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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Revenue for the Year amounted to approximately RMB8,069.1 million, representing a decrease of approximately 9.2% compared with 2019.
- Gross profit for the Year amounted to approximately RMB1,746.3 million, representing a decrease of approximately 23.6% compared with 2019. The gross profit margin for the Year was 21.6%.
- Profit attributable to owners of the Company for the Year amounted to approximately RMB783.0 million, representing a decrease of approximately 32.0% compared with 2019.
- Basic earnings per share for the Year was RMB7.04 cents, as compared with RMB14.87 cents for 2019.
- The Board recommends a final dividend of RMB0.81 cents per share.

RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Zensun Enterprises Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 together with the comparative figures for the corresponding period in 2019 as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>NOTES</i>	2020 RMB'000	2019 <i>RMB'000</i>
REVENUE	3	8,069,061	8,887,186
Cost of sales		<u>(6,322,783)</u>	<u>(6,600,707)</u>
Gross profit		1,746,278	2,286,479
Other income	4	27,520	9,678
Other gains and losses, net	4	(86,030)	109,086
Administrative expenses		(205,198)	(166,817)
Sales and marketing expenses		(181,012)	(162,428)
Finance costs	5	<u>(79,686)</u>	<u>(38,221)</u>
Profit before tax	6	1,221,872	2,037,777
Income tax expense	7	<u>(443,499)</u>	<u>(886,319)</u>
PROFIT FOR THE YEAR		<u>778,373</u>	<u>1,151,458</u>
Attributable to:			
Owners of the Company		782,988	1,151,571
Non-controlling interests		<u>(4,615)</u>	<u>(113)</u>
		<u>778,373</u>	<u>1,151,458</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB cents)	9	7.04	14.87
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	RMB'000	RMB'000
PROFIT FOR THE YEAR	778,373	1,151,458
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods :</i>		
Exchange difference on translation of foreign operations	225,325	33,359
Reclassification adjustments of exchange reserve for subsidiaries disposed of	4,634	129
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	229,959	33,488
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,008,332	1,184,946
	<hr/>	<hr/>
Attributable to:		
Owners of the Company	1,012,967	1,185,486
Non-controlling interests	(4,635)	(540)
	<hr/>	<hr/>
	1,008,332	1,184,946
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

		31 December	31 December
		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	47,322	17,711
Investment properties	<i>10</i>	552,154	654,244
Right-of-use assets		–	5,246
Goodwill		424,722	–
Intangible assets		199,000	–
Deferred tax assets		324,652	194,154
Pledged deposits		27,935	22,525
		<hr/>	<hr/>
Total non-current assets		1,575,785	893,880
CURRENT ASSETS			
Completed properties held for sale		6,791,108	3,824,960
Properties under development		48,446,684	38,367,480
Deposits and prepayments paid for land acquisitions		2,646,093	1,198,992
Accounts receivable, other receivables and other assets	<i>11</i>	2,113,132	1,827,573
Financial assets at fair value through profit or loss		321,590	349,876
Prepaid income tax and tax recoverable		1,060,382	723,402
Pledged deposits		330,336	863,804
Restricted bank balances		648,635	691,992
Cash and cash equivalents		3,218,611	3,200,230
		<hr/>	<hr/>
Total current assets		65,576,571	51,048,309
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	<i>12</i>	7,299,395	3,096,086
Contract liabilities		23,379,862	15,852,697
Amounts due to related companies	<i>13</i>	4,100,961	956,458
Loans from a related company	<i>14</i>	8,374,973	7,490,728
Lease liabilities		–	1,871
Bank and other borrowings		6,351,627	6,957,950
Tax liabilities		509,833	461,608
		<hr/>	<hr/>
Total current liabilities		50,016,651	34,817,398
		<hr/>	<hr/>
NET CURRENT ASSETS		15,559,920	16,230,911
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,135,705	17,124,791
		<hr/>	<hr/>

