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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

The board (the "Board") of directors (the "Director(s)") of ZH International Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** ***RMB'000***	2017 *RMB'000* (Restated)
REVENUE	*4*	**601,470**	1,100,419
Cost of sales		**(326,329)**	(732,614)
Gross profit		**275,141**	367,805
Other income		**25,078**	4,110
Other gains and losses	*5*	**33,333**	(4,064)
Administrative expenses		**(129,674)**	(72,083)
Sales and marketing expenses		**(114,909)**	(48,725)
Finance costs	*6*	**(30,455)**	(9,484)
PROFIT BEFORE TAX	*7*	**58,514**	237,559
Income tax expense	*8*	**(30,022)**	(105,957)
PROFIT FOR THE YEAR		**28,492**	131,602
Attributable to:			
Owners of the Company		**29,971**	131,709
Non-controlling interests		**(1,479)**	(107)
		28,492	131,602
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (RMB cents)	*10*	**0.49**	2.13
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 *RMB'000*	2017 *RMB'000* (Restated)
PROFIT FOR THE YEAR	**28,492**	131,602
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods :		
Exchange difference on translation of foreign operations	**(49,418)**	(24,038)
Reclassification adjustments of exchange reserve for subsidiaries disposed of	**(7,237)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(56,655)**	(24,038)
TOTAL COMPREHENSIVE (LOSS) /INCOME FOR THE YEAR	**(28,163)**	107,564
Attributable to:		
Owners of the Company	**(24,901)**	106,440
Non-controlling interests	**(3,262)**	1,124
	(28,163)	107,564

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	NOTES	**31 December 2018 *RMB'000***	31 December 2017 *RMB'000* (Restated)	1 January 2017 *RMB'000* (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	**23,126**	19,824	18,472
Investment properties	*11*	**646,620**	662,332	521,630
Deferred tax assets		**63,168**	–	–
Pledged deposits		**33,915**	52,772	3,715
Total non-current assets		**766,829**	734,928	543,817
CURRENT ASSETS				
Inventories		**217**	238	178
Completed properties held for sale		**934,671**	1,246,635	–
Properties under development		**29,777,845**	12,038,415	1,288,307
Deposits and prepayments paid for land acquisitions		**4,603,632**	3,136,104	923,000
Accounts receivables, other receivables and other assets	*12*	**1,175,439**	199,334	51,394
Financial assets at fair value through profit or loss		**232,532**	145,913	167,834
Prepaid income tax and tax recoverable		**616,737**	144,803	60,914
Pledged deposits		**680,450**	46,457	7,743
Restricted bank balances		**101,913**	161,854	24,682
Cash and cash equivalents		**673,412**	685,710	206,305
		38,796,848	17,805,463	2,730,357
Investment properties classified as held for sale	*11*	**5,582**	2,359	37,781
Total current assets		**38,802,430**	17,807,822	2,768,138
CURRENT LIABILITIES				
Accounts payable, deposits received and accruals	*13*	**1,271,149**	1,852,834	156,344
Deposits and prepayments received and receipts in advance from property buyers		–	2,621,342	807,322
Contract liabilities		**11,304,291**	–	–
Amounts due to related companies	*14*	**473,199**	2,408,436	69,402
Loans from a related company	*15*	**12,876,310**	2,650,862	942,240
Bank and other borrowings		**3,658,396**	3,861,469	141,097
Tax liabilities		**109,621**	122,051	7,665
Total current liabilities		**29,692,966**	13,516,994	2,124,070
NET CURRENT ASSETS		**9,109,464**	4,290,828	644,068
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,876,293**	5,025,756	1,187,885

	NOTES	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)	1 January 2017 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Rental deposits received	*13*	**7,128**	5,588	688
Loans from a related company		**–**	–	98,098
Bank and other borrowings		**8,742,329**	3,869,149	42,428
Deferred tax liabilities		**5,324**	7,134	10,350
Total non-current liabilities		**8,754,781**	3,881,871	151,564
Net assets		**1,121,512**	1,143,885	1,036,321
EQUITY				
Equity attributable to owners of the Company				
Share capital	*16*	**587,529**	587,529	587,529
Reserves		**541,036**	565,937	459,496
		1,128,565	1,153,466	1,047,025
Non-controlling interests		**(7,053)**	(9,581)	(10,704)
Total equity		**1,121,512**	1,143,885	1,036,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

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

The principal activities of the Company and its subsidiaries (collectively, the "Group") include property development, property investment and management, hotel operations and securities trading and investment in Hong Kong, People's Republic of China (the "PRC") and overseas.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2018 but are extracted from those financial statements.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 40	*Transfers of Investment Property*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below, the adoption of the above new and revised HKFRSs has had no significant financial effect on the financial information.

3. CHANGE IN ACCOUNTING POLICIES

Change in presentation currency of the consolidated financial statements

The functional currency of the Company is Hong Kong dollars ("HK$"), which was the presentation currency of the consolidated financial statements of the Group in prior financial years.

During the year, having considered that (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency could also reduce the impact of any fluctuations in the exchange rate of HK$ against RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group, in order to enable the shareholders of the Company to have a more accurate picture of the Group's financial performance, the board of directors of the Company considers that it is more appropriate to use RMB as its presentation currency for its consolidated financial statements.

