FINANCIAL REVIEW

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

As at 31 December 2015, the total equity of the Group was approximately HK$1,091.6 million (31 March 2015: HK$739.3 million) and the Group had bank balances and cash, restricted bank balances and pledged bank deposits amounting to approximately HK$244.2 million (31 March 2015: HK$111.8 million) mainly denominated in U.S. dollars, Hong Kong dollars, Renminbi, Singapore dollars and Japanese Yen. The increase of total borrowings to approximately HK$942.5 million (31 March 2015: HK$400.3 million) was mainly due to the loans from the related parties and amounts due to related parties and bank financing for the acquisition of medical facilities under GMR in the USA and the property development projects in the PRC during the Period. The borrowings were mainly denominated in Renminbi, United States dollars, Hong Kong dollars and Singapore dollars. As at 31 December 2015, the Group recorded a current ratio of 1.6 (31 March 2015: 1.2) and gearing ratio of 31.9% (31 March 2015: 24.7%). Gearing ratio is defined as the ratio of total borrowings less bank balances and cash and pledged bank deposits to total assets.

Material Acquisitions and Disposals for Material Investments

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

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

(c) On 30 September 2015, GMR entered into a sale and purchase agreement with Star MedReal, LLC, pursuant to which GMR has agreed to acquire and the vendor has agreed to dispose of, a hospital named as Star Medical Center Hospital located at 4100 Mapleshade Lane, Plano, Texas 75075, United States for a purchase price of US$17.5 million. The acquisition was completed in January 2016;

(d) On 2 October 2015, the Company entered into a sale and purchase agreement with Ms. Huang Yanping ("**Ms. Huang**"), pursuant to which Ms. Huang has agreed to dispose of and the Company has agreed to acquire of the entire interest in Vigor Capital Holdings Limited, which indirectly held a property development project in the PRC for a consideration of HK$405 million to be satisfied by issuing of 1,350,000,000 ordinary shares of the Company to Ms. Huang's nominee, Joy Town Inc. The acquisition was completed on 24 November 2015;

(e) On 6 October 2015, GMR entered into a sale and purchase agreement with R&K Healthcare Real Estate, LLC., pursuant to which GMR has agreed to acquire and the vendor has agreed to dispose of, a hospital named as Crescent Medical Centre located at 2600 West Pleasant Run

Road, Lancaster, Texas 75146, United States, for a purchase price of US$20.5 million. The acquisition was subsequently lapsed;

(f) On 14 December, 2015, GMR entered into a sale and purchase agreement with 6 sellers, pursuant to which GMR has agreed to acquire and the sellers have agreed to dispose of, a six building, 52,266 square foot medical clinic portfolio for a purchase price of US$20.0 million. Five of the facilities are located in Tennessee and one facility is located in Mississippi. The acquisition was completed on 31 December 2015.

Capital Commitments

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

COMPLIANCE WITH REGULATIONS

Due to the nature of the business of the Group, the Directors are of the opinion that no specific laws and regulations related to environmental protection has significant impact on the operations of the Group.

RELATION WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customer to fulfil their immediate and long-term need.

Due to the nature of the business, the Group didn't have any major supplier that has significant influence on the operations. However, the Group strived to maintain fair and co-operating relationship with the suppliers.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We pursue this business approach by managing our business prudently and executing management decisions with due care and attention.

STAKEHOLDER ENGAGEMENT

Continuous dialogue is maintained with stakeholders that include customers, employees, regulators and the public. The Company seeks to balance the views and interests of these various stakeholders through constructive conversations with a view to charting a course for the long-term prosperity of the Company and the communities we touch.

Customers

Customer feedback plays a very important role in the operation of the Group. Various channels are established to maintain interactive communications between tenants and the Group.

Employees

Hard-working and dedicated employees are the backbone of a company. The Company treasures its loyal and industrious staff members. In addition, it adopts non-discriminatory hiring and employment practices and strives to provide a safe and healthy workplace.

Government/Community

We recognise the importance of contributing within the local community and we encourage our people to develop close links with charities, schools and other institutions, both locally and nationally, to help to build more economically sustainable local environments. Strenuous efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Company operates.

WORKPLACE QUALITY

As at 31 December 2015, the Group employed 43 staff members. Total employee costs for the nine months ended 31 December 2015, including directors' emoluments, amounted to HK$21.4 million.

The Group is committed to equal opportunities and operates employment policies which are designed to attract, retain and motivate high quality staff, regardless of sex, age, race, religion or disability. Our employees are instrumental to our ongoing success and profitability. With this in mind, the Company seeks to attract and retain talented individuals committed to achieving goals and objectives in a work environment that nurtures values such as fair play, respect and integrity. Heavy emphasis on career development translates into extensive and ongoing training, according to the needs of the Group. Compensation pack ages are competitive, and individuals are rewarded according to performance plus an annually reviewed framework of salary, working conditions, bonuses and incentive systems. Benefits include medical cover, provident funds and long-service awards.

