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ZENSUN ENTERPRISES LIMITED

正商實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS FOR THE PERIOD

- Revenue for the Period amounted to approximately RMB2,237.6 million, representing an increase of approximately 582.4% as compared with 2019.
- Gross profit for the Period amounted to approximately RMB609.6 million, representing an increase of approximately 309.9% as compared with 2019. The gross profit margin for the Period was approximately 27.2%.
- Profit attributable to owners of the Company for the Period amounted to approximately RMB108.9 million, representing an increase of approximately 194.3% as compared with 2019.
- Basic earnings per share for the Period was RMB1.03 cents, as compared with RMB0.60 cents for 2019.

The board (the “Board”) of directors (the “Directors”) of Zensun Enterprises Limited (the “Company”), is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019, which have been reviewed by the Company’s audit committee (the “Audit Committee”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	2,237,563	327,890
Cost of sales		<u>(1,627,916)</u>	<u>(179,160)</u>
Gross profit		609,647	148,730
Other income		10,472	11,855
Other gains and losses	5	(83,656)	52,579
Administrative expenses		(90,033)	(73,938)
Sales and marketing expenses		(33,628)	(37,320)
Finance costs	6	<u>(52,978)</u>	<u>(6,992)</u>
PROFIT BEFORE TAX	7	359,824	94,914
Income tax expense	8	<u>(250,738)</u>	<u>(57,427)</u>
PROFIT FOR THE PERIOD		<u>109,086</u>	<u>37,487</u>
Attributable to:			
Owners of the Company		108,881	36,997
Non-controlling interests		<u>205</u>	<u>490</u>
		<u>109,086</u>	<u>37,487</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
Basic (RMB cents)		1.03	0.60
Diluted		<u>N/A</u>	<u>N/A</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE PERIOD	109,086	37,487
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(24,657)</u>	<u>541</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(24,657)</u>	<u>541</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>84,429</u>	<u>38,028</u>
Attributable to:		
Owners of the Company	84,942	37,808
Non-controlling interests	<u>(513)</u>	<u>220</u>
	<u>84,429</u>	<u>38,028</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Unaudited	Audited
		30 June	31 December
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	49,270	17,711
Investment properties	11	587,758	654,244
Right-of-use assets		–	5,246
Goodwill	12	869,922	–
Deferred tax assets		261,362	194,154
Pledged deposits		19,336	22,525
Total non-current assets		1,787,648	893,880
CURRENT ASSETS			
Completed properties held for sale		4,028,660	3,824,960
Properties under development		45,139,098	38,367,480
Deposits and prepayments paid for land acquisitions		2,831,149	1,198,992
Accounts receivable, other receivables and other assets	13	2,479,127	1,827,573
Financial assets at fair value through profit or loss		302,628	349,876
Prepaid income tax and tax recoverable		1,026,067	723,402
Pledged deposits		404,902	863,804
Restricted bank balances		1,225,202	691,992
Cash and cash equivalents		2,518,613	3,200,230
		59,955,446	51,048,309
Assets of a disposal group classified as held for sale		30,075	–
Total current assets		59,985,521	51,048,309
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	14	4,355,251	3,096,086
Contract liabilities		22,023,557	15,852,697
Amounts due to related companies	15	3,845,234	956,458
Loan from the immediate holding company	16	2,368,000	–
Loans from a related company	16	6,733,482	7,490,728
Lease liabilities		–	1,871
Bank and other borrowings		5,814,361	6,957,950
Tax liabilities		456,398	461,608
		45,596,283	34,817,398
Liabilities directly associated with assets classified as held for sale		12,736	–
Total current liabilities		45,609,019	34,817,398
NET CURRENT ASSETS		14,376,502	16,230,911
TOTAL ASSETS LESS CURRENT LIABILITIES		16,164,150	17,124,791

		Unaudited	Audited
		30 June	31 December
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Rental deposits received	14	5,898	7,010
Lease liabilities		–	3,695
Bank and other borrowings		11,687,094	13,277,895
Deferred tax liabilities		459,402	99,150
		<hr/>	<hr/>
Total non-current liabilities		12,152,394	13,387,750
		<hr/>	<hr/>
Net assets		4,011,756	3,737,041
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	2,383,337	2,014,112
Reserves		1,618,517	1,726,522
		<hr/>	<hr/>
		4,001,854	3,740,634
Non-controlling interests		9,902	(3,593)
		<hr/>	<hr/>
Total equity		4,011,756	3,737,041
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL

Zensun Enterprises Limited (referred to as the “Company”) is a public limited liability company incorporated in Hong Kong with its shares listed on Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

2. BASIS OF PREPARATION

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

The interim condensed consolidated financial information for the six months ended 30 June 2020 was approved for issue by the board (the “Board”) of directors of the Company (the “Directors”) on 26 August 2020. The interim condensed consolidated financial information is unaudited, but has been reviewed by the Company’s audit committee (“Audit Committee”).

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company’s auditors have reported on the financial statements for the year ended 31 December 2019. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

3. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of the new and revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The revised HKFRSs did not impact on the Group's interim condensed consolidated financial information.

