THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Zensun Enterprises Limited (正商實業有限公司)**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the stockbroker, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

ZENSUN ENTERPRISES LIMITED
正商實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF XINGCHENG HOLDINGS LIMITED, FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

Alliance Capital Partners Limited
同 人 融 資 有 限 公 司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

建泉融資有限公司
VBG Capital Limited

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 20 to 21 of this circular. A letter from VBG Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 34 of this circular.

A notice convening the extraordinary general meeting of the Company (the "**EGM**") to be held on Tuesday, 9 June 2020 at 10:10 a.m. (or immediately after the conclusion of the annual general meeting of the Company to be held at 10 a.m. on the same day, whichever is later) is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Tricor Friendly Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 ("COVID-19"), the Company will implement additional precautionary measures at the EGM including, without limitation:

- compulsory body temperature screening;
- wearing of surgical face masks; and
- no distribution of corporate gift or refreshment.

The Company strongly advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution as an alternative to attending the EGM in person. Shareholders are advised to read page (i) of this circular for further details and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

All times and dates specified herein refer to Hong Kong local times and dates.

25 May 2020

In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health ("**CHP**") on the prevention of coronavirus disease 2019 ("**COVID-19**"), the Company will implement precautionary measures at the EGM in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the EGM which include without limitation:

(1) Every attendee will be required to wear a surgical face mask throughout the EGM and inside the EGM venue. Attendees are advised to maintain appropriate social distance with each other at all times when attending the EGM.

(2) There will be compulsory body temperature screening for all persons before entering the EGM venue. Any person with a body temperature of 37.3 degrees Celsius or above or any person which exhibits any flu-like symptoms may be denied entry to the EGM venue or be required to promptly leave the EGM venue.

(3) No refreshment will be served, and there will be no corporate gift.

(4) Anyone attending the EGM is reminded to observe good personal hygiene at all times.

(5) In light of the continuing risks posed by the COVID-19 pandemic, and in the interests of protecting the Shareholders, the Company is supportive of the precautionary measures being adopted and reminds Shareholders that physical attendance at the EGM is not necessary for the purpose of exercising voting rights. The Company strongly advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution as an alternative to attending the EGM in person.

(6) Shareholders are advised to monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

(7) Health education materials and up-to-date development on COVID-19 can be found on the CHP website (www.chp.gov.hk) and the website of the Hong Kong Government on COVID-19 (www.coronavirus.gov.hk).

CONTENTS

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

"Acquisition"	the acquisition of Sale Share under the Agreement
"Agreement"	the agreement entered into between the Vendor and the Purchaser on 31 March 2020 in relation to sale and purchase of Sale Share in the Target Company
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (excluding a Saturday or Sunday) on which commercial banks are open for business in Hong Kong
"BVI"	the British Virgin Islands
"Company"	Zensun Enterprises Limited, a company incorporated in the Hong Kong with limited liability, the shares are listed on the Main Board of the Stock Exchange (stock code: 185)
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Agreement
"Completion Date"	the date of Completion
"Conditions"	the condition(s) precedent to Completion set out in the Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Acquisition
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder including, but not limited to, the Acquisition
"Enlarged Group"	the Group and the Target Group upon Completion

"Financial Assistance"	unsecured loan provided by Joy Town upon the Company's request of RMB2,368,000,000 pursuant to the Loan Agreement
"Group"	the Company and its subsidiaries from time to time
"Henan Shangbin"	Henan Zensun Shangbin Real Estate Co., Ltd.* (河南正商尚濱置業有限公司), a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Target Company and a member of the Target Group as at the Latest Practicable Date
"Henan Shanglin"	Henan Shanglin Real Estate Co., Ltd* (河南上林置業有限公司), a limited liability company established under the laws of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board established which comprises all the independent non-executive Directors to advise the Independent Shareholders on the fairness and reasonableness of terms of the Agreement, and to advise the Independent Shareholders how to vote at the EGM
"Independent Financial Adviser"	VBG Capital Limited (建泉融資有限公司), a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
"Independent Shareholder(s)"	the Shareholder(s) other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
"Independent Valuer"	APAC Asset Valuation and Consulting Limited, an independent professional valuer appointed by the Company for the valuation of the Property Projects

"Joy Town"	Joy Town Inc., a company incorporated in the BVI with limited liability and a controlling shareholder of the Company, which is ultimately owned by a discretionary trust established by Ms. Huang as settlor
"Latest Practicable Date"	21 May 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreement"	the loan agreement entered into between Joy Town and the Company on 31 March 2020 in relation to the Financial Assistance
"Long Stop Date"	30 November 2020 (or such other date as the Vendor and the Purchaser may agree in writing)
"Luoyang Zensun"	Luoyang Zensun Real Estate Co., Ltd.* (洛陽正商置業有限公司), a limited liability company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Target Company and a member of the Target Group as at the Latest Practicable Date
"Mr. Zhang"	Mr. Zhang Jingguo, a controlling shareholder, the chairman, the chief executive officer and an executive Director of the Company, and the spouse of Ms. Huang
"Ms. Huang"	Ms. Huang Yanping, a controlling shareholder and the non-executive Director of the Company, and the spouse of Mr. Zhang
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Property Projects"	the property development projects undertaken by Henan Shangbin, Xinzheng Xingcheng and Luoyang Zensun in Zhengzhou City and Luoyang City, Henan Province, PRC with details set out in the section headed "Information of the Target Group" in this circular

"Reassessed NAV"	the unaudited reassessed net assets value of the Target Group as at 31 December 2019, determined with reference to the basis and adjustments as set out in the section headed "Consideration" in this circular
"Purchaser"	Total Star Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share"	1 ordinary share, representing the entire issued share capital of the Target Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Xingcheng Holdings Limited (興城控股有限公司), a company incorporated in Hong Kong with limited liability owned as to 100% by the Vendor as at the Latest Practicable Date
"Target Group"	Target Company, Henan Shangbin, Xinzheng Xingcheng and Luoyang Zensun
"Vendor"	Champ Win Enterprise Limited (輝勝企業有限公司), a company incorporated in Hong Kong with limited liability and is indirectly owned as to 100% by Ms. Huang
"Xinzheng Xingcheng"	Xinzheng Zensun Xingcheng Real Estate Co., Ltd.* (新鄭正商興城置業有限公司), a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Target Company and a member of the Target Group as at the Latest Practicable Date
"Zensun Real Estate"	Henan Zensun Real Estate Co., Ltd* (河南正商置業有限公司), a limited liability company established under the laws of the PRC
"%"	per cent.

* *For identification purpose only*

ZENSUN ENTERPRISES LIMITED
正商實業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 185)

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

Non-executive Director:
Ms. Huang Yanping

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

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

25 May 2020

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF XINGCHENG HOLDINGS LIMITED, FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 31 March 2020 in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) recommendation of the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser; (iv) the accountant's report on the Target Group; (v) the unaudited pro forma financial information on the Enlarged Group; (vi) the valuation report on the Property Projects; (vii) other information as required to be disclosed under the Listing Rules; and (viii) a notice of the EGM and a form of proxy.

THE ACQUISITION

On 31 March 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire, the entire issued share capital of the Target Company at the total consideration of RMB2,368,000,000. In accordance with the terms and conditions of the Agreement, the Consideration will be paid in cash by the Purchaser at Completion.

Summarised below are the principal terms of the Agreement:

THE AGREEMENT

Date: 31 March 2020

Parties: Champ Win Enterprise Limited (the Vendor); and

Total Star Development Limited (the Purchaser), an indirect wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

Consideration

The Consideration is RMB2,368,000,000. In accordance with the terms and conditions of the Agreement, the Consideration will be paid in cash by the Purchaser at Completion.

The Consideration was determined after arm's length negotiations with reference to, among others:

1. the indicative valuation of the Property Projects of the Target Group as at 31 December 2019 issued by the Independent Valuer at RMB3,084,900,000;

2. the unaudited net asset value of the Target Group as at 31 December 2019 in an amount of approximately RMB685,181,000;

3. the unaudited Reassessed NAV of the Target Group in an amount of approximately RMB2,368,854,000 which was determined by adding (i) the unaudited net assets value of the Target Group as at 31 December 2019; and (ii) the increase in the unaudited net assets value of the Target Group in an amount of approximately RMB1,683,673,000 arising from the indicative valuation of the Property Projects of the Target Group as at 31 December 2019 as assessed by the Independent Valuer;

4. the business development and future prospects of the Target Group as stated under the section headed "Information of the Target Group" below; and

5. the reasons and benefits of entering into the Acquisition as stated under the section headed "Reasons for and benefits of the entering into the Acquisition" below.

Conditions

Completion is subject to and conditional upon, including but not limited to, the fulfilment (or waiver) of the following Conditions:

(i) the passing of all resolutions by the Independent Shareholders (who are entitled to vote and not required to be abstained from voting under the Listing Rules) at a general meeting of the Company approving the entering into the Agreement by the Company and the performance of the transactions contemplated hereunder including, but not limited to, the Acquisition, in accordance with the relevant provisions in the Listing Rules, the articles of the association of the Company and the applicable laws and regulations in Hong Kong;

(ii) the warranties provided by the Vendor under the Agreement as at the date thereof remaining accurate as at the Completion Date;

(iii) the Purchaser having obtained a preliminary valuation report on the Property Projects as assessed by the Independent Valuer, with an effective date of the report of not earlier than 20 April 2020 and the value of the Property Projects not less than RMB3,084,900,000; and

(iv) in connection with the transactions contemplated under the Agreement:

   (a) all requisite filings or registrations with all applicable government entities having been made;

   (b) all requisite governmental authorisations from all applicable governmental entities, on terms and conditions reasonably satisfactory to the Company, having been obtained;

(c) no proceedings that seek to restrain, prohibit, declare illegal, or otherwise challenge or interfere or obtain relief having been instituted or threatened.

Each of Conditions (i) and (iv) cannot be waived by any party to the Agreement. Any of Conditions (ii) and (iii) may be waived by the Company at any time, in whole or in part, by written notice to the Vendor.

The Long Stop Date for the fulfilment of the Conditions is 30 November 2020. If the Conditions are not fulfilled or waived (as the case may be) on or before the Long Stop Date, then unless the Vendor and the Purchaser mutually agree to further extend the Long Stop Date, the parties to the Agreement are not obliged to complete the Acquisition and the Agreement may be terminated by written notice by one party to the Agreement to the other.

Completion

Completion shall take place on the third Business Day after the fulfilment or waiver of all the Conditions (other than and those Conditions that by their terms are intended to or may be fulfilled at Completion) or on such other date as the Parties may agree in writing.

Upon Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial results of the Group.

INFORMATION OF THE GROUP

The Group is principally engaged in property development, property investment and management, project management and sales services, and securities trading and investment.

The Purchaser is a company established in Hong Kong, an indirect wholly-owned subsidiary of the Company and an investment holding company.

INFORMATION OF THE TARGET GROUP

The Target Group is established and developed by the Vendor and the costs of acquiring the Target Group is reflected in the net asset value of the Target Group. The original acquisition costs of the Target Group by the Vendor was approximately RMB500,000,000.

The Target Company

The Target Company was established on 2 January 2020. It is an investment holding company incorporated in Hong Kong. As at the Latest Practicable Date, the entire issued share capital of the Target Company is held by the Vendor.

Henan Shangbin

Henan Shangbin is a limited liability company established under the laws of PRC principally engaged in property development in the PRC. As at the Latest Practicable Date, the entire equity interests in Henan Shangbin are held by the Target Company.

Xinzheng Xingcheng

Xinzheng Xingcheng is a limited liability company established under the laws of PRC principally engaged in property development in the PRC. As at the Latest Practicable Date, the entire equity interests in Xinzheng Xingcheng are held by the Target Company.

Luoyang Zensun

Luoyang Zensun is a limited liability company established under the laws of PRC principally engaged in property development in the PRC. As at the Latest Practicable Date, the entire equity interests in Luoyang Zensun are held by Xinzheng Xincheng.

Property Projects held by the Target Group

As at the Latest Practicable Date and upon Completion, the Target Group shall own the Property Projects including properties held for sale and properties held under development in Zhengzhou City and Luoyang City, Henan Province, the PRC with its subsidiaries primarily engaged in property development in the PRC. Set out below are the details of the Property Projects which are indirectly and wholly-owned by the Target Group:

Property Project:	**Riverview Garden Phases I and II* (濱河銘築一、二期)**	**Luoyang Zensun City Phase I * (洛陽正商城一期)**	**Luoyang Zensun City Phases II and III* (洛陽正商城二期及三期)**	**Zensun Princess Lake Phase I* (正商公主湖一期)**	**Zensun Princess Lake Phases II and III* (正商公主湖二期及三期)**
Registered owner:	Henan Shangbin	Luoyang Zensun	Luoyang Zensun	Xinzheng Xingcheng	Xinzheng Xingcheng
Planned number of development phases	2	1	2	1	2
Date(s) of issue of the land use rights certificate(s):	30 September 2016	29 April 2014	13 November 2019/ 13 November 2019	8 October 2015/ 8 October 2015/ 8 October 2015	8 October 2015/ 8 October 2015/ 8 October 2015/ 18 October 2018/ 23 January 2018
Site area of the land(s) (in square meters)	31,462	52,728	52,772/69,555	49,106/49,602/49,280	39,439/44,581/42,316/ 28,565/40,819
Location(s):	East of Jingkai 14th Avenue and South of Jingnan 9th Road, Jingkai District, Zhengzhou City, Henan Province	East of West Ring Road and North of Tank Road, Jianxi District, Luoyang City, Henan Province	Southwest corner of intersection of Kewen Road and Qunan Road, Jianxi District, Luoyang City, Henan Province/Southeast corner of intersection of Kewen Road and Qunan Road, Jianxi District, Luoyang City, Henan Province	West of Zhengxin Highway and South of Princess Lake, Xincun Town, Zhengzhou City, Henan Province/ West of Zhengxin Highway and East of Princess Lake, Xincun Town, Zhengzhou City, Henan Province/ West of Zhengxin Highway and East of Princess Lake, Xincun Town, Zhengzhou City, Henan Province	East of Huarui Road and West of Princess Lake, Xincun Town, Zhengzhou City, Henan Province/ East of Huarui Road and South of Binhe South Road, Xincun Town, Zhengzhou City, Henan Province/West of Zhengxin Highway and East of Huarui Road, Xincun Town, Zhengzhou City, Henan Province/ East of Huarui Road, Xincun Town, Zhengzhou City, Henan Province/ North of Xincun North Road and West of Huarui Road, Xincun Town, Zhengzhou City, Henan Province

Property Project:	Riverview Garden Phases I and II* (濱河銘築一、二期)	Luoyang Zensun City Phase I * (洛陽正商城一期)	Luoyang Zensun City Phases II and III* (洛陽正商城二期及三期)	Zensun Princess Lake Phase I* (正商公主湖一期)	Zensun Princess Lake Phases II and III* (正商公主湖二期及三期)
Term(s) of the land use rights:	40 years	Residential: 70 years Commercial: 40 years	Residential: 70 years Commercial: 40 years/ Residential: 70 years Commercial: 40 years	70 years	70 years
Plot ratio(s):	Less than 3.8	Between 1 and 3.3	Between 1 and 3.3/ Between 1 and 3.5	Between 1 and 2	Between 1 and 2
Type(s) of land usage:	Residential and Commercial	Residential and Commercial	Residential and Commercial/ Residential and Commercial	Residential	Residential
Gross floor area (in square meters):	119,251	185,261	174,149/243,443	73,922/89,270/89,480	61,919/69,992/66,436/ 57,130/80,244
Current status:	Under development	Completed	Under development/ Under development	Completed	Under development/ Under development
Expected/Actual completion year(s) for first sub-phase	30 June 2020	29 December 2017	17 October 2023/ 17 October 2023	13 April 2018	31 March 2021/ 31 August 2022
Expected/Actual time for first presale launch	29 June 2017/ 27 December 2017 *(Note 1), (Note 2)*	30 December 2014 *(Note 3)*	30 June 2020/ 30 June 2020	23 December 2015 *(Note 4)*	13 May 2019/ 29 August 2018 *(Note 1), (Note 5)*
Construction cost incurred by Target Group for properties under development (approximately):	RMB395 million	Construction completed	RMB10 million/ RMB1 million	Construction completed	RMB196 million/ RMB130 million
Future construction cost expected to be incurred for properties under development (approximately): *(Note 6)*	RMB208 million	Construction completed	RMB420 million/ RMB651 million	Construction completed	RMB1,129 million/ RMB141 million

Notes:

1. Proceeds generated from the presale of the properties under development were initially recognised as contract liabilities in the accounts of the Target Group during such relevant period(s) when the Target Group receives the proceeds; these proceeds shall be recognised as revenue from sales of properties in the ordinary course of business by the Target Group at a point of time when the sale and purchase of the properties are completed and the properties are delivered to the purchasers pursuant to the terms and conditions of the respective sale and purchase agreements.

2. As at the date of the valuation report, various residential units of Riverview Garden Phases I and II with a total gross floor area of approximately 79,314.97 sq.m. have been presold at a total consideration of approximately RMB863,969,075.

