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## ZH INTERNATIONAL HOLDINGS LIMITED

### 正恒國際控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 185)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the “Board”) of Directors (the “Directors”) of ZH International Holdings Limited (the “Company”), wishes to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 (the “Period”), which have been reviewed by the Company’s audit committee (the “Audit Committee”).

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

		<b>Six months ended</b>	
		<b>30 June 2016</b>	30 September 2015
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	<b>42,363</b>	28,299
Cost of sales		<b>(8,411)</b>	(2,858)
Gross profit		<b>33,952</b>	25,441
Other income		<b>1,501</b>	719
Other gains and losses	5	<b>10,512</b>	1,541
Administrative expenses		<b>(34,690)</b>	(48,715)
Sales and marketing expenses		<b>(4,464)</b>	–
Operating profit/(loss)	6	<b>6,811</b>	(21,014)
Finance costs	7	<b>(14,839)</b>	(7,710)
Share of result of an associate		–	37
Share of result of a joint venture		–	(353)
Loss before taxation		<b>(8,028)</b>	(29,040)
Income tax expenses	8	<b>(229)</b>	(671)
Loss for the Period		<b>(8,257)</b>	(29,711)

	<b>Six months ended</b>	
	<b>30 June</b>	30 September
	<b>2016</b>	2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive income/(expense):</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	<u>5,189</u>	<u>(13,040)</u>
	<u>5,189</u>	<u>(13,040)</u>
<b>Total comprehensive expense for the Period</b>	<b><u>(3,068)</u></b>	<b><u>(42,751)</u></b>
<b>(Loss)/profit for the Period attributable to:</b>		
Owners of the Company	(8,300)	(30,362)
Non-controlling interests	<u>43</u>	<u>651</u>
	<b><u>(8,257)</u></b>	<b><u>(29,711)</u></b>
<b>Total comprehensive (expense)/income attributable to:</b>		
Owners of the Company	(5,385)	(43,427)
Non-controlling interests	<u>2,317</u>	<u>676</u>
	<b><u>(3,068)</u></b>	<b><u>(42,751)</u></b>
	<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share (HK cents)</b>		
Basic and diluted	<i>10</i> <b><u>(0.15)</u></b>	<b><u>(0.76)</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2016**

	<i>Notes</i>	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>22,044</b>	21,197
Investment properties	<i>11</i>	<b>1,392,843</b>	1,085,984
Deposit for acquisition of investment properties		–	3,250
Pledged bank deposits		<b>11,892</b>	9,239
		<b>1,426,779</b>	1,119,670
<b>Current assets</b>			
Inventories		<b>185</b>	258
Accounts receivable, deposits and prepayments	<i>12</i>	<b>69,159</b>	15,289
Properties under development for sale		<b>1,027,550</b>	801,878
Deposits for land acquisition		<b>564,780</b>	–
Financial assets at fair value through profit or loss		<b>8,275</b>	9,812
Prepaid tax		<b>39,222</b>	2,916
Pledged bank deposits		<b>1,487</b>	30,669
Restricted bank balances		<b>30,254</b>	1,468
Bank balances and cash		<b>170,723</b>	202,787
		<b>1,911,635</b>	1,065,077
Investment properties classified as held for sale		<b>2,584</b>	1,342
		<b>1,914,219</b>	1,066,419
<b>Current liabilities</b>			
Accounts payable, deposits received and accruals	<i>13</i>	<b>156,703</b>	78,970
Deposits received and receipt in advance from property buyers		<b>556,457</b>	57,250
Bank and other borrowings – due within one year		<b>292,240</b>	158,938
Amounts due to related companies	<i>14</i>	<b>36,295</b>	143,832
Amount due to ultimate holding company	<i>14</i>	–	26,740
Loan from a related company	<i>18</i>	<b>475,495</b>	182,486
Bank overdraft		–	7,748
Tax liabilities		<b>11,059</b>	2,464
		<b>1,528,249</b>	658,428
<b>Net current assets</b>		<b>385,970</b>	407,991
<b>Total assets less current liabilities</b>		<b>1,812,749</b>	1,527,661