The change of presentation currency has been accounted for in accordance with HKAS 21 *The Effects of Changes in Foreign Exchange Rates* and such change has been applied retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

The following methodology was used to re-present the comparative figures as at 1 January 2017 and 31 December 2017 and for the year ended 31 December 2017 in RMB, which were originally reported in HK$:

(a) Income and expenses were translated at the average exchange rates prevailing for the respective reporting period;

(b) Assets and liabilities were translated at the closing exchange rates at the end of the respective reporting period;

(c) Share capital and reserves were translated at the applicable historical exchange rates.

(d) All resulting exchange differences were recognised in other comprehensive income.

Accordingly, the change in presentation currency resulted in the exchange reserve of the Group from changing its original reported carrying amount of approximately HK$(61,509,000) and HK$2,524,000 to approximately RMB42,262,000 and RMB16,994,000 as at 1 January 2017 and 31 December 2017, respectively.

Adoption of HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

There was no significant financial impact on the Group's financial information by adoption of HKFRS 9 in respect of the accounting for financial instruments on classification and measurement, impairment.

Adoption of HKFRS 15 Revenue from Contracts with Customers and related amendments

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the cumulative effects of the initial application of HKFRS 15 on the financial statements for the year ended 31 December 2018 as shown below included (i) the accounting for significant financial components for contracts for sales of properties where the period between the payment by the customer and the transfer of the properties is more than one year; (ii) the accounting for the incremental costs of obtaining a contract; (iii) the accounting for advanced proceeds from customers of pre-sold properties; and (iv) the relevant necessary tax adjustments.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Nature	**1 January 2018** **Increase/(decrease)** *RMB'000*
Assets		
Properties under development	*(i)*	16,415
Total assets		16,415
Liabilities		
Deposits received and receipts in advance from property buyers	*(iii)*	(2,621,342)
Contract liabilities	*(i), (iii)*	2,637,757
Total liabilities		16,415

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted.

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Nature	**HKFRS 15** *RMB'000*	**Previous HKFRS** *RMB'000*	**Increase/ (decrease)** *RMB'000*
Deferred tax assets	*(iv)*	63,168	78,442	(15,274)
Properties under development	*(i)*	29,777,845	29,502,748	275,097
Accounts receivable, other receivables and other assets	*(ii)*	1,175,439	1,114,345	61,094
Total assets		39,569,259	39,248,342	320,917
Deposits received and receipts in advance from property buyers	*(iii)*	–	11,029,194	(11,029,194)
Contract liabilities	*(i), (iii)*	11,304,291	–	11,304,291
Total liabilities		38,447,747	38,172,650	275,097
Net assets		1,121,512	1,075,692	45,820
Retained profits	*(ii), (iv)*	408,487	362,667	45,820
Total equity		1,121,512	1,075,692	45,820

Consolidated statement of profit or loss for the year ended 31 December 2018:

Sales and marketing expenses	*(ii)*	114,909	176,003	(61,094)
Income tax expense	*(iv)*	30,022	14,748	15,274

4. REVENUE AND OPERATING SEGMENT INFORMATION

	2018 *RMB'000*	2017 *RMB'000* (Restated)
An analysis of revenue is as follows:		
Revenue from contracts with customers		
Sales of properties in the PRC	**521,832**	1,030,225
Property management services	**29,330**	21,043
Hotel operations	**3,708**	4,882
Revenue from other sources		
Rental income	**30,844**	29,683
Dividend income from financial assets at fair value through profit or loss	**15,756**	14,586
	601,470	1,100,419

Set out below is the disaggregation of the Group's revenue from contracts with external customers for the year ended 31 December 2018:

	Sales of properties in the PRC *RMB'000*	**Property management services** *RMB'000*	**Hotel operations** *RMB'000*	**Total** *RMB'000*
Type of goods or services and geographical markets				
Sale of properties in the PRC	521,832	–	–	521,832
Property management services in the USA	–	29,330	–	29,330
Hotel services and consumptions in Japan	–	–	3,708	3,708
Total revenue from contracts with external customers	521,832	29,330	3,708	554,870
Timing of revenue recognition				
Goods transferred at a point in time	521,832	–	–	521,832
Services transferred over time	–	29,330	3,708	33,038
Total revenue from contracts with external customers	521,832	29,330	3,708	554,870

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

a) Property development in the PRC

b) Property investment and management in the United States of America (the "USA" or "U.S.") in American Housing REIT, Inc. ("AHR") and property management in the USA provided to Global Medical REIT, Inc. ("GMR")

c) Property investment other than AHR

d) Securities trading and investment

e) Hotel operations

The Group has property investment and/or management businesses in Hong Kong, the USA, Singapore and Japan. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Segment revenue and results