4. REVENUE AND OPERATING SEGMENT INFORMATION

Unaudited
Six months ended 30 June
2020 2019
RMB'000 **RMB'000**

An analysis of revenue is as follows:

Sale of properties in the PRC	2,104,607	283,982
Project management and sales services in the PRC	83,597	–
Rental income	13,567	14,051
Property management income	28,362	19,748
Dividend income from financial assets at fair value through profit or loss	7,430	8,313
Hotel operations	–	1,796
	<u>2,237,563</u>	<u>327,890</u>

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

- (a) Property development in the PRC
- (b) Project management and sales services in the PRC
- (c) Property investment and management in the United States of America ("USA" or "US") in American Housing REIT, Inc. ("AHR") and property management in the USA provided to Global Medical REIT, Inc. ("GMR")
- (d) Property investment other than AHR
- (e) Securities trading and investment

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

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

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

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

Except for the new reportable operating segment of project management and sales services in the PRC commenced during the six months ended 30 June 2020 and the hotel operations disposed in the second half of 2019, there are no differences from the Group's annual financial statements for the year ended 31 December 2019 on the basis of segmentation or on the basis of measurement of segment profit or loss, segment assets and liabilities.

Segment revenue and segment results

	Unaudited			
	Six months ended 30 June			
	Segment revenue		Segment results	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property development in the PRC	2,104,607	283,982	354,257	30,949
Project management and sales services in the PRC	83,597	–	80,554	–
Property investment and management in the USA in AHR and property management provided to GMR	36,725	28,077	1,474	8,245
Property investment other than AHR	5,204	5,722	(20,260)	2,132
Securities trading and investment	7,430	8,313	(44,230)	50,158
Hotel operations	–	1,796	–	(888)
	2,237,563	327,890	371,795	90,596
Unallocated corporate income			7,394	2,475
Other gains and losses			(4,116)	7,730
Unallocated corporate expenses			(15,249)	(5,887)
Profit before tax			359,824	94,914

Segment assets

	Unaudited	Audited
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Property development in the PRC	60,224,400	49,632,056
Project management and sales services in the PRC	91,656	–
Property investment and management in the USA in AHR and property management provided to GMR	252,595	275,257
Property investment other than AHR	400,369	461,792
Securities trading and investment	306,368	353,946
	61,275,388	50,723,051
Unallocated assets	497,781	1,219,138
	61,773,169	51,942,189

Segment liabilities

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Property development in the PRC	56,404,205	47,138,155
Project management and sales services in the PRC	5,016	–
Property investment and management in the USA in AHR and property management provided to GMR	104,284	110,323
Property investment other than AHR	134,549	136,962
	<hr/>	<hr/>
	56,648,054	47,385,440
Unallocated liabilities	1,113,359	819,708
	<hr/>	<hr/>
	57,761,413	48,205,148
	<hr/>	<hr/>

5. OTHER GAINS AND LOSSES

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
(Decrease)/increase in financial assets at fair value through profit or loss	(51,659)	41,848
(Decrease)/increase in fair value of investment properties	(27,881)	3,034
Exchange (loss)/gain, net	(4,116)	7,730
Impairment loss on accounts receivable and other receivables	–	(33)
	<hr/>	<hr/>
	(83,656)	52,579
	<hr/>	<hr/>

6. FINANCE COSTS

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Interests on bank and other borrowings	774,616	430,513
Interest arising from revenue contracts	428,191	308,877
Less: capitalised in properties under development	(1,150,023)	(732,634)
Interest arising from lease liabilities	194	236
	<hr/>	<hr/>
	52,978	6,992
	<hr/>	<hr/>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.95% to 12.8% (30 June 2019: 5.225% to 10.0%) per annum during the six months ended 30 June 2020.

7. PROFIT BEFORE TAX

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
The Group's profit before tax is arrived at after charging:		
Cost of properties sold	1,623,217	174,691
Cost of services	4,699	4,469
Depreciation of property, plant and equipment	1,338	2,534
Depreciation of right-of-use assets	838	805
The Group's profit before tax is arrived at after crediting:		
Interest income	7,382	11,191
Gross rental income from investment properties	13,567	14,051
Less: direct operating expenses incurred for:		
– investment properties generated rental income	(1,493)	(2,428)
– investment properties that did not generate rental income	(163)	(43)
	<u>(1,656)</u>	<u>(2,471)</u>
	<u>11,911</u>	<u>11,580</u>

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax – charge for the period		
– Hong Kong Profits Tax	–	–
– PRC Corporate Income Tax (“PRC CIT”)	179,796	27,449
– PRC Land Appreciation Tax (“PRC LAT”)	175,078	36,035
– Overseas Corporate Income Tax	–	149
Under provision in prior years		
– Overseas Corporate Income Tax	2,666	45
Deferred tax	<u>357,540</u>	<u>63,678</u>
	<u>(106,802)</u>	<u>(6,251)</u>
Total tax charge for the period	<u>250,738</u>	<u>57,427</u>

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

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

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

9. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

The final dividend in respect of the year ended 31 December 2019 of RMB1.67 cents per ordinary share was declared and approved at the annual general meeting of the Company on 9 June 2020. The final dividend amounting to approximately RMB192,939,000 has been distributed out of the Company's retained earnings and subsequently paid in July 2020.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	<u>108,881</u>	<u>36,997</u>
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>10,532,269</u>	<u>6,176,820</u>

No diluted earnings per share was presented for the six months ended 30 June 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired investment properties and property, plant and equipment of approximately RMB1.7 million (30 June 2019: approximately RMB3.6 million).

