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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Revenue for the Year amounted to approximately RMB8,887.2 million, representing an increase of approximately 1,378% compared with 2018.
- Gross profit for the Year amounted to approximately RMB2,286.5 million, representing an increase of approximately 731% compared with 2018. The gross profit margin for the Year was 25.7%.
- Profit attributable to owners of the Company for the Year amounted to approximately RMB1,151.6 million, representing an increase of approximately 3,742% compared with 2018.
- Net profit margin for the Year was 13.0%, as compared with 4.7% for 2018.
- Basic earnings per share for the Year was RMB14.87 cents, an increase of approximately 2,935% compared with 2018.
- The Board recommends a final dividend of RMB1.67 cents per share.

RESULTS

The board (the "Board") of directors (the "Director(s)") of Zensun Enterprises Limited (formerly known as ZH International Holdings Limited) (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** **RMB'000**	2018 RMB'000
REVENUE	*4*	**8,887,186**	601,470
Cost of sales		**(6,600,707)**	(326,329)
Gross profit		**2,286,479**	275,141
Other income		**9,678**	25,078
Other gains and losses	*5*	**109,086**	33,333
Administrative expenses		**(166,817)**	(129,674)
Sales and marketing expenses		**(162,428)**	(114,909)
Finance costs	*6*	**(38,221)**	(30,455)
Profit before tax	*7*	**2,037,777**	58,514
Income tax expense	*8*	**(886,319)**	(30,022)
PROFIT FOR THE YEAR		**1,151,458**	28,492
Attributable to:			
Owners of the Company		**1,151,571**	29,971
Non-controlling interests		**(113)**	(1,479)
		1,151,458	28,492
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB cents)	*10*	**14.87**	0.49
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 *RMB'000*	2018 *RMB'000*
PROFIT FOR THE YEAR	**1,151,458**	28,492
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods :		
Exchange difference on translation of foreign operations	**33,359**	(49,418)
Reclassification adjustments of exchange reserve for subsidiaries disposed of	**129**	(7,237)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**33,488**	(56,655)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**1,184,946**	(28,163)
Attributable to:		
Owners of the Company	**1,185,486**	(24,901)
Non-controlling interests	**(540)**	(3,262)
	1,184,946	(28,163)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	**31 December 2019** **RMB'000**	31 December 2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**17,711**	23,126
Investment properties	*11*	**654,244**	646,620
Right-of-use assets		**5,246**	–
Deferred tax assets		**194,154**	63,168
Pledged deposits		**22,525**	33,915
Total non-current assets		**893,880**	766,829
CURRENT ASSETS			
Inventories		**–**	217
Completed properties held for sale		**3,824,960**	934,671
Properties under development		**38,367,480**	29,777,845
Deposits and prepayments paid for land acquisitions		**1,198,992**	4,603,632
Accounts receivables, other receivables and other assets	*12*	**1,827,573**	1,175,439
Financial assets at fair value through profit or loss		**349,876**	232,532
Prepaid income tax and tax recoverable		**723,402**	616,737
Pledged deposits		**863,804**	680,450
Restricted bank balances		**691,992**	101,913
Cash and cash equivalents		**3,200,230**	673,412
		51,048,309	38,796,848
Investment properties classified as held for sale	*11*	**–**	5,582
Total current assets		**51,048,309**	38,802,430
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	*13*	**3,096,086**	1,271,149
Contract liabilities		**15,852,697**	11,304,291
Amounts due to related companies	*14*	**956,458**	473,199
Loans from a related company	*15*	**7,490,728**	12,876,310
Lease liabilities		**1,871**	–
Bank and other borrowings		**6,957,950**	3,658,396
Tax liabilities		**461,608**	109,621
Total current liabilities		**34,817,398**	29,692,966
NET CURRENT ASSETS		**16,230,911**	9,109,464
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,124,791**	9,876,293

	NOTES	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Rental deposits received	*13*	**7,010**	7,128
Lease liabilities		**3,695**	–
Bank and other borrowings		**13,277,895**	8,742,329
Deferred tax liabilities		**99,150**	5,324
Total non-current liabilities		**13,387,750**	8,754,781
Net assets		**3,737,041**	1,121,512
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**2,014,112**	587,529
Reserves		**1,726,522**	541,036
		3,740,634	1,128,565
Non-controlling interests		**(3,593)**	(7,053)
Total equity		**3,737,041**	1,121,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

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

By a special resolution passed at the extraordinary general meeting of the Company held on 12 June 2019, it was resolved that the Company's name be changed from "ZH International Holdings Limited 正恒國際控股有限公司" to "Zensun Enterprises Limited 正商實業有限公司" effective on 8 July 2019, the date on which the certificate of change of name was issued by the Registrar of Companies in Hong Kong.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

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

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

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

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

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 to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS11, HKAS 12 and HKAS 23

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

3. CHANGE IN ACCOUNTING POLICIES

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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the applicable 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 were as follows:

	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 were as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	8,079
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(17)
	8,062
Weighted average incremental borrowing rate as at 1 January 2019	7.50%
Discounted operating lease commitments as at 1 January 2019	6,813
Lease liabilities as at 1 January 2019	6,813

4. REVENUE AND OPERATING SEGMENT INFORMATION

	2019 *RMB'000*	2018 *RMB'000*
An analysis of revenue is as follows:		
Revenue from contracts with customers		
Sales of properties in the PRC	**8,795,966**	521,832
Property management services in the United States of America (the "USA" or "U.S.")	**43,252**	29,330
Hotel operations	**3,077**	3,708
	8,842,295	554,870
Revenue from other sources		
Gross rental income from investment properties	**29,035**	30,844
Dividend income from financial assets at fair value through profit or loss	**15,856**	15,756
	8,887,186	601,470

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended 31 December 2019 and 2018:

	Sales of properties in the PRC *RMB'000*	**Property management services** *RMB'000*	**Hotel operations** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2019				
Type of goods or services and geographical markets				
Sale of properties in the PRC	**8,795,966**	**–**	**–**	**8,795,966**
Property management services in the USA	**–**	**43,252**	**–**	**43,252**
Hotel services and consumptions in Japan	**–**	**–**	**3,077**	**3,077**
Total revenue from contracts with customers	**8,795,966**	**43,252**	**3,077**	**8,842,295**
Timing of revenue recognition				
Goods transferred at a point in time	**8,795,966**	**–**	**–**	**8,795,966**
Services transferred over time	**–**	**43,252**	**3,077**	**46,329**
Total revenue from contracts with customers	**8,795,966**	**43,252**	**3,077**	**8,842,295**

	Sales of properties in the PRC *RMB'000*	Property management services *RMB'000*	Hotel operations *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018				
Type of goods or services and geographical markets				
Sale of properties in the PRC	521,832	–	–	521,832
Property management services in the USA	–	29,330	–	29,330
Hotel services and consumptions in Japan	–	–	3,708	3,708
Total revenue from contracts with customers	521,832	29,330	3,708	554,870
Timing of revenue recognition				
Goods transferred at a point in time	521,832	–	–	521,832
Services transferred over time	–	29,330	3,708	33,038
Total revenue from contracts with customers	521,832	29,330	3,708	554,870

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

a) Property development in the PRC

b) Property investment and management on American Housing REIT, Inc. ("AHR") and property management in the USA provided to Global Medical REIT, Inc. ("GMR") in the USA

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, and Singapore. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management.

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

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

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

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

Segment revenue and results

	Segment revenue		Segment results	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Property development in the PRC	**8,795,966**	521,832	**1,907,343**	8,377
Property investment and management on AHR and property management provided to GMR in the USA	**59,947**	46,639	**18,031**	6,659
Property investment other than AHR	**12,340**	13,535	**1,788**	17,237
Securities trading and investment	**15,856**	15,756	**128,578**	24,959
Hotel operations	**3,077**	3,708	**(7,920)**	(1,500)
	8,887,186	601,470	**2,047,820**	55,732
Unallocated corporate income			**8,370**	23,999
Other gains and losses			**1,703**	7,251
Unallocated corporate expenses			**(20,116)**	(11,398)
Unallocated finance costs			**–**	(17,070)
Profit before tax			**2,037,777**	58,514

Segment assets

	2019	2018
	RMB'000	*RMB'000*
Property development in the PRC	**49,632,056**	38,122,867
Property investment and management on AHR and property management provided to GMR in the USA	**275,257**	253,750
Property investment other than AHR	**461,792**	503,032
Securities trading and investment	**353,946**	237,705
Hotel operations	**–**	7,541
	50,723,051	39,124,895
Unallocated assets	**1,219,138**	444,364
	51,942,189	39,569,259

Segment liabilities

	2019	2018
	RMB'000	*RMB'000*
Property development in the PRC	**47,138,155**	37,753,219
Property investment and management on AHR and property management provided to GMR in the USA	**110,323**	109,183
Property investment other than AHR	**136,962**	145,730
Hotel operations	**–**	603
	47,385,440	38,008,735
Unallocated liabilities	**819,708**	439,012
	48,205,148	38,447,747

5. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Increase in fair value of investment properties	**2,250**	17,865
Increase in financial assets at fair value through profit or loss	**112,726**	9,329
Exchange gain/(loss), net	**1,703**	(319)
Impairment loss on accounts receivable and other receivables	**(777)**	(779)
Loss on disposal of property, plant and equipment	**(1)**	(210)
(Loss)/gain on disposal of subsidiaries	**(6,815)**	7,447
	109,086	33,333

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interests on:		
Bank and other borrowings	**1,019,398**	546,308
Loans from a related company	**–**	646
	1,019,398	546,954
Interest arising from lease liabilities	**457**	–
Interests arising from revenue contracts	**776,557**	258,682
Less: capitalised in properties under development	**(1,758,191)**	(775,181)
	38,221	30,455

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.568% to 12.80% (2018: 4.35% to 8.50%) per annum.