	Segment revenue		Segment results	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Property development in the PRC	**521,832**	1,030,225	**8,377**	234,272
Property investment and management in the USA in AHR and property management provided to GMR	**46,639**	37,658	**6,659**	(115)
Property investment other than AHR	**13,535**	13,068	**17,237**	11,689
Securities trading and investment	**15,756**	14,586	**24,959**	3,042
Hotel operations	**3,708**	4,882	**(1,500)**	(1,684)
	601,470	1,100,419	**55,732**	247,204
Unallocated corporate income			**23,999**	4,048
Other gains and losses			**7,251**	(2,635)
Unallocated corporate expenses			**(11,398)**	(11,058)
Unallocated finance costs			**(17,070)**	–
Profit before tax			**58,514**	237,559

Segment assets

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Property development in the PRC	**38,122,867**	17,569,460
Property investment and management in the USA in AHR and property management provided to GMR	**253,750**	285,254
Property investment other than AHR	**503,032**	466,559
Securities trading and investment	**237,705**	149,365
Hotel operations	**7,541**	6,764
	39,124,895	18,477,402
Unallocated assets	**444,364**	65,348
	39,569,259	18,542,750

Segment liabilities

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Property development in the PRC	**37,753,219**	17,022,000
Property investment and management in the USA in AHR and property management provided to GMR	**109,183**	102,135
Property investment other than AHR	**145,730**	142,878
Hotel operations	**603**	635
	38,008,735	17,267,648
Unallocated liabilities	**439,012**	131,217
	38,447,747	17,398,865

5. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Increase in fair value of investment properties	**17,865**	10,703
Increase/(decrease) in financial assets at fair value through profit or loss	**9,329**	(12,072)
Exchange loss, net	**(319)**	(2,529)
Impairment loss on accounts receivable and other receivable	**(779)**	(580)
(Loss)/gain on disposal of property, plant and equipment	**(210)**	22
Gain on disposal of subsidiaries	**7,447**	–
Others	**–**	392
	33,333	(4,064)

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Interests on:		
Bank and other borrowings	**546,308**	85,591
Loans from a related company	**646**	6,730
	546,954	92,321
Interests arising from revenue contracts	**258,682**	–
Less: capitalised in properties under development	**(775,181)**	(82,837)
	30,455	9,484

Borrowing costs have been capitalised at rates ranging from 4.35% to 8.50% (2017: 4.00% to 7.43%) per annum.

7. PROFIT BEFORE TAX

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
The Group's profit before tax is arrived at after charging/(crediting):		
Cost of properties sold	**316,904**	721,216
Cost of services	**9,425**	11,398
Total employee benefit expenses		
Directors' emoluments	**1,383**	1,453
Other staff:		
Salaries and other benefits	**62,859**	31,220
Retirement benefit scheme contributions	**3,516**	939
	67,758	33,612
Less: capitalised in properties under development	**(11,902)**	(2,541)
	55,856	31,071
Auditor's remuneration	**1,801**	1,426
Depreciation of property, plant and equipment	**2,730**	922
Minimum lease payments under operating leases for land and buildings	**5,617**	1,601
Interest income	**23,874**	3,989
Gross rental income from investment properties	**30,844**	29,683
Less: direct operating expenses incurred for:		
– investment properties generated rental income	**(5,535)**	(6,497)
– investment properties that did not generate rental income	**(76)**	(337)
	(5,611)	(6,834)
	25,233	22,849

8. INCOME TAX EXPENSE

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Current tax – charge for the year		
– Hong Kong Profits Tax	**–**	–
– PRC Corporate Income Tax ("PRC CIT")	**45,376**	62,167
– PRC Land Appreciation Tax ("PRC LAT")	**38,343**	44,301
– Overseas Corporate Income Tax	**10,094**	534
Under provision in prior years		
– Overseas Corporate Income Tax	**105**	60
	93,918	107,062
Deferred tax	**(63,896)**	(1,105)
Total charge for the year	**30,022**	105,957

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

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years.

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

The subsidiaries in the USA are generally subject to Federal Income Tax rate at 21% (2017: at a maximum tax rate of 35%) and State Income Tax ranging from 3% to 8.25% (2017: 3% to 8.25%) on the taxable income. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

9. DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the year (2017: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNER OF THE COMPANY

The calculation of the basic earnings per share is based on:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**29,971**	131,709
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,176,820**	6,176,820

No diluted earnings per share were presented for the years ended 31 December 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these years.

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group acquired investment properties and property, plant and equipment of approximately RMB6.6 million (2017: approximately RMB189.0 million).

During the year ended 31 December 2018, the Group disposed of certain investment properties, investment properties classified as held for sale and property, plant and equipment with an aggregate carrying amount of approximately RMB61.5 million (2017: approximately RMB76.7 million).

12. ACCOUNTS RECEIVABLES, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Accounts receivable	**22,218**	68,681
Less: Impairment	**–**	–
	22,218	68,681
Debt investment at amortised cost *(Note)*	**323,257**	–
Prepaid value-added taxes and other taxes	**606,006**	103,970
Deposits and prepayments	**150,413**	12,247
Costs for obtaining contracts	**61,094**	–
Other receivables	**13,101**	14,436
Amounts due from an investee	**–**	5,284
	1,153,871	135,937
Less: Impairment	**(650)**	(5,284)
	1,153,221	130,653
Account receivables, other receivables and other assets	**1,175,439**	199,334

Note: Debt investment of approximately RMB323,257,000 (2017: Nil) subscribed during the year in the principal amount of US$47,000,000 was unsecured, interest bearing at 9.7% per annum and would be redeemed at the principal amount at maturity on the date mutually agreed with the issuer in writing, which fall on or before 31 January 2019. The debt investment was subsequently settled in January 2019.