	<i>Notes</i>	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	15	<b>716,706</b>	557,626
Reserves		<b>535,654</b>	541,155
		<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>		<b>1,252,360</b>	1,098,781
Non-controlling interests		<b>(4,745)</b>	(7,178)
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,247,615</b>	1,091,603
<b>Non-current liabilities</b>			
Rental deposits received		<b>643</b>	955
Bank and other borrowings – due after one year		<b>350,081</b>	267,986
Loan from a related company	18	<b>201,423</b>	154,747
Deferred tax liabilities		<b>12,987</b>	12,370
		<hr/>	<hr/>
		<b>565,134</b>	436,058
		<hr/>	<hr/>
<b>Total equity and non-current liabilities</b>		<b>1,812,749</b>	1,527,661
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# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30 JUNE 2016*

## **1. GENERAL**

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

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”).

The unaudited condensed consolidated financial statements for the six months ended 30 June 2016 were approved for issue by the Board on 26 August 2016. The condensed consolidated financial statements are unaudited, but have been reviewed by the Company’s Audit Committee.

The financial information relating to the nine months ended 31 December 2015 that is included in the unaudited condensed consolidated financial statements for the six months ended 30 June 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the nine months ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

## **2. BASIS OF PREPARATION**

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

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

The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the nine months ended 31 December 2015. The Group’s policies on financial risk management were set out in the financial statements included in the Company’s 2015 Annual Report and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2016.

### 3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the nine months ended 31 December 2015.

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

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

Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1.</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2.</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3.</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4.</sup> Effective date is deferred

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

### 4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is based on different business activities of the Group. This is also the basis upon which the Group is organised and managed.

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

- a) Property development in the People's Republic of China ("PRC")
- b) Property investment and management in the United States of America ("USA" or "U.S.") by American Housing REIT, Inc. ("AHR") and Global Medical REIT, Inc. ("GMR")
- c) Property investment other than AHR and GMR
- d) Hotel operations
- e) Securities trading and investment

The Group has property investment and management businesses in Hong Kong, USA, Singapore and Japan. Other than AHR and GMR which operate in the USA, the property investment business in other regions are aggregated into one reportable segment.

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

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 June	30 September	30 June	30 September
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
By reportable segment:				
Property development	–	–	(6,715)	(195)
Property investment and management in the USA by AHR and GMR	30,916	17,100	(7,614)	(9,711)
Property investment other than AHR and GMR	8,156	7,150	1,836	9,183
Hotel operations	2,868	3,222	(881)	(377)
Securities trading and investment	319	742	(852)	(999)
Others	104	85	(26)	(630)
	<u>42,363</u>	<u>28,299</u>	<u>(14,252)</u>	<u>(2,729)</u>
Unallocated corporate income			517	2,746
Unallocated other gains and losses			12,566	279
Unallocated corporate expenses			(6,714)	(27,555)
Unallocated finance costs			(145)	(1,465)
Share of result of an associate			–	37
Share of result of a joint venture			–	(353)
			<u>(8,028)</u>	<u>(29,040)</u>
Loss before taxation			(8,028)	(29,040)
Income tax expenses			(229)	(671)
			<u>(8,257)</u>	<u>(29,711)</u>
Loss for the Period			<u>(8,257)</u>	<u>(29,711)</u>

## 5. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (unaudited)</b>	<b>30 September 2015 HK\$'000 (unaudited)</b>
Increase in fair value of investment properties	128	7,250
Gain on disposal of available-for-sale financial assets	–	2,055
Gain on disposal of a joint venture	–	279
Gain on disposal of an associate ( <i>note</i> )	8,367	–
Exchange gain/(loss), net	4,246	(2,825)
Decrease in fair value of held-for-trading investments	(1,188)	(1,536)
Loss on disposal of investment properties	(753)	(2,468)
Bad debts written-off in respect of accounts and other receivables	(288)	(990)
Loss on disposal of property, plant and equipment	–	(224)
	<b>10,512</b>	<b>1,541</b>

