ZENSUN ENTERPRISES LIMITED
正 商 實 業 有 限 公 司

(formerly known as 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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "Board") of directors (the "Directors") of Zensun Enterprises Limited (formerly known as ZH International Holdings Limited) (the "Company"), is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018, which have been reviewed by the Company's audit committee (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
			(Restated)
REVENUE	*4*	**327,890**	321,533
Cost of sales		**(179,160)**	(183,913)
Gross profit		**148,730**	137,620
Other income		**11,855**	1,121
Other gains and losses	*5*	**52,579**	9,242
Administrative expenses		**(73,938)**	(48,822)
Sales and marketing expenses		**(37,320)**	(33,174)
Finance costs	*6*	**(6,992)**	(6,463)
PROFIT BEFORE TAX	*7*	**94,914**	59,524
Income tax expense	*8*	**(57,427)**	(30,699)
PROFIT FOR THE PERIOD		**37,487**	28,825
Attributable to:			
Owners of the Company		**36,997**	28,623
Non-controlling interests		**490**	202
		37,487	28,825
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*10*		
Basic (RMB cents)		**0.60**	0.46
Diluted		**N/A**	N/A

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE PERIOD	**37,487**	28,825
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**541**	(31,908)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**541**	(31,908)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**38,028**	(3,083)
Attributable to:		
Owners of the Company	**37,808**	(2,686)
Non-controlling interests	**220**	(397)
	38,028	(3,083)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	**Unaudited 30 June 2019 *RMB'000***	Audited 31 December 2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**23,492**	23,126
Investment properties	*11*	**644,421**	646,620
Right-of-use assets		**5,986**	–
Deferred tax assets		**63,550**	63,168
Pledged deposits		**36,445**	33,915
Total non-current assets		**773,894**	766,829
CURRENT ASSETS			
Inventories		**157**	217
Completed properties held for sale		**765,821**	934,671
Properties under development		**39,396,588**	29,777,845
Deposits and prepayments paid for land acquisitions		**1,386,750**	4,603,632
Accounts receivable, other receivables and other assets	*12*	**1,494,133**	1,175,439
Financial assets at fair value through profit or loss		**274,661**	232,532
Prepaid income tax and tax recoverable		**944,544**	616,737
Pledged deposits		**237,851**	680,450
Restricted bank balances		**366,845**	101,913
Cash and cash equivalents		**677,450**	673,412
		45,544,800	38,796,848
Investment properties classified as held for sale		**1,185**	5,582
Total current assets		**45,545,985**	38,802,430
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	*13*	**2,093,482**	1,271,149
Contract liabilities		**17,143,599**	11,304,291
Amounts due to related companies	*14*	**1,829,911**	473,199
Loans from a related company	*15*	**9,050,155**	12,876,310
Lease liabilities		**1,808**	–
Bank and other borrowings		**5,611,946**	3,658,396
Tax liabilities		**84,298**	109,621
Total current liabilities		**35,815,199**	29,692,966
NET CURRENT ASSETS		**9,730,786**	9,109,464
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,504,680**	9,876,293

	Notes	**Unaudited 30 June 2019** ***RMB'000***	Audited 31 December 2018 *RMB'000*
NON-CURRENT LIABILITIES			
Rental deposits received	*13*	**6,190**	7,128
Lease liabilities		**4,354**	–
Bank and other borrowings		**9,326,059**	8,742,329
Deferred tax liabilities		**4,537**	5,324
Total non-current liabilities		**9,341,140**	8,754,781
Net assets		**1,163,540**	1,121,512
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**587,529**	587,529
Reserves		**578,844**	541,036
		1,166,373	1,128,565
Non-controlling interests		**(2,833)**	(7,053)
Total equity		**1,163,540**	1,121,512

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL

Zensun Enterprises Limited (formerly known as ZH International Holdings Limited and referred to as 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, the People's Republic of China (the "PRC") and overseas.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information for the six months ended 30 June 2019 was approved for issue by the board (the "Board") of directors of the Company (the "Directors") on 28 August 2019. The interim condensed consolidated financial information is unaudited, but has been reviewed by the Company's audit committee ("Audit Committee").