7. PROFIT BEFORE TAX

	2019	2018
	RMB'000	*RMB'000*
The Group's profit before tax is arrived at after charging:		
Cost of properties sold	**6,593,030**	316,904
Cost of services	**7,677**	9,425
Total employee benefit expenses		
Directors' emoluments	**1,140**	1,383
Other staff:		
Salaries and other benefits	**71,761**	62,859
Retirement benefit scheme contributions	**8,141**	3,516
	81,042	67,758
Less: capitalised in properties under development	**(11,979)**	(11,902)
	69,063	55,856
Auditor's remuneration	**1,700**	1,450
Depreciation of property, plant and equipment	**3,489**	2,730
Depreciation of right-of-use assets	**1,641**	–
Minimum lease payments under operating leases	**–**	5,617
Lease payments not included in the measurement of lease liabilities	**5,081**	–
The Group's profit before tax is arrived at after crediting:		
Interest income	**7,980**	23,874
Gross rental income from investment properties	**29,035**	30,844
Less: direct operating expenses incurred for:		
– investment properties generated rental income	**(4,497)**	(5,535)
– investment properties that did not generate rental income	**(117)**	(76)
	(4,614)	(5,611)
	24,421	25,233

8. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax – charge for the year		
– Hong Kong Profits Tax	**–**	–
– PRC Corporate Income Tax ("PRC CIT")	**516,123**	45,376
– PRC Land Appreciation Tax ("PRC LAT")	**402,978**	38,343
– Overseas Corporate Income Tax	**3,061**	10,094
Under provision in prior years	**143**	105
	922,305	93,918
Deferred tax	**(35,986)**	(63,896)
Total charge for the year	**886,319**	30,022

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

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years. In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

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

The subsidiaries in the USA are generally subject to Federal Income Tax rate at 21% (2018: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the year ended 31 December 2019. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

9. DIVIDENDS

The Board recommends the payment of a dividend in respect of the year ended 31 December 2019 of RMB1.67 cents per share, amounting to a total dividend of RMB171,921,000. Such dividend is subject to the approval by the shareholders at the forthcoming annual general meeting. These consolidated financial statements did not reflect this dividend payable.

	2019	2018
	RMB'000	*RMB'000*
Proposed final dividend of RMB1.67 cents (2018: Nil) per share	**171,921**	–

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNER OF THE COMPANY

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**1,151,571**	29,971
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**7,744,999**	6,176,820

No diluted earnings per share were presented for the years ended 31 December 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these years.

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2019, the Group acquired investment properties and property, plant and equipment of approximately RMB6.3 million (2018: approximately RMB6.6 million).

During the year ended 31 December 2019, the Group disposed of certain investment properties, investment properties classified as held for sale and property, plant and equipment with an aggregate carrying amount of approximately RMB20.3 million (2018: approximately RMB61.5 million).

12. ACCOUNTS RECEIVABLES, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	RMB'000	*RMB'000*
Accounts receivable	**24,629**	22,218
Less: Impairment	**–**	–
	24,629	22,218
Debt investment at amortised cost	**–**	323,257
Prepaid value-added taxes and other taxes recoverable	**1,146,929**	606,006
Deposits and prepayments	**486,547**	150,413
Costs for obtaining contracts	**117,380**	61,094
Other receivables	**52,738**	13,101
	1,803,594	1,153,871
Less: Impairment	**(650)**	(650)
	1,802,944	1,153,221
Account receivables, other receivables and other assets	**1,827,573**	1,175,439

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

Receivable arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. Hotel room revenue is normally settled by cash or credit card. All accounts receivable were aged less than 3 months (2018: less than 3 months) as at the end of the reporting period, based on the revenue recognition date or invoice date.

No provision for impairment of accounts receivable was provided for as at 31 December 2019 and 2018 as the Directors consider that the expected credit loss is insignificant.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2019 *RMB'000*	2018 *RMB'000*
Accounts payable	**121,847**	173
Accrued construction costs *(Note)*	**2,485,887**	1,030,214
Rental deposits received	**8,285**	7,827
Retention deposits and payable	**63,874**	30,073
Real estate and other taxes payable	**109,330**	15,185
Other payables and accruals	**313,873**	194,805
	3,103,096	1,278,277
Less: Rental deposits received – non-current	**(7,010)**	(7,128)
	3,096,086	1,271,149

The average credit period of accounts payable ranges from 30 days to 90 days (2018: 30 days to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs are amounts due to a related company controlled by the ultimate controlling shareholder of the Company and together with her spouse of approximately RMB606,041,000 (2018: approximately RMB396,699,000) for its construction work.

14. AMOUNTS DUE TO RELATED COMPANIES

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

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

15. LOANS FROM A RELATED PARTY

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

The amounts are unsecured, interest-free and repayable on demand. Those amounts were shown under the current liabilities as Zensun Real Estate had the discretionary rights to demand immediate repayment.