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

## 6. OPERATING PROFIT/(LOSS)

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (unaudited)</b>	<b>30 September 2015 HK\$'000 (unaudited)</b>
Operating profit/(loss) has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	482	670
Dividend income	(319)	(742)

## 7. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 June 2016 HK\$'000 (unaudited)</b>	<b>30 September 2015 HK\$'000 (unaudited)</b>
Interests on:		
Bank and other borrowings	14,839	7,188
Loans from a related company	7,426	522
	<b>22,265</b>	<b>7,710</b>
Less: capitalised in properties under development for sale	(7,426)	–
	<b>14,839</b>	<b>7,710</b>



## 8. INCOME TAX EXPENSES

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the Period.

Taxes on overseas profits have been calculated on the estimated assessable profit for the Period at the rates of taxation prevailing in the countries in which the entities operate.

	Six months ended	
	30 June 2016 HK\$'000 (unaudited)	30 September 2015 HK\$'000 (unaudited)
Current tax		
– Hong Kong	–	–
– Overseas	50	–
	<u>50</u>	<u>–</u>
(Over)/under-provision in prior years		
– Overseas	(434)	671
	<u>(384)</u>	<u>671</u>
Deferred taxation	613	–
	<u>613</u>	<u>–</u>
Total tax expenses for the Period	<u>229</u>	<u>671</u>

## 9. DIVIDENDS

No dividend was paid during the Period or the Corresponding Period. The Directors do not recommend the payment of an interim dividend for the Period.

## 10. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to owners of the Company for the Period of approximately HK\$8,300,000 (Corresponding Period: HK\$30,362,000) and the weighted average number of 5,516,900,189 (Corresponding Period: 3,983,293,047) ordinary shares in issue during the Period.

There were no potential dilutive ordinary shares for each of the Period and the Corresponding Period, and therefore, diluted loss per share was the same as the basic loss per share.

## 11. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired investment properties and property, plant and equipment of approximately HK\$294.8 million (Corresponding Period: approximately HK\$85.1 million).

## 12. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

An ageing analysis of the accounts receivable, deposits and prepayments at the end of the Period, based on the invoice date, is as follows:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Accounts receivable (within 60 days)	2,897	1,185
Deposits placed in brokers' accounts	262	260
Prepaid business and other taxes	23,420	3,888
Amounts due from related companies ( <i>note</i> )	6,369	912
Other receivables, deposits and prepayments	36,211	9,044
	<u>69,159</u>	<u>15,289</u>
Amount due from an investee	6,346	6,346
Impairment in relation to amount due from an investee	(6,346)	(6,346)
	<u>—</u>	<u>—</u>
	<u>69,159</u>	<u>15,289</u>

*Note:* The related companies are companies which certain Directors and ex-director of the Company have interests and able to exercise control over these companies. The amounts due from related companies are unsecured, non-interest bearing and repayable on demand.

## 13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

An ageing analysis of the accounts payable, deposits received and accrual at the end of the Period, based on the invoice date, is as follows:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Accounts payable (within one year)	165	459
Accrued construction cost	125,988	59,883
Rental deposits	3,544	3,041
Real estate and other taxes payable	2,087	2,544
Other payables and accrual	24,919	13,043
	<u>156,703</u>	<u>78,970</u>

## 14. AMOUNTS DUE TO RELATED COMPANIES AND ULTIMATE HOLDING COMPANY

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

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

## 15. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
<i>Issued and fully paid:</i>		
At 1 January 2016	5,381,419,969	557,626
Issue of new shares under share subscription	795,400,000	159,080
	<hr/>	<hr/>
At 30 June 2016	<u>6,176,819,969</u>	<u>716,706</u>