In addition, during the six months ended 30 June 2020, the Group disposed of certain investment properties and property, plant and equipment with an aggregate carrying amount of approximately RMB3.3 million (30 June 2019: approximately RMB11.2 million).

12. GOODWILL

The Group's goodwill arose from the acquisition of the entire issued share capital of Xingcheng Holdings Limited which owns five property projects held for sale and under development in Henan Province and is allocated to one cash generating unit, being the Group after the completion of the acquisition during the reporting period.

The amount was provisional as at 30 June 2020 as the Group is in the process of completing valuation to assess the fair values of the identifiable assets acquired and liabilities assumed. The provisional goodwill may be adjusted upon the completion of the initial accounting for the business combination during the measurement period, which shall not exceed one year from the acquisition date.

13. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Accounts receivable	12,845	24,629
Less: impairment	—	—
	12,845	24,629
Prepaid value-added taxes and other taxes	1,375,470	1,146,929
Deposits and prepayments	219,717	486,547
Costs of obtaining contracts	178,294	117,380
Other receivables	693,451	52,738
	2,466,932	1,803,594
Less: impairment	(650)	(650)
	2,466,282	1,802,944
	2,479,127	1,827,573

All accounts receivable were aged less than 3 months (31 December 2019: less than 3 months), based on the revenue recognition date or invoice date.

No provision for impairment of accounts receivable and other receivables was provided during the six months ended 30 June 2020 as the Directors consider that the expected credit loss is insignificant. The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of the above receivables.

14. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Accounts payable	599,321	121,847
Accrued construction costs (<i>note i</i>)	3,047,505	2,485,887
Rental deposits received	7,728	8,285
Retention deposits and payable	104,544	63,874
Real estate and other taxes payable	92,630	109,330
Other payables and accruals	316,947	313,873
Dividends payable (<i>note ii</i>)	192,474	–
	<u>4,361,149</u>	<u>3,103,096</u>
Less: rental deposits received – non-current	<u>(5,898)</u>	<u>(7,010)</u>
	<u>4,355,251</u>	<u>3,096,086</u>

The average credit period of accounts payable ranges from 30 to 90 days (31 December 2019: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Notes:

- (i) Included in accrued construction costs was amounts due to a related company controlled by Ms. Huang together with her spouse of approximately RMB1,136,427,000 (31 December 2019: approximately RMB606,041,000) for its construction work.
- (ii) Dividends payable were in relation to 2019 and subsequently paid in July 2020.

15. AMOUNTS DUE TO RELATED COMPANIES

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

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

16. LOANS FROM THE IMMEDIATE HOLDING COMPANY AND A RELATED COMPANY

The Group has entered into a loan agreement with its immediate holding company, Joy Town Inc. (“Joy Town”), which is ultimately controlled by Ms. Huang, pursuant to which Joy Town has agreed to provide to the Group, upon the Company’s request, unsecured, interest-free loan of RMB2,368,000,000 as financial assistance to the Group in relations to the acquisition of Xingcheng Holdings Limited.

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

Those amounts with Joy Town and Zensun Real Estate were shown under the current liabilities as both Joy Town and Zensun Real Estate had the discretionary rights to demand immediate repayment.

In the opinion of the Directors, the carrying amounts of the loans from Joy Town and Zensun Real Estate approximate to their fair values, respectively, at initial recognition.

17. SHARE CAPITAL

	Number of ordinary shares	Amount RMB'000
Ordinary shares with no par value:		
At 1 January 2019 and 30 June 2019	<u>6,176,819,969</u>	<u>587,529</u>
At 1 January 2020	10,294,699,948	2,014,112
Issue of new ordinary shares	1,235,360,000	375,341
Share issue expenses		<u>(6,116)</u>
At 30 June 2020	<u>11,530,059,948</u>	<u>2,383,337</u>

During the six months ended 30 June 2020, the Company completed the issue of 1,235,360,000 new ordinary shares under general mandate pursuant to the terms of placing agreement at the placing price of HK\$0.33 per share. The new ordinary shares were allotted and issued on 27 May 2020. All the shares issued during the period rank *pari passu* with other shares in issue in all respects.