		31 December 2020	31 December 2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Rental deposits received	12	4,866	7,010
Lease liabilities		–	3,695
Bank and other borrowings		8,784,298	13,277,895
Deferred tax liabilities		457,726	99,150
		<u>9,246,890</u>	<u>13,387,750</u>
Total non-current liabilities		9,246,890	13,387,750
Net assets		7,888,815	3,737,041
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	5,326,923	2,014,112
Reserves		2,547,007	1,726,522
		<u>7,873,930</u>	<u>3,740,634</u>
Non-controlling interests		14,885	(3,593)
		<u>7,888,815</u>	<u>3,737,041</u>
Total equity		7,888,815	3,737,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

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

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

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

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

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>
Amendments to HKFRS 16	<i>Covid-19 Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

3. REVENUE AND OPERATING SEGMENT INFORMATION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
An analysis of revenue is as follows:		
<i>Revenue from contracts with customers</i>		
Sales of properties in the PRC	7,877,160	8,795,966
Project management and sales services in the PRC	123,516	–
Property management services in the United States of America (the “USA” or “U.S.”)	27,742	43,252
Hotel operations	–	3,077
	<u>8,028,418</u>	<u>8,842,295</u>
<i>Revenue from other sources</i>		
Gross rental income from investment properties	26,039	29,035
Dividend income from financial assets at fair value through profit or loss	14,604	15,856
	<u>8,069,061</u>	<u>8,887,186</u>

Set out below is the disaggregation of the Group’s revenue from contracts with customers for the year ended 31 December 2020 and 2019:

	Sales of properties in the PRC <i>RMB'000</i>	Project management and sales services in the PRC <i>RMB'000</i>	Property management services in the USA <i>RMB'000</i>	Total <i>RMB'000</i>
<u>For the year ended 31 December 2020</u>				
Type of goods or services and geographical markets				
Sale of properties in the PRC	7,877,160	–	–	7,877,160
Project management and sales services in the PRC	–	123,516	–	123,516
Property management services in the USA	–	–	27,742	27,742
	<u>7,877,160</u>	<u>123,516</u>	<u>27,742</u>	<u>8,028,418</u>
Timing of revenue recognition				
Goods transferred at a point in time	7,877,160	–	–	7,877,160
Services transferred over time	–	123,516	27,742	151,258
	<u>7,877,160</u>	<u>123,516</u>	<u>27,742</u>	<u>8,028,418</u>
Total revenue from contracts with customers	<u>7,877,160</u>	<u>123,516</u>	<u>27,742</u>	<u>8,028,418</u>

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

Following the disposal of a subsidiary engaging the property management business in the USA during the Year, the Group no longer provided property management services to and received management fee income from GMR.

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

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

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

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

Segment revenue and results

	Segment revenue		Segment results	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Property development in the PRC	7,877,160	8,795,966	1,033,298	1,907,343
Project management and sales services in the PRC	123,516	–	117,614	–
Property investment and management on AHR and property management provided to GMR in the USA	44,070	59,947	111,556	18,031
Property investment other than AHR	9,711	12,340	(27,291)	1,788
Securities trading and investment	14,604	15,856	7,934	128,578
Hotel operations	–	3,077	–	(7,920)
	8,069,061	8,887,186	1,243,111	2,047,820
Unallocated corporate income			738	8,370
Other gains and losses			1,047	1,703
Unallocated corporate expenses			(23,024)	(20,116)
Profit before tax			1,221,872	2,037,777

Segment assets

	2020 RMB'000	2019 RMB'000
Property development in the PRC	65,699,030	49,632,056
Project management and sales services in the PRC	125,026	–
Property investment and management on AHR and property management provided to GMR in the USA	210,755	275,257
Property investment other than AHR	375,026	461,792
Securities trading and investment	325,098	353,946
Unallocated assets	66,734,935	50,723,051
	417,421	1,219,138
	67,152,356	51,942,189

Segment liabilities

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Property development in the PRC	58,081,282	47,138,155
Project management and sales services in the PRC	2,395	–
Property investment and management on AHR and property management provided to GMR in the USA	82,514	110,323
Property investment other than AHR	126,071	136,962
	<hr/>	<hr/>
	58,292,262	47,385,440
Unallocated liabilities	971,279	819,708
	<hr/>	<hr/>
	59,263,541	48,205,148

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

An analysis of other income is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income	20,438	7,980
Government grants	820	1,285
Others	6,262	413
	<hr/>	<hr/>
	27,520	9,678