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The financial information relating to the year ended 31 December 2018 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those 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 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The Group's policies on financial risk management were set out in the financial statements included in the Company's 2018 Annual Report and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2019.

3. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

Change in presentation currency of the interim condensed consolidated information for the prior period

The functional currency of the Company is Hong Kong dollars ("HK$"), which was the presentation currency of the consolidated financial statements of the Group for financial years prior to 2018.

During 2018, 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 considers that it is more appropriate to use RMB as its presentation currency for its consolidated financial statements.

The change of presentation currency was 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*. Comparative figures for the six months ended 30 June 2018 have been re-stated to reflect the change in the Group's presentation currency.

For the purpose of re-presentation of the comparative figures for the six months ended 30 June 2018 in RMB for the Group's interim condensed consolidated financial information, income and expenses were translated at the average exchange rates for the prior corresponding period. Assets and liabilities were translated at the closing exchange rates at the end of the prior corresponding period. Share capital, share premium and reserves were translated at the applicable exchange rates. All resulting exchange differences were recognised in other comprehensive income for the prior corresponding period.

Adoption of the new and revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS11, HKAS 12 and HKAS 23

Other than as explained below, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

Adoption of HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

The Group has lease contracts for certain items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Unaudited *RMB'000*
Assets	
Increase in right-of-use assets	6,813
Liabilities	
Increase in lease liabilities	6,813

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	Unaudited *RMB'000*
Operating lease commitments as at 31 December 2018	
Weighted average incremental borrowing rate as at 1 January 2019	7.50%
Discounted operating lease commitments as at 1 January 2019	6,830
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(17)
Lease liabilities as at 1 January 2019	6,813

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Unaudited		
	Right-of-use assets		
	Office *RMB'000*	**Investment properties** *RMB'000*	**Lease Liabilities** *RMB'000*
As at 1 January 2019	6,813	415,189	6,813
Depreciation charge	(805)	–	–
Interest expense	–	–	236
Increase in fair value	–	1,147	–
Payments	–	–	(868)
Exchange realignment	(22)	2,019	(19)
As at 30 June 2019	5,986	418,355	6,162

4. REVENUE AND OPERATING SEGMENT INFORMATION

	Unaudited Six months ended 30 June	
	2019 *RMB'000*	2018 *RMB'000* (Restated)
An analysis of revenue is as follows:		
Sale of properties in the PRC	**283,982**	284,360
Rental income	**14,051**	14,967
Property management income	**19,748**	13,876
Dividend income from financial assets at fair value through profit or loss	**8,313**	6,888
Income from hotel operations	**1,796**	1,442
	327,890	321,533

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 ("USA" or "US") 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 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 and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no differences from the Group's annual financial statements for the year ended 31 December 2018 on the basis of segmentation or on the basis of measurement of segment profit or loss.

Segment revenue and segment results

	Unaudited Six months ended 30 June			
	Segment revenue		**Segment results**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Property development in the PRC	**283,982**	284,360	**30,949**	43,838
Property investment and management in the USA in AHR and property management provided to GMR	**28,077**	22,393	**8,245**	3,318
Property investment other than AHR	**5,722**	6,450	**2,132**	7,030
Securities trading and investment	**8,313**	6,888	**50,158**	17,137
Hotel operations	**1,796**	1,442	**(888)**	(1,846)
	327,890	321,533	**90,596**	69,477
Unallocated corporate income			**2,475**	1,088
Other gains and losses			**7,730**	(7,220)
Unallocated corporate expenses			**(5,887)**	(3,821)
Profit before tax			**94,914**	59,524

Segment assets

	Unaudited 30 June 2019	Audited 31 December 2018
	RMB'000	*RMB'000*
Property development in the PRC	**45,191,342**	38,122,867
Property investment and management in the USA in AHR and property management provided to GMR	**262,763**	253,750
Property investment other than AHR	**455,906**	503,032
Securities trading and investment	**278,295**	237,705
Hotel operations	**7,506**	7,541
	46,195,812	39,124,895
Unallocated assets	**124,067**	444,364
	46,319,879	39,569,259