18. RELATED PARTY TRANSACTIONS

		Unaudited	
		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
<i>Related companies (Note i)</i>	<i>Transactions (Note ii)</i>		
Relevant members of Ever Diamond Global Company Limited (“Ever Diamond”, and collectively, the “Ever Diamond Group”)	Project management and sales service fee income	83,597	–
Relevant members of Henan Zensun Corporate Development Company Limited (“Zensun Development”, and collectively, the “Zensun Development Group”)	Construction costs (capitalised in properties under development)	987,420	990,873
Relevant members of Xingye Wulian Service Group Company Limited (“Xingye Wulian”, and collectively, the “Xingye Wulian Group”)	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	<u>11,997</u>	<u>–</u>

Notes:

- (i) Ever Diamond Group and Zensun Development Group are entities ultimately controlled by Ms. Huang and together with her spouse. Xingye Wulian Group are entities ultimately controlled by Ms. Huang’s daughter.
- (ii) These transactions were based on terms mutually agreed by both parties in individual agreement and constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

During the six months ended 30 June 2020, the Group acquired the entire issued share capital of Xingcheng Holdings Limited, from a related company which was ultimately controlled by Ms. Huang at consideration of RMB2,368,000,000. The acquisition was completed on 12 June 2020.

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

The Group is licensed by Zensun Real Estate to use the trademark of "Zensun" and "正商" on a royalty-free basis until July 2025.

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 13, 14, 15 and 16 of this announcement.

Save as above, no transaction has been entered into with the Directors (being the key management personnel) during the period other than the emoluments paid to them (being key management personnel compensation) (30 June 2019: Nil).

19. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

- (a) In July 2020, the Group acquired land use rights of eight land parcels, respectively, situated in several cities in Henan Province, the PRC including Luoyang City, Nanyang City, Shangqiu City, Dengzhou City, Pingdingshan City, Anyang City and Xinyang City through listing for sale process in its respective public auctions held by the PRC governmental land bureaus for transfer of state-owned land use rights with an aggregate site area of approximately 380,304.31 square meters ("sq. m.") at aggregate consideration of approximately RMB1,728.3 million. These land parcels are designated for residential and/or collectively with commercial usage.
- (b) In July 2020, the Group and Mr. Jeffrey Busch as sellers entered into a stock purchase agreement with Global Medical REIT, Inc., a real estate investment trust in the United States in which the Company had approximately 8.3% equity interests at the date of the stock purchase agreement, as purchaser, pursuant to which the sellers agreed to sell and the purchaser agreed to purchase the entire shareholding of the issued share capital of the Group's subsidiaries, Inter-American Group Holdings, Inc. ("IAGH") and its subsidiary, for a total consideration of approximately US\$17.6 million after adjusted by the closing working capital pursuant to the terms of the stock purchase agreement. As at the date of the stock purchase agreement, the Group owned 85% of the issued share capital of IAGH. The transaction was completed on 9 July 2020 (U.S. time) and IAGH and its subsidiary ceased to be subsidiaries of the Company and their financial results will no longer be consolidated with the accounts of the Company.
- (c) In August 2020 and up to the date of this announcement, the Group acquired land use rights of ten land parcels, respectively, situated in several cities in Henan Province, the PRC including Xinxiang City, Dengfeng City, Zhengzhou City, Luoyang City and Zhoukou City through listing for sale process in its respective public auctions held by the PRC governmental land bureaus for transfer of state-owned land use rights with an aggregate site area of approximately 430,546.12 sq.m. at aggregate consideration of approximately RMB1,587.2 million. These land parcels are designated for residential and/or collectively with commercial usage.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2020 (the “Period”), the Group recorded revenue of approximately RMB2,237.6 million and gross profit of approximately RMB609.6 million, with an increase of approximately 582.4% as compared to revenue of approximately RMB327.9 million and increase of approximately 309.9% as compared to gross profit of approximately RMB148.7 million for the corresponding period of 2019. Revenue and gross profit of both periods were primarily derived from the property development business in the PRC. The substantial growth in revenue and gross profit was arising from the delivery of the Group’s newly completed property development projects in the second quarter of 2020 and the new revenue stream on providing project management and sales services in the PRC. During the Period, the Group’s newly completed two property development projects, namely Zhengzhou Zensun Prosperity Court* (鄭州正商啟盛華庭) and Zhengzhou Zensun Riverview Garden* (鄭州正商濱河銘築). With the delivery of newly completed property development projects, booked gross floor area (“GFA”) of approximately 170,000 square meters (“sq.m.”) were delivered during the Period as compared to approximately 29,000 sq.m. for the corresponding period of 2019, without delivery of newly completed property projects.

The Group had net other losses of approximately RMB83.7 million during the Period, as compared to net other gains of approximately RMB52.6 million for the corresponding period of 2019. The Group’s net other losses during the Period were attributable to the decrease in financial assets at fair value through profit or loss of approximately RMB51.7 million (2019: increase of approximately RMB41.8 million), decrease in fair value of investment properties of approximately RMB27.9 million (2019: increase of approximately RMB3.0 million), and also the net exchange loss of approximately RMB4.1 million (2019: net exchange gain of approximately RMB7.7 million).