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

16. SHARE CAPITAL

	Number of ordinary shares	Amount *RMB'000*
Ordinary shares with no par value:		
At 1 January 2018, 31 December 2018 and 1 January 2019	**6,176,819,969**	**587,529**
Issue of new ordinary shares	**4,117,879,979**	**1,428,031**
Share issue expenses		**(1,448)**
At 31 December 2019	**10,294,699,948**	**2,014,112**

During the year ended 31 December 2019, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 4,117,879,979 new ordinary shares under specific mandate at the subscription price of HK$0.38 per share. The new ordinary shares were allotted and issued on 15 August 2019. All the shares issued during the year rank *pari passu* with other shares in issue in all respects.

17. CAPITAL COMMITMENTS

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

	2019	2018
	RMB'000	*RMB'000*
Contracted for but not provided in respect of property development expenditures	**11,867,163**	20,012,792

18. RELATED PARTY TRANSACTIONS

		2019	2018
		RMB'000	*RMB'000*
Related companies *(Note i)*	**Transactions**		
Zensun Real Estate	Interest expenses (capitalised in properties under development) *(Note (ii))*	**–**	646
Relevant members of Henan Zensun Corporate Development Company Limited ("Zensun Development", and collectively, the "Zensun Development Group")	Construction costs (capitalised in properties under development) *(Note (iii))*	**2,052,500**	1,050,611

Notes:

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

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

(iii) The construction costs were based on terms mutually agreed by both parties. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules. Since 2015, the Group has entered into a master services agreement with Zensun Development, pursuant to which Zensun Development Group provides contracting and ancillary services for certain property projects of the Group. The effective terms of the master services agreement have been revised in 2018 and to be continuing up to 31 December 2020. During the year ended 31 December 2019, the Group incurred construction costs paid and payable to Zensun Development Group pursuant to the terms of master services agreement in relation to the development of these property projects of approximately RMB2,052,500,000 (2018: approximately RMB1,050,611,000). The annual maximum transaction amount in respect of these services provision approved for the year ended 31 December 2019 was RMB2,404 million (2018: RMB1,133 million).

During the year ended 31 December 2019, the Company and Ever Diamond Global Company Limited ("Ever Diamond") entered into the management and sales services framework agreement pursuant to which the group members of Ever Diamond (Ever Diamond and its group members collectively, the "Ever Diamond Group") shall conditionally appoint the Group as its service provider to provide the project management and sales services to Ever Diamond Group. Ever Diamond Group are entities ultimately controlled by Ms. Huang. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules. The transactions were approved at the extraordinary general meeting of the Company held on 20 December 2019, and the effective terms of the management and sales services framework agreement commenced thereafter and to be continuing up to 31 December 2021. No relevant transactions was carried out during the year ended 31 December 2019.

During the year ended 31 December 2019, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 4,117,879,979 new ordinary shares under specific mandate at the subscription price of HK$0.38 per share at gross amount of approximately HK$1,564.8 million. The share subscription was completed on 15 August 2019 and the subscription shares represented approximately 40.00% of the then of issued share capital of the Company as enlarged by the allotment and issue of the subscription shares.

During the year ended 31 December 2019, the Group acquired the entire interest of a subsidiary, Henan Xinrong Real Estate Company Limited, from a related company, which was ultimately controlled by Ms. Huang at the consideration of RMB50,000,000. The acquisition transaction was completed in February 2019.

The Group's bonds, senior notes, and certain bank and financial institutions facilities to the Group were guaranteed by related companies in which controlled by the ultimate controlling shareholder of the Company and together with her spouse. No assets of the Group was pledged to these related companies in respect of these guarantees.

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

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

Save as above, no transaction has been entered into with the Directors (being the key management personnel) during the year other than the emoluments paid to them (being key management personnel compensation) (2018: Nil).

19. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

(i) In February 2020, the Group acquired land use rights of two land parcels each located in Xinmi City, Henan Province, the PRC through listing for sale process in its respective public auction held by Xinmi City Natural Resources and Planning Bureau for transfer of state-owned land use rights (i) with site area of approximately 53,060.26 square meters at a consideration of RMB25,875,838; and (ii) with site area of approximately 25,968.97 square meters at a consideration of RMB104,771,292, respectively. These two land parcels are designated for residential and underground transportation services usages, with the term of 70 years for residential usage and the term of 50 years for underground transportation services usage. The handover of the land parcels are expected to be completed respectively no later than the second quarter of 2020.

(ii) In March 2020, the Group entered into a purchase agreement and thereafter issued US$200,000,000 12.5% senior notes due 2022. The Group intended to use the gross proceeds to refinance existing indebtedness and for project development and general corporate purposes.