An analysis of other gains and losses, net is as follows:

Fair value (loss)/gain on investment properties	(33,511)	2,250
Fair value (loss)/gain on financial assets at fair value through profit or loss	(6,669)	112,726
Exchange gains	4,596	1,703
Write-down of properties under development to net realisable value	(150,000)	–
Impairment loss on accounts receivable and other receivables	–	(777)
Loss on disposal of property, plant and equipment	–	(1)
Gain/(loss) on disposal of a subsidiary	99,554	(6,815)
	<hr/>	<hr/>
	(86,030)	109,086

5. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank and other borrowings	1,563,416	1,019,398
Interest arising from revenue contracts	944,468	776,557
Less: capitalised in properties under development	(2,428,388)	(1,758,191)
Interest on lease liabilities	190	457
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	79,686	38,221

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.568% to 12.80% (2019: 4.568% to 12.80%) per annum during the Year.

6. PROFIT BEFORE TAX

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The Group's profit before tax is arrived at after charging:		
Cost of properties sold	6,313,705	6,593,030
Cost of services provided	5,902	7,677
Total employee benefit expenses		
Directors' emoluments	1,052	1,140
Other staff:		
Salaries and other benefits	86,410	71,761
Retirement benefit scheme contributions	9,610	8,141
	97,072	81,042
Less: capitalised in properties under development	(19,592)	(11,979)
	<u>77,480</u>	<u>69,063</u>
Auditor's remuneration	1,700	1,700
Depreciation of property, plant and equipment	2,388	3,489
Depreciation of right-of-use assets	819	1,641
Lease payments not included in the measurement of lease liabilities	5,866	5,081
The Group's profit before tax is arrived at after crediting:		
Interest income	20,438	7,980
Gross rental income from investment properties	26,039	29,035
Less: direct operating expenses incurred for:		
– investment properties generated rental income	(2,890)	(4,497)
– investment properties that did not generate rental income	(286)	(117)
	(3,176)	(4,614)
	<u>22,863</u>	<u>24,421</u>

7. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax – charge for the year		
– Hong Kong Profits Tax	–	–
– PRC Corporate Income Tax (“PRC CIT”)	425,139	516,123
– PRC Land Appreciation Tax (“PRC LAT”)	185,488	402,978
– Overseas Corporate Income Tax	273	3,061
Under provision in prior years	2,607	143
	613,507	922,305
Deferred tax	(170,008)	(35,986)
Total tax charge for the year	<u>443,499</u>	<u>886,319</u>

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

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

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

The subsidiaries in the USA are generally subject to Federal Income Tax rate at 21% (2019: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the year ended 31 December 2020. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

8. DIVIDENDS

The Board recommends the payment of a dividend in respect of the Year of RMB0.81 cents per share, amounting to a total dividend of approximately RMB154,984,000. Such dividend is subject to the approval by the shareholders at the forthcoming annual general meeting. These consolidated financial statements did not reflect this dividend payable.

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB0.81 cents (2019: RMB1.67 cents) per share	154,984	192,474

The final dividend in respect of the year ended 31 December 2019 of RMB1.67 cents per share was declared and approved at the annual general meeting of the Company held on 9 June 2020. The 2019 final dividend amounting to approximately RMB192,474,000 has been distributed out of the Company's retained earnings and paid in July 2020.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNER OF THE COMPANY

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	<u>782,988</u>	<u>1,151,571</u>
	<i>'000</i>	<i>'000</i>

Shares

Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>11,125,477</u>	<u>7,744,999</u>
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No diluted earnings per share were presented for the years ended 31 December 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these years.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group acquired property, plant and equipment of approximately RMB4.8 million (2019: approximately RMB6.3 million).

During the Year, the Group disposed of certain investment properties and property, plant and equipment with an aggregate carrying amount of approximately RMB5.5 million (2019: approximately RMB20.3 million).

11. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Accounts receivable	14,204	24,629
Less: Impairment	<u>—</u>	<u>—</u>
	14,204	24,629
Prepaid value-added taxes and other taxes	1,566,028	1,146,929
Deposits and prepayments	220,941	486,547
Costs for obtaining contracts	203,346	117,380
Other receivables	<u>109,263</u>	<u>52,738</u>
	2,099,578	1,803,594
Less: Impairment	<u>(650)</u>	<u>(650)</u>
	<u>2,098,928</u>	<u>1,802,944</u>
Accounts receivable, other receivables and other assets	<u>2,113,132</u>	<u>1,827,573</u>

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

Receivable arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. All accounts receivable were aged less than 3 months (2019: less than 3 months) as at the end of the reporting period, based on the revenue recognition date or invoice date.

No provision for impairment of accounts receivable was provided for as at 31 December 2020 and 2019 as the Directors consider that the expected credit loss is insignificant.

12. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Accounts and bills payable	494,346	121,847
Accrued construction costs (<i>Note</i>)	6,221,656	2,485,887
Rental deposits received	5,749	8,285
Retention deposits and payable	109,498	63,874
Real estate and other taxes payable	47,428	109,330
Other payables and accruals	425,584	313,873
	<u>7,304,261</u>	<u>3,103,096</u>
Less: Rental deposits received – non-current	<u>(4,866)</u>	<u>(7,010)</u>
	<u>7,299,395</u>	<u>3,096,086</u>

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

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang") of approximately RMB1,227,889,000 (2019: approximately RMB606,041,000) for its construction work.

13. AMOUNTS DUE TO RELATED COMPANIES

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

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

14. LOANS FROM A RELATED PARTY

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

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

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

15. SHARE CAPITAL

	Number of ordinary shares in issue	Amount RMB'000
Ordinary shares with no par value:		
At 1 January 2019	6,176,819,969	587,529
Issue of new ordinary shares	4,117,879,979	1,428,031
Share issue expenses	–	(1,448)
	<hr/>	<hr/>
At 31 December 2019 and 1 January 2020	10,294,699,948	2,014,112
Issues of new ordinary shares (<i>Note</i>)	8,839,166,750	3,322,546
Share issue expenses	–	(9,735)
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At 31 December 2020	<u>19,133,866,698</u>	<u>5,326,923</u>

Note:

During the Year, the Company completed (i) the issue of 1,235,360,000 new ordinary shares under general mandate pursuant to the terms of placing agreement dated 8 May 2020 at the placing price of HK\$0.33 per placing share with the gross proceeds received in cash in the amount of approximately HK\$407.7 million (equivalent to approximately RMB375,341,000) in May 2020; and (ii) the issue of 1,526,090,000 new ordinary shares under general mandate pursuant to the terms of placing agreement dated 24 November 2020 at the placing price of HK\$0.46 per placing share with the gross proceeds received in cash in the amount of approximately HK\$702.0 million (equivalent to approximately RMB591,506,000) in December 2020. These new ordinary shares were allotted and issued on 27 May 2020 and 18 December 2020, respectively.

During the Year, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 6,077,716,750 new ordinary shares under specific mandate at the subscription price of HK\$0.46 per subscription share and the aggregate subscription price in the amount of approximately HK\$2,795.7 million (equivalent to approximately RMB2,355,699,000) was settled by way of capitalisation of the entire outstanding shareholder's loan. The new ordinary shares were allotted and issued on 30 December 2020.

All the shares issued during the Year rank *pari passu* with other shares in issue in all respects.

16. COMMITMENTS

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

	2020 RMB'000	2019 RMB'000
Contracted, but not provided in respect of:		
Acquisitions of land use rights	549,497	–
Property development expenditures	12,344,501	11,867,163
	<hr/>	<hr/>
	<u>12,893,998</u>	<u>11,867,163</u>

17. RELATED PARTY TRANSACTIONS

		2020 RMB'000	2019 RMB'000
<i>Related companies (Note i)</i>	<i>Transactions (Note ii)</i>		
Relevant members of Ever Diamond Global Company Limited (“Ever Diamond”) together with its subsidiaries (collectively, the “Ever Diamond Group”)	Project management and sales service fee income	123,516	–
Relevant members of Henan Zensun Corporate Development Company Limited* (河南正商企業發展集團有限責任公司) (“Zensun Development”) together with its subsidiaries (collectively, the “Zensun Development Group”)	Construction costs (capitalised in properties under development)	1,532,739	2,052,500
Relevant members of Xingye Wulian Service Group Company Limited (“Xingye Wulian”) together with its subsidiaries (collectively, the “Xingye Wulian Group”)	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	<u>27,035</u>	<u>–</u>