The Group’s sales and marketing expenses decreased by approximately 9.9% from approximately RMB37.3 million for the corresponding period of 2019 to approximately RMB33.6 million for the Period. The slight decrease was due to the implementation of precautionary and control measures including the introduction of an online sales platform in property sales activities during the outbreak of COVID-19 in early 2020. The Group’s administrative expenses increased by approximately 21.8% from approximately RMB73.9 million for the corresponding period of 2019 to approximately RMB90.0 million for the Period. Such increase was in line with the Group’s business expansion in the property development business in the PRC which is illustrated by the increasing number of ongoing property development projects during the Period.

The Group’s income tax expenses increased from approximately RMB57.4 million for the corresponding period of 2019 to approximately RMB250.7 million for the Period. The increase on PRC CIT and PRC LAT are results of higher operating profits generated from the newly completed property development projects delivered during the Period in the PRC.

As a result of the foregoing, the Group’s profit attributable to owners of the Company for the Period amounted to approximately RMB108.9 million (2019: approximately RMB37.0 million). The basic earnings per share for the Period was approximately RMB1.03 cents (2019: approximately RMB0.60 cents).

The Board did not recommend the payment of an interim dividend in respect of the Period (2019: Nil). Final dividends of RMB192.9 million in relation to profit attributable to year ended 31 December 2019 have been subsequently paid in July 2020.

BUSINESS REVIEW

Property Development in the PRC

During the Period, the property development business in the PRC contributed revenue of approximately RMB2,104.6 million (2019: approximately RMB284.0 million) and segment profit of approximately RMB354.3 million (2019: approximately RMB30.9 million) to the Group. The increase in segment revenue and segment profit was attributable to the delivery of the Group's two newly completed property development projects namely, Zensun Prosperity Court and Zensun Riverview Garden during the Period. Zhengzhou Zensun Riverview Garden is one of the property projects under development acquired during the Period. The gross profit margin recognised upon delivery during the Period was affected accordingly to reflect its market value in the acquisition transaction.

The Group maintained its concrete expansion strategy and persisted continuing effort to expand its land reserves. During the Period, the Group attended different public auctions with listings for sale processes held by local governmental land bureaus and successfully completed 19 land acquisitions with an aggregate site area of approximately 746,429 sq.m. in the PRC. In addition, during the Period the Group also completed the acquisition from a related company of the entire issued share capital of Xingcheng Holdings Limited ("Xingcheng Holdings"), which owns five property projects held for sale and under development in Henan Province with an aggregate site area of approximately 550,225 sq.m. erected on 12 land parcels.

These newly acquired land parcels during the Period have contributed an aggregate site area of approximately 1.30 million sq.m. and aggregate saleable/leasable GFA of approximately 2.98 million sq.m. in support of its land reserves in the PRC. These successful land acquisitions further complemented the Group's strategy in expanding its business operation with focus on Zhengzhou City, Henan Province and other first and second tier cities in the PRC.

In line with the concrete expansion strategy adopted since 2017, the Group's land resources have been sufficiently accumulated. As at 30 June 2020, the Group had ten completed property projects and/or sub-phases and 41 on-going complex property projects on hand with 104 land parcels under development and planning with an aggregate site area of approximately 4.58 million sq.m. and aggregate estimated GFA of approximately 13.21 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 5.92 million sq.m. and estimated GFA under planning of approximately 3.23 million sq.m.. The Group will adjust its pace of business expansion and project development progress as and when appropriate.

Project management and sales services in the PRC

During the Period, the Group commenced the provision of project management and sales services in the PRC for property projects and recorded revenue of approximately RMB83.6 million (2019: Nil) and segment profit of approximately RMB80.6 million (2019: Nil). The project management and sales services were provided directly to certain property projects under development owned by the related companies and receiving fixed percentage project management fees of the sales price of the total GFA under development and fixed percentage sales services fee of the sales price of the total GFA to be sold during the Period.

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

During the Period, the property investment and management in the USA in AHR and GMR through Inter-American Management, LLC (“IAM”), the 85%-owned REIT management arm of the Group, contributed revenue of approximately RMB36.7 million (2019: approximately RMB28.1 million) and segment profit of approximately RMB1.5 million (2019: approximately RMB8.2 million) to the Group. The increase in segment revenue resulted from the increase in management fee income from the enlarged capital base of GMR through several fund raising campaigns during the second half of 2019 up to the first half of 2020, while segment profit dropped as affected by the decrease in fair value of investment properties during the Period of approximately RMB6.3 million (2019: increase of approximately RMB1.3 million) and the increase in administrative expenses in operating the enlarged capital base of GMR.

Property Investment other than AHR

During the Period, the property investment other than AHR division contributed segment revenue of approximately RMB5.2 million (2019: approximately RMB5.7 million) and segment loss of approximately RMB20.3 million (2019: segment profit of approximately RMB2.1 million) to the Group. The decrease in segment profit was primarily attributable to the decrease in fair value of investment properties during the Period of approximately RMB21.6 million as compared to an increase of approximately RMB1.2 million during the corresponding period of 2019.