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

Receivable arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. Hotel room revenue is normally settled by cash or credit card.

All accounts receivables were aged less than 3 months (2017: less than 3 months) as at the end of the reporting period based on the revenue recognition date or invoice date.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Accounts payable	**173**	210
Accrued construction costs *(Note)*	**1,030,214**	1,765,938
Rental deposits received	**7,827**	6,676
Retention deposits and payable	**30,073**	11,054
Real estate and other taxes payable	**15,185**	18,439
Other payables and accruals	**194,805**	56,105
	1,278,277	1,858,422
Less: Rental deposits received – non-current	**(7,128)**	(5,588)
	1,271,149	1,852,834

The average credit period of accounts payable ranges from 30 to 90 days (2017: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs is amounts due to a related company controlled by the ultimate controlling shareholder of the Company and together with her spouse of approximately RMB396,699,000 (2017: RMB242,359,000) for its construction work.

14. AMOUNTS DUE TO RELATED COMPANIES

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

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

15. LOANS FROM A RELATED PARTY

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

As at 31 December 2018, loans amounting to approximately RMB12,867,310,000 (2017: RMB2,624,998,000) were unsecured, interest-free and repayable on demand. Those amounts were shown under the current liabilities as Zensun had the discretionary rights to demand immediate repayment.

As at 31 December 2017, loans amounting to approximately RMB25,864,000 were unsecured, interest bearing at the lower of (i) 4% per annum or (ii) such other interest rate the Group is able to borrow in an amount equal to the relevant loan from a bank or a financial institution at the date of drawdown. The amounts were repayable within one year and repaid during the current year.

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

16. SHARE CAPITAL

	Number of ordinary shares	Amount *RMB'000* (Restated)
Ordinary shares with no par value:		
At 1 January 2017, 31 December 2017 and 31 December 2018	**6,176,819,969**	**587,529**

There was no movement of the Company's share capital during the years ended 31 December 2018 and 2017.

17. CAPITAL COMMITMENTS

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

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Contracted for but not provided in respect of:		
Acquisitions of land use rights	**–**	1,052,271
Property development expenditures	**20,012,792**	2,327,305
	20,012,792	3,379,576

18. RELATED PARTY TRANSACTIONS

Related companies ***(Note i)***	**Transactions**	**2018** *RMB'000*	2017 *RMB'000* (Restated)
Zensun	Interest expenses (capitalised in properties under development) *(Note (ii))*	**646**	6,730
Relevant members of Henan Zensun Corporate Development Company Limited (the "Zensun Development Group")	Construction costs (capitalised in properties under development) *(Note (iii))*	**1,050,611**	354,960

Notes:

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

(ii) The interest expenses were charged according to agreements mutually agreed by both parties.

(iii) The construction costs were based on terms mutually agreed by both parties. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules. Since 2015, the Group has entered into a master services agreement with Henan Zensun Corporate Development Company Limited ("Zensun Development"), pursuant to which Zensun Development Group provides contracting and ancillary services for certain property projects of the Group. The effective terms of the master services agreement have been revised during the current year to be continuing up to 31 December 2020. During the year ended 31 December 2018, the Group incurred construction costs paid and payable to Zensun Development Group pursuant to the terms of master services agreement in relation to the development of these property projects of RMB1,050,611,000 (2017: RMB354,960,000). The annual maximum transaction amount in respect of these services provision approved for the year ended 31 December 2018 was RMB1,133 million (2017: RMB367 million).

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 13, 14 and 15 of this announcement.

Certain bank and financial institutions facilities to the Group were guaranteed by related companies in which controlled by the ultimate controlling shareholder of the Company together with her spouse. No assets of the Group was pledged to these related companies in respect of these guarantees.

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

Save as above, no transaction has been entered into with the Directors (being the key management personnel) during the year other than the emoluments paid to them (being key management personnel compensation) (2017: Nil).

19. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

(i) In January 2019, the Group acquired land use rights of two separate land parcels each located in Zhengzhou City, Henan Province, the PRC through listing for sale process in its respective public auction held by Land and Resources Bureau of Zhengzhou City and Land and Resources Bureau of Shangjie District, Zhengzhou City for transfer of state-owned land use rights (i) with site area of approximately 51,395.4 sq.m. at a consideration of RMB672,600,000; and (ii) with site area of approximately 93,643.23 sq.m. at a consideration of RMB216,700,000, respectively. These two land parcels are designated for residential and commercial usages, with the term of 70 years for residential usage and the term of 40 years for commercial usage. The handover of the land parcels are expected to be completed respectively no later than the second and third quarter of 2019.

(ii) In January 2019, the Group entered into a subscription agreement and thereafter issued US$100,000,000 8% bonds due in 2020. The Group intended to use the gross proceeds from the bonds for general corporate purposes.