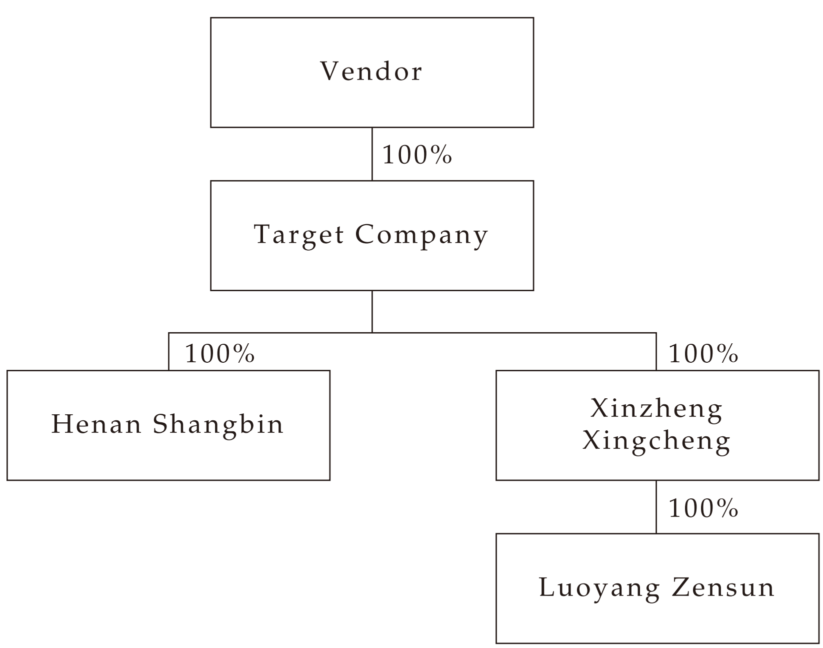
3. As at the Latest Practicable Date, Phase I of Luoyang Zensun City was completed with a total site area of approximately 52,728 sq.m. and a total gross floor area of approximately 185,261 sq.m.. As at the date of the Agreement, a total gross floor area of approximately 172,166 sq.m. was already sold and delivered to the purchasers in sub-phases and the revenue for such sold gross floor area was recognised accordingly in the financial statements of the Target Group. As at the Latest Practicable Date, the remaining unsold gross floor area of Phase I of Luoyang Zensun City is approximately 13,095 sq.m..

4. As at the Latest Practicable Date, Phase I of Zensun Princess Lake was completed with a total site area of approximately 147,988.41 sq.m. and a total gross floor area of approximately 252,672 sq.m.. As at the date of the Agreement, a total gross floor area of approximately 226,552 sq.m. was already sold and delivered to the purchasers in sub-phases and the revenue for such sold gross floor area was recognised accordingly in the financial statements of the Target Group. As at the Latest Practicable Date, the remaining unsold gross floor area of Phase I of Zensun Princess Lake consists of approximately 26,120 sq.m..

5. As at the date of the valuation report, various residential units of Phases II and III of Zensun Princess Lake with a total gross floor area of approximately 65,459.25 sq.m. have been presold at a total consideration of approximately RMB416,235,124.

6. Upon Completion, the Enlarged Group shall primarily finance the construction cost for properties held under development through internal resources (including proceeds from the presale and sale of these Property Projects), borrowings from commercial banks and financial institutions and/or any other available capital market instruments.

The shareholding structure of the Target Group as at the date of this announcement and immediately before the Completion is set out as follows:



Financial information of the Target Group

Set out below is the combined financial information of the Target Group for each of the two financial years ended 31 December 2019:

	For the financial year ended	
	31 December 2018	**31 December 2019**
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit before taxation	92,758	264,539
Profit after taxation	66,518	206,682

Set out below is the combined financial position of the Target Group as at 31 December 2019:

	As at 31 December 2019
	RMB'000
	(unaudited)
Net assets	685,181

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITION

The Group is principally engaged in property development, property investment and management, project management and sale services, and securities trading and investment.

The Directors consider that the Acquisition complements the Group's strategy in expanding its development in Henan Province and other first and second tier cities in the PRC. As stated in the Company's annual report for the year ended 31 December 2019, the Company will continue to 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.

The Target Group, having five property development projects held for sale or under development in the PRC as at the Latest Practicable Date, serves as a suitable acquisition target of the Group so as to expand its PRC property development segment rapidly. As mentioned under the section "Property Projects held by the Target Group" of this Letter from the Board and "Group I - Properties held for sale in the PRC" and "Group II - Properties held under development in the PRC" of the valuation report as set out in Appendix V of this circular, the five Property Projects held by the Target Group as at the Latest Practicable Date are classified as follows: (i) Group I - Properties held for sale in the PRC: Phase I of Luoyang Zensun City and Phase I of Zensun Princess Lake, which are completed as at the Latest Practicable Date (collectively, the "**Group I Properties**"); and

(ii) Group II - Properties held under development in the PRC: Phases II and III of Luoyang Zensun City, Phases II and III of Zensun Princess Lake, and Phases I and II of Riverview Garden (collectively, the "**Group II Properties**").

As the Target Group consists of Group I Properties which are available for sale and the Group II Properties which are under development with expected date of completion of the Property Projects ranging from June 2020 to October 2023, the Directors considered the overall portfolio of the Property Projects held by the Target Group represents a good and balanced mix of Property Projects that were already been completed for sale, under development but were presold or available for presale, and under development but not yet available for presale, etc, which allows the Enlarged Group to benefit from having (i) the revenue immediately generated from the sale of completed Group I Properties after the completion of the Acquisition; (ii) the presale proceeds from Group II Properties that were available for presale to finance the development; and also (iii) future revenue to be recognised from Group II Properties that were sold previously in sub-phases upon completion and delivery within the next coming few years.

Also, the Directors consider that the Acquisition could create a synergy between the Group and the Target Group by way of sharing resources and utilising management expertise of the Group. As the Target Group has a similar business operation as the Group, upon completion of the Acquisition, the Enlarged Group could utilise the existing resources of the Target Group, such as project development staff, sales staff, suppliers and certain qualified competent construction contractors in other property development projects. With the enlarged group of property portfolio and relevant expertise, the Enlarged Group could take on larger scale development projects to further expand and develop its business.

In addition, the Company has engaged the Independent Valuer to conduct a valuation in respect of the Property Projects. The Board reviewed the valuation methodology of the valuation report prepared by the Independent Valuer in respect of the Property Projects as set out in Appendix V of this circular and understood that:

(a) the valuation of the Group I Properties only includes those unsold properties under the Property Projects and the properties sold under Group I Properties were not included in the valuation report and such revenue was already recognised and reflected in the Accountants' Report on the Target Group as set out in Appendix II of this circular;

(b) the valuation of the Group I Properties was arrived at by adopting the direct comparison approach assuming sale in its existing state by making reference to comparable sales evidence as available in the relevant market;

(c) the valuation of the Group II Properties was arrived at by: (i) taking into account the market value of the property as if it was developed and completed as at the valuation date in accordance with the latest development proposal provided to the Independent Valuer; (ii) taking into account the total construction costs expended for the respective Group II Property; and (iii) taking out the construction costs, finance costs and professional fees to be expended to complete the development to reflect the quality of the completed development for the respective Group II Property.

Having considered:

(a) the market value of the Group I Properties and the Group II Properties in their existing state in the total amount of RMB3,084,900,000 and RMB3,306,700,000 as at 31 December 2019 and as at the date of valuation as indicated in the valuation report respectively and only RMB1,683,673,000 was included in the calculation of the unaudited Reassessed NAV of the Target Group in determining the Consideration;

(b) the capital commitments and development contribution already expended by the Target Group on the Group II Properties prior to the Acquisition including land premium or payments for obtaining land-use rights of quality land parcels, taxes, the construction costs, approved application and necessary procedures saved for efficient and simplified construction completion, etc;

(c) it being the industry norm for property developers to finance the acquisition of land-use rights for property development by interest-bearing external borrowings in view of the heavy capital requirements for these acquisitions and preliminary development costs, and financing the Acquisition by unsecured, interest-free shareholders loan with no immediate cash outflow requirements allows greater flexibility for the financial position of the Company, in particular taking into account the impact and uncertainties that might bring to the market by the COVID-19 epidemic since early 2020;

(d) the overall portfolio of Property Projects held by the Target Group which allows the Enlarged Group to benefit from having the revenue immediately generated from the completed and unsold Property Projects after the completion of the Acquisition while having future revenue to be generated from Property Projects that are expected to be completed and sold in phases within the next few years; and

(e) the synergies created between the Group and the Target Group by sharing resources and utilising management expertise which allows the Enlarged Group to take on development projects of larger scale so as to further expand and develop its business,

the Directors (including the independent non-executive Directors whose recommendations are now contained in the Letter from the Independent Board Committee after considering the advice of the Independent Financial Adviser, both forming part of this circular) are of the view that the Acquisition is in the interests of the Group, and the terms of the Agreement (including but not limited to the Consideration) are on normal commercial terms, which are fair and reasonable and in the interests of the Shareholders as a whole.

The Vendor is a company beneficially owned and ultimately controlled by Ms. Huang. Ms. Huang and Mr. Zhang abstained from voting on the Board level regarding the Acquisition due to Ms. Huang's material interest in the Acquisition and Mr. Zhang's deemed interest in the Acquisition as spouse of Ms. Huang. Save for Ms. Huang and Mr. Zhang, no other Director regarded himself/herself to have a material interest in the Acquisition which requires him/her to disclose his/her interest and/or to abstain from voting on the Board level regarding the Acquisition.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial results of the Group.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming completion of the Acquisition had taken place on 31 December 2019, the pro forma total assets of the Enlarged Group would have increased by approximately RMB2,388.2 million from approximately RMB55,241.9 million to approximately RMB57,630.1 million, and the total liabilities of the Enlarged Group would have increased by approximately RMB3,081.5 million from approximately RMB50,813.7 million to approximately RMB53,895.2 million.

It is expected that the impact of the Acquisition on the Group's earning will not be significant for the year ending 31 December 2020. In view of the future prospects of the property market in Henan Province, the PRC, it is anticipated that the Acquisition will improve the Enlarged Group's trading prospects in the future and the Directors consider that the Acquisition will contribute to the revenue and earning of the Enlarged Group upon completion of the Property Projects but the quantification of such contribution will depend on the future performance of the Target Group.

FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER

On 31 March 2020, Joy Town, a company ultimately controlled by Ms. Huang, entered into the Loan Agreement with the Company pursuant to which Joy Town has agreed to provide, upon the Company's request, unsecured, interest-free loan of RMB2,368,000,000 as Financial Assistance to the Company, with discretionary right on Joy Town to demand immediate repayment.

The proceeds from the Financial Assistance will be used to finance the Acquisition.

LISTING RULES IMPLICATION

Major transaction

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Connected transaction

The Acquisition

As at the Latest Practicable Date, Ms. Huang is the non-executive Director and, through companies owned by her, is interested in 7,697,492,188 Shares, representing approximately 74.77% of the number of issued Shares in the Company. Mr. Zhang, the chairman, the chief executive officer and an executive Director of the Company, is the spouse of Ms. Huang. Accordingly, Ms. Huang (a controlling shareholder and a Director of the Company) and Mr. Zhang (a controlling shareholder and a Director of the Company) are regarded as connected person of the Company under Chapter 14A of the Listing Rules.

Based on the information provided by the Vendor, (i) the Vendor is a wholly-owned subsidiary of Honor Challenge Investment Limited, which in turn is wholly-owned by Ever Diamond Global Company Limited ("**Ever Diamond**"); (ii) Ever Diamond is a wholly-owned subsidiary of HQ Neptune Investments Limited, which in turn is wholly owned by Zensun International Holdings Company Limited ("**Zensun International**"). Zensun International is wholly-owned by Zensun Group Limited ("**Zensun Group**"); and (iii) Zensun Group is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited is the assets of a discretionary trust established by Ms. Huang as settlor and protector and Vistra Trust (Singapore) Pte Limited as trustee.

As the Vendor is a company beneficially owned and ultimately controlled by Ms. Huang, the entering into of the Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. The entering into of the Agreement and the transactions contemplated thereunder, including but not limited to the Acquisition are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Financial Assistance by Controlling Shareholder

As at the Latest Practicable Date, Joy Town held 7,697,492,188 Shares, representing approximately 74.77% of the number of issued Shares in the Company. Accordingly, Joy Town (a controlling shareholder of the Company) is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. The Financial Assistance in relation to the Acquisition constitutes a connected transaction in the form of financial assistance from Joy Town in favour of the Company.

However, as the Financial Assistance is not secured by any assets of the Group and as the Directors consider that the Financial Assistance is on normal commercial terms or better, the Financial Assistance is fully exempted from the shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

THE EGM

The EGM Notice is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Tricor Friendly Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

The Vendor is a company beneficially owned and ultimately controlled by Ms. Huang and Ms. Huang, through companies owned by her, is interested in 7,697,492,188 Shares, representing approximately 74.77% of the number of issued Shares in the Company as at the Latest Practicable Date. In view of the Vendor's interests in the Acquisition, Ms. Huang and her associates (including Joy Town) will abstain from voting at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolution of the Company in approving the Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Agreement. VBG Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and as to voting.

RECOMMENDATION

The Directors consider that the terms of Acquisition in the Agreement are on normal commercial terms, which are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Agreement and the transactions contemplated thereunder.

GENERAL INFORMATION

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

Completion is subject to fulfilment of the Conditions, and the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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

ZENSUN ENTERPRISES LIMITED
正商實業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 185)

25 May 2020

To the Independent Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF XINGCHENG HOLDINGS LIMITED, FINANCIAL ASSISTANCE FROM CONTROLLING SHAREHOLDER AND NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated 25 May 2020 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the Acquisition and to advise you as to whether, in our opinion, the terms of the Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

VBG Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Agreement and the transactions contemplated thereunder, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser from pages 22 to 34 of the Circular, we consider that the terms of Acquisition in the Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Independent Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Zensun Enterprises Limited

Liu Da	Liu Qiao	Ma Yuntao

Independent non-executive Directors

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.

建泉融資有限公司
VBG Capital Limited

18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

25 May 2020

To: The independent board committee and the independent shareholders of Zensun Enterprises Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF XINGCHENG HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 25 May 2020 issued by the Company to the Shareholders (the "**Circular**"), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular unless the context requires otherwise.

On 31 March 2020, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of the Target Company at the total cash consideration of RMB2,368,000,000 (the "**Consideration**"). Upon Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

According to the Letter from the Board, the Acquisition constitutes a major and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules respectively. The Acquisition is therefore subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Liu Da, Dr. Liu Qiao and Mr. Ma Yuntao (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from having acted as the independent financial adviser of the Company relating to (i) the continuing connected transactions of which a circular dated 22 November 2018 was issued; (ii) the subscription of new Shares of which a circular dated 23 May 2019 was issued; (iii) a continuing connected transaction of which a circular dated 3 December 2019 was issued; and (iv) the existing engagement in connection with the Acquisition, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates (as defined in the Listing Rules). We consider ourselves independent to form our opinion in respect of the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Acquisition, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, the Vendor, the Target Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the

Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group or the Target Group, and we have not been furnished with any such evaluation or appraisal, save and except for the indicative valuation as well as the valuation report of the Property Projects as set out in Appendix V to the Circular (altogether, the "**Valuations**"). The Valuations were prepared by the Independent Valuer. Since we are not experts in the valuation of land and properties, we have relied solely upon the Valuations for the market values of the Property Projects as at 31 December 2019 and 29 February 2020 respectively.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent in-depth investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Acquisition

Information on the Group

The Group is principally engaged in property development, property investment and management, project management and sales services, and securities trading and investment.

Set out below is a summary of the audited consolidated financial information on the Group for the two years ended 31 December 2019 as extracted from the Company's annual report for the year ended 31 December 2019 (the "**Annual Report**"):

	For the year ended 31 December 2019	**For the year ended 31 December 2018**
	RMB'000	*RMB'000*
Revenue	8,887,186	601,470
Profit for the year	1,151,458	28,492

As depicted by the above table, the Group achieved astonishing financial results in 2019, with total revenue and net profit expanding by approximately 1,377.6% and 3,941.3% respectively as compared to the prior year. With reference to the Annual Report, the Group derives its revenue mainly from the property development business in the PRC. In 2019, such business 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 substantial increase in segment revenue and segment profit was attributable to the delivery of several newly completed property development projects of the Group in 2019.

As advised by the Directors, the Group maintained its concrete expansion strategy and persisted continuing effort to expand its land reserves. The Group completed ten land acquisitions in the PRC during 2019 adding total site area of approximately 0.5 million square meter (sq.m.) and aggregate estimated gross floor area (GFA) of approximately 1.1 million sq.m. in support of its land reserves in the PRC. These successful acquisitions further complemented the Group's strategy in expanding its business operation with focus in Zhengzhou City, Henan Province and other first and second tier cities in the PRC. As at 31 December 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 3.5 million sq.m., and aggregate estimated GFA of approximately 9.5 million sq.m. in the PRC. It is expected that these land reserves will bring to the Group an estimated saleable/leasable GFA under development of approximately 4.0 million sq.m. and an estimated GFA under planning of approximately 2.9 million sq.m. The Directors advised us that the Group will remain proactive in reviewing its expansion pace in the future.

Information on the Target Group

The Target Company

As extracted from the Letter from the Board, the Target Company was established on 2 January 2020. It is an investment holding company incorporated in Hong Kong. As at the Latest Practicable Date, the entire issued share capital of the Target Company was held by the Vendor.

Henan Shangbin

As extracted from the Letter from the Board, Henan Shangbin is a limited liability company established under the laws of PRC principally engaged in property development in the PRC. As at the Latest Practicable Date, the entire equity interests in Henan Shangbin was held by the Target Company.

Xinzheng Xingcheng

As extracted from the Letter from the Board, Xinzheng Xingcheng is a limited liability company established under the laws of PRC principally engaged in property development in the PRC. As at the Latest Practicable Date, the entire equity interests in Xinzheng Xingcheng was held by the Target Company.

Luoyang Zensun

As extracted from the Letter from the Board, Luoyang Zensun is a limited liability company established under the laws of PRC principally engaged in property development in the PRC. As at the Latest Practicable Date, the entire equity interests in Luoyang Zensun was held by Xinzheng Xingcheng.

The Property Projects

As at the Latest Practicable Date, the Target Group owned five property projects, including those held for sale, namely Phase I of Luoyang Zensun City and Phase I of Zensun Princess Lake (altogether, the "**Properties Held For Sale**"); and those held under development, namely Phases II & III of Luoyang Zensun City, Phases II & III of Zensun Princess Lake and Phases I & II of Riverview Garden (altogether, the "**Properties Held Under Development**"), for residential and/or commercial use in Zhengzhou City or Luoyang City of Henan Province. Completion of the first sub-phase of the Properties Held For Sale has taken place in December 2017 and April 2018 respectively; while the Properties Held Under Development are still undergoing the planning and construction stage and are expected to be completed successively from June 2020 to October 2023. The first presale of the Property Projects has either been launched already or will be launched shortly. Shareholders may refer to the section headed "Information of the Target Group" of the Letter from the Board for further details of each of the Property Projects.