Securities Trading and Investment

During the Period, the Group’s securities business recorded segment revenue of approximately RMB7.4 million with segment loss of approximately RMB44.2 million as compared to segment revenue of approximately RMB8.3 million with segment profit of approximately RMB50.2 million for the corresponding period of 2019. The turn around of segment profit into segment loss was stemming from the decrease in financial assets at fair value through profit or loss during the Period of approximately RMB51.7 million (2019: increase of approximately RMB41.8 million). As at the date of this announcement, the financial assets at fair value through profit or loss has been subsequently bounded back to approximately RMB341.0 million following the recovery of the U.S. capital market.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 30 June 2020, the carrying amount of the Group’s total cash and bank balances including pledged deposits and restricted bank balances was approximately RMB4,168.1 million (31 December 2019: approximately RMB4,778.6 million). The total cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars, US dollars, and Singapore dollars.

As at 30 June 2020, 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 RMB424.2 million as at 30 June 2020 (31 December 2019: approximately RMB886.3 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, loan from the immediate holding company, loans from a related company, and amounts due to related companies, net of the aggregate of cash and cash equivalents, restricted bank balances and pledged deposits. The equity attributable to owners of the Company comprised of issued share capital and reserves. As at 30 June 2020, net debt and equity attributable to owners of the Company were approximately RMB26,280.1 million (31 December 2019: approximately RMB23,904.5 million) and approximately RMB4,001.9 million (31 December 2019: approximately RMB3,740.6 million), respectively.

As at 30 June 2020, the Group's aggregate borrowings including bank and other borrowings, loan from the immediate holding company, loans from a related company, and amounts due to related companies amounted to approximately RMB30,448.2 million (31 December 2019: approximately RMB28,683.0 million), of which approximately RMB18,761.1 million (31 December 2019: approximately RMB15,405.1 million) were repayable within one year or on demand, and approximately RMB11,687.1 million (31 December 2019: approximately RMB13,277.9 million) were repayable after one year. The aggregate borrowings were mainly denominated in Renminbi, US dollars, Singapore dollars and Hong Kong dollars.

During the Period, the Company issued senior notes in the principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 March 2022, 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. The senior notes were unsecured but guaranteed by related companies, which are 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.

In addition to the fixed-rate interest for the US\$340 million senior notes of 12.8% per annum and the US\$200 million senior notes of 12.5% per annum, the Group's bank and other borrowings carried fixed interest rates ranging from 4.95% to 11.0% per annum and also various floating interest rates linking up with international lending rates including Hong Kong Interbank Offered Rate, Singapore Dollar Swap Offered Rate, Singapore Interbank Offered Rate, London Interbank Offered Rate, the base lending rate of the People's Bank of China and the Loan Prime Rate in the PRC as at 30 June 2020. The Group's interest rate risk is mainly driven by the bank and other borrowings with floating interest rates. As at 30 June 2020 and 31 December 2019, loan from the immediate holding company, loans from a related company and the amounts due to related companies were interest-free.

As at 30 June 2020, certain bank and financial institutions facilities granted to the Group together with the mortgage loan facilities granted to the property buyers of the Group were secured by certain investment properties, properties under development and pledged deposits with total carrying values of approximately RMB18,846.6 million (31 December 2019: approximately RMB19,987.5 million).

Shares of certain subsidiaries of the Group are pledged to secure certain bank and financial institutions facilities granted to the Group as at 30 June 2020. The Group's senior notes and certain bank and financial institutions facilities to the Group were guaranteed by related companies which are ultimately controlled by Ms. Huang together with her spouse, Mr. Zhang as at 30 June 2020. No assets of the Group was pledged to these related companies in respect of the guarantees.

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

During the Period, the Company entered into the placing agreement with placing agents and agreed to issue by allotment of up to 1,235,363,993 new ordinary shares under the general mandate at the placing price of HK\$0.33 per share. The net proceeds from placing amounting to approximately HK\$401.1 million are intended to be applied towards (i) 90% on repayment of bank and other borrowings which are due during the period ending 31 December 2020; and (ii) 10% on general working capital of the Group. The placing was completed on 27 May 2020 and the Company issued 1,235,360,000 new ordinary share under general mandate pursuant to the terms of the placing agreement, which represented approximately 10.71% of the then issued share capital of the Company as enlarged by the allotment and issuance of the placing shares. As at 30 June 2020, the entire net proceeds from the placing had been fully utilised towards the Group's intended use of proceeds in 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 30 June 2020, the Group recorded a current ratio of approximately 1.3 (31 December 2019: approximately 1.5) and a gearing ratio of approximately 42.5% (31 December 2019: approximately 46.0%). Gearing ratio is defined as the ratio of total borrowings less the aggregate of cash and cash equivalents, restricted bank balances and pledged deposits to total assets.

Capital Commitments

As at 30 June 2020, the capital commitments of the Group in connection with the property development expenditures was approximately RMB14,531.8 million (31 December 2019: approximately RMB11,867.2 million) and acquisition of land use rights was approximately RMB632.7 million (31 December 2019: Nil), respectively.

Contingent Liabilities

As at 30 June 2020, the Group had contingent liabilities relating to guarantees amounting to approximately RMB11,445.7 million (31 December 2019: approximately RMB7,819.6 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 principal together with the accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal titles to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the property buyers; or (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the Directors, no provision for the guarantees was recognised in the financial statements for the Period as the default risk is low.