(iii) In January 2019, the Group entered into a share transfer agreement to acquire a land parcel by way of acquisition of the entire equity interest of the company holding the land parcel at a consideration of RMB50,000,000. The land parcel is located in Zhengzhou City, Henan Province, the PRC with site area of approximately 13,442.23 sq.m, designated for commercial usage with the term of use of 40 years. The acquisition was completed in February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS AND DIVIDEND

For the year ended 31 December 2018 (the "Year"), the Group recorded a revenue of approximately RMB601.5 million and gross profit of approximately RMB275.1 million, with a decrease of 45% as compared to revenue of approximately RMB1,100.4 million and decrease of 25% as compared to gross profit of approximately RMB367.8 million in the corresponding period of 2017. Same as the year of 2017, both revenue and gross profit in the Year were primarily derived from the property development business in the PRC. The decrease in revenue and gross profit is due to the Group's prevailing development strategy of providing "High quality" products to the customers, where most of the Group's property development projects are designed to be delivered with full refurbishment. As such, there was no delivery of newly completed property development projects for the Group during the Year as a longer development schedule was required for the full refurbishment, as compared to two completed property projects were launched their first delivery in 2017.

The Group had net other gains of approximately RMB33.3 million during the Year, as compared to net other losses of approximately RMB4.1 million in 2017. The Group's net other gains during the Year were attributable to the increase in fair value of investment properties of approximately RMB17.9 million (2017: approximately RMB10.7 million), increase in financial assets at fair value through profit or loss of approximately RMB9.3 million (2017: decrease of approximately RMB12.1 million), and gain on disposal of subsidiaries of approximately RMB7.4 million mainly driven from the reclassification adjustments of previous exchange reserves for subsidiaries disposed of during the Year.

The Group's sales and marketing expenses increased by 136% from approximately RMB48.7 million during the year ended 31 December 2017 to approximately RMB114.9 million for the Year. The Group's administrative expenditure increased by 80% from approximately RMB72.1 million during the year ended 31 December 2017 to approximately RMB129.7 million for the Year. Such increases were in line with the magnified business expansion in the Group's property development business in the PRC during the Year with the increasing number of the Group's ongoing property development projects.

The Group's income tax expenses decreased from approximately RMB106.0 million during the year ended 31 December 2017 to approximately RMB30.0 million for the Year. The decrease was resulted from the decrease in PRC CIT and PRC LAT arising from the lower operating profits in property development business in the PRC during the Year and also offsetting effect with the net deferred taxation credits of approximately RMB63.2 million primarily attributable to the recognition of deferred tax assets for unused tax losses available for future utilisation.

As a result of the foregoing, the Group's profit attributable to owners of the Company for the Year amounted to approximately RMB30.0 million (2017: approximately RMB131.7 million).

The basic earnings per share for the Year was RMB0.49 cents (2017: RMB2.13 cents).

The Board does not recommend the payment of a dividend in respect of the Year (2017: Nil)

BUSINESS REVIEW

Property Development in the PRC

During the Year, the property development business in the PRC contributed revenue of approximately RMB521.8 million (2017: approximately RMB1,030.2 million) and segment profit of approximately RMB8.4 million (2017: approximately RMB234.3 million) to the Group. The decrease in segment revenue and segment profit was attributable to the decrease in delivery of the completed property development projects during the Year. During the Year, the Group maintained the delivery of the existing completed property units to the customers in accordance with the related terms of sales and purchase agreements. To align with the Group's prevailing development strategy of providing "High quality" products, the existing ongoing property development projects are designed to deliver with full refurbishment to the customers. As there was no delivery of newly completed property development projects during the Year, less properties were delivered and recognised for revenue.

The Group has adopted a concrete strategy for further expansion in property development business in the PRC and persisted continuing effort to expand the land reserves. During the Year, the Group has proactively and continuously attended different public auctions and successfully completed 51 land acquisitions through listings for sale processes with different local governmental land bureaus and independent third parties in the PRC. These 51 newly acquired land parcels have contributed total site area of approximately 2.31 million square meters and aggregate estimated GFA of approximately 4.89 million square meters in support of our land reserves in the PRC. These successful land bids and acquisitions further complemented the Group's strategy in expanding its business operation with focus in Zhengzhou City, Henan Province and other first and second tier cities in the PRC. As at 31 December 2018, the Group had two completed property projects and 26 on-going complex property projects on hand with 75 land parcels under development with total site area of approximately 3.45 million square meters and aggregate estimated GFA of approximately 9.11 million square meters 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, 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 RMB46.6 million (2017: approximately RMB37.7 million) and segment profit of approximately RMB6.7 million (2017: segment loss of approximately RMB0.1 million) to the Group. The significant increase in segment revenue and segment profit was resulted from the increase in management fee income from the enlarged capital base of GMR through several fund raising campaigns in the second half of 2017 and the year of 2018.

Property Investment other than AHR

During the Year, the property investment other than AHR division contributed segment revenue of approximately RMB13.5 million (2017: approximately RMB13.1 million) and segment profit of approximately RMB17.2 million (2017: approximately RMB11.7 million) to the Group. The increase in segment profit was primarily attributable to the increase in fair value of investment properties during the Year of approximately RMB16.4 million as compared to approximately RMB7.9 million in 2017.