Financial information on the Target Group

Set out below is the audited combined financial information on the Target Group for the three years ended 31 December 2019 as extracted from Appendix II to the Circular:

	For the year ended 31 December 2019	**For the year ended 31 December 2018**	**For the year ended 31 December 2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,086,172	880,200	470,394
Profit/(Loss) and total comprehensive income/(loss) for the year	196,988	50,797	(4,268)

As depicted by the above table, the Target Group's revenue jumped considerably by approximately 87.1% from 2017 to 2018, and the jump continued at approximately 23.4% from 2018 to 2019. As explained by the Directors, proceeds generated from the presale of the properties under development were initially recognised as contract liabilities in the accounts of the Target Group during such relevant period(s) when the Target Group received the proceeds; these proceeds would be recognised as revenue in the accounts of the Target Group from sale of properties in the ordinary course of business by the Target Group at a point of time when the sale and purchase of the properties were completed and the properties were delivered to the purchasers pursuant to the terms and conditions of the respective sale and purchase agreements.

On the other hand, notwithstanding the relatively minimal loss recorded by the Target Group in 2017 which was largely due to the administrative expenses and sales and marketing expenses incurred when a majority of the property projects of the Target Group were at the planning and construction stage, the Target Group made substantial profit of approximately RMB50.8 million in 2018 due to delivery of sub-phases of the completed property projects. In 2019, the net profit of the Target Group further jumped by nearly fourfold to approximately RMB197.0 million. As advised by the Directors, alike the Group, such continuous robust growth was mainly contributed by the satisfactory performance of the Target Group's property development business in the PRC.

As at 31 December 2019, the audited combined net asset value of the Target Group was approximately RMB691,211,000.

Industry overview

As it is noted that the Property Projects are located within Henan Province, we have performed an independent research on the latest statistics of the related property markets.

The PRC's property market

According to the latest statistics published by the National Bureau of Statistics of China in January 2020 at http://www.stats.gov.cn, the national property sector expanded with the total investment in real estate reaching approximately RMB13,219.4 billion in 2019, representing an approximate 9.9% growth as compared to the prior year, among which the investment in residential properties reached approximately RMB9,707.1 billion, increasing by approximately 13.9%. The total floor space newly commenced construction in 2019 was approximately 2,271.5 million sq.m., up by approximately 8.5% as compared to the prior year, among which the floor space newly commenced construction of residential properties reached approximately 1,674.6 million sq.m., up by approximately 9.2%. The total floor space of commercial buildings sold in 2019 remained stable at approximately 1,715.6 million sq.m., among which the floor space of residential properties sold grew by approximately 1.5% as compared to the prior year. The total sales of commercial buildings in 2019 were approximately RMB15,972.5 billion, up by approximately 6.5% as compared to the prior year, among which the sales of residential properties jumped by approximately 10.3%.

The property market of Henan Province

According to the latest statistics released by the Henan Province Bureau of Statistics in March 2020 at http://www.ha.stats.gov.cn, advancement in the property sector of Henan Province has been observed with the total investment in real estate reaching approximately RMB746.5 billion in 2019, representing an approximate 6.4% growth as compared to the prior year, among which the investment in residential properties reached approximately RMB605.5 billion, increasing by approximately 12.4%. The total floor space newly commenced construction in 2019 was approximately 158.4 million sq.m., up by approximately 7.9% as compared to the prior year, among which the floor space newly commenced construction of residential properties reached approximately 126.1 million sq.m., up by approximately 10.3%. The total floor space of commercial buildings sold in 2019 was approximately 142.8 million sq.m., up by approximately 2.1% as compared to the prior year, among which the floor space of residential properties sold grew by approximately 4.0%.

As revealed by the favourable findings of our independent research presented above, the future outlook of the PRC's property markets is likely to stay positive.

Reasons for the Acquisition

The Directors consider that the Acquisition complements the Group's strategy of expanding its development in Henan Province and other first and second tier cities in the PRC. As advised by the Directors, the Company will continue to 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 the Shareholders.

The Target Group, having five property development projects held for sale or under development in the PRC as at the Latest Practicable Date, serves as a suitable acquisition target of the Group so as to expand its PRC property development segment rapidly. As the Property Projects include Properties Held For Sale and Properties Held Under Development with expected date of completion starting from June 2020 to October 2023, the Directors consider the overall portfolio of the Property Projects held by the Target Group represents a good and balanced mix of property development projects that had already been completed for sale, and are under development and either were presold or available for presale or are not yet available for presale but will be sold in phases within the next few years, which would allow the Enlarged Group to benefit from having (i) the revenue immediately generated from the sale and delivery of the completed Property Held For Sale; (ii) the presale proceeds from the Properties Held Under Development that are available for presale to finance the development; and (iii) the future revenue to be recognised upon completion and delivery within the next few years of the Properties Held Under Development that were presold in sub-phases.

Moreover, the Directors consider that the Acquisition could create synergy between the Group and the Target Group by way of sharing resources and utilising management expertise of the Group. As the Target Group has similar business operations as the Group, upon Completion, the Enlarged Group could utilise the existing resources of the Target Group, such as project development staff, sales staff, suppliers and certain qualified competent construction contractors in other property development projects. With the enlarged group of property portfolio and relevant expertise, the Enlarged Group could take on larger scale property projects to further expand and develop its business.

As the Properties Held Under Development are still undergoing the planning and construction stage, vast amount of capital would be required to finance their future construction costs. Upon Completion, the Enlarged Group would possess the financial flexibility to finance the same by its internal resources (including proceeds from presale and sale of such property development projects), external borrowings and/or any other available capital market instruments, depending on factors such as the then market condition and the stage of development of all the property development projects held by the Enlarged Group. We noted that among all the Properties Held Under Development, the construction costs to be incurred for development of Phases II & III of Zensun Princess Lake are the highest, and they are well above the presale proceeds received therefrom so far. Upon our discussion with the Directors, we understand that (i) only a relatively small portion of Phases II & III of Zensun Princess Lake have been presold; and (ii) Phases II & III of Zensun Princess Lake are expected to be completed in March 2021 and August 2022 respectively, hence a majority of the construction costs will not be incurred in the short run, and can allow time for more proceeds from future presale(s) to be launched for financing the construction costs if necessary.

As referred to in the Letter from the Board, the proceeds from the Financial Assistance, being an unsecured and interest-free loan of RMB2,368,000,000, will be used to finance the Acquisition. According to the Directors, it is the industry norm for property developers to finance the acquisition of land-use rights for property development by interest-bearing external borrowings in view of the heavy capital requirements for these acquisitions and the preliminary development costs. In this relation, we noted from the Annual Report that the Group had bank and other borrowings totalling approximately RMB20,235.8 million (most of them being secured) as at 31 December 2019, with effective interest rate ranging from approximately 2.0% to 12.8%. Therefore, we concur with the Directors that financing the Acquisition by the Financial Assistance would prevent the Group from having immediate substantial cash outflow and provide greater flexibility for the financial position of the Company, in particular taking into account the impact and uncertainties which might be brought to the market by the COVID-19 epidemic since early 2020.

In view of (i) the success of the Group's property development business in the PRC as proven by its astonishing financial results shown in the sub-section headed "Information on the Group" of this letter of advice; (ii) the Group's strategy in expanding its business operations in Henan Province; (iii) the possible benefits of and synergies to be created by the Acquisition as represented by the Directors; (iv) the continuous robust growth of the Target Group in recent years as depicted in the paragraph headed "Financial information on the Target Group" of this letter of advice; (v) the overall portfolio of the Property Projects that represents a good and balanced mix of property development projects; (vi) the Financial Assistance being interest-free and unsecured, and would prevent the Group from having immediate substantial cash outflow and provide greater flexibility for the financial position of the Company; and (vii) the possible positive outlook of the PRC's property markets as revealed by our independent research presented in the sub-section headed "Industry overview" of this letter of advice, we concur with the Directors that the Acquisition is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement

On 31 March 2020, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of the Target Company at the Consideration of RMB2,368,000,000. The entire Consideration shall be settled in cash.

The Consideration

As confirmed by the Directors, the Consideration for the Acquisition of RMB2,368,000,000 was determined with reference to, among other factors, the unaudited reassessed net asset value of the Target Group in the amount of approximately RMB2,368,854,000 (the "**Reassessed NAV**"). The Reassessed NAV was calculated by:

	RMB'000	*Note*
Indicative market value of the Property Projects as at 31 December 2019 *(Note 1)*	3,084,900	*(a)*
Minus: Book value of the Property Projects as at 31 December 2019	1,401,227	*(b)*
Increase in value of the Property Projects	1,683,673	*(c)=(a)-(b)*
Add: Unaudited combined net asset value of the Target Group as at 31 December 2019 *(Note 2)*	685,181	*(d)*
The Reassessed NAV	**2,368,854**	*(c)+(d)*

Notes:

1. Based on the valuation report of the Property Projects as set out in Appendix V to the Circular, the market value of the Property Projects was approximately RMB3,306,700,000 as at 29 February 2020.

2. Based on the accountant's report on the Target Group as set out in Appendix II to the Circular, the audited combined net asset value of the Target Group as at 31 December 2019 was approximately RMB691,211,000.

With reference to the above calculation, the Consideration is roughly equivalent to the Reassessed NAV.

The Valuations

We have reviewed the Valuations, sent out an information request list and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuations. The Independent Valuer have adopted the market approach as the principal valuation methodology. As confirmed by the Independent Valuer, this approach is universally considered as an accepted valuation approach for valuing most forms of real estate and property project and is consistent with normal market practice. We have reviewed the market comparable transactions adopted by the Independent Valuer and discussed with the Independent Valuer regarding the reasons for adoption of those market comparable transactions and the calculations to arrive at the Valuations. As advised by the Independent Valuer, they have identified market comparable transactions that are nearby, of similar usage and property type and scale of development, and were transacted as recent as possible. They have also made adjustments to the applicable parameters deduced from those market comparable transactions in consideration of areas of imperfect comparability. After obtaining and studying the background information of the market comparable transactions adopted by the Independent Valuer, we acknowledge their recency and concur with the Independent Valuer that they are similar to the Property Projects in terms of location, usage and property type and scale of development. We also consider that the adjustments made by the Independent Valuer are justifiable.

For our due diligence purpose, we have enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's experience and qualification in relation to the preparation of the Valuations; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuations. We were informed that site inspections of the Property Projects were carried out in April 2020 by the Independent Valuer, during which the Independent Valuer have inspected the exterior and, where possible, the interior of the Property Projects. From the mandate letter provided by the Independent Valuer, we are satisfied with their terms of engagement with the Company. From the credentials they provided, we noted that the Independent Valuer were involved in the valuation for a number of acquisitions conducted by listed companies in Hong Kong, and the director in charge of the Valuations is a Registered Professional Surveyor in General Practice Division with over 18 years valuation experience on properties in Hong Kong and the PRC. We are thus satisfied with the Independent Valuer's experience and qualification for preparation of the Valuations. The Independent Valuer have further confirmed that they are independent to the Group, the Vendor and the Target Group.

Details of the basis and assumptions of the Valuations are included in the valuation report of the Property Projects as contained in Appendix V to the Circular. During our discussion with the Independent Valuer regarding the basis and assumptions of the Valuations, we have not found any material facts which may lead us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the Valuations. Nevertheless, Shareholders should note that valuation of assets or properties usually involves assumptions and therefore the Valuations may or may not reflect the true market values of the Property Projects as at 31 December 2019 and 29 February 2020 accurately.

In light of the fact that the Consideration is roughly equivalent to the Reassessed NAV, we are of the view that the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

Trading multiples analysis

As the trading multiples analysis is a commonly adopted valuation method in the market, we have attempted to use this analysis to further assess the fairness and reasonableness of the Consideration. As the first step, we began with searching for Hong Kong listed companies which are engaged in similar line of business as the Target Group, i.e. property development in the PRC, and generate their revenues entirely from such business. Given that the Target Group only owns five property development projects in a single province of the PRC, the scale of its operation is much smaller than many listed PRC property developers in Hong Kong. Moreover, the Target Group is currently a private group of companies. These two factors have posed difficulties for our search and selection of fair and representative samples of comparable listed companies (the "**Comparable Companies**") as basis for the price multiples analysis. In addition, the major parameter for calculations of the price to book ratio and price to earnings ratio of the Comparable Companies under the trading multiples analysis is the respective market prices of their shares. In this relation, we noted that the global stock markets, with the Hang Seng Index as no exception, have been extremely volatile since March 2020 owing largely to the outbreak of the COVID-19 epidemic. In such circumstances, the recent market price performance of the Comparable Companies may more likely be affected by the macroeconomic environment as well as the overall market sentiment rather than the fundamentals of each individual Comparable Company. Accordingly, the appropriateness of the trading multiples analysis as an alternative assessment for the Consideration would be further weakened. Taking into account (i) the aforesaid limitations of the price multiples analysis for assessing the Consideration; (ii) the operations and prospects of the Comparable Companies are inevitably different from the Target Group; and (iii) the Target Group's major assets are the Property Projects and the valuation of the Target Group shall hence largely be the Valuations, we have decided not to perform the trading multiples analysis.

3. Possible financial effects of the Acquisition

As advised by the Directors, upon Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

Net asset value and gearing

According to the Annual Report, the audited consolidated net assets of the Group amounted to approximately RMB3,737.0 million as at 31 December 2019. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to the Circular, assuming that the Acquisition had been completed on 31 December 2019, the net assets of the Enlarged Group would remain stable at approximately RMB3,734.9 million.

According also to the Annual Report, the gearing ratio (defined as the ratio of total borrowings less the aggregate of cash and cash equivalents, restricted bank balances and pledged deposits to total assets) of the Group was approximately 46.0% as at 31 December 2019. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to the Circular, the total borrowings, cash and cash equivalents, restricted bank balances, pledged deposits and total assets of the Enlarged Group would be approximately RMB32,139.5 million, RMB3,230.0 million, RMB786.6 million, RMB931.8 million and RMB57,630.1 million respectively, hence the gearing ratio of the Enlarged Group would become approximately 47.2% upon Completion.

Liquidity

According to the Annual Report, the audited consolidated cash and cash equivalents of the Group as at 31 December 2019 amounted to approximately RMB3,200.2 million. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to the Circular, assuming that the Acquisition had been completed on 31 December 2019, the cash and cash equivalents of the Enlarged Group would also remain stable at approximately RMB3,230.0 million.

It should be noted that the above analyses are for illustrative purposes only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Deputy Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 15 years of experience in corporate finance industry.

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for the three years ended 31 December 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.zensunenterprises.com):

- annual report of the Company for the year ended 31 December 2017 published on 25 April 2018 (pages 86 to 198);
- annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (pages 89 to 226); and
- annual report of the Company for the year ended 31 December 2019 published on 22 April 2020 (pages 71 to 186).

2. WORKING CAPITAL

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

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group has outstanding borrowings of approximately RMB30,449.3 million, comprising mortgage loans of approximately RMB34.5 million, bank and other loans (including bonds and senior notes) of approximately RMB20,674.4 million, and loans and amounts from related companies of approximately RMB9,740.4 million. Lease liabilities of the Enlarged Group (all of which being liabilities arising from operating leases) was approximately RMB5.3 million. The Enlarged Group's facilities and financial guarantees in respect of mortgage loan facilities provided to the Enlarged Group's properties buyers were secured by certain land and buildings, investment properties, properties under development and pledged deposits of the Enlarged Group with total carrying value of approximately RMB20,782.9 million. In addition, shares of certain subsidiaries of the Enlarged Group are pledged to secure certain bank and financial institutions facilities granted to the Enlarged Group. Certain bank and financial institutions facilities were guaranteed by related companies, which were ultimately controlled by Ms. Huang and together with her spouse. None of the assets of the Enlarged Group was pledged to these related companies in respect of the guarantees.

As at 31 March 2020, the Enlarged Group provided financial guarantees in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by the Enlarged Group's properties buyers amounting to approximately RMB10,401.9 million. These guarantees will be released upon the earlier of (i) the repayment of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage.

Save as aforesaid and apart from the intra-group liabilities, as at the close of business on 31 March 2020, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Set out below is the management discussion and analysis of performance and other information of the Group for the year ended 31 December 2019 principally extracted from the annual results announcement of the Company for the year ended 31 December 2019, respectively. Unless the context otherwise requires, capitalised terms used therein shall have the same meanings as those ascribed in the Company's annual results announcement of the Company for the year ended 31 December 2019.

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 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 presale 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, Zhengzhou Zensun Scholar Garden, Zhengzhou Zensun Longhushangjing, Zhengzhou Zensun River Valley Phase 1 (Green-view Garden No.1) and Zhengzhou 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 leasable 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.