Foreign Exchange Exposure

The revenues, expenses, assets and liabilities are denominated substantially in Hong Kong dollars, US dollars, Renminbi and Singapore dollars 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 and Singapore dollars through transactions, assets and liabilities should the need arises.

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

- (a) On 12 June 2020, the Group completed the acquisition of the entire issued share capital of Xingcheng Holdings from a related company, which is ultimately controlled by Ms. Huang pursuant to the share purchase agreement dated 31 March 2020. Through the acquisition, the Group acquired the entire issued share capital of Xingcheng Holdings which owns five property development projects held for sale or under development in Zhengzhou City and Luoyang City, Henan Province, the PRC with an aggregate site area of approximately 550,225 sq.m. erected on 12 land parcels at a consideration of RMB2,368,000,000. Details of each land parcel were disclosed in the circular of the Company dated 25 May 2020. The overall portfolio of these property projects included completed properties readily available for sale and properties under development, whereas those under development are expected to be completed gradually in phases during the second quarter of 2020 to the second half of 2023.

(b) During the Period, the Group's indirect wholly-owned subsidiaries acquired land use rights of land parcels in Henan Province through respective public auctions held by various PRC governmental land bureau as stated below:

Acquisition date	City	Designated land usage(s)	Site area (sq.m.) <i>Approximately</i>	Consideration (RMB) <i>Approximately</i>	Expected completion time
21 February 2020	Xinmi	Residential, Underground transport service station site	53,060.26	245,875,838	2nd quarter of 2022
21 February 2020	Xinmi	Residential, Underground transport service station	25,968.97	104,771,292	2nd quarter of 2022
27 March 2020	Weihui	Residential, Commercial	43,964.41	125,130,000	2nd quarter of 2024
23 April 2020	Xinyang	Residential, Commercial	53,763.50	96,731,289	2nd quarter of 2023
27 May 2020	Dengfeng	Residential, Commercial	30,727.46	124,443,000	4th quarter of 2023
28 May 2020	Xingyang	Residential	36,556.81	188,850,000	1st quarter of 2023
28 May 2020	Xingyang	Residential	27,019.58	172,950,000	1st quarter of 2023
1 June 2020	Dengfeng	Residential, Commercial	41,543.06	152,659,500	4th quarter of 2023
8 June 2020	Xinyang	Residential, Commercial	46,434.80	344,267,600	2nd quarter of 2024
24 June 2020	Gongyi	Residential	51,814.82	261,200,000	4th quarter of 2024
28 June 2020	Dengfeng	Residential	66,989.93	226,080,000	4th quarter of 2023
28 June 2020	Dengfeng	Residential	38,170.95	128,835,000	4th quarter of 2023
28 June 2020	Dengfeng	Residential	41,652.29	140,580,000	4th quarter of 2023
29 June 2020	Xinzheng	Residential	1,175.82	10,590,000	3rd quarter of 2024
29 June 2020	Xinzheng	Residential, Underground for parking, supporting and ancillary facilities	23,195.95	101,740,000	3rd quarter of 2024
29 June 2020	Xinzheng	Residential, Underground for parking, supporting and ancillary facilities	33,818.81	148,330,000	3rd quarter of 2024
30 June 2020	Gongyi	Residential	47,283.36	250,800,000	4th quarter of 2024
30 June 2020	Xinyang	Residential, Commercial	43,179.90	97,983,829	3rd quarter of 2023

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

Employee and Remuneration Policy

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance-related bonuses. The Company has continued to receive the three awards for 2019-20 issued by Mandatory Provident Fund Authority, namely, the Good MPF Employer Award in recognition of the Company's compliance with employer's statutory obligations and provision of better retirement protection for employees, the e-Contribution Award and the Support for MPF Management Award which the Company has adopted electronic means for MPF administration, and has striven to encourage employees to actively manage their MPF. Moreover, the Company has also continued to receive an award, the Certificate of the Good Employer Charter, from the Labour Department in recognition of the Company's adoption of an employee-oriented and progressive human resource management practices. These practices can help boost staff morale, enhance employees' sense of belonging and hence lay a solid foundation for business growth. The Company adopted a share option scheme on 28 August 2013 and share options may also be granted to eligible employees of the Group. Total staff costs, including Directors' emoluments during the Period, amounted to approximately RMB51.7 million (30 June 2019: RMB43.5 million).

As at 30 June 2020, the Group had 312 employees.

Outlook and Prospects

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

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

The PRC

During the Period, two property development projects namely, Zhengzhou Zensun Prosperity Court and Zhengzhou Zensun Riverview Garden 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 three to five property development projects will be completed and delivered in the second half of 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 the completion and delivery of the completed properties.