Securities Trading and Investment

During the Year, the Group's securities business recorded segment revenue of approximately RMB15.8 million with segment profit of RMB25.0 million as compared to segment revenue of approximately RMB14.6 million with segment profit of approximately RMB3.0 million in 2017. The significant increment in segment profit mainly attributed by the increase in financial assets at fair value through profit or loss during the Year of approximately RMB9.3 million (2017: decrease in financial assets at fair value through profit or loss of approximately RMB12.1 million) and also the increase in dividend income arising from the additional equity investment in GMR made by the Group during the Year.

Hotel Operations

During the Year, revenue from the hotel operations division declined from approximately RMB4.9 million to approximately RMB3.7 million contributing to a segment loss of approximately RMB1.5 million as compared to segment loss of approximately RMB1.7 million in 2017.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 31 December 2018, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances was approximately RMB1,489.7 million (2017: approximately RMB946.8 million), representing an increase of approximately 57%. 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 2018, certain bank balances and deposits of the Group were pledged to certain banks and financial institutions as securities for the bank and financial institutions 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 RMB714.4 million as at 31 December 2018 (2017: approximately RMB99.2 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 cash and cash equivalents, restricted bank balances and pledged deposits, and equity attributable to owners of the Company, comprising issued share capital and reserves. As at 31 December 2018, net debt and equity attributable to owners of the Company were approximately RMB24,260.5 million (2017: approximately RMB11,843.1 million) and approximately RMB1,128.6 million (2017: approximately RMB1,153.5 million), respectively. As at 31 December 2018, the Group's aggregate borrowings including bank and other borrowings, loans from a related company and amounts due to related companies amounted to approximately RMB25,750.2 million (2017: approximately RMB12,789.9 million), of which approximately RMB17,007.9 million (2017: approximately RMB8,920.8 million) are repayable within one year or on demand, and approximately RMB8,742.3 million (2017: approximately RMB3,869.1 million) are repayable after one year. The aggregate borrowings were mainly denominated in Renminbi, US dollars, Singapore dollars and Hong Kong dollars.

During the Year, the Company completed the issuance of bonds at principal amount of US$200 million carrying interest of 7.5% per annum due on 31 January 2019 in accordance with the terms and conditions of the subscription agreement. The bonds were unsecured but guaranteed by a related company, in which ultimately controlled by Ms. Huang. The bonds proceeds was used for general corporate purposes of the Group. The bonds were subsequently redeemed in January 2019.

During the Year, the Group also completed the issuance of assets-backed securities through the establishment of P&A – Xinghan Zensun's Account Receivables for the Balance Payment of Properties Sold Asset-backed Securities Scheme at an aggregated size of RMB1,600 million. The assets-backed securities comprised two tranches, of which the senior tranche with an issued amount of RMB1,430 million carrying coupon rate of 7.2% per annum and the remaining subordinated tranche with an issued amount of RMB170 million with no explicit coupon rate but will receive the residual interests collected from the balance payment after the distribution to the senior tranche. The assets-backed securities are listed on the Shanghai Stock Exchange and has a thirty-month tenure and repayable on 31 January 2021. The assets-backed securities are unsecured but guaranteed by a related company, in which ultimately controlled by Ms. Huang. The securities proceeds was used for general corporate purposes of the Group.

In additions to the fixed rate bonds of 7.5% per annum and fixed rate senior tranche of assets-backed securities of 7.2% per annum, the Group's bank and other borrowings also carried fixed interest rates of 5.50% per annum and various floating interest rates linking up with international lending rates including Hong Kong Interbank Offered Rate, Singapore Dollar Swap Offered Rate, Singapore Interbank Offered Rate, London Interbank Offered Rate and the base lending rate of the People's Bank of China as at 31 December 2018. The Group's interest rate risk is mainly driven from the bank and other borrowings with floating interest rates. As at 31 December 2018, loans from a related company and the amounts due to related companies were interest-free (2017: except the amounts of approximately RMB25.9 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 companies were interest-free).

As at 31 December 2018, 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 under development and pledged deposits with total carrying values of approximately RMB15,539.4 million (2017: RMB10,476.8 million). In addition, shares of certain subsidiaries of the Group are pledged to secure certain bank and financial institutions facilities granted to the Group as at 31 December 2018 and 2017. Certain bank and financial institutions facilities to the Group were guaranteed by related companies in which ultimately controlled by Ms. Huang and together with her spouse, Mr. Zhang. No assets of the Group was pledged to these related companies in respect of the guarantees.

The Group did not use any financial instruments for hedging purpose during the years ended 31 December 2018 and 2017.

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 previous year.

Key Financial Ratios

As at 31 December 2018, the Group recorded a current ratio of 1.3 (2017: 1.3) and a gearing ratio of approximately 61.3% (2017: approximately 63.9%). Gearing ratio is defined as the ratio of total borrowings less cash and cash equivalents, restricted bank balances and pledged deposits to total assets.