The Group is committed to providing a healthy and safe workplace for all its employees and complying with all applicable health and safety laws and regulations. The Group also communicates with its employees on occupational health and safety issues.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. Recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

OPERATING PRACTICES

The Group is committed to adhering to the highest ethical standards. All employees are given a Code of Conduct to which they are required to adhere. The Code explicitly prohibits employees from soliciting, accepting or offering bribes or any form of advantage. The Code also outlines the Group's expectations on staff with regard to conflicts of interest.

PRINCIPAL RISKS AND UNCERTAINTIES

(i) Property investment

The valuation and accounting treatment of investment properties could result in future asset impairments, which would be recorded as operating losses. Valuation of investment properties was done by valuers at year ended and any surplus/deficiency was recorded as fair value gain/loss in the statement of profit and loss and other comprehensive income. Market value of investment properties could be affected by a number of factors, such as property market condition, interest rate, political environment, etc. The fair value gain/loss could significantly affect the profit for the year of the Group.

The rental rate and occupancy rate of the Group's investment properties may not be satisfactory. This could adversely affect the profitability of the Group. The directors will closely monitor the market development and adjust the operating strategy if required.

(ii) Treasury investment

For the treasury investment business, the fluctuation in stock price of the portfolio of listed securities could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standard, the gain/loss on the listed securities should be booked as fair value gain/loss on investment held for trading in the statement of profit or loss and other comprehensive income, no matter whether the securities were disposed or not. Therefore the fluctuation in stock price could have positive or negative effect on the Group's profitability. The directors will closely monitor the stock market and make change to the investment portfolio in order to maximize the shareholders return.

The Group also subjected to credit risk of customer from property investments business. The property leasing have the potential risk of default.

(iii) Exposure to fluctuations in exchange rates

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

Risk associated with financial instruments of the group

There are certain risks associated with the financial instruments of the Group. Details of the risks policies on how to mitigate these risks are set out Note 32 to the consolidated financial statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2015 are set out in Note 4 to the consolidated financial statements.

IMPORTANT EVENTS SINCE THE YEAR END

Subsequent to the end of the reporting period,

(i) the Group has entered into two agreements to acquire two investment properties located in the USA for an aggregate consideration of approximately US$20.2 million; and

(ii) the Group has converted US$15 million of principal under the convertible debenture of GMR into 1,176,656 shares in GMR's common stock and increased the equity interest in GMR from 99.5% to 99.9%.

(ii) For the year ended 31 December 2016

BUSINESS AND FINANCIAL PERFORMANCE REVIEW

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

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

The basic loss per share for the year was HK0.97 cents as compared to HK0.47 cents for the corresponding period.

The directors of the Company (the "**Directors**") did not recommend the payment of a dividend in respect of the year.

Property Development

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

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

Hotel Operations

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

Property Investment and Management in the USA on AHR and GMR

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

Property Investment other than AHR and GMR

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

Securities Trading and Investment

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

Other Investment

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

Liquidity and Capital Resources

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

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

Material Acquisitions and Disposals for Material Investments

(a) On 8 January 2016, GMR entered into a sale and purchase agreement with Marina Towers LLC, pursuant to which, the vendor shall sell and GMR shall acquire a hospital named "**Marina Towers**" located at 709

South Harbor City Boulevard, Melbourne, Florida 32901, United States, for a purchase price of US$15.5 million. The acquisition was completed in March 2016;

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

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

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

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

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

Contingent Liabilities

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

In addition, as at 31 December 2016, the Company has provided for its proportionate guarantee of S$2.1 million (approximately HK$11.3 million) to a bank in connection with banking facilities granted to Corporate Residence Pte Ltd, a company which is 90% owned by Sing Haiyi Group Limited and 10% by the Group.

Pledge of Assets

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

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

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

Foreign Exchange Exposure

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

Human Resources

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance-related bonuses. The Company has received Good MPF Employer Award for 2015-16 issued by Mandatory Provident Fund Authority in recognition of its compliance with employer's statutory obligations and provision of better retirement protection for employees. Share options may also be granted to eligible employees of the Group. Total staff costs, including Directors' emoluments during the year, amounted to HK$22.1 million (Correspondence Period: HK$21.4 million).