After the outbreak of COVID-19 in early 2020, the Group has implemented a series of preventive and control measures within all of the property development projects and business locations to safeguard the business operations. The Group was not aware of any material adverse effects as a result of the outbreak. With the gradual recovery from the COVID-19 pandemic in the PRC, the Group has proactively attended various public auctions to acquire prime and potential land parcels in the second quarter of 2020. During the Period, the Group completed acquisition of land use rights of 19 land parcels situated in Henan Province through listing for sale process in public auctions held by different PRC governmental land bureau, bringing an aggregate site area of approximately 746,429 sq.m. to the Group's land reserves. These remarkable land acquisition results have built up a strong land reserves for the Group's property development business in the PRC with a strong presence in Henan Province.

The Group further completed the acquisition of the entire issued share capital of Xincheng Holdings, which owns five property projects held for sale and under development with an aggregate site area of approximately 550,225 sq.m., from a related company which is ultimately controlled by Ms. Huang. In addition to the land support for the Group's expansion in property development business in PRC, the acquisition has also brought a synergy effect to the Group by sharing resources, utilising management expertise and allowing the Group to take on larger property development projects in support of further business expansion in the PRC.

The Board continues to be proactive in identifying 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 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 in 2018 with Zensun Development to engage Zensun Development Group for their construction and development services on certain selected property development projects with effective term 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 ending 31 December 2020 was RMB1,534 million.

During the Period, the Group and Xingye Wulian entered into the master property engineering framework agreement and master property management framework agreement to appoint their group members as service providers to provide property engineering services and property management and value-added services to the Group with effective terms commencing from 9 March 2020 and up to 31 December 2022. The annual caps for the transactions under the master property engineering framework agreement with Xingye Wulian Group for the three years ending 31 December 2020, 2021 and 2022 are RMB18.5 million, RMB26.5 million and RMB34.0 million, respectively, and the annual caps for the transactions under the master property management framework agreement with Xingye Wulian Group for the three years ending 31 December 2020, 2021 and 2022 are RMB9.5 million, RMB19.5 million and RMB23.0 million, respectively. These services had been provided by the subsidiaries of Xingye Wulian under the renewed master services agreement with Zensun Development Group prior to the listing of the shares of Xingye Wulian on the Main Board of the Stock Exchange.

Equipped from the existing and continuously growing property development portfolio, the Group possesses the necessary expertise and know-how in preliminary project management and sales services. The Group entered into the management and sales services framework agreement with Ever Diamond Global Company Limited to provide their group members with preliminary project management services and sales services on selected property development projects with effective term commencing from 20 December 2019 and continue up to and including 31 December 2021. The approved annual caps for the transactions with Ever Diamond Group during the year ending 31 December 2020 and 2021 were RMB310 million and RMB200 million, respectively. During the Period, the Group commenced the provision of project management and sales services for certain property projects for Ever Diamond Group. The Group can centrally manage and organise the development, branding and marketing of property development projects of the Group and Ever Diamond Group, which will benefit from reduced competition and synergy between the business of the Group and Ever Diamond Group. The Group shall enhance its knowledge, through the provision of services, so as to seek the prosperous business potential in the market to develop project management and sales services as new driver to the Group's new income and profits source.

Along with the continuous growth land reserves, maintaining sustainable supplier relationship and diversifying new sources of income to the Group, 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, a company controlled by Ms. Huang. 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 the date of this announcement, the Group has approximately 8% equity interest in a NYSE-listed REIT, GMR and 99% equity interest in AHR, both of which was operated and managed by IAGH and its subsidiary, IAM.

GMR has offered to pursue management internalisation pursuant to the terms and conditions on the amended and restated management agreement entered into between the Group and GMR by acquiring the entire shareholding of IAGH and its subsidiary, as recommended by its special committee comprising its independent directors for the best interest of GMR and its stockholder. Subsequent to the Period in July 2020, the Group and Mr. Jeffrey Busch as sellers entered into the stock purchase agreement with GMR as purchaser, and completed the sale of their shareholding in IAGH for a purchase price of US\$17.6 million, after working capital adjustments. Following the sale of IAGH, being the Group's 85%-owned REIT management arm, the Group no longer provide property management services to and receive management fee income from GMR.

1. GMR

During the Period, the Group provided REIT management services and received management fees directly to and from GMR pursuant to the management agreement between the Group and GMR. In the first half of 2020, GMR completed five acquisitions of medical and healthcare facilities, encompassing an aggregate of 441,449 leaseable square feet, for an aggregate contractual purchase price of US\$86.9 million with annualised base rent of US\$7.3 million at a weighted average capitalised rate of 8.4%. In connection with its acquisition business strategy, GMR raised US\$14.2 million through at-the-market equity issuance activities. It is expected that with GMR's continual business plan, GMR would be able to further increase its capital base which in return 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. Following the sale of IAGH, being the Group's 85%-owned REIT management arm, the Group operates and manages AHR's property investment with internal resources.

Other operations

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

Overall

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

CHANGES SINCE 31 DECEMBER 2019

Save as disclosed in this announcement, there were no other significant changes in the Group's financial position or from the information disclosed under the management discussion and analysis section in the Company's 2019 Annual Report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

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

ACKNOWLEDGEMENT

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

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

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

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

Hong Kong, 26 August 2020

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

* *For identification purpose only*