(iii) After the outbreak of Coronavirus Disease 2019 in early 2020, various precautionary and control measures have been and continued to be implemented across the PRC. Meanwhile, the Group has imposed a series of preventive and control measures within all of the property development projects, business locations to confront with the outbreak and safeguard the employees and business operations. The Group will continue to pay close attention to the development of the outbreak situation and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, major operation for the Group's property development business in the PRC has substantially restored to their normal operation and the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the outbreak.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS AND DIVIDEND

For the year ended 31 December 2019 (the "Year"), the Group recorded a revenue of approximately RMB8,887.2 million and gross profit of approximately RMB2,286.5 million, with an increase of approximately 1,378% as compared to revenue of approximately RMB601.5 million and increase of approximately 731% as compared to gross profit of approximately RMB275.1 million in the corresponding period of 2018. The revenue and gross profit in the Year were primarily derived from the property development business in the PRC. The substantial increase in revenue and gross profit is arising from the delivery of the Group's several newly completed property development projects during the fourth quarter of 2019, leading to the increase in the Group's booked gross floor area ("GFA") tremendously. In the past two years, the Group focused on providing "High quality" products to the customers, and there was no delivery of newly completed property development projects for the Group in 2018. Booked saleable/leasable GFA of approximately 542,000 square meters ("sq.m.") were delivered during the Year as compared with 2018 of approximately 43,000 sq.m..

The Group had net other gains of approximately RMB109.1 million during the Year, as compared to 2018 of approximately RMB33.3 million. The Group's net other gains during the Year were attributable to the increase in fair value of investment properties of approximately RMB2.3 million (2018: approximately RMB17.9 million), increase in financial assets at fair value through profit or loss of approximately RMB112.7 million (2018: approximately RMB9.3 million), and offset with the net loss on disposal of subsidiaries of approximately RMB6.8 million (2018: net gain of approximately RMB7.4 million) during the Year.

The Group's sales and marketing expenses increased by approximately 41% from approximately RMB114.9 million for 2018 to approximately RMB162.4 million for the Year. The Group's administrative expenditure increased by approximately 29% from approximately RMB129.7 million for 2018 to approximately RMB166.8 million for the Year. Such increases were in line with the business expansion in the Group's property development business in the PRC during the Year with the increasing number of the Group's ongoing property development projects.

The Group's income tax expenses increased from approximately RMB30.0 million for 2018 to approximately RMB886.3 million for the Year. The increase was mainly attributable to the increase in PRC CIT and PRC LAT arising from the substantial increment in operating profits in property development business in the PRC during the Year.

As a result of the foregoing, the Group's profit attributable to owners of the Company for the Year amounted to approximately RMB1,151.6 million (2018: approximately RMB30.0 million).

The basic earnings per share for the Year was RMB14.87 cents (2018: RMB0.49 cents).

The Board recommends the payment of a dividend in respect of the year ended 31 December 2019 of RMB1.67 cents per share, amounting to a total dividend of RMB171.9 million (2018: Nil).

BUSINESS REVIEW

Property Development in the PRC

During the Year, the property development business in the PRC contributed revenue of approximately RMB8,796.0 million (2018: approximately RMB521.8 million) and segment profit of approximately RMB1,907.3 million (2018: approximately RMB8.4 million) to the Group. The increase in segment revenue and segment profit was attributable to the delivery of the Group's several newly completed property development projects namely, Zensun Scholar Garden, Zensun Longhushangjing, Zhengzhou Zensun River Valley Phase 1 (Green-view Garden No.1) and Zensun River Home Phase 1 (Courtyard No.1) during the Year.

The Group maintained its concrete expansion strategy and persisted continuing effort to expand its land reserves. During the Year, the Group attended different public auctions with listings for sale processes held by local governmental land bureaus and successfully completed 10 land acquisitions in the PRC. These newly acquired land parcels have contributed total site area of approximately 0.46 million sq.m. and aggregate estimated GFA of approximately 1.13 million sq.m. in support of its land reserves in the PRC. These successful land bids and acquisitions further complemented the Group's strategy in expanding its business operation with focus in Zhengzhou City, Henan Province and other first and second tier cities in the PRC.

Along with the concrete expansion strategy adopted since 2017, the Group's land resources have been sufficiently accumulated. As at 31 December 2019, the Group had six completed property projects and 30 on-going complex property projects on hand with 79 land parcels under development and planning with total site area of approximately 3.52 million sq.m. and aggregate estimated GFA of approximately 9.54 million sq.m. in the PRC. In return, the land reserves will bring to the Group with estimated saleable/leasable GFA under development of approximately 4.04 million sq.m. and estimated GFA under planning of approximately 2.86 million sq.m.. The Group remained proactive in reviewing its expansion pace, and may adjust its project developing plans and schedules in response to changing market conditions, as and when appropriate.

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

During the Year, the property investment and management on AHR and GMR in the USA through Inter-American Management, LLC ("IAM"), the 85%-owned REIT management arm of the Group, contributed revenue of approximately RMB59.9 million (2018: approximately RMB46.6 million) and segment profit of approximately RMB18.0 million (2018: approximately RMB6.7 million) to the Group. The increase in segment revenue and segment profit was resulted from the increase in management fee income from the continuous enlarging capital base of GMR through several fund raising campaigns during the Year.