Capital Commitments

As at 31 December 2018, the capital commitments of the Group in connection with the property development expenditures was approximately RMB20,012.8 million (2017: approximately RMB3,379.6 million).

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities relating to guarantees amounting to approximately RMB3,699.0 million (2017: approximately RMB986.3 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 2018 as the default risk is low.

Foreign Exchange Exposure

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

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

(a) 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 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 fourth quarter of 2021.

(b) 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 of 43,470.40 sq.m. for residential use at a consideration of RMB800,870,000; (ii) with site area of 46,805.08 sq.m. for residential use at a consideration of RMB1,024,160,000; and (iii) with site area of 45,515.87 sq.m. for residential use at a consideration of RMB995,490,000. These development projects are expected to be completed gradually and respectively no later than the fourth quarter of 2020 and the first quarter of 2022.

(c) 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 total aggregate site area of 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 gradually and no later than the fourth quarter of 2020.

(d) On 10 April 2018, the Group has made two successful bids for land use rights of two land parcels in Zhengzhou City, Henan Province, the PRC (i) with site area of 79,585.58 sq.m. for residential use at a consideration of RMB635,420,000; (ii) with site area of 63,391.95 sq.m. for residential use at a consideration of RMB458,650,000. These development projects are expected to be completed no later than the fourth quarter of 2021.

(e) On 12 April 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 84,309.66 sq.m. for residential use at a consideration of RMB610,070,000. This development project is expected to be completed no later than the fourth quarter of 2021.

(f) 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 of 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 fourth quarter of 2021.

(g) On 28 June 2018, the Group has made seven successful bids for land use rights for seven land parcels in Gongyi City, Henan Province, the PRC with total aggregate site area of approximately 243,903.45 sq.m. for residential use, commercial, accommodation and catering usage at an aggregate consideration of RMB134,890,000. These development projects are expected to be completed gradually and no later than the fourth quarter of 2020.

(h) On 14 August 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 68,818.90 sq.m. for residential use at a consideration of RMB2,480,000,000. This development project is expected to be completed no later than the second quarter of 2020.

(i) On 24 August 2018, the Group has made two successful bids for land use rights of two land parcels in Zhengzhou City, Henan Province, the PRC (i) with site area of 44,426.12 sq.m. for residential use at a consideration of RMB241,640,000; (ii) with site area of 31,005.38 sq.m. for retail, wholesale, catering, hostel and commercial finance usages at a consideration of RMB270,960,000. These development projects are expected to be completed no later than the first quarter of 2022.

(j) On 30 August 2018, the Group has made a successful bid for land use rights of one land parcel in Wuhan City, Hubei Province, the PRC with site area of 46,888 sq.m. for residential use at a consideration of RMB656,440,000. This development project is expected to be completed no later than the second quarter of 2021.

(k) On 31 August 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 54,297.57 sq.m. for residential use at a consideration of RMB746,300,000. This development project is expected to be completed no later than the fourth quarter of 2022.

(l) On 14 September 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 45,504.68 sq.m. for residential use at a consideration of RMB1,740,000,000. This development project is expected to be completed no later than the fourth quarter of 2021.

(m) On 15 October 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 40,941.43 sq.m. for residential use at a consideration of RMB326,480,000. This development project is expected to be completed no later than the second quarter of 2022.

(n) On 22 October 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 14,646.68 sq.m. for residential use at a consideration of RMB114,320,000. This development project is expected to be completed no later than the second quarter of 2021.

(o) On 28 November 2018, the Group has made two successful bids for land use rights of two land parcels in Zhengzhou City, Henan Province, the PRC (i) with site area of 47,846.72 sq. m. at a consideration of RMB132,210,000; and (ii) with site area of 50,148.08 sq.m. at a consideration of RMB138,560,000. These two land parcels are for residential and commercial usages. These development projects are expected to be completed respectively no later than the second quarter of 2022.

(p) On 30 November 2018, the Group has made three successful bids for land use rights of three land parcels in Xinxiang County, Henan Province, the PRC (i) with site area of 30,360.30 sq.m. for commercial usage at a consideration of RMB42,534,800; (ii) with site area of 66,051.30 sq.m. for residential and commercial usages at a consideration of RMB65,688,000; and (iii) with site area of 54,106.80 sq.m. for residential and commercial usages at a consideration of RMB53,809,300. These development projects are expected to be completed respectively no later than the fourth quarter of 2022.

(q) On 3 December 2018, the Group has made two successful bids for land use rights of two land parcels in Xinxiang County, Henan Province, the PRC (i) with site area of approximately 58,642 sq.m. at a consideration of RMB58,319,500; and (ii) with site area of 52,386.70 sq.m. at a consideration of RMB52,098,600. These two land parcels are for residential and commercial usages. These development projects are expected to be completed respectively no later than the fourth quarter of 2022.

(r) On 16 December 2018, the Group has successfully increased its equity investment in GMR by subscribing 1,111,111 shares of new common stock of GMR in an underwritten public offering at a total subscription amount of approximately US$10 million at the public offering price of US$9 per GMR share by way of cash.