The following is the text of a report set out on pages II-1 to II-39, received from the Company's reporting accountant, Ernest & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular

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The Directors
Zensun Enterprises Limited

Dear Sirs,

We report on the historical financial information of Xingcheng Holdings Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-39, which comprises the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2017, 2018 and 2019 (the "**Relevant Periods**"), and the combined statements of financial position of the Target Group as at 31 December 2017, 2018 and 2019, and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-39 forms an integral part of this report, which has been prepared for inclusion in the circular of Zensun Enterprises Limited (the "**Company**") dated 25 May 2020 (the "**Circular**") in connection with the proposed acquisition of the Target Group by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Group are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors of the Target Group determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Group, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2017, 2018 and 2019, and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Yours faithfully,
Ernst & Young
Certified Public Accountants

Hong Kong
25 May 2020

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, was audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Combined statements of profit or loss and other comprehensive income

		Year ended 31 December		
	Notes	**2017**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	470,394	880,200	1,086,172
Cost of sales		(450,863)	(776,368)	(769,140)
Gross profit		19,531	103,832	317,032
Other income and gains	*6*	1,316	793	559
Administrative expenses		(9,310)	(9,493)	(8,656)
Sales and marketing expenses		(15,298)	(14,960)	(11,969)
Finance costs	*7*	(1,378)	(5,967)	(4,698)
(Loss)/Profit before tax	*8*	(5,139)	74,205	292,268
Income tax expense	*11*	871	(23,408)	(95,280)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(4,268)	50,797	196,988
Attributable to:				
Owners of the Target Company		(4,268)	50,797	196,988

Combined statements of financial position

	Notes	**As at 31 December** **2017** *RMB'000*	**2018** *RMB'000*	**2019** *RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	650	429	283
Deferred tax assets	*23*	27,103	31,983	29,540
Total non-current assets		27,753	32,412	29,823
CURRENT ASSETS				
Completed properties held for sale	*15*	124,263	15,126	33,596
Properties under development	*16*	1,432,427	1,688,612	1,672,494
Deposits and prepayments paid for land acquisitions	*17*	15,000	15,000	15,000
Amounts due from related companies	*21*	536,471	672,377	402,431
Accounts receivable, other receivables and other assets	*18*	315,601	309,141	883,082
Prepaid income tax and tax recoverable		76,032	130,721	91,284
Pledged deposits	*14*	10,078	37,901	45,421
Restricted bank balances	*14*	150,479	133,745	94,642
Cash and cash equivalents	*14*	77,736	31,058	31,968
Total current assets		2,738,087	3,033,681	3,269,918
CURRENT LIABILITIES				
Accounts payable, deposits received and accruals	*19*	525,758	641,333	483,724
Contract liabilities	*20*	1,692,908	1,922,793	1,337,468
Amounts due to related companies	*22*	103,748	4,696	775,062
Tax liabilities		–	3,048	12,276
Total current liabilities		2,322,414	2,571,870	2,608,530
NET CURRENT ASSETS		415,673	461,811	661,388
TOTAL ASSETS LESS CURRENT LIABILITIES		443,426	494,223	691,211
Net assets		443,426	494,223	691,211
EQUITY				
Reserves	*24*	443,426	494,223	691,211
Total equity		443,426	494,223	691,211

Combined statements of changes in equity

	Merger reserve*	PRC** statutory reserve*	(Accumulated losses)/ retained profits*	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 24)	*(note 24)*		
At 1 January 2017	500,000	–	(52,306)	447,694
Loss and comprehensive loss for the year	–	–	(4,268)	(4,268)
At 31 December 2017 and 1 January 2018	500,000	–	(56,574)	443,426
Profit and comprehensive income for the year	–	–	50,797	50,797
Transfer to PRC statutory reserve	–	7,946	(7,946)	–
At 31 December 2018 and 1 January 2019	500,000	7,946	(13,723)	494,223
Profit and comprehensive income for the year	–	–	196,988	196,988
Transfer to PRC statutory reserve	–	23,440	(23,440)	–
At 31 December 2019	500,000	31,386	159,825	691,211

* These reserve accounts comprise the combined reserves of RMB443,426,000, RMB494,223,000 and RMB691,211,000 in the combined statements of financial position as at 31 December 2017, 2018 and 2019, respectively.

** PRC refers to the People's Republic of China. For the purposes of this financial information only, except where the context requires otherwise, references to Mainland China or the PRC exclude Hong Kong, Macau and Taiwan.

Combined statements of cash flows

	Notes	2017	2018	2019
		Year ended 31 December		
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax		(3,504)	74,207	292,268
Adjustments for:				
Gain on disposal of property, plant and equipment	*6*	(28)	–	–
Depreciation of property, plant and equipment	*8*	320	267	239
Finance costs	*7*	1,378	5,967	4,698
		(1,834)	80,441	297,205
(Increase)/decrease in accounts receivable, other receivables and other assets		(103,320)	6,460	(573,941)
Increase in pledged deposits		(5,016)	(27,823)	(7,520)
(Increase)/decrease in restricted bank deposits from presale proceeds of properties		(66,923)	16,734	39,103
(Increase)/decrease in completed properties held for sale		(118,006)	102,883	(18,443)
(Increase)/decrease in properties under development		(44,443)	(211,381)	9,796
(Decrease)/increase in accounts payable, deposits received and accruals		(172,768)	109,620	(162,307)
Increase/(decrease) in contract liabilities		1,170,354	191,321	(579,030)
Cash from/(used) in operating activities		658,044	268,255	(995,137)
Tax paid		(56,444)	(79,929)	(44,172)
Net cash flows from/(used) in operating activities		601,600	188,326	(1,039,309)

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(15)	(46)	(93)
Proceeds from disposal of property, plant and equipment		89	–	–
Payment to related companies		(811,589)	(1,914,276)	(1,240,766)
Received from related companies		275,251	1,778,370	1,510,712
Net cash flows (used in)/from investing activities		(536,264)	(135,952)	269,853
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance from related companies		1,611,489	97,493	1,014,435
Repayment to related companies		(1,689,772)	(196,545)	(244,069)
Net cash flows (used in)/from financing activities		(78,283)	(99,052)	770,366
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,947)	(46,678)	910
Cash and cash equivalents at beginning of year		90,683	77,736	31,058
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	77,736	31,058	31,968
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the combined statement of financial position	14	77,736	31,058	31,968

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Xingcheng Holdings Limited (the "**Target Company**") is a limited liability company incorporated in Hong Kong on 2 January 2020. The registered office of the Target Company is located at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.

The Target Company is an investment holding company. The Target Company became the holding company of the companies now comprising the Target Group upon completion of the reorganisation in 2020. During the Relevant Periods, the subsidiaries now comprising the Target Group principally engaged in the property development in the PRC.

In the opinion of the directors of the Target Group, the immediate holding company of the Target Company is Champ Win Enterprise Limited, a private limited liability company incorporated in Hong Kong. The ultimate holding company of the Target Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, as trustee of a discretionary trust which is set up by Ms. Huang Yanping ("**Ms. Huang**"). Ms. Huang is the settlor and protector of the discretionary trust.

As at the date of this report, the Target Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Henan Zensun Shangbin Real Estate Co., Ltd. ("**Henan Shangbin**") *(i)*	PRC	Registered capital RMB50,000,000	100		Property development
Xinzheng Zensun Xingcheng Real Estate Co., Ltd. ("**Xinzheng Xingcheng**") *(i)*	PRC	Registered capital RMB400,000,000	100		Property development
Luoyang Zensun Real Estate Co., Ltd. ("**Luoyang Zensun**") *(i)*	PRC	Registered capital RMB50,000,000	100		Property development

Note:

(i) The English names of the companies registered in the PRC represent the best efforts made by the management of the Target Company in directly translating the Chinese names of these companies as no English names have been registered.

2.1 BASIS OF PRESENTATION

The Target Company became the holding company of the companies now comprising the Target Group in 2020. The companies now comprising the Target Group were under the common control of the controlling shareholder before and after the reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the reorganisation had been completed at the beginning of the Relevant Periods.

Accordingly, the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods. The combined statements of financial position as at 31 December 2017, 2018 and 2019 present the assets and liabilities of the companies now comprising the Target Group, measured at their historical carrying amounts prior to the reorganisation.

All intra-group transactions and balances within the Target Group are eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has 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. All HKFRSs effective for the accounting period commencing from 1 January 2018 and 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 *Clarification to IFRS 15 Revenue from Contracts with Customers*, IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

This Historical Financial Information has been prepared under the historical cost convention.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Target Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in the Historical Financial Information:

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Target Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Target Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Target Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Target Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries were combined from the beginning of the Relevant Periods.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on the combination.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group has directly disposed of the related assets or liabilities.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than completed properties held for sale, properties under development, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss and other comprehensive income in the period in which it arises, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture, office equipment and motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's combined statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument at the end of each of the Relevant Periods with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Other than accounts receivable with no significant financial component, financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component and lease receivables, the Target Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Financial guarantee contracts

Financial guarantee contracts issued by the Target Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the each of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Target Group's activities. Revenue is shown net of taxes.

Sale of properties

Revenue from sale of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Target Group has the present right to payment and the collection of the consideration is probable.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as completed properties held for sale, properties under development and property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss and other comprehensive income on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Other employee benefits

Retirement benefit schemes

The employees of the Target Group's subsidiary which operates in Mainland China are required to participate in a pension scheme (the "**Pension Scheme**") operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the Pension Scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on accounts receivable and other receivables

The Target Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Target Group's historical observed default rates. The Target Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Target Group's accounts receivable and other receivables is disclosed in note 18 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses at 31 December 2017, 2018 and 2019 were RMB2,538,000, RMB5,216,000 and RMB25,245,000, respectively. Future details are contained in note 23 to the Historical Financial Information.

PRC corporate income tax ("CIT")

The Target Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Target Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Target Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Net realisable value assessment of properties under development and completed properties held for sale

The Target Group carried out assessment on net realisable value of properties under development and completed properties held for sale at each end of each of the Relevant Periods and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Target Group's presale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Target Groups' completed projects, adjusted by certain current market data, the legal and regulating framework and general market condition. The Target Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the combined statement of financial position and notes 15 and 16. All of the properties under development and completed properties held for sale are expected to be recovered higher than the cost and hence no write-down to net realisable value was required at the end of each of the Relevant Periods. When there is any decrease in net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the combined statement of profit or loss and other comprehensive income.

Contingent liabilities

As at 31 December 2017, 2108 and 2019, the Target Group had contingent liabilities relating to guarantees amounting to approximately RMB1,064,904,000, RMB1,357,984,000 and RMB1,666,473,000 respectively, in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Target Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Target Group would be responsible for repaying the outstanding mortgage principals together with accrued interests thereon and any penalties owed by the defaulted buyers to the banks. The Target Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Target Group, no provision for the guarantee contracts was recognised in the combined financial position for the years ended 31 December 2017, 2018 and 2019 as the default risk was low and in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principal together with the accrued interest and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Group has only one reportable operating segment which is sale of properties. Since this is the only reportable operating segment of the Target Group, no further operating segment analysis thereof is presented.

Geographical information

For the Relevant Periods, since the Target Group operates in the PRC only, no future operating geographical information analysis thereof is presented.

Information about major customers

During the Relevant Periods, no single customer from which the revenue amounted to 10% or more of the Target Group's total revenue.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sale of properties	470,394	880,200	1,086,172
Timing of revenue recognition			
Goods transferred at a point in time	470,394	880,200	1,086,172

Revenue recognised that was included in the contract liabilities at the beginning of each of the Relevant Periods is as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Sale of properties	352,682	772,477	1,024,373

Performance obligations

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advanced payments are required pursuant to the terms of sale and purchase agreements.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2017, 2018 and 2019 are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	736,697	1,071,846	1,281,878
After one year	989,109	855,239	215,308
	1,725,806	1,927,085	1,497,186

6. OTHER INCOME AND GAINS

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	1,288	773	503
Gain on disposal of property, plant and equipment	28	–	–
Others	–	20	56
	1,316	793	559

7. FINANCE COSTS

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Interest arising from revenue contracts	49,239	96,834	61,742
Less: Capitalised in properties under development	(47,861)	(90,867)	(57,044)
	1,378	5,967	4,698

8. (LOSS)/PROFIT BEFORE TAX

The Target Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cost of properties sold	450,863	776,368	769,140
Total employee benefit expenses:			
Other staff:			
Salaries and other benefits	2,857	4,794	2,865
Retirement benefit scheme contributions	114	111	314
	2,971	4,905	3,179
Less: Capitalised in properties under development	(752)	(1,963)	(1,284)
	2,219	2,942	1,895
Depreciation of property, plant and equipment *(note 13)*	320	267	239
Interest income	1,288	773	503

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Target Company was incorporated on 2 January 2020. Ms. Huang Yanping ("**Ms. Huang**") was appointed as a director of the Target Company on 2 January 2020.

Ms. Huang did not receive any remuneration from the Target Company or the subsidiaries now comprising the Target Group during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods were neither director nor chief executive of the Target Company. Details of the remuneration for the Relevant Periods of the five highest paid employees who are neither a director nor chief executive of the Target Company are as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,252	1,596	1,285

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
RMB100,001 to RMB200,000	5	5	4
RMB200,001 to RMB300,000	–	–	1
	5	5	5

11. INCOME TAX EXPENSE

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – charge for the year			
– PRC CIT	10,039	22,121	63,803
–PRC LAT	–	6,167	29,034
	10,039	28,288	92,837
Deferred tax *(note 23)*	(10,910)	(4,880)	2,443
Total tax (credit)/charge for the year	(871)	23,408	95,280

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

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

Income tax expense for the Relevant Periods is reconciled to the (loss)/profit before tax per the combined statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before tax	(5,139)	74,205	292,268
Tax at the domestic income tax rate of 25%	(1,285)	18,551	73,067
Tax effect of expenses not deductible for tax purpose	461	232	438
PRC LAT	–	6,167	29,034
Tax effect of PRC LAT	–	(1,542)	(7,259)
Utilisation of tax losses previously not recognised	(47)	–	–
Income tax expenses for the year	(871)	23,408	95,280

12. DIVIDENDS

No dividends have been paid or declared by the Target Group during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, office equipment and motor vehicles
	RMB'000
31 December 2017	
Cost:	
At 1 January 2017	1,651
Additions	268
Disposals	(253)
At 31 December 2017	1,666
Accumulated depreciation:	
At 1 January 2017	888
Depreciation provided during the year	320
Disposals	(192)
At 31 December 2017	1,016
Net carrying amount:	
At 1 January 2017	763
At 31 December 2017	650

	Furniture, office equipment and motor vehicles
	RMB'000
31 December 2018	
Cost:	
At 1 January 2018	1,666
Additions	46
At 31 December 2018	1,712
Accumulated depreciation:	
At 1 January 2018	1,016
Depreciation provided during the year	267
At 31 December 2018	1,283
Net carrying amount:	
At 1 January 2018	650
At 31 December 2018	429

	Furniture, office equipment and motor vehicles
	RMB'000
31 December 2019	
Cost:	
At 1 January 2019	1,712
Additions	93
At 31 December 2019	1,805
Accumulated depreciation:	
At 1 January 2019	1,283
Depreciation provided during the year	239
At 31 December 2019	1,522
Net carrying amount:	
At 1 January 2019	429
At 31 December 2019	283

14. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Pledged deposits	10,078	37,901	45,421
Restricted bank balances	150,479	133,745	94,642
Cash and cash equivalents	77,736	31,058	31,968

Pledged deposits represent bank deposits pledged to banks to secure the mortgage loan facilities granted by certain banks to certain property buyers of the Target Group's properties. The pledged deposits will be released upon the settlement of relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties are placed as guarantee deposits in designated bank accounts for the constructions of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

The cash and bank balances of the Target Group denominated in RMB amounted to RMB238,293,000, RMB202,704,000 and RMB172,031,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

15. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Target Group carried out assessment on net realisable value at the end of each of the Relevant Periods and compared to the cost and there was no write-down to the net realisable value of completed properties held for sale during the Relevant Periods.

16. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC and RMB415,027,000, RMB635,694,000 and RMB584,096,000 were expected to be realised within twelve months as at 31 December 2017, 2018 and 2019, respectively. The Target Group carried out assessment on net realisable value at the end of each of the Relevant Periods and compared to the cost and there was no write-down to the net realisable value of properties under development during the Relevant Periods.

17. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be converted into properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

18. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable	–	855	–
Less: Impairment	–	–	–
	–	855	–
Prepaid value-added taxes and other taxes	42,663	67,125	94,090
Deposits and prepayments	225,715	191,065	148,579
Costs of obtaining contracts	19,188	19,476	23,972
Other receivables	28,035	30,620	616,441
	315,601	308,286	883,082
Less: Impairment	–	–	–
	315,601	308,286	883,082
	315,601	309,141	883,082

Accounts receivable represent receivables from sale of properties.

Amounts receivable arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. All accounts receivable were aged less than 3 months as at the end of each of the Relevant Periods, based on the revenue recognition date or invoice date.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

No provision for impairment of accounts receivable was provided for as at 31 December 2017, 2018 and 2019 as the directors of the Target Group consider the expected credit loss is insignificant. Set out below is the information about the credit risk exposure on the Target Group's financial assets included in other receivables and other assets using a provision matrix:

As at 31 December 2017	**Current**
Expected credit loss rate	0%
Gross carrying amount *(RMB'000)*	28,035
Expected credit losses *(RMB'000)*	–

As at 31 December 2018	**Current**
Expected credit loss rate	0%
Gross carrying amount *(RMB'000)*	30,620
Expected credit losses *(RMB'000)*	–

As at 31 December 2019	**Current**
Expected credit loss rate	0%
Gross carrying amount *(RMB'000)*	616,441
Expected credit losses *(RMB'000)*	–

19. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Accounts payable	2,363	2,806	15,873
Accrued construction costs *(Note)*	494,042	612,059	426,750
Retention deposits and payable	4,320	8,406	12,670
Real estate and other taxes payable	1,050	668	528
Other payables and accruals	23,983	17,394	27,903
	525,758	641,333	483,724

The average credit period of accounts payable ranged from 30 to 90 days at the end of the each of the Relevant Periods. All accounts payable were aged within one year, based on invoice date.

Note: Included in accrued construction costs are amounts due to a related company controlled by the ultimate controlling shareholder of the Target Company and together with her spouse of approximately RMB234,893,000, RMB132,862,000 and RMB113,276,000 as at 31 December 2017, 2018 and 2019, respectively, for its construction work.

20. CONTRACT LIABILITIES

As at 31 December 2017, 2018 and 2019, the carrying amounts of contract liabilities were RMB1,692,908,000, RMB1,922,793,000 and RMB1,337,468,000, respectively. Increase or decrease in contract liabilities at the end of each of the Relevant Periods were due to the changes of the property projects having started presale during each of the Relevant Periods.

21. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and are repayable on demand. Ms. Huang and her spouse, Mr. Zhang, have the controlling interests over these related companies.

22. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and her spouse, Mr. Zhang, have the controlling interests over these related companies.

23. DEFERRED TAX

The movements in deferred tax assets arising from tax loss and temporary differences are as follows:

Deferred tax assets

	Tax loss	Impairment of properties under development	Accrued expenses for tax purpose	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	8,566	7,627	–	16,193
(Credited)/charged to profit or loss during the year *(note 11)*	(6,028)	(7,627)	24,565	10,910
Deferred tax assets at 31 December 2017	2,538	–	24,565	27,103
Charged to profit or loss during the year *(note 11)*	2,678	–	2,202	4,880
Deferred tax assets at 31 December 2018	5,216	–	26,767	31,983
Charged/(credited) to profit or loss during the year *(note 11)*	20,029	–	(22,472)	(2,443)
Deferred tax assets at 31 December 2019	25,245	–	4,295	29,540

24. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the combined statement of changes in equity.

(a) Merger reserves

The merger reserve of the Target Group represents the registered capital of subsidiaries contributions by the then parent company of the companies now comprising the Target Group before the Acquisition.

(b) PRC statutory reserves

In accordance with the PRC Company Law and the articles of association of the companies now comprising the Target Group established in the PRC, these entities are required to appropriate 10% of their net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserves may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the companies now comprising the Target Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

25. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target 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 Target Group's expansion strategy, the Target Group has mainly sourced funding from its related companies in which Ms. Huang has beneficial interests and continued to look for other external financing sources. The Target Group's overall strategy remained unchanged during the Relevant Periods.

The directors of the Target Group review the capital structure on an annual basis. As part of this review, the directors of the Target Group consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors of the Target Group, the Target Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

The capital structure of the Target Group consists of net debt, which includes amounts due to related companies, net of cash and cash equivalents, restricted bank balances and pledged deposits. The gearing ratio as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related companies	103,748	4,696	775,062
Less: Cash and cash equivalents	(77,736)	(31,058)	(31,968)
Restricted bank balances	(150,479)	(133,745)	(94,642)
Pledged deposits	(10,078)	(37,901)	(45,421)
Net debt	(134,545)	(198,008)	603,031
Total assets	2,765,840	3,066,093	3,299,741
Gearing ratio	N/A	N/A	18%

As at 31 December 2017 and 2018, the Group's total balances of cash and cash equivalents, restricted bank balances and pledged deposits exceeded the amounts due to related companies. As such, no gearing ratio as at 31 December 2017 and 2018 was presented.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2017

Financial assets

	Financial assets at amortised cost
	RMB'000
Amounts due from related companies	536,471
Financial assets included in accounts receivable, other receivables and other assets	28,035
Pledged deposits	10,078
Restricted bank balances	150,479
Cash and cash equivalents	77,736
	802,799

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in accounts payable, deposits received and accruals	524,708
Amounts due to a related company	103,748
	628,456

As at 31 December 2018

Financial assets

	Financial assets at amortised cost
	RMB'000
Amounts due from related companies	672,377
Financial assets included in accounts receivable, other receivables and other assets	31,475
Pledged deposits	37,901
Restricted bank balances	133,745
Cash and cash equivalents	31,058
	906,556

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in accounts payable, deposits received and accruals	640,665
Amounts due to a related company	4,696
	645,361

As at 31 December 2019

Financial assets

	Financial assets at amortised cost
	RMB'000
Amounts due from related companies	402,431
Financial assets included in accounts receivable, other receivables and other assets	616,441
Pledged deposits	45,421
Restricted bank balances	94,642
Cash and cash equivalents	31,968
	1,190,903

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in accounts payable, deposits received and accruals	483,196
Amounts due to a related company	775,062
	1,258,258

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, financial assets included in accounts receivable, other receivables and other assets, financial liabilities included in accounts payable, deposits received and accruals, amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivables, other receivables, amounts due from related companies, accounts payable, other payables and accruals and amounts due to related companies, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Target Group's operations.

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk. Generally, the Target Group introduces conservative strategies on its risk management. The Target Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Target Group trades only with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2017

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies	536,471	–	–	–	536,471
Financial assets included in accounts receivable, other receivables and other assets					
– Normal**	28,035	–	–	–	28,035
Pledged deposits					
– Not yet past due	10,078	–	–	–	10,078
Restricted bank balances					
– Not yet past due	150,479	–	–	–	150,479
Cash and cash equivalents					
– Not yet past due	77,736	–	–	–	77,736
	802,799	–	–	–	802,799

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies	672,377	–	–	–	672,377
Financial assets included in accounts receivable, other receivables and other assets					
– Normal**	30,620	–	–	855	31,475
Pledged deposits					
– Not yet past due	37,901	–	–	–	37,901
Restricted bank balances					
– Not yet past due	133,745	–	–	–	133,745
Cash and cash equivalents					
– Not yet past due	31,058	–	–	–	31,058
	905,701	–	–	855	906,556

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies	402,431	–	–	–	402,431
Financial assets included in accounts receivable, other receivables and other assets					
– Normal**	616,441	–	–	–	616,441
Pledged deposits					
– Not yet past due	45,421	–	–	–	45,421
Restricted bank balances					
– Not yet past due	94,642	–	–	–	94,642
Cash and cash equivalents					
– Not yet past due	31,968	–	–	–	31,968
	1,190,903	–	–	–	1,190,903

* For accounts receivable to which the Target Group applies the simplified approach for impairment as detailed in note 18 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through amounts due to related companies. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2017

	On demand or within 1 year
	RMB'000
Financial liabilities included in accounts payable, deposits received and accruals	524,708
Amounts due to related companies	103,748
	628,456
Financial guarantee contracts *(Note)*	1,064,904

As at 31 December 2018

	On demand or within 1 year
	RMB'000
Financial liabilities included in accounts payable, deposits received and accruals	640,665
Amounts due to related companies	4,696
	645,361
Financial guarantee contracts *(Note)*	1,357,984

As at 31 December 2019

	On demand or within 1 year
	RMB'000
Financial liabilities included in accounts payable, deposits received and accruals	483,196
Amounts due to related companies	775,062
	1,258,258
Financial guarantee contracts *(Note)*	1,666,473

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Target Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of each of the Relevant Periods, the Target Group considers that it is more likely than not that no amount will be payable under the arrangement because in case of default in payments, the net realisable value of the related properties can cover the outstanding mortgage principal together with the accrued interest and penalties. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

29. NOTES TO THE COMBINED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Amounts due to related companies
	RMB'000
At 1 January 2017	182,031
Changes from financing cash flows	(78,283)
At 31 December 2017	103,748
Changes from financing cash flows	(99,052)
At 31 December 2018	4,696
Changes from financing cash flows	770,366
At 31 December 2019	775,062

30. PLEDGE OF ASSETS

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Property under development *(Note (i))*	28,986	28,986	28,986
Pledged deposits *(Note (ii))*	10,078	37,901	45,421
	39,064	66,887	74,407

Notes:

(i) At the end of each of the Relevant Periods, certain of the Target Group's land-use right with a net carrying amount of RMB28,986,000 was pledged to secure general banking facilities granted to a related company controlled by the ultimate controlling shareholder of the Target Company and together with her spouse.

(ii) At the end of each of the Relevant Periods, certain bank deposits were pledged for mortgage loan facilities granted to certain property buyers of the Target Group.

31. COMMITMENTS

The Target Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Contracted for but not provided in respect of property development expenditures	471,602	310,624	226,083

32. CONTINGENT LIABILITIES

As at 31 December 2017, 2108 and 2019, the Target Group had contingent liabilities relating to guarantees amounting to approximately RMB1,064,904,000, RMB1,357,984,000 and RMB1,666,473,000, respectively, in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Target Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Target Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks and the Target Group would be entitled to take over the 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 buyer of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Target Group, no provision for the guarantee contracts was recognised in the combined statements of financial position for the year ended 31 December 2017, 2018 and 2019 as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had the following transactions with related parties during the Relevant Periods:

Related companies	Transactions	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Relevant members of Henan Zensun Corporate Development Company Limited (the "**Zensun Development Group**") *(Note (i))*	Construction costs (capitalised in properties under development) *(Note (ii))*	95,262	28,888	2,820
Henan Zensun Huiji Real Estate Co., Ltd. *(Note (iii))*	Providing guarantee with property under development	28,986	–	–

Notes:

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

(ii) The construction costs were based on terms mutually agreed by both parties.

(iii) Henan Zensun Huiji Real Estate Co., Ltd. is the entity controlled by the ultimate controlling shareholder of the Target Company and together with her spouse.

(b) Outstanding balances with related parties:

Details of the Target Group's balances with related parties as at the end of each of the Relevant Periods are included in notes 19, 21, 22 and 33 to the financial statements.

34. EVENTS AFTER THE RELEVANT PERIODS

(a) During January 2020, the Target Company entered into the acquisition agreement with Champ Win Enterprise Limited, pursuant to which the Target Company agreed to acquire 100% of the entire equity interests in Henan Shangbin and Xinzheng Xingcheng from Champ Win Enterprise Limited at the considerations of RMB50,000,000 and RMB400,000,000, respectively. During February 2020, Xinzheng Xingcheng entered into the acquisition agreement with Henan Zensun Real Estate Co., Ltd., pursuant to which Xinzheng Xingcheng agreed to acquire 100% of the entire equity interests in Luoyang Zensun from Henan Zensun Real Estate Co., Ltd at the consideration of RMB50,000,000. The Target Company became the holding company of these companies now comprising the Target Group upon completion of the reorganisation.

(b) Since the outbreak of coronavirus ("**COVID-19**") in early 2020, various precautionary and control measures have been implemented across the world. Meanwhile, the Target Group has imposed a series of preventive and control measures within all of the property development projects and business locations to safeguard the employees and business operations. The Target Group will continue to pay close attention to the development of the COVID-19 situation and evaluate its impact on the financial position and operating results of the Target Group. As at the date of this report, major operation for the Target Group's property development business in the PRC has substantially restored to normal and the Target Group was not aware of any material adverse effects on the Historical Financial Information as a result of the COVID-19 situation.

35. APPROVAL OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information was approved and authorised for issue by the board of directors on 25 May 2020.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2019 ("**Relevant Period**"), which is based on the financial information of the Target Group as set out in Appendix II to this circular.

All references to ''FY2017'' means the financial period from 1 January 2017 to 31 December 2017, ''FY2018'' means the financial period from 1 January 2018 to 31 December 2018, and ''FY2019'' means the financial year from 1 January 2019 to 31 December 2019. Set out below is the management discussion and analysis of the Target Group for each of FY2017, FY2018 and FY2019.

FINANCIAL REVIEW

Set out below is the key financial information of the Target Group for FY2017, FY2018 and FY2019.

	FY2017	**FY2018**	**FY2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	470,394	880,200	1,086,172
Costs of sales	(450,863)	(776,368)	(769,140)
Gross profit	**19,531**	**103,832**	**317,032**
Other income and gains	1,316	793	559
Administrative expenses	(9,310)	(9,493)	(8,656)
Sales and marketing expenses	(15,298)	(14,960)	(11,969)
Finance costs	(1,378)	(5,967)	(4,698)
Profit before taxation	**(5,139)**	**74,205**	**292,268**
Income tax expenses	871	(23,408)	(95,280)
(Loss)/Profit and total comprehensive (loss)/income for the year	**(4,268)**	**50,797**	**196,988**

Revenue

The Target Group's revenue represented income generated from sales of properties in the PRC.

Revenue increased from approximately RMB470.4 million in FY2017 to approximately RMB880.2 million in FY2018, representing an increase of approximately 87.1%, which was primarily due to an increase in recognised GFA. The recognized GFA increased from approximately 91,000 sq.m. in FY2017 to approximately 157,000 sq.m. in FY2018, primarily attributable to the delivery of new sub-phases of Luoyang Zensun City Phase I* (洛陽正商城一期) and Zensun Princess Lake Phase I* (正商公主湖一期) upon completion of the relevant property sub-phases in FY2018.

Revenue increased from approximately RMB880.2 million in FY2018 to approximately RMB1,086.2 million in FY2019, representing an increase of approximately 23.4%, which was primarily due to higher selling price of properties delivered. The recognized GFA remained stable at approximately 152,000 sq.m. in FY2019 as compared to approximately 157,000 sq.m. in FY2018. In FY2019, completed properties delivered were Luoyang Zensun City Phase I* (洛陽正商城一期) and another new sub-phase of Zensun Princess Lake Phase I* (正商公主湖一期).

Costs of sales

Cost of sales represented costs of properties sold.

Cost of sales and services increased from approximately RMB450.9 million in FY2017 to approximately RMB776.4 million in FY2018, increased by approximately 72.2%; cost of sales and services decreased from approximately RMB776.4 million in FY2018 to approximately RMB769.1 million in FY2019, with a decrease of approximately 0.9%; The change of cost of sales and services from FY2017 to FY2019 was mainly in line with the increase in recognized GFA and change of product-mix.

Gross profit and gross profit margin

The gross profit was approximately RMB19.5 million, RMB103.8 million and RMB317.0 million and the gross profit margin was around 4.2%, 11.8% and 29.2% for FY2017, FY2018 and FY2019, respectively.

The gross profit margin increased from approximately 4.2% in FY2017 to approximately 11.8% in FY2018, which was mainly attributable to the increase in average selling price of properties sold and change of product-mix. The gross profit margin increased from approximately 11.8% in FY2018 to approximately 29.2% in FY2019, which was mainly attributable to the increase in average selling price of properties sold and change of product-mix.

Other income and gains

Other income and gains mainly included interest income, gain on disposal of property, plant and equipment and others.

Administrative expenses

Administrative expenses primarily consisted of (i) staff costs, (ii) traveling and office expense, (iii) professional fees and (iv) depreciation and amortization. Administrative expenses was approximately RMB9.3 million, RMB9.5 million and RMB8.7 million, respectively for FY2017, FY2018 and FY2019. The changes over the Relevant Period were primarily due to the changes in staff costs which was in line with the development phases of Property Projects.

Sales and marketing expenses

Sales and marketing expenses primarily consisted of (i) advertising and marketing expenses, (ii) staff cost, and (iii) sale centers expenses. Sales and marketing expenses was approximately RMB15.3 million, RMB15.0 million and RMB12.0 million, respectively for FY2017, FY2018 and FY2019. Higher sales and marketing expenses were measured in FY2017 represented sales and marketing activities carried out during the first launches for presales of Property Projects. The sales and marketing expenses gradually decreased respectively in FY2018 and FY2019 were in accordance with the maturity of Property Projects during sale cycle.

Finance costs

Finance costs represented interest expenses arising from revenue contracts net of capitalized interest relating to properties under development. Interest expenses arising from revenue contracts was related to the presale proceeds of our properties we received from our customers.

Income tax expense

Income tax expense mainly refers to the PRC corporate income tax and land appreciation tax. Income tax (credit)/expense was approximately RMB(0.9) million, RMB23.4 million and RMB95.3 million, respectively for FY2017, FY2018 and FY2019. The effective income tax rate was 16.9%, 31.5% and 32.6%, respectively for FY2017, FY2018 and FY2019.

(Loss)/profit for the year

Due to the above reasons, (loss)/profit was approximately RMB(4.3) million, RMB50.8 million and RMB197.0 million, respectively for FY2017, FY2018 and FY2019.

Financial Position

As at 31 December 2017

As at 31 December 2017, the Target Group had non-current and current assets of approximately RMB27.8 million and RMB2,738.1 million, respectively.

As at 31 December 2017, the Target Group had current liabilities of approximately RMB2,322.4 million.

As at 31 December 2017, the Target Group had net current assets of approximately RMB415.7 million.

As at 31 December 2018

As at 31 December 2018, the Target Group had non-current and current assets of approximately RMB32.4 million and RMB3,033.7 million, respectively. Current assets as at 31 December 2018 increased compared with those as at 31 December 2017, which was primarily due to the land and development costs incurred for Property Projects.

As at 31 December 2018, the Target Group had current liabilities of approximately RMB2,571.9 million.

As at 31 December 2018, the Target Group had net current assets of approximately RMB461.8 million.

As at 31 December 2019

As at 31 December 2019, the Target Group had non-current and current assets of approximately RMB29.8 million and RMB3,269.9 million, respectively. Current assets as at 31 December 2019 increased compared with those as at 31 December 2018, which was primarily due to the land and development costs incurred for Property Projects.

As at 31 December 2019, the Target Group had current liabilities of approximately RMB2,608.5 million.

As at 31 December 2019, the Target Group had net current assets of approximately RMB661.4 million.

Liquidity, financial resources and capital structure

The Target Group managed its capital to ensure that it will be able to continue as a going concern while maximising the return to its shareholders through the optimization of the equity balance.

The Target Group recorded a net cash outflow of approximately RMB12.9 million in FY2017, which was mainly derived from land and development costs paid net of cash inflow of the presale proceeds of properties received.

In FY2018, the Target Group recorded a net cash outflow of approximately RMB46.7 million, which was mainly derived from cash outflow of the land and development costs paid net of cash inflow of the presale proceeds of properties received.

In FY2019, the Target Group recorded a net cash inflow of approximately RMB0.9 million, which was mainly derived from cash inflow of the presale proceeds of properties received net of the land and development costs paid.

Significant investments

The Target Group did not hold any significant equity investment as at 31 December 2017, 2018 and 2019.

Material investment, acquisition and disposal of subsidiaries and associated companies

The Target Group underwent the following restructuring:

1. On 17 January 2020, the Target Company acquired the entire equity interests of Henan Shangbin from the Vendor at a consideration of RMB50 million.

2. On 22 January 2020, the Target Company acquired the entire equity interests of Xinzheng Xincheng from the Vendor at the consideration of RMB400 million.

3. On 6 March 2020, Xinzheng Xincheng acquired the entire equity interests of Luoyang Zensun from Zensun Real Estate and Henan Shanglin at an aggregate consideration of RMB50 million.