Property Investment other than AHR

During the Year, the property investment other than AHR division contributed segment revenue of approximately RMB12.3 million (2018: approximately RMB13.5 million) and segment profit of approximately RMB1.8 million (2018: approximately RMB17.2 million) to the Group. The decrease in segment profit was primarily attributable to the decrease result in fair value of investment properties during the Year of approximately RMB1.1 million as compared to the increase result in fair value of investment properties of approximately RMB16.4 million for 2018.

Securities Trading and Investment

During the Year, the Group's securities business recorded segment revenue of approximately RMB15.9 million with segment profit of RMB128.6 million as compared to segment revenue of approximately RMB15.8 million with segment profit of approximately RMB25.0 million for 2018. The significant increment result in segment profit was mainly led by the increase in financial assets at fair value through profit or loss during the Year of approximately RMB112.7 million (2018: approximately RMB9.3 million).

Hotel Operations

During the Year, revenue from the hotel operations division maintained at approximately RMB3.1 million as compared to approximately RMB3.7 million for 2018. During the Year, the Group reviewed the existing principal business segments and decided to dispose of the hotel operations in Japan, resulting a segment loss of approximately RMB7.9 million as compared to approximately RMB1.5 million for 2018. Following the completion of hotel operation disposal which took place in September 2019, the Group ceased this business segment and reallocated resources to other principal business segments for sustainable development.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 31 December 2019, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances was approximately RMB4,778.6 million (2018: approximately RMB1,489.7 million), representing an increase of approximately 221%. The total cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars, US dollars, Singapore dollars and Japanese Yen.

As at 31 December 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 RMB886.3 million as at 31 December 2019 (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, loans from a related company, and amounts due to related companies, net of cash and cash equivalents, restricted bank balances and pledged deposits, and equity attributable to owners of the Company, comprising issued share capital and reserves. As at 31 December 2019, net debt and equity attributable to owners of the Company were approximately RMB23,904.5 million (2018: approximately RMB24,260.5 million) and approximately RMB3,740.6 million (2018: approximately RMB1,128.6 million), respectively.

As at 31 December 2019, the Group's aggregate borrowings including bank and other borrowings, loans from a related company and amounts due to related companies amounted to approximately RMB28,683.0 million (2018: approximately RMB25,750.2 million), of which approximately RMB15,405.1 million (2018: approximately RMB17,007.9 million) were repayable within one year or on demand, and approximately RMB13,277.9 million (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 Year, 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 proceeds was used for general corporate purposes of the Group. The bonds were subsequently redeemed in January 2020. In the second half of the Year, the Company further issued senior notes at an aggregate principal amount of US$340 million carrying interest of 12.8% per annum due on 3 October 2021, which have been listed on the Stock Exchange. The net proceeds of the senior notes was intended to refinance existing indebtedness and for project developments and general corporate purposes. Both the US$100 million bonds and US$340 million senior notes were unsecured but guaranteed by related companies, in which ultimately controlled by Ms. Huang. The Group will adjust its business plans in response to changing market conditions and, thus, reallocate the use of the net proceeds efficiently.

During the Year, the Group redeemed bonds at principal amount of US$200 million carrying interest of 7.5% per annum at its maturity in January 2019 and redeemed assets-backed securities at an aggregated size of RMB1,600 million which have been previously listed on the Shanghai Stock Exchange in April 2019.

In additions to the fixed-rate bonds at 8.0% per annum and fixed-rate senior notes at 12.8% per annum, the Group's bank and other borrowings also carried fixed interest rates ranging from 4.568% to 9.975% per annum and various floating interest rates linking up with international lending rates including Hong Kong Interbank Offered Rate, Singapore Dollar Swap Offered Rate, Singapore Interbank Offered Rate, London Interbank Offered Rate, the base lending rate of the People's Bank of China and the Loan Prime Rate in the PRC as at 31 December 2019. The Group's interest rate risk is mainly driven from the bank and other borrowings with floating interest rates. As at 31 December 2019, loans from a related company and the amounts due to related companies were interest-free.

As at 31 December 2019, certain bank and financial institutions facilities granted to the Group together the mortgage loan facilities granted to the property buyers of the Group were secured by certain property, plant and equipment, investment properties, properties under development and pledged deposits with total carrying values of approximately RMB19,987.5 million (2018: RMB15,539.4 million).

Shares of certain subsidiaries of the Group are pledged to secure certain bank and financial institutions facilities granted to the Group as at 31 December 2019 and 2018. The Group's bonds, senior notes and certain bank and financial institutions facilities to the Group were guaranteed by related companies which are 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 these guarantees.

The Group did not use any financial instruments for hedging purpose during the Year.