## 16. PLEDGE OF ASSETS

The following assets are pledged to banks and financial institutions as securities to obtain certain banking facilities at the end of the Period:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Property, plant and equipment	11,820	11,975
Investment properties	1,243,559	774,684
Pledged bank deposits	13,379	39,908
Financial assets at fair value through profit or loss	–	8,177
	<hr/>	<hr/>
	<u>1,268,758</u>	<u>834,744</u>

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

## 17. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the Period:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Contracted for but not provided in respect of:		
Acquisition of investment properties	–	294,527
Property construction and development expenditures	437,701	–
	<hr/>	<hr/>

## 18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following material transactions with related parties during the Period:

	Six months ended	
	30 June 2016 HK\$'000 (unaudited)	30 September 2015 HK\$'000 (unaudited)
Interest expenses to related company and capitalised in properties under development for sale ( <i>note 1</i> )	7,426	522
Cost incurred in relation to construction, engineering and related services provided by related companies and capitalised in properties under development for sale ( <i>note 2</i> )	46,065	–
Property development management services income received from ex-director ( <i>note 3</i> )	–	1,512

### Notes:

- (1) The Group has entered into loan agreements with Henan Zensun Real Estate Co., Ltd (“Zensun”), a company ultimately controlled by Ms. Huang, pursuant to which Zensun will provide unsecured loan(s). Such loan(s) are unsecured with interest bearing at the lower of (i) 4% per annum or (ii) such other interest rate the Group is able to borrow in an amount equal to the relevant loan from a bank or a financial institution at the date of drawdown. As at 30 June 2016, except for the amount of HK\$201,423,000 (31 December 2015: HK\$154,747,000) which is repayable in 2018, the remaining amounts are repayable on demand.
- (2) The Group has entered into a master services agreement with Henan Zensun Corporate Development Company Limited (“Zensun Development”), which ultimately controlled by Mr. Zhang Jingguo, pursuant to which Zensun Development and its subsidiaries (collectively as “Zensun Development Group”) will provide contracting and ancillary services for the properties under development for sale of the Group. The initial terms of the master services agreement will be up to 31 December 2018. During the Period, the Group has entered definitive agreement for the respective services with member of Zensun Development Group. The annual maximum transaction amount in respect of these services provision for the year ending 31 December 2016 will be RMB92 million.
- (3) The Group earned property development management services income for management of properties under development in the USA from SeD USA, LLC, which is a subsidiary of Singapore eDevelopment Limited, a listed company in Singapore over which Mr. Chan Heng Fai, an ex-director and ex-controlling shareholder of the Company has significant influence. The provision of management services to these related parties were terminated in June 2015.

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

## 19. SUBSEQUENT EVENTS

- (i) On 28 June 2016, GMR, Inter-American Management, LLC, (“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 offer and sale of GMR’s common stock in its upgrade of listing on the New York Stock Exchange (“Offering”). On 1 July 2016, GMR closed its 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 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
- (ii) Upon completion of the GMR Offering on 1 July 2016, the amended and restated management agreement between IAM and GMR has become effective. The principal terms and changes to the amended and restated management agreement are set out in the circular of the Company dated 26 July 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group recorded a turnover of approximately HK\$42.4 million for the Period, representing an increase of approximately 50% as compared to a turnover of approximately HK\$28.3 million for the Corresponding Period. The increase was mainly resulted from the net effect of: (i) the increase in the rental income during the Period; and (ii) the decrease in hotel operation income and revenue from securities trading and investment. The loss attributable to owners of the Company for the six months ended 30 June 2016 was approximately HK\$8.3 million compared to a loss of approximately HK\$30.4 million for the Corresponding Period.