Save as disclosed, the Target Group did not have any material investment and had not entered into any material acquisitions and/or disposals of any of its subsidiaries and associated companies during the Relevant Period.

Employment and remuneration policy

As at 31 December 2017, 31 December 2018 and 31 December 2019, the Target Group had less than 100 employees respectively. Remuneration for employees for the year ended 31 December 2017, 31 December 2018 and 31 December 2019 amounts to RMB3.0 million, RMB4.9 million and RMB3.2 million respectively. The remuneration of the employees of the Target Group is determined in accordance with performance, professional experiences and the prevailing market conditions. Management reviews the employee remuneration policy and arrangement of the Target Group on a regular basis. Apart from pension and mandatory provident funds, the Target Group may grant discretionary bonus to employees as awards in accordance with individual performance.

Charge on assets

The charged assets of the Target Group as at 31 December 2017, 31 December 2018 and 31 December 2019 were disclosed in Note 30 to the Accountant's Report of the Target Group in Appendix II of this Circular.

Commitments

The commitments of the Target Group as at 31 December 2017, 31 December 2018 and 31 December 2019 were disclosed in Note 31 to the Accountant's Report of the Target Group in Appendix II of this Circular.

Contingent liabilities

The contingent liabilities of the Target Group as at 31 December 2017, 31 December 2018 and 31 December 2019 were disclosed in Note 32 to the Accountant's Report of the Target Group in Appendix II of this Circular.

Foreign exchange exposure

As the operations of Target Group were principally in the PRC and most of the transactions, assets and liabilities of Target Group were denominated in RMB, the operations of Target Group were not subject to significant exchange risk. Accordingly, no financial instruments for hedging purposes were used by Target Group for the Relevant Period.

Dividend

The directors of the Target Group resolved that there was no dividend attributable from FY2017 to FY2019 or proposed after FY2019.

Events after the reporting period

Save as disclosed in Note 34 to the Accountant's Report of the Target Group in Appendix II of this Circular, there were no other significant event taken place subsequent to 31 December 2019.

Future Plans

The Target Group is primarily engaged in property development in the PRC and it owns the Property Projects in Zhengzhou City and Luoyang City in the PRC. It is intended that the Target Group will continue the development and sale of the existing Property Projects, and seek for opportunities of land acquisitions for property development in future.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

To provide additional financial information, the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of the Enlarged Group (being the Group together with the Target Group) as at 31 December 2019 has been prepared based on:

(a) the audited consolidated financial statements of the Group as at 31 December 2019 as published in the Group's 2019 annual report;

(b) the combined statement of financial position of the Target Group at 31 December 2019 which has been extracted from Appendix II to this circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 31 December 2019.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the accountants' report on the Target Group set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2019 or at any future date.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group as at 31 December 2019	The Target Group as at 31 December 2019	Unaudited Pro Forma Adjustments					Unaudited Pro Forma Enlarged Group as at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	*(note 6)*	*(note 7)*	
NON-CURRENT ASSETS								
Property, plant and equipment	17,711	283						17,994
Investment properties	654,244	–						654,244
Right-of-use assets	5,246	–						5,246
Pledged deposits	22,525	–						22,525
Investment in subsidiaries	–	–		2,368,000			(2,368,000)	–
Deferred tax assets	194,154	29,540						223,694
Goodwill	–	–					976,332	976,332
Total non-current assets	893,880	29,823						1,900,035
CURRENT ASSETS								
Completed properties held for sale	3,824,960	33,596					123,904	3,982,460
Properties under development	38,367,480	1,672,494					1,476,706	41,516,680
Deposits and prepayments paid for land acquisitions	1,198,992	15,000						1,213,992
Amounts due from related companies	–	402,431				(186,592)		215,839
Accounts receivable, other receivables and other assets	1,827,573	883,082						2,710,655
Financial assets at fair value through profit or loss	349,876	–						349,876
Prepaid income tax and tax recoverable	723,402	91,284						814,686
Pledged deposits	863,804	45,421						909,225
Restricted bank balances	691,992	94,642						786,634
Cash and cash equivalents	3,200,230	31,968			(2,160)			3,230,038
Total current assets	51,048,309	3,269,918						55,730,085

	The Group as at 31 December 2019	The Target Group as at 31 December 2019	Unaudited Pro Forma Adjustments					Unaudited Pro Forma Enlarged Group as at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	*(note 6)*	*(note 7)*	
CURRENT LIABILITIES								
Accounts payable, deposits received and accruals	3,096,086	483,724						3,579,810
Contract liabilities	15,852,697	1,337,468						17,190,165
Amounts due to related companies	956,458	775,062	500,000			(186,592)		2,044,928
Loans from a related company	7,490,728	–		2,368,000				9,858,728
Lease liabilities	1,871	–						1,871
Bank and other borrowings	6,957,950	–						6,957,950
Tax liabilities	461,608	12,276						473,884
Total current liabilities	34,817,398	2,608,530						40,107,336
NON-CURRENT LIABILITIES								
Rental deposits received	7,010	–						7,010
Lease liabilities	3,695	–						3,695
Bank and other borrowings	13,277,895	–						13,277,895
Deferred tax liabilities	99,150	–					400,153	499,303
Total non-current liabilities	13,387,750	–						13,787,903
Net assets	3,737,041	691,211						3,734,881
EQUITY								
Equity attributable to owners of the Company								
Share capital	2,014,112	–						2,014,112
Reserves	1,726,522	691,211	(500,000)		(2,160)		(191,211)	1,724,362
Non-controlling interests	(3,593)	–						(3,593)
Total equity	3,737,041	691,211						3,734,881

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(1) The balances were extracted from the Company's published annual report for the year ended 31 December 2019.

(2) The balances were extracted from Appendix II to this circular.

(3) The Target Company was established by the Vendor on 2 January 2020, and became a wholly-owned subsidiary of the Vendor. During January 2020, the Target Company entered into the acquisition agreement with the Vendor, pursuant to which the Target Company agreed to acquire 100% of the entire equity interests in Henan Shangbin and Xinzheng Xingcheng from the Vendor at the considerations of RMB50 million and RMB400 million, respectively. During February 2020, Xinzheng Xingcheng entered into the acquisition agreement with Henan Zensun Real Estate Co., Ltd. and Henan Shanglin Real Estate Co., Ltd., pursuant to which Xinzheng Xingcheng agreed to acquire 100% of the entire equity interests in Luoyang Zensun at the considerations of RMB49.5 million and RMB0.5 million, respectively.

The pro forma adjustment represents the aggregate cash considerations amounting to RMB500 million for the acquisition of the aforesaid companies. All conditions precedent set out in the acquisition agreement assumed have not been paid as at 31 December 2019.

(4) On 31 March 2020, the Purchaser entered into the Agreement with the Vendor, pursuant to which the Purchaser agreed to acquire 100% of the entire equity interests in the Target Group from the Vendor at an aggregate consideration of RMB2,368 million.

The pro forma adjustment represents the aggregate cash consideration amounting to RMB2,368 million for the acquisition of the Target Group. On 31 March 2020, the Company entered into the Loan Agreement with Joy Town, the controlling shareholder of the Company, pursuant to which Joy Town has agreed to provide, upon the Company's request, unsecured, interest-free loan of RMB2,368,000,000 as Financial Assistance to the Company, and the proceeds from the Financial Assistance will be used to finance the Acquisition.

(5) For the purpose of the preparation of the Pro Forma Financial Information of the Enlarged Group, the total transaction costs of legal, accountancy and other professional services to the Acquisition are estimated to be RMB2,160,000.

(6) All intra-group balances within the Enlarged Group are eliminated on consolidated as if the Acquisition was completed on 31 December 2019.

(7) The Acquisition is accounted for using the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3 *Business Combinations*. The Directors believe that the acquired items constitute a business in accordance with HKFRS 3 (for example, construction activities and pre-completion sales activities had been started before the Acquisition). The recognition of goodwill of RMB976,332,000 arose from the Acquisition as if the Acquisition was completed on 31 December 2019.

For the purpose of preparing the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group, the pro forma fair values of the identifiable assets and liabilities (other than goodwill) of the Target Group as at 31 December 2019 were assumed to be the same as their carrying amounts as at 31 December 2019, except that the acquired completed properties held for sale and properties under development were with fair values of RMB157,500,000 and RMB3,149,200,000, respectively, which were with reference to an independent valuation report performed by APAC Asset Valuation and Consulting Limited as at 29 February 2020. Corresponding deferred taxation amounting to RMB400,153,000 was recognised.

The recognition of goodwill arising on the Acquisition as if the Acquisition had been completed as at 31 December 2019 is as follows:

	RMB'000
Consideration of the Acquisition	2,368,000
Identifiable net assets acquired	1,391,668
Goodwill arising from the Acquisition of the Target Group	976,332

The Group's accounting policies for goodwill are in accordance with the applicable accounting standards. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group. The Group will adopt accounting policies for goodwill, save for compliance to any new or revised HKFRSs that would be issued by the HKICPA, to perform impairment test of the Enlarged Group's goodwill during the future accounting periods of the Enlarged Group. If the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit will be tested for impairment before the end of the current annual period. The Directors consider that the Group's accounting treatment and principal assumptions used to assess the impairment of such goodwill will be the same as other acquisitions of similar nature. To the best knowledge of the Directors, the Group's independent auditors will conduct the audit in accordance with HKSA issued by the HKICPA to perform the impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group.

Even though the impairment test will be carried out in the accounting periods in the future, for the purpose of the Unaudited Pro Forma Financial Information, the Group has assessed if there is any impairment indication of the goodwill arising from the proposed acquisition of the Target Company in accordance with the HKAS 36 *Impairment of Assets* which is consistent with the Group's accounting policy. The Directors are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the proposed acquisition of the Target Company as set out in the Unaudited Pro Forma Financial Information.

Upon completion of the Acquisition, the actual goodwill of the Enlarged Group, for accounting purpose, will need to be recalculated based on the fair value of the net identifiable assets and liabilities of the Target Group at the date of completion of the Acquisition. The actual financial effects may be different from the amounts presented above.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2019

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Zensun Enterprises Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zensun Enterprises Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Xingcheng Holdings Limited (the "Target Company) and their subsidiaries (hereinafter collectively referred to as the "Target Group") (the Group together with the Target Group are collectively referred to as the "Enlarged Group"), by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of assets and liabilities as at 31 December 2019, and related notes as set out in Section A of Appendix IV to the circulate dated 25 May 2020 (the "Circular") issued by the Company (the "Pro Forma Financial Information") in connection with the acquisition (the "Acquisition") of 100% equity interest in the Target Company by the Company. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact on the Group's financial position as at 31 December 2019 as if the transaction had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's published financial statements for the year ended 31 December 2019, and the information about the Target Group's financial position has been extracted by the Directors from the Target Group's combined financial statements for each of the years ended 31 December 2017, 2018 and 2019 on which an accountants' report has been published in Appendix II to the Circular.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

25 May 2020

The following is the text of a property valuation report prepared for inclusion in this document, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuations as of 29 February 2020 of the Properties to be acquired by the Group.

亞太
APAC

APAC Asset Valuation and Consulting Limited
5/F, Blissful Building, 243 – 273 Des Voeux Road Central, Hong Kong
Tel: (852) 2357 0059
Fax: (852) 2951 0799

Zensun Enterprises Limited
24th Floor
Wyndham Place
40 – 44 Wyndham Street
Central
Hong Kong

25 May 2020

Dear Sirs,

RE: VALUATION OF VARIOUS PROPERTIES LOCATED IN HENAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTIES")

In accordance with the instructions from Zensun Enterprises Limited (the "**Company**") for us to value the Properties situated in The People's Republic of China (the "**PRC**"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 29 February 2020 (the "**valuation date**") for the purpose of incorporation into the circular issued by the Company.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We confirm that the valuations are undertaken in accordance with the requirements set out in Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission, Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited, and the HKIS Valuation Standards 2017 Edition issued by the Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Properties on the open markets without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the Properties.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION METHODOLOGY

In valuing the Properties in Group I, which are held for sale in the PRC, we have valued the Properties by the direct comparison approach assuming sale with the benefit of vacant possession in its existing state by making reference to comparable sales evidences as available in the relevant market.

In valuing the Properties in Group II which are held under development in the PRC, we have valued the Property on the basis that it will be developed and completed in accordance with the latest development proposal provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction cost and the cost that will be expended to complete the development to reflect the quality of the completed development.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Properties. However, we have not caused title searches to be made for the Properties at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Properties in the PRC, we have relied on the legal opinion provided by the Company's PRC legal adviser, Commerce & Finance Law Offices (通商律師事務所), regarding the title and other legal matters to the Properties.

SOURCES OF INFORMATION

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, site and floor areas, construction costs and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspections of the Properties were carried out in April 2020 by Ms. Huang Yan Jun (BSc in Real Estate Management). We have inspected the exterior and, where possible, the interior of the Properties. We have not inspected those parts of the Properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

LIMITATION OF LIABILITIES

This valuation report is issued on the understanding that you have drawn our attention to all matters of which they are aware concerning the Properties which may have an impact on our valuation report up to the valuation date. We have no responsibility to update this valuation report for events and circumstances occurring after the date of completion of our assessment but will be pleased to discuss further instructions as may be required.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our summary of valuation and valuation report are attached.

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited
Ken Wong
MCIREA, MHKIS, RPS (GP)
Director

Note: Mr. Ken Wong is a Registered Professional Surveyor in General Practice Division with over 18 years valuation experience on properties in Hong Kong and the PRC.

Encl.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 29 February 2020
Group I – Properties held for sale in the PRC		
1.	Phase I of Luoyang Zensun City (洛陽正商城一期), East of West Ring Road, North of Tank Road, Jianxi District, Luoyang City, Henan Province, PRC	RMB64,000,000
2.	Phase I of Zensun Princess Lake (正商公主湖一期), West of Zhengxin Highway, South and East of Princess Lake, Xincun Town, Zhengzhou City, Henan Province, PRC	RMB93,500,000
Group II – Properties held under development in the PRC		
3.	Phases II and III of Luoyang Zensun City (洛陽正商城二期及三期), Southwest corner of intersection of Kewen Road and Qunan Road (Phase II), Southeast corner of intersection of Kewen Road and Qunan Road (Phase III), Jianxi District, Luoyang City, Henan Province, PRC	RMB1,353,000,000

No.	Property	Market Value in existing state as at 29 February 2020
4.	Phases II and III of Zensun Princess Lake (正商公主湖二期及三期), East of Huarui Road, West of Princess Lake and Zhengxin Highway, South of Binhe South Road (Phase II), North of Xincun North Road, West of Huarui Road (Phase III), Xincun Town, Zhengzhou City, Henan Province, PRC	RMB812,200,000
5.	Phases I and II of Riverview Garden (濱河銘築一期及二期), East of Jingkai 14th Avenue, South of Jingnan 9th Road, Jingkai District, Zhengzhou City, Henan Province, PRC	RMB984,000,000
	Total:	**RMB3,306,700,000**

VALUATION REPORT

Group I – Properties held for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2020
1.	Phase I of Luoyang Zensun City (洛陽正商城一期), East of West Ring Road, North of Tank Road, Jianxi District, Luoyang City, Henan Province, PRC	Luoyang Zensun City (洛陽正商城) (the "Development") is a residential development planned to be developed into 3 phases and being erected on 3 parcels of land with a total site area of approximately 175,056.02 sq. m. The Property comprises the unsold retail portion and 449 car parking spaces of Phase I of the Development with a total site area of 52,728.40 sq.m. and a gross floor area of 185,261 sq.m. wholly completed on 20 December 2018. The Property has a total gross floor area of approximately 13,095.16 sq.m. Detail of the areas are as follow:	The property was vacant as at the valuation date.	RMB64,000,000

Portion	Approximate gross floor area (sq.m.)
Retail	207.00
Basement	7,838.16
Underground non civil defense	5,050.00
Total:	**13,095.16**

The land use rights of the Property have been granted for two concurrent terms expiring on 25 March 2084 for residential use and 25 March 2054 for commercial use.

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate – Luo Shi Guo Yong (2014) Di No. 04003070 dated 29 April 2014, the land use rights of the property with a site area of 52,728.40 sq.m. were granted to 洛陽正商置業有限公司 ("Luoyang Zensun") for two concurrent terms expiring on 25 March 2084 for residential use and 25 March 2054 for commercial use.

2. Pursuant to the Construction Land Planning Permits – Di Zi Di No. 410300201400034 dated 23 April 2014, Luoyang Zensun was permitted to use a parcel of land with a total site area of 52,728.36 sq.m. for residential and commercial uses.