Segment liabilities

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Property development in the PRC	**44,817,110**	37,753,219
Property investment and management in the USA in AHR and property management provided to GMR	**110,080**	109,183
Property investment other than AHR	**137,929**	145,730
Hotel operations	**462**	603
	45,065,581	38,008,735
Unallocated liabilities	**90,758**	439,012
	45,156,339	38,447,747

5. OTHER GAINS AND LOSSES

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000* (Restated)
Increase in financial assets at fair value through profit or loss	**41,848**	10,252
Increase in fair value of investment properties	**3,034**	6,013
Gain on disposal of property, plant and equipment	**–**	64
Exchange gain/(loss), net	**7,730**	(7,026)
Impairment loss on accounts receivable and other receivables	**(33)**	(61)
	52,579	9,242

6. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000* (Restated)
Interests on:		
Bank and other borrowings	**430,513**	127,284
Loans from a related company	**–**	459
	430,513	127,743
Interest arising from lease liabilities	**236**	–
Interest arising from revenue contracts	**308,877**	79,771
Less: capitalised in properties under development	**(732,634)**	(201,051)
	6,992	6,463

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 5.225% to 10.0% (30 June 2018: 4.785% to 7.5%) per annum during the six months ended 30 June 2019.

7. PROFIT BEFORE TAX

	Unaudited Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000* (Restated)
The Group's profit before tax is arrived at after charging/(crediting):		
Cost of properties sold	**174,691**	179,671
Cost of services	**4,469**	4,242
Depreciation of property, plant and equipment	**2,534**	847
Depreciation of right-of-use assets	**805**	–
Interest income	**11,191**	1,080
Gross rental income from investment properties	**14,051**	14,967
Less: direct operating expenses incurred for:		
– investment properties generated rental income	**(2,428)**	(2,391)
– investment properties that did not generate rental income	**(43)**	(60)
	(2,471)	(2,451)
	11,580	12,516

8. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000* (Restated)
Current tax – charge for the period		
– Hong Kong Profits Tax	**–**	–
– PRC Corporate Income Tax ("PRC CIT")	**27,449**	23,698
– PRC Land Appreciation Tax ("PRC LAT")	**36,035**	6,846
– Overseas Corporate Income Tax	**149**	155
Under provision in prior years		
– Overseas Corporate Income Tax	**45**	–
	63,678	30,699
Deferred tax	**(6,251)**	–
Total tax charge for the period	**57,427**	30,699

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits generated in Hong Kong for both periods.

Taxes on profits assessable have been calculated at the rates of tax prevailing in the countries/places in which the Group's entities operate for both periods.

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.

9. DIVIDENDS

No dividend was paid during the six months ended 30 June 2019 (30 June 2018: Nil). The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**36,997**	28,623
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**6,176,820**	6,176,820

No diluted earnings per share was presented for the six months ended 30 June 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired investment properties and property, plant and equipment of approximately RMB3.6 million (30 June 2018: approximately RMB2.3 million).

In addition, during the six months ended 30 June 2019, the Group disposed of certain investment properties and property, plant and equipment with an aggregate carrying amount of approximately RMB11.2 million (30 June 2018: approximately RMB9.4 million).

12. ACCOUNTS RECEIVABLES, OTHER RECEIVABLES AND OTHER ASSETS

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Accounts receivable	**23,114**	22,218
Less: impairment	**–**	–
	23,114	22,218
Debt investment at amortised cost *(note)*	**–**	323,257
Prepaid value-added taxes and other taxes	**1,010,453**	606,006
Deposits and prepayments	**327,063**	150,413
Costs of obtaining contracts	**108,259**	61,094
Other receivables	**25,894**	13,101
	1,471,669	1,153,871
Less: impairment	**(650)**	(650)
	1,471,019	1,153,221
	1,494,133	1,175,439

Note: As at 31 December 2018, debt investment of approximately RMB323,257,000 in the principal amount of US$47,000,000 was unsecured, interest bearing at 9.7% per annum and settled at maturity in January 2019.

All accounts receivables were aged less than 3 months (31 December 2018: less than 3 months), based on the revenue recognition date or invoice date.