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 the three awards issued by Mandatory Provident Fund Authority, namely, the Good MPF Employer Award for 2017-18 in recognition of the Company's compliance with employer's statutory obligations and provision of better retirement protection for employees, the "e-Contribution Award" and the "Support for MPF Management Award" for 2017-18 which the Company has adopted electronic means for MPF Administration, and has striven to encourage employees to actively manage their MPF. Moreover, the Company became a Signatory of the Good Employer Charter awarded by Labour Department in 2018 in recognition of the Company pledges to adopt employee-oriented good human resource management practices. 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, amounted to approximately RMB67.8 million (2017: RMB33.6 million).

As at 31 December 2018, the Group had 319 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

In accordance with the Group's latest development plan and schedule, there are four new property development projects currently under development, namely Zensun Scholar Garden, Zensun Longhushangjing, Zhengzhou Zensun River Valley and Zensun River Home going to launch their first delivery to customers upon completion. By adhering to the Group's core work plan for delivering "High quality" products, these property projects were among the Group's highlighted development projects and developed with deluxe design with full refurbishment. Revenue from the sale of properties are expected to be recognised upon its completion and delivery of the completed properties.

The brilliant successful land bids results during the Year complemented the Group's strategy and provided a strong support to the expanding land reserves for the Group's property development business 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 substantial growth in land reserves with the ongoing property development projects, it is anticipated that the demand for the respective construction work for the Group's properties projects on hand are rapidly and substantially increasing. In this regard, the Group will proactively seek for quality construction contractors which can offer the best and most favourable terms to cooperate so as to complement with the Group's expansion in property development operation in the PRC. In order to seize every cooperation opportunities with different quality and potential construction contractors without limits to cater the Group's growing needs and requirements, the Group renewed the master services agreement with Henan Zensun Corporate Development Company to engage their group members for their construction and development services on certain selected property projects during the Year. The renewed master services agreement was amended to extend its effective terms for three years from 1 January 2018 and continue up to and including 31 December 2020. The corresponding Annual Caps for transactions under the renewed master services agreement for the three financial years ending 31 December 2020 have also been approved during the Year for further increment accordingly. The approved Annual Cap for the transactions during the year ended 31 December 2018 was RMB1,133,000,000. Further information in respect of the 2018 Supplemental Agreement and revision of Annual Caps, is available in the Company's circular dated 22 November 2018.

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 31 December 2018, the Group has approximately 14% equity interest in a NYSE-listed REIT, GMR and 99% equity interest in 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 revised management agreement between GMR and IAM.

In the year of 2018, GMR completed 14 acquisitions of medical and healthcare facilities, encompassing an aggregate of 811,707 leaseable square feet, for an aggregate purchase price of US$196.3 million with annualised base rent of US$15.8 million and a weighted average capitalisation rate of 8.04%, enlarging its asset base. In connection with its acquisition business strategy, GMR also completed the launch of two public fund raising campaigns including issuance of common and preference shares for its capital. In view of GMR's rapid business expansion plans and its improving financial position, the Group has increased its shareholding in GMR from approximately 12% to approximately 14% by way of share subscription at public offering price in an underwritten public offering launched by GMR in December 2018. It is expected that with GMR's business plan, GMR would be able to further increase its capital base which in return increase the management fee income to be received from GMR. The Group's additional investment in GMR during the Year would also increase the sharing of income growth of GMR and thereby achieve long-term capital appreciation of the Group's investment.

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. Further to the single-family housing, AHR have diversified its investment 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 for higher-than-average annualised yield.

Other operations

The Group will regularly review the Singapore property market to explore business opportunity in this market in the foreseeable future. For the non-core Japan hotel operations 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 operation to be self-sustainable.

Overall

The Company will make use of the Group's financial, human and technological resources to enhance its portfolio, asset base and brand image in the PRC, USA and overseas with business growth opportunities.

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be segregated. The Company is of the view that it is in the best interest of the Company that Mr. Zhang Jingguo, with his profound expertise in the property business, shall continue in his dual capacity as chairman and chief executive officer.

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed, with the management of the Company, the accounting principles and practices adopted by the Group and discussed, among other things, auditing and financial reporting matters including the review of the consolidated financial statements of the Group for the Year.

PRELIMINARY ANNOUNCEMENT OF CONSOLIDATED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2017 and 2018 included in this preliminary announcement of final results 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the Year to the Registrar of Companies as required in due course.

The Company's auditor has reported on the financial statements of the Group for the year ended 31 December 2018. The financial statements of the Group for the year ended 31 December 2017 were audited and reported by the former auditor, Messers. Deloitte Touche Tohmatsu. The auditor's reports for both years were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLIC FLOAT

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the 2019 annual general meeting of the Company ("2019 AGM"), the register of members of the Company will be closed from 5 June 2019 to 12 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2019 AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar, Tricor Friendly Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 4 June 2019.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on 12 June 2019 and the notice of the 2019 AGM will be published and despatched in the manner as required by the Listing Rules and the Company's articles of association in due course.

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

The Company's annual report for the Year will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at *http://www.hkexnews.hk* under "Latest Listed Company Information" and on the website of the Company at *http://www.zhsuccess.com* under "Investor Relations" in due course.

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

Hong Kong, 28 March 2019

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