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

Outlook and Prospects

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

The PRC

The recent successful bids for land parcels complemented the Group's strategy in expanding its business operation in Henan Province, the PRC. Thus, the Board will continue to bid for land use rights of other selective land parcels in the PRC with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years. Furthermore, the Company will leverage on the PRC property development and investment experience of its management team to seek development in suitable projects with potential to deliver value to its Shareholders. In addition to existing business partner, the Company will continue to seek potential partners' cooperation to explore capital resources, reduce capital investment at an early stage and facilitate project development. The management remains cautiously optimistic on the long-term prospects of the real estate industry and will quicken its property development and sales of its development projects in the PRC through making use of its own advantages and leveraging on the national network and business resources of Zensun. The synergistic effect brought by Zensun will improve the position of the Group in the real estate industry in PRC.

The USA

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

1. GMR

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

2. AHR

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

Other Operations

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

Overall

The Company will make use of the Group's financial, human and technological resources to enhance its portfolio, asset base and brand image.

(iii) For the year ended 31 December 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS AND DIVIDEND

For the year ended 31 December 2017, the Group recorded at 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: approximatelyHK$16.1million) 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$1,444.0million), 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.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Acquisitions and the financial resources and the banking facilities available to the Group (including the Financial Assistance) and in the absence of unforeseen circumstances, the Group will have sufficient working capital to meet its requirements for at least 12 months from the date of this circular.

4. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group has outstanding borrowings of approximately HK$23,211.1 million, comprising mortgage loans of approximately HK$57.3 million, bank and other loans of approximately HK$6,767.2 million, bond of approximately HK$1,569.7 million and loans and amounts from related companies of approximately HK$14,816.9 million. The Group's facilities and financial guarantees in respect of mortgage loan facilities provided to the Group's properties buyers were secured by certain land and buildings, investment properties, properties under development for sale and pledged deposits of the Group with carrying value of approximately HK$18,285.6 million.

As at 30 April 2018, the Group provided financial guarantees in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by the Group's properties buyers amounting to approximately HK$1,999.9 million. These guarantees will be released upon the earlier of (i) the repayment of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Save as aforesaid and apart from the intra-group liabilities, as at the close of business on 30 April 2018, the Group did not have outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interest in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions

(i) Interest in the Shares of the Company

Name of Director	Capacity in which interests are held	Number of Shares held	Approximate percentage of the issued share capital of the Company *(%)*
Mr. Zhang	Spousal Interest *(Note 2)*	3,579,612,209	57.95
Ms. Huang	Interest of controlled corporation *(Note 1)*	3,579,612,209	57.95

Notes:

(1) 3,579,612,209 Shares are owned by Joy Town Inc., which is wholly and beneficially owned by Ms. Huang.

(2) Mr. Zhang (chairman, chief executive officer and executive Director of the Company) is the spouse of Ms. Huang, he is deemed to be interested in 3,579,612,209 Shares.

Long positions

(ii) Interest in Joy Town Inc., an associated corporation of the Company

Name of Director	Capacity in which the interests are held	Number of share held	Approximate percentage of the issued share capital *(%)*
Ms. Huang	Beneficial owner	1	100

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

Save as disclosed in the paragraph headed "Material Acquisition after 31 December 2017", as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in contracts

As at the Latest Practicable Date, save as the Agreement, the supplemental agreement to the Agreement entered into on 30 January 2018 and the agreement to terminate the Agreement as amended by the supplementary agreement entered into on 9 March 2018, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

(d) Interests in competing business

As at the Latest Practicable Date, none of the Directors and his close associates was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's businesses except that Mr. Zhang and Ms. Huang are individually and collectively deemed interested in Zensun, Henan Zensun Corporate Development Group Limited* (河南正商企業發展有限責任公司) and/or their subsidiaries and associated companies which are engaged in construction, property development and related business in the PRC.

As the Board is independent of the boards of directors of these companies, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

(e) Directors' service contracts

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company *(%)*
Joy Town Inc.	Beneficial owner *(Note 1)*	3,579,612,209	57.95
Chan Heng Fai	Beneficial owner *(Note 2)*	322,580,166	5.22
Chan Yoke Keow	Beneficial owner *(Note 2)*	322,580,166	5.22

Notes:

(1) Ms. Huang is the sole director and shareholder of Joy Town Inc.

(2) These Shares are owned by Chan Heng Fai and Chow Yoke Keow. Chan Heng Fai is the spouse of Chan Yoke Keow, they are deemed interest in the Shares held by each other.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL ACQUISITION AFTER 31 DECEMBER 2017

On 27 September 2017, the Company and Ms. Huang entered into an agreement pursuant to which Ms. Huang has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of Honor Challenge Investment Limited at a total consideration of HK$1,060,953,720.