No provision for impairment of accounts receivable and other receivables was provided during the six months ended 30 June 2019 as the Directors consider that the expected credit loss is insignificant. The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of the above receivables.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Accounts payable	**8,935**	173
Accrued construction costs *(note)*	**1,823,693**	1,030,214
Rental deposits received	**7,441**	7,827
Retention deposits and payable	**45,096**	30,073
Real estate and other taxes payable	**11,211**	15,185
Other payables and accruals	**203,296**	194,805
	2,099,672	1,278,277
Less: rental deposits received – non-current	**(6,190)**	(7,128)
	2,093,482	1,271,149

The average credit period of accounts payable ranges from 30 to 90 days (31 December 2018: 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 RMB728,613,000 (31 December 2018: approximately RMB396,699,000) for its construction work.

14. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies were 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 COMPANY

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

As at 30 June 2019, loans amounting to approximately RMB9,050,155,000 (31 December 2018: approximately RMB12,867,310,000) 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.

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

16. SHARE CAPITAL

	Number of ordinary shares	Amount *RMB'000*
Ordinary shares with no par value:		
At 1 January 2019 and 30 June 2019	6,176,819,969	587,529

There was no movement of the Company's share capital during the six months ended 30 June 2019.

17. EVENTS AFTER THE REPORTING DATE

The Company entered into a subscription agreement with the controlling shareholder of the Company as subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 4,117,879,979 subscription shares at the subscription price of HK$0.38 per subscription share under the specific mandate. On 15 August 2019, all the conditions for the subscription have been fulfilled and the share subscription was completed pursuant to the terms and conditions of the subscription agreement accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2019 (the "Period"), the Group achieved revenue of approximately RMB327.9 million and gross profit of approximately RMB148.7 million, with an increase of approximately 2% as compared to revenue of approximately RMB321.5 million and increase of approximately 8% as compared to gross profit of approximately RMB137.6 million for the corresponding period of 2018. Revenue and gross profit of both periods were primarily derived from the property development business in the PRC. The steady growth in revenue and gross profit were sustained as a result from the delivery of the Group's existing completed property projects and higher revenue generated from the property investment and management business in the USA.

The Group had net other gains of approximately RMB52.6 million during the Period, as compared to approximately RMB9.2 million for the corresponding period of 2018. The Group's net other gains during the Period were attributable to the increase in financial assets at fair value through profit or loss of approximately RMB41.8 million (2018: approximately RMB10.3 million), net exchange gain of approximately RMB7.7 million (2018: net exchange loss of approximately RMB7.0 million) and increase in fair value of investment properties of approximately RMB3.0 million (2018: approximately RMB6.0 million).

The Group's sales and marketing expenses increased by approximately 12% from approximately RMB33.2 million for the corresponding period of 2018 to approximately RMB37.3 million for the Period. The Group's administrative expenses increased by approximately 51% from approximately RMB48.8 million for the corresponding period of 2018 to approximately RMB73.9 million for the Period. Such increases were in line with the Group's business expansion in the property development business in the PRC which is illustrated by the increasing number of ongoing property development projects during the Period.

The Group's income tax expenses increased from approximately RMB30.7 million for the corresponding period of 2018 to approximately RMB57.4 million for the Period. The increase on PRC CIT and PRC LAT are results of higher operating profits generated from completed property projects delivered during the Period in the PRC.

As a result of the foregoing, the Group's profit attributable to owners of the Company for the Period amounted to approximately RMB37.0 million (2018: approximately RMB28.6 million).

The basic earnings per share for the Period was approximately RMB0.60 cents (2018: approximately RMB0.46 cents).

The Board did not recommend the payment of an interim dividend in respect of the Period (2018: Nil).

BUSINESS REVIEW

Property Development in the PRC

During the Period, the property development business in the PRC contributed revenue of approximately RMB284.0 million (2018: approximately RMB284.4 million) and segment profit of approximately RMB30.9 million (2018: approximately RMB43.8 million) to the Group. As compared to the corresponding period of 2018, the segment revenue remained stable due to the continual delivery of the existing completed property units to the customers in accordance with the related terms of sales and purchase agreements. The decrease in segment profit was resulted from the business expansion with higher sales and marketing expenses and administrative expenses associated with the development of increasing number of property development projects.