During the Year, 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 net proceeds of the subscription amounting to approximately RMB1,426.6 million were intended to be applied (i) 40% towards construction payment of property projects; (ii) 40% towards repayment of bank loans; (iii) 10% towards 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) 10% towards general working capital of the Group. The share subscription was completed on 15 August 2019 and the subscription shares represented approximately 40.00% of the then of issued share capital of the Company as enlarged by the allotment and issuance of the subscription shares. As at 31 December 2019, the entire net proceeds from the subscription have been fully utilised towards the Group's intended use of proceeds on the above manner.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from its related companies and continued to look for external financing sources. The Group's overall strategy remains unchanged from previous year.

Key Financial Ratios

As at 31 December 2019, the Group recorded a current ratio of 1.5 (2018: 1.3) and a gearing ratio of approximately 46.0% (2018: approximately 61.3%). Gearing ratio is defined as the ratio of total borrowings less cash and cash equivalents, restricted bank balances and pledged deposits to total assets.

Capital Commitments

As at 31 December 2019, the capital commitments of the Group in connection with the property development expenditures was approximately RMB11,867.2 million (2018: approximately RMB20,012.8 million).

Contingent Liabilities

As at 31 December 2019, the Group had contingent liabilities relating to guarantees amounting to approximately RMB7,819.6 million (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 title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the property buyers; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the Year as the default risk is low and in case of default in payments, the net realisable of the related properties can cover the outstanding principal together with the accrued interest and penalties.

Foreign Exchange Exposure

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

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

(a) On 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;

(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;

(f) On 12 September 2019, the Group has made two successful bids for land use rights in Xinzheng City, Henan Province, the PRC for residential usage with (i) site area of approximately 50,456.59 sq.m. at a consideration of RMB174,070,000 and (ii) site area of approximately 33,728.72 sq.m. at a consideration of RMB116,360,000, respectively. These two development projects are expected to be completed no later than the third quarter of 2022; and

(g) On 12 September 2019, the Group has made a successful bid for land use rights in Beijing, the PRC for residential usage with site area of approximately 55,608.04 sq.m. at a consideration of RMB1,512,830,000. This development project is expected to be completed no later than the 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 Year.

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. During the Year, the Company has been awarded with 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, it has also continued to receive the three awards issued by Mandatory Provident Fund Authority, namely, the Good Employer Award, the e-contribution Award and the Support for MPF Management Award. 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 Year, amounted to approximately RMB81.0 million (2018: RMB67.8 million).

As at 31 December 2019, the Group had 297 employees.

Outlook and Prospects

In order to pursue sustainable development, the Group is principally engaged in the businesses of property development, property investment and management, project management and sale services and look for investment opportunities which strengthen profitability under the acceptable risk in Hong Kong, the PRC and overseas markets.

The Group will primarily finance the repayments on financial assistance from the controlling shareholder through proceeds from the pre-sale and sale of Group's properties, internally generated cash flows from other operations, and borrowings from commercial banks and financial institutions. Going forward, the Group believes our future fund needs in support of project construction and land acquisition activities will be satisfied by the above-mentioned sources and additional issuance of equity securities or other capital market instruments. The Group seeks to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. The Group will also continue to assess available financial resources in support of our business needs on an ongoing basis and plan and adjust our development schedule or implement cost control measures if necessitated by our then-existing financial conditions and cash requirements. The Group intends to continue to access existing capital resources, and to seek new sources of funding, to maintain and grow our business on a cost-effective basis.

The PRC

During the Year, four property development projects namely, Zensun Scholar Garden, Zensun Longhushangjing, Zhengzhou Zensun River Valley Phase 1 (Green-view Garden No.1) and Zensun River Home Phase 1 (Courtyard No.1) were newly completed in phases and delivered to customers in accordance with the terms and conditions of the purchase agreements. In accordance with the Group's latest development plan and schedule, it is expected that five to six property development projects will complete its development and launch delivery in 2020. The Group's property development projects focus on providing "High quality" products on both standard and deluxe design with full refurbishment so as to meet different customers' preference and needs. Revenue from the sale of properties are expected to be recognised upon its completion and delivery of the completed properties.

After the ambitious land acquisitions completed in last few years, the Group built up strong land reserves for the Group's property development business in the PRC and strong presence in Henan Province, thus the Group will focus more on developing the existing property development projects in 2020 and 2021. The Board will still maintain open-minded 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.

With the strong land reserves with the ongoing property development projects, the demand for the respective construction work for the Group's properties projects on hand are rapidly and substantially increasing. In this regard, the Group will proactively seek for quality construction contractors which can offer the best and most favourable terms to cooperate so as to complement with the Group's expansion in property development operation in the PRC. In order to seize every cooperation opportunities with different quality and potential construction contractors to cater the Group's growing needs and requirements, the Group entered into the renewed master services agreement with Zensun Development to engage Zensun Development Group for their construction and development services on certain selected property development projects during the Year. The renewed master services agreement was amended to extend its effective terms for three years from 1 January 2018 and continue up to and including 31 December 2020. The approved Annual Cap for the transactions with Zensun Development Group during the year ended/ending 31 December 2019 and 2020 were RMB2,404 million and RMB1,534 million, respectively.