The improvement in the performance of the Group are mainly due to (i) increase in rental income derived from the medical facilities acquired by GMR after 30 September 2015; (ii) gain on disposal of the Group’s entire interest in an associate, RSI; (iii) decrease in administrative expenses in relation to reduce in staff costs (including directors’ emolument); and (iv) record a net exchange gain compared to net exchange loss in the Corresponding Period. Such improvement was partially set-off by (i) increase in legal and professional fees in relation to the GMR Offering; (ii) decrease in revaluation gain from investment properties for the Period; and (iii) increase in finance costs in relation to the acquisition of the medical facilities.

The basic loss per share for the six months ended 30 June 2016 was HK0.15 cents compared to basis loss per share of HK0.76 cents for the Corresponding Period.

## **Property Development**

During the Period, the two projects under development in Zhengzhou, PRC, namely Zensun Xinghan Garden and Zensun Jingkai Plaza were progressing as scheduled in order to satisfy the completion and delivery in line with the Group's schedule in the fourth quarter of 2017 and the first quarter of 2018.

On the other hands, the Group has continued to identify new property development projects and attractive investment opportunities. On 1 July 2016, the Group made a successful bid for the land use right of a land parcel No. (2016) 11 in Zhengzhou City, Henan Province ("Land Parcel") in a listing for sale process held by Zhengzhou City Land and Resources Bureau (鄭州市國土資源局) for transfer of state-owned land use right for RMB185,000.000. The Land Parcel is located at the junction of 桑林東路東 and 瑞風路北 of Zhengzhou City with a site area of 25,356.60 sq.m. and a permitted plot ratio below 4.0. The Land Parcel is designated for commercial usage with the term for 40 years.

## **Hotels Operations**

Revenue for the hotel operation division declined 11% to approximately HK\$2.9 million in the Period, contributing to a loss by the segment of approximately HK\$0.9 million compared to approximately HK\$0.4 million over the Corresponding Period.

## **Securities Trading and Investment**

During the Period, the Group's securities business recorded an operating loss of approximately HK\$0.9 million are consistent with operating loss of approximately HK\$1.0 million in the Corresponding Period.

## **Property investment and management in the USA by AHR and GMR**

The property investment and management in the USA by AHR and GMR divisions contributed revenue of approximately HK\$30.9 million (Corresponding Period: HK\$17.1 million) and operating loss of approximately HK\$7.6 million (Corresponding Period: HK\$9.7 million) to the Group.

## **Property investment other than AHR and GMR**

The property investment other than AHR and GMR divisions contributed revenue of approximately HK\$8.2 million (Corresponding Period: HK\$7.2 million) and operating profit of approximately HK\$1.8 million (Corresponding Period: HK\$9.2 million) to the Group, including an increase in fair value of investment properties of approximately HK\$0.1 million compared to approximately HK\$7.3 million in the Corresponding Period.

## **Other Investment**

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

## **Liquidity and Capital Resources**

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

As at 30 June 2016, the total equity of the Group was approximately HK\$1,247.6 million (31 December 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\$214.4 million (31 December 2015: HK\$244.2 million) mainly denominated in U.S. dollars, Hong Kong dollars, Singapore dollars, Japanese Yen and Renminbi. The increase of total borrowings to approximately HK\$1,355.5 million (31 December 2015: HK\$942.5 million) was mainly due to the bank financing for the acquisition of medical facilities under GMR in the USA and loans from a related company for the properties under development for sale and land acquisition in the PRC during the Period. The borrowings were mainly denominated in United States dollars, Renminbi, Hong Kong dollars and Singapore dollars. As at 30 June 2016, the Group recorded a current ratio of 1.3 (31 December 2015: 1.6) and gearing ratio of 34.2% (31 December 2015: 31.9%). Gearing ratio is defined as the ratio of total borrowings less bank balances and cash, pledged bank deposits and restricted cash balances to total assets.

## **Material Acquisitions and Disposals for Material Investments**

- (a) 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.
- (b) 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 on 31 March 2016.
- (c) 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 on 31 March 2016.