The Group maintained a proactive strategy in property development business with continual effort in expanding the land reserves in the PRC. During the Period, the Group has completed six land acquisitions contributing total site area of approximately 288,000 square meters and aggregate estimated GFA of approximately 1.0 million square meters in support of its land reserves in the PRC. These successful land acquisitions complemented the Group's strategy in expanding its business operation with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC. As at 30 June 2019, the Group had two completed property projects and 30 on-going complex property projects on hand with 81 land parcels under development with total site area of approximately 3.7 million square meters and aggregate estimated GFA of approximately 10.1 million square meters in the PRC. The Group 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 Period, 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 RMB28.1 million (2018: approximately RMB22.4 million) and segment profit of approximately RMB8.2 million (2018: approximately RMB3.3 million) to the Group. The 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 2018 and also first half of 2019.

Property Investment other than AHR

During the Period, the property investment other than AHR division contributed segment revenue of approximately RMB5.7 million (2018: approximately RMB6.5 million) and segment profit of approximately RMB2.1 million (2018: approximately RMB7.0 million) to the Group. The decrease in segment profit was primarily attributable to a lesser extent of increase in fair value of investment properties during the Period of approximately RMB1.2 million as compared to approximately RMB4.7 million during the corresponding period of 2018.

Securities Trading and Investment

During the Period, the Group's securities business recorded segment revenue of approximately RMB8.3 million with segment profit of approximately RMB50.2 million as compared to segment revenue of approximately RMB6.9 million with segment profit of approximately RMB17.1 million for the corresponding period of 2018. The significant increment in segment profit was mainly arising from the increase in financial assets at fair value through profit or loss during the Period of approximately RMB41.8 million (2018: approximately RMB10.3 million) and also the increase in dividend income arising from the additional equity investment in GMR made by the Group in the fourth quarter of 2018.

Hotel Operations

During the Period, revenue from the hotel operations division improved from approximately RMB1.4 million to approximately RMB1.8 million contributing a lesser segment loss of approximately RMB0.9 million as compared to segment loss of approximately RMB1.8 million in the corresponding period of 2018.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 30 June 2019, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances was approximately RMB1,318.6 million (31 December 2018: approximately RMB1,489.7 million). The total cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars, US dollars, Singapore dollars and Japanese Yen.

As at 30 June 2019, 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 RMB274.3 million as at 31 December 2018 (31 December 2018: approximately RMB714.4 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, lease liabilities, loans from a related company, and amounts due to related companies, net of the aggregate of cash and cash equivalents, restricted bank balances and pledged deposits. The equity attributable to owners of the Company is comprised of issued share capital and reserves. As at 30 June 2019, net debt and equity attributable to owners of the Company were approximately RMB24,505.6 million (31 December 2018: approximately RMB24,260.5 million) and approximately RMB1,166.4 million (31 December 2018: approximately RMB1,128.6 million), respectively.

As at 30 June 2019, the Group's aggregate borrowings including bank and other borrowings, lease liabilities, loans from a related company, and amounts due to related companies amounted to approximately RMB25,824.2 million (31 December 2018: approximately RMB25,750.2 million), of which approximately RMB16,493.8 million (31 December 2018: approximately RMB17,007.9 million) were repayable within one year or on demand, and approximately RMB9,330.4 million (31 December 2018: approximately RMB8,742.3 million) were repayable after one year. The aggregate borrowings were mainly denominated in Renminbi, US dollars, Singapore dollars and Hong Kong dollars.

During the Period, the Company completed the issuance of bonds at principal amount of US$100 million carrying interest of 8.0% per annum due on 22 January 2020 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 were used for general corporate purposes of the Group. During the Period, the Group redeemed bonds at principal amount of US$200 million carrying interest of 7.5% per annum at its maturity and assets-backed securities at an aggregated size of RMB1,600 million which have been previously listed on the Shanghai Stock Exchange.

In additions to the fixed rate bonds of 8.0% per annum, the Group's bank and other borrowings carried fixed interest rates ranging from 7.0% to 10.0% per annum and also 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 30 June 2019. The Group's interest rate risk is mainly driven by the bank and other borrowings with floating interest rates.