The consideration will be settled by way of (i) allotment and issue of the consideration Shares, being 4,212,000,000 new Shares, credited as fully paid, by the Company to Ms. Huang (or her nominee(s)), at the issue price of HK$0.223 per consideration Share at completion of the Agreement; and (ii) issue of convertible bonds in the principal amount equal to HK$121,677,720 by the Company to Ms. Huang (or her nominee(s)) at completion of the Agreement subject to the terms and conditions set out in the instrument constituting the convertible bonds. On 30 January 2018, after the date to which the latest published audited accounts of the Company were made up, a supplemental agreement to the Agreement was entered into between the Company and Ms. Huang 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.

Details and further particulars of the acquisition transaction of the entire issued share capital of Honor Challenge Investment Limited and its termination are disclosed in the announcements which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.zhsuccess.com) on 27 September 2017, 30 January 2018 and 9 March 2018.

On 22 January 2018, the Group has made a successful bid for land use rights of one land parcel in Zhengzhou City, Henan Province, the PRC with site area of approximately 50,920.98 sq.m. for residential use and commercial and financial use at a consideration of RMB1,146,000,000. This development project is expected to be completed no later than the first quarter of 2021.

On 22 January 2018, the Group has made three successful bids for land use rights of three land parcels in Xinzheng City, Henan Province, the PRC (i) with site area approximately 43,470.40 sq.m. for residential use at a consideration of RMB800,870,000; (ii) with site area approximately 46,805.08 sq.m. for residential use at a consideration of RMB1,024,160,000; and (iii) with site area approximately 45,515.87 sq.m. for residential use at a consideration of RMB995,490,000. These development projects are expected to be completed no later than the first quarter of 2022.

On 16 March 2018, the Group has made sixteen successful bids for land use rights of sixteen land parcels in Gongyi City, Henan Province, the PRC with an aggregate site area approximately 743,799.14 sq.m. for residential use, commercial use and public facilities use at an aggregate consideration of RMB312,420,000. These development projects are expected to be completed no later than the fourth quarter of 2020.

On 20 April 2018, the Group has made a successful bid for land use rights of one land parcel in Xuchang City, Henan Province, the PRC with site area approximately 62,832 sq.m. for residential use at a consideration of RMB284,500,000. This development project is expected to be completed no later than the second quarter of 2022.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding up to and including the Latest Practicable Date:

(a) On 12 May 2016, the Company entered into subscription agreements with 8 subscribers pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the subscribers, an aggregate of 795,400,000 Shares in cash at subscription price of HK$0.20 per subscription share, subject to a lock-up period of six months. The transaction was completed in May 2016;

(b) On 23 May 2016, the Company, Hotel Room Xpress Pte. Ltd., Heng Fung Capital Company Limited and Xpress Credit Limited entered into a share purchase agreement with Ernest W. Moody Revocable Trust whereby the Group has agreed to sell and the purchaser has agreed to purchase of 8,031,664 shares of RSI International Systems Inc. for cash consideration of approximately CAD1.49 million. The transaction was completed in June 2016;

(c) On 28 June 2016, GMR, IAM, Global Medical REIT, LP, a Delaware limited partnership, and Wunderlich Securities, Inc, entered into a underwriting agreement in relation to the offer and sale of Shares of GMR;

(d) On 14 February 2017, 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, for a consideration of US$17,050,000 and a consideration US$10,500,000 respectively. The transaction was completed in April 2017;

(e) 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;

(f) On 7 February 2018, the Company as the issuer entered into a subscription agreement with Ever Diamond Global Company Limited as the guarantor, AMTD Global Markets Limited as the placing agent and the investors in relation to the issue and sale of US$200,000,000 7.5% bonds due 2019. All conditions precedent of the subscription agreement have been fulfilled and closing has taken place. All subscription monies have been received by the Company on 14 February 2018; and

(g) On 18 April 2018, the Company as subscriber entered into a subscription agreement with China First Capital Group Limited as issuer to conditionally agree to subscribe for US$47,000,000 9.7% notes due 19 October 2018. All conditions precedent of the subscription agreement have been fulfilled and the closing has taken place in April 2018.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statement of the Company were made up.

8. GENERAL

(a) The registered and principal office of the Company is situated at 24/F., Wyndham Place, 40–44 Wyndham Street, Central, Hong Kong.

(b) The share registrar of the Company is Tricor Friendly Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Mr. Yuen Ping Man, who is a fellow member of the Institute of Chartered Secretaries and Administrators (U.K.) and of the Hong Kong Institute of Chartered Secretaries.

(d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (save for Saturdays and public holidays) at the principal place of business of the Company in Hong Kong, from the date of this circular, up to and including 13 June 2018.

(a) the amended memorandum and new articles of association of the Company;

(b) the annual reports of the Company for the year ended 31 December 2016 and for the year ended 31 December 2017;

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(d) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2017 being the date of the latest published audited accounts; and

(e) this circular.