- (d) On 1 April 2016 (U.S. time), GMR filed a registration statement under the Securities Exchange Act of 1933 for certain real estate companies with the United States Securities and Exchange Commission in relation to the proposed issue and offer for subscription of the 13,043,479 new GMR Shares pursuant to the proposed offering, together with 1,956,521 GMR Shares to be allotted and issued if the underwriters exercise the over-allotment option in full and to apply for the migration listing in relation to list the GMR Shares on the New York Stock Exchange (“NYSE”). The GMR Shares began trading on the NYSE on 29 June 2016 (U.S. time) under the symbol “GMRE” and the proposed offering was completed on 1 July 2016 (U.S. time) and the over-allotment option was exercised in full on 11 July 2016 (U.S. time). As a consequence, GMR has ceased to be a subsidiary of the Company and the Group owns approximately 14.8% interest in GMR.
- (e) 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.
- (f) 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.
- (g) On 1 July 2016, the Group has made a successful bid for the Land Parcel in a listing for sale process held by Zhengzhou City Land and Resources Bureau for transfer of state-owned land use right for RMB185,000,000.

### **Contingent Liabilities**

As at 30 June 2016, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities provided by domestic banks to certain property buyers amounting to approximately RMB228.9 million. 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 bank. 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 financial statement for the six months ended 30 June 2016 as the default risk is low.

In addition, as at 30 June 2016, the Company has provided for its proportionate guarantee of S\$2.1 million to a bank in connection with banking facilities granted to Corporate Residence Pte Ltd, a company which is 90% owned by SingHaiyi Group Limited and 10% by the Group.



## Foreign Exchange Exposure

The revenue, expenses, assets and liabilities are denominated substantially in U.S. dollars, Hong Kong dollars, Renminbi, Singapore dollars, and Japanese Yen. Due to currency peg of the Hong Kong dollars to the U.S. dollars, the exchange rate between these two currencies has remained stable, the Group has not implemented 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 Japanese Yen, Renminbi and Singapore dollars through transactions, assets and liabilities.

## 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 Period, amounted to HK\$12.0 million (Correspondence Period: HK\$14.8 million).

As at 30 June 2016, the Group had 41 employees.

## Pledge of Assets

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the Period:

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Property, plant and equipment	<b>11,820</b>	11,975
Investment properties	<b>1,243,559</b>	774,684
Pledged bank deposits	<b>13,379</b>	39,908
Financial assets at fair value through profit or loss	–	8,177
	<b><u>1,268,758</u></b>	<u>834,744</u>

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

## **Outlook and Prospects**

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

### *The PRC*

The Company will leverage on the PRC property development and investment experience of its management team to seek to develop suitable projects with potential to deliver value to our 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 China.

### *The U.S.*

In the U.S., the Group has 14.8% equity interest in a NYSE-listed REIT, GMR and 99% equity interest in an U.S. Over-The-Counter ("OTC") listed REIT, AHR which are 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 U.S. 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 will continue providing management services and receiving recurring management fees directly to and from GMR pursuant to the management agreement between GMR and IAM. It is expected that the Offering and 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 was listed on the OTC in 2010. AHR is currently 99%-controlled by the Company which owns a portfolio of single-family rentals primarily in Texas, Florida, Georgia and North Carolina, and seeks to pay a higher-than-average annualised yield quarterly.

### *Other operations*

The Group remains cautious about 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.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in the securities of the Company. The Company has made specific enquiry with all Directors and, all Directors confirmed that they have fully complied with the Model Code during the Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Period, 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 Period, with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. 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 the chairman and chief executive officer.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group and discussed, among other things, financial reporting matters including a review of the unaudited interim financial information for the Period. The Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao.

**PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S AND COMPANY’S WEBSITE**

The Company’s interim report for the six months ended 30 June 2016 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](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, 26 August 2016

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