3. Pursuant to the following 11 Construction Work Planning Permits, the construction works of different Phase I of the Development were approved. Details of the said permits are as follows:

Certificate No.	**Issue Date**	**Portion**	**Gross Floor Area** *(sq.m.)*
Jian Zi Di No. 410300201400784	18 December 2014	Building No. 1	23,774.95
Jian Zi Di No. 410300201400785	18 December 2014	Building No. 2	6,976.23
Jian Zi Di No. 410300201600022	8 January 2016	Building Nos. 3, 6, 7, 11	25,349.57
Jian Zi Di No. 410300201600279	24 June 2016	Building No. 4	23,608.67
Jian Zi Di No. 410300201600280	24 June 2016	Building No. 5	23,964.38
Jian Zi Di No. 410300201400786	18 December 2014	Building No. 8	6,900.05
Jian Zi Di No. 410300201400787	18 December 2014	Building No. 9	25,644.32
Jian Zi Di No. 410300201400788	18 December 2014	Building No. 10	4,588.87
Jian Zi Di No. 410300201600537	26 December 2016	Building No. 12	24,813.48
Jian Zi Di No. 410300201600538	26 December 2016	Building No. 13	24,772.23
Jian Zi Di No. 410300201600112	1 March 2016	Basement car parking spaces	29,163.44
		Total	**219,556.19**

4. Pursuant to the following 11 Construction Work Commencement Permits, the construction works of Phase I of the Development were approved for commencement. Details of the said permits are as follows:

Certificate No.	**Issue Date**	**Portion**	**Gross Floor Area** *(sq.m.)*
No. 2014-555	26 December 2014	Building No. 1	23,774.95
No. 2014-556	26 December 2014	Building No. 2	6,976.22
No. 410305201604140501	14 April 2016	Building Nos. 3, 6, 7, 11	25,349.57
No. 410305201608100401	10 August 2016	Building No. 4	23,608.67
No. 410305201608100501	10 August 2016	Building No. 5	23,964.38
No. 2014-557	26 December 2014	Building No. 8	6,900.05
No. 2014-558	26 December 2014	Building No. 9	25,644.32
No. 2014-559	26 December 2014	Building No. 10	4,588.87
No. 410305201702220101	22 February 2017	Building No. 12	24,813.48
No. 410305201702220201	22 February 2017	Building No. 13	24,772.23
No. 410302201604140601	14 April 2016	Basement car parking spaces	29,163.44
		Total	**219,556.18**

5. Pursuant to the following 10 Presale Permits, Phase I of the Development were allowed for presale. Details of the said permits are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
Luo Fang Shang Yu Zi Di No. Y15-052	22 April 2015	Building No. 1	23,558.38
Luo Fang Shang Yu Zi Di No. Y15-230	27 November 2015	Building No. 2	6,871.99
Luo Fang Shang Yu Zi Di No. Y16-132	30 September 2016	Building Nos. 3, 6, 7, 11	25,038.44
Luo Fang Shang Yu Zi Di No. Y16-188	14 December 2016	Building No. 4	23,541.16
Luo Fang Shang Yu Zi Di No. Y16-153	11 October 2016	Building No. 5	23,855.42
Luo Fang Shang Yu Zi Di No. Y14-224	30 December 2014	Building No. 8	6,796.62
Luo Fang Shang Yu Zi Di No. Y15-040	27 March 2015	Building No. 9	24,914.13
Luo Fang Shang Yu Zi Di No. Y14-225	30 December 2014	Building No. 10	4,552.20
Luo Fang Shang Yu Zi Di No. Y17-060	21 April 2017	Building No. 12	23,641.63
Luo Fang Shang Yu Zi Di No. Y17-061	21 April 2017	Building No. 13	23,634.39
		Total	**186,404.36**

6. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

i. Luoyang Zensun has legally obtained the land use rights of the property and is entitled to legally use the land according to the legal uses of the land within the land use term;

ii. Luoyang Zensun has obtained requisite permits and approvals for the Phase I of the Development;

iii. Luoyang Zensun has legally obtained the presale permits, and has the right to sell the Phase I of the Development; and

iv. the land use rights of the property are free from mortgage and other encumbrances.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2020
2.	Phase I of Zensun Princess Lake (正商公主湖一期), West of Zhengxin Highway, South of Princess Lake, Xincun Town, Zhengzhou City, Henan Province, PRC	Zensun Princess Lake (正商公主湖) (the "Development") is a residential development planned to be developed into 3 phases and being erected on 8 parcels of land with a total site area of 343,708.94 sq. m. The Property comprises unsold portion of Phase I of the Development with a total site area of 147,988.41 sq. m. and a gross floor area of 252,672 sq.m. wholly completed on 14 March 2019. The Property has a total gross floor area of approximately 26,199.89 sq. m and 1,455 car parking spaces. Detail of the areas are listed as follow: **Portion** / **Approximate gross floor area** *(sq.m.)* Basement: 25,541.74 Ancillary Facilities: 658.15 **Total: 26,199.89** The land use rights of Phase I of the Development have been granted for a term expiring on May 2085 for residential use.	The property was vacant as at the valuation date.	RMB93,500,000

Notes:

1. Pursuant to the following 3 State-owned Land Use Rights Certificates, the land use rights of 3 parcels of land of Phase I of the Development have been granted to the 新鄭正商興城置業有限公司 ("Xinzheng Xingcheng"). Details of the said certificates are as follows:

Certificate No.	Issue Date	Site Area *(sq.m.)*	Use and Expiry Date
Xin Tu Guo Yong (2015) Di No. 099	8 October 2015	49,105.53	Residential: May 2085
Xin Tu Guo Yong (2015) Di No. 101	8 October 2015	49,602.42	Residential: May 2085
Xin Tu Guo Yong (2015) Di No. 102	8 October 2015	49,280.46	Residential: May 2085
	Total:	**147,988.41**	

2. Pursuant to the following 3 Construction Land Planning Permits, Xinzheng Xingcheng was permitted to use 3 parcels of land with a total site area of 147,988.41 sq. m for residential use. Details of the said permits are as follows:

Certificate No.	**Issue Date**	**Site Area** *(sq.m.)*	**Use**
Di Zi Di No. 410184201500066100106	17 September 2015	49,280.46	Residential
Di Zi Di No. 410184201500067100106	17 September 2015	49,602.42	Residential
Di Zi Di No. 410184201500068100106	17 September 2015	49,105.53	Residential
	Total:	**147,988.41**	

3. Pursuant to the following 3 Construction Work Planning Permits, the construction works of Phase I of the Development were approved. Details of the said permits are as follows:

Certificate No.	**Issue Date**	**Gross Floor Area** *(sq.m.)*
Jian Zi Di No. 410184201500053100106	20 November 2015	65,050.69
Jian Zi Di No. 410184201600056100106	8 November 2016	57,970.19
Jian Zi Di No. 410184201700007100106	13 March 2017	232,207.76
	Total	**355,228.64**

4. Pursuant to the following 4 Construction Work Commencement Permits, the construction works of Phase I of the Development were approved for commencement. Details of the said permits are as follows:

Certificate No.	**Issue Date**	**Gross Floor Area** *(sq.m.)*
No. 410102201512010101	1 December 2015	65,050.69
No. 410184201705240101	24 May 2017	162,071.73
No. 410184201704130201	13 April 2017	70,136.03
No. 410184201611250101	25 November 2016	57,970.19
	Total	**355,228.64**

5. Pursuant to the following 12 Presale Permits, Phase I of the Development were allowed for presale. Details of the said permits are as follows:

Certificate No.	Issue Date	Gross Floor Area (sq.m.)
(2017) Xin Fang Guan Yu Zi Di No. 170063	23 June 2017	12,562.92
(2017) Xin Fang Guan Yu Zi Di No. 170062	23 June 2017	35,870.16
(2017) Xin Fang Guan Yu Zi Di No. 170061	23 June 2017	11,116.71
(2017) Xin Fang Guan Yu Zi Di No. 170157	8 December 2017	13,654.01
(2017) Xin Fang Guan Yu Zi Di No. 170100	7 September 2017	17,417.40
(2017) Xin Fang Guan Yu Zi Di No. 170101	7 September 2017	5,276.73
(2017) Xin Fang Guan Yu Zi Di No. 170024	20 April 2017	18,135.96
(2017) Xin Fang Guan Yu Zi Di No. 170025	20 April 2017	37,769.96
(2015) Xin Fang Guan Yu Zi Di No. 150093	23 December 2015	37,391.84
(2017) Xin Fang Guan Yu Zi Di No. 170004	13 January 2017	11,058.95
(2016) Xin Fang Guan Yu Zi Di No. 160113	22 December 2016	12,608.48
(2017) Xin Fang Guan Yu Zi Di No. 160109	8 December 2016	13,577.97
	Total	**226,441.09**

6. Pursuant to the 3 Completion Examination and Acceptance Form, the construction works of Phase I of the Development have been completed under quality approval. Details of the said document are as follows:

Certificate No.	Issue Date	Gross Floor Area (sq.m.)
Yu Xin Zheng J201804-0004	13 April 2018	62,743.42
Yu Xin Zheng J201903-0003	14 March 2019	70,136.03
Yu Xin Zheng J201010-0002	10 October 2018	60,277.46
	Total	**193,156.91**

7. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

   i. Xinzheng Xingcheng has legally obtained the land use rights of the property and is entitled to legally use the land according to the legal uses of the land within the land use term;

   ii. Xinzheng Xingcheng has obtained requisite permits and approvals for Phase I of the Development;

   iii. Xinzheng Xingcheng has obtained the Completion Examination and Acceptance Form and the completed portion of the property can be freely sold in the market;

   iv. Xinzheng Xingcheng has legally obtained the presale permits, and has the right to sell the Phase I of the Development; and

   v. the land use rights of the property are free from mortgage and other encumbrances.

VALUATION REPORT

Group II – Properties held under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2020
3.	Phases II and III of Luoyang Zensun City (洛陽正商城二期及三期), Southwest corner of intersection of Kewen Road and Qunan Road (Phase II), Southeast corner of intersection of Kewen Road and Qunan Road (Phase III), Jianxi District, Luoyang City, Henan Province, PRC	Luoyang Zensun City (洛陽正商城) (the "Development") is a residential development planned to be developed into 3 phases and being erected on 3 parcels of land with a total site area of approximately 175,056.02 sq. m. The Property comprises 2 parcels of land with an aggregated total site area of approximately 122,327.62 sq. m. The land use rights of the Property have been granted for two concurrent terms expiring on 17 October 2089 for residential use and 17 October 2059 for commercial use.	The property was under planning for development as at the valuation date.	RMB1,353,000,000

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu (Luo) Chu Rang (2019 nian) Di No. 037 dated 17 October 2019, the land use rights of a parcel of land of the Development have been granted to Luoyang Zensun. Details of the said contract are as follows:

Site Area:	52,772.48 sq. m.
Usage:	Residential and Commercial
Land Use Term:	Residential: 70 years Commercial: 40 years
Plot Ratio:	Not more than 3.30 and not less than 1.00
Building Height:	No more than 100 m
Building Density:	Not more than 30%
Green Ratio:	Not less than 35%
Building Covenant:	The construction work has to be commenced before 17 October 2020 and completed before 17 October 2023.
Consideration:	RMB306,344,246

2. Pursuant to the State-owned Land Use Rights Grant Contract – Yu (Luo) Chu Rang (2019 nian) Di No. 036 dated 17 October 2019, the land use rights of a parcel of land of the Development have been granted to 洛陽正商置業有限公司 ("Luoyang Zensun"). Details of the said contract are as follows:

Site Area:	69,555.14 sq. m.
Usage:	Residential and Commercial

Land Use Term:	Residential: 70 years Commercial: 40 years
Plot Ratio:	Not more than 3.50 and not less than 1.00
Building Height:	No more than 100 m
Building Density:	Not more than 30%
Green Ratio:	Not less than 35%
Building Covenant:	The construction work has to be commenced before 17 October 2020 and completed before 17 October 2023.
Consideration:	RMB404,810,915

3. Pursuant to the following 2 State-owned Land Use Rights Certificates, the land use rights of two parcels of land of the Development have been granted to Luoyang Zensun. These 2 parcels of land are the land for Phases II and III of the Development. Details of the said certificates are as follows:

Certificate No.	Issue Date	Site Area *(sq.m.)*	Use and Expiry Date
Yu (2019) Luoyang Shi Budongchanquan Di No. 00075157	13 November 2019	52,772.48	Residential: 17 October 2089 Commercial: 17 October 2059
Yu (2019) Luoyang Shi Budongchanquan Di No. 00075158	13 November 2019	69,555.14	Residential: 17 October 2089 Commercial: 17 October 2059
	Total:	**122,327.62**	

4. Pursuant to the following 2 Construction Land Planning Permits, Luoyang Zensun was permitted to use 2 parcels of land with a total site area of 122,327.62 sq. m for residential use. Details of the said permits are as follows:

Certificate No.	Issue Date	Site Area *(sq.m.)*	Use
Di Zi Di No. 410300201900091	7 November 2019	52,772.48	Residential
Di Zi Di No. 410300201900092	7 November 2019	69,555.14	Residential
	Total:	**122,327.62**	

5. As advised by the Company, the total preliminary construction cost incurred for the Property as at the valuation date was approximately RMB11,000,000 whereas the future construction cost expected to be incurred was approximately RMB1,071,000,000 (according to a preliminary development scheme). However, as advised by the Company, the lands of the Property are newly acquired and the land owner has not finalized the development proposal as the relevant planning approval for the proposed development has not been obtained. As the approved development scheme and the details of total budget construction costs related to the approved development scheme are not available nor finalized, we are not able to estimate the market value of the Property as if the proposed development was completed as at the valuation date.

   Therefore, the market value of the Property in its existing state as at the valuation date was arrived at by taking into account the comparable sales evidences of vacant lands as available in the relevant market.

6. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

   i. Luoyang Zensun has legally obtained the land use rights of the property and is entitled to legally use the land according to the legal uses of the land within the land use term; and

   ii. the land use rights of the property are free from mortgage and other encumbrances.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2020
4.	Phases II and III of Zensun Princess Lake (正商公主湖二期及三期), East of Huarui Road, West of Princess Lake and Zhengxin Highway, South of Binhe South Road (Phase II), North of Xincun North Road, West of Huarui Road (Phase III), Xincun Town, Zhengzhou City, Henan Province, PRC	Zensun Princess Lake (正商公主湖) (the "Development") is a residential development planned to be developed into 3 phases and being erected on 8 parcels of land with a total site area of 343,708.94 sq. m. The Property comprises Phases II and III of the Development with a total site area of approximately 195,720.53 sq. m. The Property has a total gross floor area of approximately 582,369.13 sq. m., including 3,080 car parking spaces. Detail of the areas are listed as follow:	The property was under construction as at the valuation date.	RMB812,200,000

Portion	Approximate gross floor area *(sq.m.)*
Phase II	
Residential	308,772.61
Basement	68,007.71
Underground non civil defense	64,651.59
Underground civil defense	20,857.63
Sub-total	462,289.54
Phase III	
Residential	80,892.11
Basement	16,241.23
Underground non civil defense	6,571.13
Underground civil defense	16,375.12
Sub-total	120,079.59
Total:	**582,369.13**

Phases II and III of the Development are expected to be completed on 31 March 2021 and 31 August 2022, respectively.

The land use rights of the Property have been granted for three concurrent terms expiring on May 2085, 27 September 2087 and 30 September 2088 for residential use.

Notes:

1. Pursuant to the following 5 State-owned Land Use Rights Certificates, the land use rights of five parcels of land of Phases II and III of the Development have been granted to the 新鄭正商興城置業有限公司 ("Xinzheng Xingcheng"). Details of the said certificates are as follows:

Certificate No.	Issue Date	Site Area *(sq.m.)*	Use and Expiry Date
Xin Tu Guo Yong (2015) Di No. 097	8 October 2015	39,439.16	Residential: May 2085
Xin Tu Guo Yong (2015) Di No. 098	8 October 2015	44,581.11	Residential: May 2085
Xin Tu Guo Yong (2015) Di No. 100	8 October 2015	42,316.00	Residential: May 2085
Yu (2018) Xinzheng Shi Budongchanquan Di No. 0055925	18 October 2018	28,565.12	Residential: 30 September 2088
Yu (2018) Xinzheng Shi Budongchanquan Di No. 0003805	23 January 2018	40,819.14	Residential: 27 September 2087
	Total:	**195,720.53**	

2. Pursuant to the following 5 Construction Land Planning Permits, Xinzheng Xingcheng was permitted to use 5 parcels of land with a total site area of 195,720.53 sq. m for residential use. Details of the said permits are as follows:

Certificate No.	Issue Date	Site Area *(sq.m.)*	Use
Di Zi Di No. 410184201500069100106	17 September 2015	44,581.11	Residential
Di Zi Di No. 410184201500070100106	17 September 2015	42,316.00	Residential
Di Zi Di No. 410184201500071100106	17 September 2015	39,439.16	Residential
Di Zi Di No. 410184201800055100106	27 September 2018	28,565.12	Residential
Di Zi Di No. 410184201700085100105	30 September 2017	40,819.14	Residential
	Total:	**195,720.53**	

3. Pursuant to the following 3 Construction Work Planning Permits, the construction works of Phases II and III of the Development were approved. Details of the said permits are as follows:

Certificate No.	Issue Date	Phases	Gross Floor Area *(sq.m.)*
Jian Zi Di No. 410184201800117100106	7 December 2018	Phase II	68,352.44
Jian Zi Di No. 410184201900051100106	26 July 2019	Phase II	393,937.10
Jian Zi Di No. 410184201800050100105	26 July 2018	Phase III	120,563.81
		Total	**582,853.35**

4. Pursuant to the following 2 Construction Work Commencement Permits, the construction works of Phases II and III of the Development were approved for commencement. Details of the said permits are as follows:

Certificate No.	Issue Date	Phases	Gross Floor Area *(sq.m.)*
No. 410184201901040101	4 January 2018	Phase II	68,352.44
No. 410184201808270101	27 August 2018	Phase III	120,563.81
		Total	**188,916.25**

5. Pursuant to the following 4 Presale Permits, Phases II and III of the Development were allowed for presale. Details of the said permits are as follows:

Certificate No.	Issue Date	Phases	Gross Floor Area *(sq.m.)*
(2019) Xin Fang Guan Yu Zi Di No. 190074	13 May 2019	Phase II	53,654.52
(2019) Xin Fang Guan Yu Zi Di No. 190127	12 July 2019	Phase II	5,957.52
(2019) Xin Fang Guan Yu Zi Di No. 190126	12 July 2019	Phase III	56,114.73
(2018) Xin Fang Guan Yu Zi Di No. 180132	29 August 2018	Phase III	23,436.44
		Total	**139,163.21**

6. As advised by the Company, various residential units of the Property with a total gross floor area of approximately 65,459.25 sq.m. have been presold at a total consideration of approximately RMB416,235,124. We have taken into account the said consideration in our valuation.

7. The market value of the Property as if completed as at the valuation date was RMB2,885,000,000. The market value of the Property in its existing state as at the valuation date was arrived at by (i) taking into account the market value of the property as if it was developed and completed as at the valuation date by direct comparison approach; (ii) taking into account the total construction costs expended for the Property; and (iii) taking out the expected construction cost, finance costs and professional fees to be expended to complete the development to reflect the quality of the completed development for the Property.