Acquired from the existing property development portfolio, the Group possesses the necessary expertise and know-how in preliminary property project management and sales services. During the Year, the Group entered into the management and sales services framework agreement with Ever Diamond to provide Ever Diamond Group with preliminary project management services and sales services on certain selected property development projects. Thus, the Group can centrally manage and organise the development, branding and marketing of property development projects of the Group and the Ever Diamond Group, which will benefit from reduced competition for business opportunities between the Group and the Ever Diamond Group. Also, the Board considers project management and sales services to other property developers in the PRC shall become popular in the market with prosperous business potential, and the project management and sales services shall diversify the source of income of the Group and provide new driver to profits of the Group. The Board is confident that the Group possesses the necessary expertise and know-how to provide project management and sales services to other property developers in the PRC and will hire additional staff as this business segment continues to develop. The management and sales services framework agreement was approved at the extraordinary general meeting of the Company held on 20 December 2019 and became effective thereafter and shall continue to be effective up to and including 31 December 2021. The Board decided to commence the provision of project management and sales services principally in 2020. The approved Annual Cap for the transactions with Ever Diamond Group during the year ended/ending 31 December 2019 and 2020 were RMB220 million and RMB310 million, respectively.

As such, the Board is of the view that going forward the management can focus their efforts in developing the Group into a flagship group with a focus on property development in the PRC. The Company takes leverage on the PRC property development and investment experience of its management team to seek development in suitable projects with potential to deliver value to its shareholders. In addition to existing business partners, the Company will continue to seek potential partners' cooperation to explore capital resources, reduce capital investment at an early stage and facilitate project development. The management remains cautiously optimistic on the long-term prospects of the real estate industry and will expedite its property development and sales of its development projects in the PRC through making use of its own advantages and leveraging on the national network and business resources of Zensun Real Estate. The synergistic effect brought by Zensun Real Estate will improve the position of the Group in the real estate industry in the PRC.

The U.S.

As at 31 December 2019, the Group has approximately 8.4% equity interest in a NYSE-listed REIT, GMR and 99% equity interest in AHR, both are operated and managed by IAM, the 85%-owned REIT management arm of the Group, led by a specialised team of highly experienced professionals with deep knowledge in the USA real estate market.

1. GMR

   The Group has continued providing REIT management services and receiving recurring management fees directly to and from GMR pursuant to the revised management agreement between GMR and IAM.

   In the year of 2019, GMR completed 18 acquisitions of medical and healthcare facilities, encompassing an aggregate of 701,936 leaseable square feet, for an aggregate contractual purchase price of US$253.5 million with annualised base rent of US$19.0 million. In connection with its acquisition business strategy, GMR raised US$200.1 million through equity issuance activities. It is expected that with GMR's business plan, GMR would be able to further increase its capital base which in return increase the management fee income to be received from GMR. The Group's investment in GMR during the Year would also increase the sharing of income growth of GMR and thereby achieve long-term capital appreciation of the Group's investment.

2. AHR

   AHR is currently 99%-controlled by the Company. AHR diversified its previous investment in single family houses to senior housing communities in order to seize the potential opportunity for the current strong demand on retirement communities and elderly care industries in the USA for higher-than-average annualised yield.

Other regions

Following to the disposal of hotel operation business in Japan, the Group will regularly review the Singapore property market to explore any business opportunity in the foreseeable future.

Overall

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB1.67 cents in the form of cash (2018: Nil) per share for the year ended 31 December 2019 to shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Wednesday, 17 June 2020 (record date).

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the central parity rate of RMB to Hong Kong dollars published by the People's Bank of China as at 9 June 2020. Subject to the approval of the Shareholders at the AGM, it is expected that the final dividend will be paid to the eligible Shareholders on or around Friday, 24 July 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM expected to be held on Tuesday, 9 June 2020, the register of members of the Company expected to be closed on Thursday, 4 June 2020 to Tuesday, 9 June 2020, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's Share Registrar, Tricor Friendly Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Wednesday, 3 June 2020.

(b) For the purpose of determining the Shareholders who qualify for the final dividend, the register of members of the Company expected to be closed on Monday, 15 June 2020 to Wednesday, 17 June 2020 both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Share Registrar, Tricor Friendly Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Friday, 12 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

PRELIMINARY ANNOUNCEMENT OF CONSOLIDATED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2018 and 2019 included in this preliminary announcement of final results 2019 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

(a) 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 and will deliver the financial statements for the Year to the Registrar of Companies as required in due course.

(b) The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2018 and 2019. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLIC FLOAT

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

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Tuesday, 9 June 2020 and the notice of the 2020 AGM will be published and despatched in the manner as required by the Listing Rules and the Company's articles of association in due course.

APPRECIATION

We would like to take this opportunity to express our gratitude to the Shareholders for their continuing support, and our appreciation to all staff members for their dedication and contribution to the Group.

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

The Company's annual report for the Year will be despatched to the Shareholders and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at *http://www.hkexnews.hk* under "Latest Listed Company Information" and on the website of the Company at *http://www.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, 27 March 2020

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