As at 30 June 2019 and 31 December 2018, loans from a related company and the amounts due to related companies were interest-free.

As at 30 June 2019, certain bank and financial institutions facilities granted to the Group together with 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 RMB20,226.5 million (31 December 2018: approximately RMB15,539.4 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 30 June 2019 and 31 December 2018. 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 Period.

On 2 May 2019, the Company entered into a subscription agreement with Joy Town Inc., a controlling shareholder of the Company as subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 4,117,879,979 subscription shares at the subscription price of HK$0.38 per subscription share under the specific mandate. The subscription was approved by the independent shareholder of the Company at the extraordinary general meeting of the Company held on 12 June 2019. The net proceeds of the subscription amounting to approximately HK$1,562.9 million are intended to be applied towards (i) construction payment of two property projects namely, Zensun River Home (Phase II) and Zensun Fenghuashangjing; (ii) repayment of bank loans due during the period ending 31 December 2019; (iii) acquisition cost of land use rights through listing for sale process at public auctions to be held by government bureaus in the PRC; and (iv) general working capital of the Group. The subscription was subsequently completed on 15 August 2019 pursuant to the terms and conditions of the subscription agreement.

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 30 June 2019, the Group recorded a current ratio of 1.3 (31 December 2018: 1.3) and a gearing ratio of approximately 52.9% (31 December 2018: approximately 61.3%). Gearing ratio is defined as the ratio of total borrowings less the aggregate of cash and cash equivalents, restricted bank balances and pledged deposits to total assets.

Capital Commitments

As at 30 June 2019, the capital commitments of the Group in connection with the property development expenditures was approximately RMB13,411.3 million (31 December 2018: approximately RMB20,012.8 million) and acquisition of land use rights was approximately RMB373.6 million (31 December 2018: Nil), respectively.

Contingent Liabilities

As at 30 June 2019, the Group had contingent liabilities relating to guarantees amounting to approximately RMB5,571.4 million (31 December 2018: approximately RMB3,699.0 million) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group would be responsible for repaying the outstanding mortgage principals together with the accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal titles 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; or (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 Period as the default risk is low.

Foreign Exchange Exposure

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

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

(a) On 11 January 2019, the Group has made a successful bid for land use rights in Gaoxin District, Zhengzhou City, Henan Province, the PRC with site area of approximately 51,395.40 sq.m. for residential usage at a consideration of RMB672,600,000. This development project is expected to be completed no later than the third quarter of 2022;

(b) On 16 January 2019, the Group has a made a successful bid for land use rights in Shangjie District, Zhengzhou City, Henan Province, the PRC with site area of approximately 93,643.23 sq.m. for commercial usage at a consideration of RMB216,700,000. This development project is expected to be completed no later than the third quarter of 2022;

(c) On 29 January 2019, the Group entered into a share transfer agreement with a company which is ultimately controlled by Ms. Huang to acquire a land parcel in Zhengzhou City, Henan Province, the PRC with site area of approximately 13,442.23 sq.m. for commercial usage by way of acquisition of the entire equity interest of the company holding the land parcel at a consideration of RMB50,000,000. The acquisition was completed in February 2019 and this development project is expected to be completed no later than the fourth quarter of 2021;

(d) On 29 May 2019, the Group has made two successful bids for land use rights in Guancheng District, Zhengzhou City, Henan Province, the PRC for residential usage with underground for transportation service usage with (i) site area of approximately 28,608.73 sq.m. at a consideration of RMB288,190,000 and (ii) site area of approximately 45,604.51 sq.m. at a consideration of RMB459,080,000 respectively. These two development projects are expected to be completed no later than the fourth quarter of 2022; and

(e) On 29 June 2019, the Group has made a successful bid for land use rights in Dengfeng City, Henan Province, the PRC with site area of approximately 55,404.64 sq.m. for residential usage at a consideration of RMB251,823,300. This development project is expected to be completed no later than fourth quarter of 2022.

Save as disclosed above, the Group did not hold other significant investment, make any other material acquisitions and disposals of subsidiaries, associates or joint venture or future plan for material investment or capital assets during the Period.