8. As advised by the Company, the total construction cost incurred for the Property as at the valuation date was approximately RMB326,000,000 whereas the total budget construction cost and the future construction cost expected to be incurred were approximately RMB1,596,000,000 and approximately RMB1,270,000,000, respectively. In the course of our valuation, we have taken into account the said amounts in our valuation.

9. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

   i. Xinzheng Xingcheng has legally obtained the land use rights of the Property and is entitled to legally use the land according to the legal uses of the land within the land use term;

   ii. the land under the land use right certificate No. Yu (2018) Xinzheng Shi Budongchanquan Di No. 0055925 is subject to a mortgage in favour of China Guangfa Bank-Zhengzhou Yinji Branch (廣發銀行股份有限公司鄭州銀基支行) at a total consideration of RMB900,000,000;

   iii. Xinzheng Xingcheng has obtained requisite permits and approvals for Phases II and III of the Development;

   iv. Xinzheng Xingcheng has legally obtained the presale permits, and has the right to sell the Phases II and III of the Development; and

   v. except the land stated in note (9) ii, the land use rights of the remaining property are free from mortgage and other encumbrances.

VALUATION REPORT

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 February 2020
5.	Phases I and II of Riverview Garden (濱河銘築一期及二期), East of Jingkai 14th Avenue, South of Jingnan 9th Road, Jingkai District, Zhengzhou City, Henan Province, PRC	Riverview Garden (濱河銘築) (the "Development") is a residential development planned to be developed into 2 phases and being erected on a parcel of land with a site area of approximately 31,462.03 sq. m. The Property comprises Phases I and II of the Development. The Property has a total gross floor area of approximately 171,702.51 sq.m., including 1,316 car parking spaces. Detail of the areas are as follow:	The property was under construction as at the valuation date.	RMB984,000,000

Portion	Approximate gross floor area *(sq.m.)*
Apartment	116,784.99
Villa	6,025.11
Basement	5,757.22
Ancillary Facilities	8,330.43
Underground non civil defense	27,671.76
Underground civil defense	7,133.00
Total:	**171,702.51**

The Property is expected to be completed on 30 June 2020.

The land use rights of the Property have been granted for a term expiring on 16 September 2056 for wholesale, retail, residential and food and beverage uses.

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate – Yu (2016) Zhengzhou Shi Budongchanquan Di No. 0000575 dated 30 September 2016, the land use rights of the property with a site area of 31,462.03 sq.m. were granted to 河南正商尚濱置業有限公司 ("Henan Shangbin") for a term expiring on 16 September 2056 for wholesale, retail, residential and food and beverage uses.

2. Pursuant to the Construction Land Planning Permits – Zheng Gui Di Zi No. 410100201629035 dated 31 August 2016, Henan Shangbin was permitted to use a parcel of land with a total site area of 31,462.03 sq.m. for commercial use.

3. Pursuant to the following 2 Construction Work Planning Permits, the construction works of Phases I and II of the Development were approved. Details of the said permits are as follows:

Certificate No.	Issue Date	Phase	Gross Floor Area *(sq.m.)*
Zheng Gui Jian (Jian Zhu) Zi Di No. 410100201729009	14 February 2017	I	108,670.65
Zheng Gui Jian (Jian Zhu) Zi Di No. 410100201729014	17 March 2017	II	63,031.86
		Total	**171,702.51**

4. Pursuant to the following 2 Construction Work Commencement Permits, the construction works of Phases I and II of the Development were approved for commencement. Details of the said permits are as follows:

Certificate No.	Issue Date	Phase	Gross Floor Area *(sq.m.)*
No. 410171201704200101	20 April 2017	I	108,670.65
No. 410171201706070101	7 June 2017	II	63,031.86
		Total	**171,702.51**

5. Pursuant to the following 3 Presale Permits, Phases I and II of the Development were allowed for presale. Details of the said permits are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
(2017) Zheng Fang Yu Zi No. J170367	29 June 2017	Building No. 1	23,084.75
(2017) Zheng Fang Yu Zi No. J170570	31 August 2017	Building Nos. 2, 4, 7, 8, 9, 10, 11, 12	49,181.61
(2017) Zheng Fang Yu Zi No. J170902	27 December 2017	Building Nos. 3, 5, 13, 14, 15	46,984.31
		Total	**119,250.67**

6. As advised by the Company, various residential units of the Property with a total gross floor area of 79,314.97 sq.m. have been presold at a total consideration of approximately RMB863,969,075. We have taken into account the said consideration in our valuation.

7. The market value of the Property as if completed as at the valuation date was RMB1,463,000,000. The market value of the Property in its existing state as at the valuation date was arrived at by (i) taking into account the market value of the property as if it was developed and completed as at the valuation date by direct comparison approach; (ii) taking into account the total construction costs expended for the Property; and (iii) taking out the expected construction costs, finance costs and professional fees to be expended to complete the development to reflect the quality of the completed development for the Property.

8. As advised by the Company, the total construction cost incurred for the Property as at the valuation date was approximately RMB395,000,000 whereas the total budget construction cost and the future construction cost expected to be incurred were approximately RMB603,000,000 and approximately RMB208,000,000, respectively. In the course of our valuation, we have taken into account the said amounts in our valuation.

9. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

   i. Henan Shangbin has legally obtained the land use rights of the Property and is entitled to legally use the land according to the legal uses of the land within the land use term;

   ii. Henan Shangbin has obtained requisite permits and approvals for the Property;

   iii. Henan Shangbin has legally obtained the presale permits, and has the right to sell the Property; and

   iv. the land use rights of the property are free from mortgage and other encumbrances.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS

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

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

Long positions

(i) Interests in the Shares

Name of Director	Capacity in which interests are held	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date *(%)*
Mr. Zhang	Spousal Interest *(Note 1)*	7,697,492,188	74.77
Ms. Huang	Interest of controlled corporation *(Note 2)*	7,697,492,188	74.77

Notes:

(1) Mr. Zhang (Chairman, Chief Executive Officer and executive Director of the Company) is the spouse of Ms. Huang, under the SFO, he is deemed to be interested in 7,697,492,188 Shares in which Ms. Huang is interested.

(2) 7,697,492,188 Shares are directly held by Joy Town, which is ultimately owned by the Discretionary Trust. Joy Town is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust. Superior Glory Enterprises Limited, Notable Reward Limited, Zensun Group Limited and Joy Town are holding companies of the Company, each of them is an associated corporation of the Company under the SFO.

(ii) Interests in the ordinary shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
				(%)
Ms. Huang	Superior Glory Enterprises Limited	Interest of controlled corporation *(Note 1)*	1	100
Ms. Huang	Notable Reward Limited	Interest of controlled corporation *(Note 1)*	1	100
Ms. Huang	Zensun Group Limited	Interest of controlled corporation *(Note 1)*	1	100
Ms. Huang	Joy Town	Beneficial owner *(Note 1)*	1	100

Notes:

(1) 7,697,492,188 Shares are directly held by Joy Town, which is ultimately owned by the Discretionary Trust. Joy Town is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the trust. Superior Glory Enterprises Limited, Notable Reward Limited, Zensun Group Limited and Joy Town are holding companies of the Company, each of them is an associated corporation of the Company under the SFO.

(2) Ms. Huang is the sole director of Joy Town and Notable Reward Limited and Mr. Zhang is the sole director of Zensun Group Limited.

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

(b) Interests in assets

Save as disclosed in the paragraph headed "Material Acquisition after 31 December 2019", as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in contracts

Save as disclosed in the paragraph headed "Material Acquisition after 31 December 2019", as at the Latest Practicable Date, save as the Agreement, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

(d) Interests in competing business

As at the Latest Practicable Date, none of the Directors was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's businesses except that Mr. Zhang and Ms. Huang are individually and collectively deemed interested in Zensun Real Estate and/or their subsidiaries and associated companies which are engaged in construction, property development and related businesses in the PRC.

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

(e) Directors' service contracts

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

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Long positions in the interests in the Shares

Name of Shareholder	Nature of interests	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date *(%)*
Vistra Trust (Singapore) Pte Limited	Trustee *(Note)*	7,697,492,188	74.77
Superior Glory Enterprises Limited	Interest of controlled corporation *(Note)*	7,697,492,188	74.77
Notable Reward Limited	Interest of controlled corporation *(Note)*	7,697,492,188	74.77
Zensun Group Limited	Interest of controlled corporation *(Note)*	7,697,492,188	74.77
Joy Town	Beneficial owner *(Note)*	7,697,492,188	74.77

Note: These Shares are owned by Joy Town, which are ultimately owned by the Discretionary Trust. Joy Town is wholly-owned by Zensun Group Limited. Zensun Group Limited is a wholly-owned subsidiary of Notable Reward Limited, which in turn is wholly-owned by Superior Glory Enterprises Limited and the entire issued share capital of Superior Glory Enterprises Limited became assets of the Discretionary Trust. Ms. Huang is the sole director of Joy Town and Notable Reward Limited and Mr. Zhang is the sole director of Zensun Group Limited.

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

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

4. MATERIAL ACQUISITION AFTER 31 DECEMBER 2019

On 21 February 2020, the Group has made two successful bids for the transfer of state-owned land use rights in Xinmi City, Henan Province, the PRC for residential usage and for underground for transportation service usage with (i) site area of approximately 53,060.26 sq.m. at a consideration of RMB245,875,838 and (ii) site area of approximately 25,968.97 sq.m. at a consideration of RMB104,771,292 respectively.

On 31 March 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire, the entire issued share capital of the Target Company at the total consideration of RMB2,368,000,000. In accordance with the terms and conditions of the Agreement, the Consideration will be paid in cash by the Purchaser at Completion. Details and further particulars of Target Group are disclosed in the "Letter from the Board".

Save as disclosed above, the Group did not enter into or complete any agreement for material acquisition in which Directors had any direct or indirect interest after 31 December 2019.

5. MATERIAL LITIGATION

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

6. MATERIAL CONTRACTS

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

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

(b) On 31 July 2018, the Group has successfully issued the asset-backed securities through the establishment of P&A – Xinghan Zensun's Account Receivables for the Balance Payment of Properties Sold Asset-backed Securities Scheme with an aggregate size of RMB1,600,000,000 with two tranches. Further information in respect of the issue scheme is available in the Company's announcement dated 31 July 2018;

(c) On 14 August 2018, Henan Jiaruichang Real Estate Company Limited* (河南嘉瑞昌置業股份有限公司) as borrower entered into a loan agreement with Zensun Real Estate Co., Ltd* (河南正商置業有限公司) as lender in relation to the financial assistance in the amount of RMB2,480,000,000;

(d) On 31 August 2018, Henan Zensun Huafu Real Estate Company Limited* (河南正商華府置業有限公司) as borrower entered into a loan agreement with Zensun Real Estate Co., Ltd* (河南正商置業有限公司) as lender in relation to the financial assistance in the amount of RMB764,300,000;

(e) On 14 September 2018, Henan Zensun Zhengdong Real Estate Company Limited* (河南正商鄭東置業有限公司) as borrower entered into a loan agreement with Zensun Real Estate Co., Ltd* (河南正商置業有限公司) as lender and in relation to the financial assistance in the amount of RMB1,740,000,000;

(f) On 22 January 2019, the Company as issuer entered into a subscription agreement (the "**Subscription Agreement**") with Ever Diamond Global Company Limited as guarantor, Yuanyin Securities Limited as placing agent and an independent third party investor (the "**Investor**") to conditionally agree to issue US$100,000,000 8.0% bonds due 2020 (the "**Bonds**"). All conditions precedent of the Subscription Agreement have been fulfilled and the closing has taken place in January 2019;

(g) On 2 May 2019, the Company as issuer entered into a subscription agreement with Joy Town as subscriber to conditionally agree to allot and issue 4,117,879,979 Shares under specific mandate at the subscription price of HK$0.38 per subscription share. All conditions precedent of the subscription agreement have been fulfilled and the closing has taken place in August 2019;

(h) On 29 May 2019, Henan Zensun Longshui Real Estate Company Limited* (河南正商瓏水置業有限公司) as borrower entered into a loan agreement with Zensun Real Estate Co., Ltd* (河南正商置業有限公司) as lender in relation to the financial assistance in the amount of RMB288,190,000;

(i) On 29 May 2019, Henan Zensun Longshui Real Estate Company Limited* (河南正商瓏水置業有限公司) as borrower entered into a loan agreement with Zensun Real Estate Co., Ltd* (河南正商置業有限公司) as lender in relation to the financial assistance in the amount of RMB459,080,000;

(j) On 25 September 2019, the Company as issuer, Zensun Group Limited as the parent guarantor and certain other subsidiary guarantors entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, CLSA Limited, CCB International Capital Limited, CMB International Capital Limited, CM Securities (Hongkong) Company Limited, China CITIC Bank International Limited and Yuanyin Securities Limited, in connection with the issuance of the US$220 million 12.8% senior notes due 2021;

(k) On 18 November 2019, the Company as issuer entered into a deed of amendment with Ever Diamond Global Company Limited as guarantor, Yuanyin Securities Limited as placing agent and the Investor to add additional guarantors under the Subscription Agreement and the Bonds;

(l) On 12 December 2019, the Company as issuer, Zensun Group Limited as the parent guarantor and certain other subsidiary guarantors entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, CCB International Capital Limited, China CITIC Bank International Limited, SPDB International Capital Limited, Zhongrong PT Securities Limited and Fulbright Securities Limited, in connection with the issuance of the 12.8% US$120 million senior notes due 2021;

(m) On 6 March 2020, the Company as issuer, Zensun Group Limited as the parent guarantor and certain other subsidiary guarantors entered into a purchase agreement with Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, China CITIC Bank International Limited, Shenwan Hongyuan Securities (H.K.) Limited, Zhongrong PT Securities Limited, AMTD Global Markets Limited, Kaisa Financial Group Company Limited and Admiralty Harbour Capital Limited, in connection with the issuance of the US$200 million 12.5% senior notes due 2022;

(n) On 8 May 2020, the Company entered into a placing agreement with DL Securities (HK) Limited and Kingston Securities Limited in connection with placing of up to 1,235,363,993 new Shares on a best effort basis at the placing price of HK$0.33 per placing Share;

(o) the Loan Agreement; and

(p) the Agreement.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statement of the Company were made up.

8. EXPERTS AND CONSENT

(a) The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

Name	Qualification
APAC Asset Valuation and Consulting Limited	Independent Qualified Valuer
VBG Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants

The above experts have given, and have not withdrawn, their respective written consent to the issue of this circular with the inclusion of the references to their name and/or their opinion in the form and context in which they are included.

As at the Latest Practicable Date, the above experts do not have any interest, direct or indirect, in any asset which has been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, the above experts do not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. GENERAL

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

(b) The share registrar of the Company is Tricor Friendly Limited, which is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The joint secretaries of the Company are Mr. Kwok Pak Shing, who is a member of Hong Kong Institute of Certified Public Accountants and Mr. Yuen Ping Man, who is a fellow member of the Chartered Governance Institute (U.K.) and of the Hong Kong Institute of Chartered Secretaries.

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the articles of association of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 December 2019;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out from pages 20 to 21 of this circular;

(d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out from pages 22 to 34 of this circular;

(e) the valuation report prepared by the Independent Valuer on the Property Projects, the text of which is set out in Appendix V to this circular;

(f) the consolidated accountant's report on the Target Group prepared by Ernst & Young on the Target Group, the text of which is set out in Appendix II to this circular;

(g) the unaudited pro forma financial information on the Enlarged Group prepared by Ernst & Young on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(i) the letters of consent referred to under the section headed "Experts and Consent" in this appendix;

(j) this circular; and

(k) the Agreement.

ZENSUN ENTERPRISES LIMITED
正商實業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 185)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of Zensun Enterprises Limited (the "**Company**") will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Hong Kong on Tuesday, 9 June 2020 at 10:10 a.m. (or immediately after the conclusion of the annual general meeting of the Company to be held at 10:00 a.m. on the same day, whichever is later) to consider and, if thought fit, transact the following business:

ORDINARY RESOLUTION

"THAT:

(a) the agreement entered into between Total Star Development Limited as purchaser and Champ Win Enterprise Limited as vendor on 31 March 2020 in relation to sale and purchase of the entire issue share capital in Xingcheng Holdings Limited (the "**Agreement**"), a copy of which has been produced to the Meeting marked as "A" and initialled by the chairman of the Meeting for the purpose of identification and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to the transactions mentioned in paragraphs (a) above, including where appropriate, agreeing to any non-material amendments to the Agreement and any other agreements made in relation thereto to the extent permitted by the Rules Governing the Listing of Securities on the Stock Exchange and the applicable laws and in the interests of the Company and its shareholders."

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

Hong Kong, 25 May 2020

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

Notes:

1. A member of the Company entitled to attend and vote at the meeting ("**Meeting**") above is entitled to appoint in written form one or, if he is the holder of two or more Shares of the Company, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the Company's share registrar, Tricor Friendly Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (i.e. by 10:10 a.m. on Saturday, 6 June 2020) or any adjournment thereof.

4. The register of members of the Company will be closed from Thursday, 4 June 2020 to Tuesday, 9 June 2020 (both days inclusive) during which period no transfer of share(s) will be effected. In order to determine the eligibility to attend and vote at the Meeting or any adjourned meeting thereof (as the case may be), all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the Company's share registrar, Tricor Friendly Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 June 2020.

5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. If a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed or adjourned. The Company will post an announcement on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.zensunenterprises.com) to notify shareholders of the Company of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders of the Company should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.

7. In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 ("**COVID-19**"), the Company will implement precautionary measures at the meeting. Shareholders are advised to read page (i) of this circular for details of the precautionary measures and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

8. In light of the continuing risks posed by the COVID-19 pandemic, the Company strongly advises Shareholders to appoint the chairman of the meeting as their proxy to vote on the relevant resolution as an alternative to attending the meeting in person.

9. All times and dates specified herein refer to Hong Kong local times and dates.

10. The meeting will be conducted in Chinese and no translation will be provided.

As at the date hereof, 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.