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 obtained a new award, the Certificate of the Good Employer Charter, from the Labour Department in recognition of the Company's adoption of an employee-oriented and progressive human resource management practices. These practices can help boost staff morale, enhance their employees' sense of belonging and hence laying a solid foundation for business growth. 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 costs, including Directors' emoluments during the Period, amounted to approximately RMB43.5 million (30 June 2018: RMB23.3 million).

As at 30 June 2019, the Group had 309 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 that will 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 its future capital 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 its liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from its business operation. The Group will also continue to assess available financial resources in support of our business needs on an ongoing basis and plan and adjust its development schedule or implement cost control measures if necessitated by its then-existing financial conditions and cash requirements.

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

The PRC

Since the second quarter of 2017 and up to the year of 2018, the Group has adopted a concrete strategy for further expansion of its property development business in the PRC by proactively engaging different opportunities and resulted in acquisitions of land use rights of 70 land parcels through listing for sale process in public auctions and other acquisition transactions, bringing total site area of approximately 3.1 million square meters and aggregate estimated GFA of 7.8 million square meters to the Group's land reserves in the PRC. The continual successful land expansion contributed a sufficient and quality land reserves to the Group, which laid as solid foundation in response to a property development cycle of three to four years and complement the Group's strategy in expanding its business operation in Henan Province, the PRC.

During the first half of 2019, the Group attempted to focus on these property development projects, but also maintained attention on opportunities to acquire prime land reserves with six land acquisitions. Thus, the Board will continue to identify new property development projects and bid for land use rights of other selective land parcels in the PRC with a focus in Zhengzhou City, Henan Province and other first and second tier cities in the PRC in the coming few years.

In view of the above positive progress on property development business in respect of land acquisitions and also the ongoing property development projects, it is anticipated that the Group's demands on construction work for property projects are rapidly and substantially increasing. In this regard, the Group continuously engaged group members of Henan Zensun Corporate Development Company Limited to cope with construction and development on certain selected property projects under the existing master service agreement in effect as amended by the supplemental agreement and tendering process.

The Group's prevailing development strategy has been refined to providing "High quality" products for its customers, where most of the Group's property projects are designed to be delivered with full refurbishment. Though longer development schedule may be required for the full refurbishment, the Group believed that these High quality products would enhance and provide sustainable value to customers. Based on the current property development progress, there will be several property projects with full refurbishment, namely Zensun Scholar Garden* (正商書香銘築), Zensun Longhushangjing* (正商瓏湖上境), Zhengzhou Zensun River Valley* (鄭州正商河峪洲), and Zensun River Home* (正商家河家) will be completed in phases and delivered to the customers in accordance with the terms and conditions of the related sales and purchase agreements in the fourth quarter of 2019.

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

The U.S.

As at the date of this announcement, the Group has approximately 10.5% 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. During the first half of 2019, GMR enlarged its assets by completing six acquisitions of medical and healthcare facilities and launched several capital raising activities contributing approximately US$85.0 million to its capital base. It is expected that future fund raising of GMR will further increase its capital base which in return increase the management fee income to be received from GMR.

2. AHR

   AHR is currently 99%-controlled by the Company and owns a portfolio of single-family rentals primarily in Texas and Georgia. Further to the single-family housing, AHR has diversified its investment to two 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 annual yield.

Other operations

The Group will regularly review the Singapore property market to explore business opportunity in the foreseeable future.

Overall

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

CHANGES SINCE 31 DECEMBER 2018

Save as disclosed in this announcement, there were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the Company's 2018 Annual Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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, 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 for the review, analysis and appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group on an ongoing basis.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

The unaudited interim condensed consolidated results for the Period of the Group have been reviewed by the independent auditor of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

ACKNOWLEDGEMENT

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

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

The Company's interim report for the Period will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.zensunenterprises.com under "Investor Relations" in due course.

By Order of the Board
Zensun Enterprises Limited
Zhang Jingguo
Chairman, Chief Executive Officer
and Executive Director

Hong Kong, 28 August 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 Dr. Liu Qiao, Mr. Liu Da and Mr. Ma Yuntao.