Notes:

- (i) Ever Diamond Group are entities ultimately controlled by Ms. Huang. Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by Ms. Huang’s daughter, Ms. Zhang.
- (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 Year, 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 Company has entered into a loan agreement with the controlling shareholder, Joy Town Inc., which is ultimately controlled by Ms. Huang, to provide unsecured, interest-free loan of RMB2,368,000,000 as financial assistance to the Group to finance the acquisition.

During the Year, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 6,077,716,750 new ordinary shares under specific mandate at the subscription price of HK\$0.46 per subscription share and the aggregate subscription price was settled by way of capitalisation of the entire shareholder’s loan. The ordinary shares were allotted and issued and the shareholder’s loan was capitalised on 30 December 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, Mr. Zhang and her daughter, Ms. Zhang. 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 12, 13, 14, and 15 of this announcement.

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

18. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 18 March 2021, the Group acquired land use rights of a land parcel located in Yuanyang County, Henan Province, the PRC through listing for sale process in a public auction held by Yuanyang County Natural Resources Bureau* (原陽縣自然資源局) for transfer of state-owned land use rights with site area of approximately 51,292.68 square meters at a consideration of RMB100,020,800. The land parcel was designated for residential usage with term of use of 70 years and commercial usage with term of 40 years. The handover of the land parcel is expected to be completed respectively no later than the second quarter of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS AND DIVIDEND

For the year ended 31 December 2020 (the “Year”), the Group recorded a revenue of approximately RMB8,069.1 million and gross profit of approximately RMB1,746.3 million, with a decrease of approximately 9.2% as compared to revenue of approximately RMB8,887.2 million and decrease of approximately 23.6% as compared to gross profit of approximately RMB2,286.5 million for the corresponding period of 2019. The revenue and gross profit in the Year were primarily derived from the property development business in the PRC. The decrease in revenue and gross profit was mainly attributable to delays in development progress and the delivery of certain property projects caused by the outbreak of COVID-19 pandemic. During the Year, the Group delivered approximately 743,000 square meters (“sq.m.”) booked saleable/leasable gross floor area (“GFA”) as compared to that of approximately 542,000 sq.m. for the corresponding period of 2019. Though there was an overall increase in the booked GFA due to the property projects newly completed during the Year, the national regulatory control measures (including home purchase restriction and price restriction policies) imposed on the real estate sector led to decrease in sales volume and selling price of properties in the PRC and increased pressure on gross profit for certain properties delivered. In addition, due to delays in development progress and the delivery of certain property projects caused by the outbreak of COVID-19 pandemic, the recognition of advanced proceeds of certain property projects as revenue had to be deferred. During the Year, the Group expanded its new revenue stream in providing preliminary project management and sales services in the PRC which brought an increase of revenue of approximately RMB123.5 million (2019: Nil) which partially offset the decrease in revenue from sales of properties in the PRC.

The Group had other income of approximately RMB27.5 million during the Year, with increase of approximately 184.4% as compared to approximately RMB9.7 million in the corresponding period of 2019. It was primarily attributable to the increase in interest income to approximately RMB20.4 million during the Year from approximately RMB8.0 million in 2019.

The Group had net other losses of approximately RMB86.0 million during the Year, as compared to net other gains for the corresponding period of 2019 of approximately RMB109.1 million. The Group’s net other losses during the Year comprised a combined effect of (i) fair value loss on investment properties of approximately RMB33.5 million (2019: fair value gain of approximately RMB2.3 million); (ii) fair value loss on financial assets at fair value through profit or loss of approximately RMB6.7 million (2019: fair value gain of approximately RMB112.7 million); (iii) write-down of properties under development of approximately RMB150.0 million (2019: Nil); and (iv) offset with the net gain on disposal of a subsidiary of approximately RMB99.6 million (2019: net loss of approximately RMB6.8 million) during the Year.

The Group's sales and marketing expenses increased by approximately 11.4% from approximately RMB162.4 million for the corresponding period of 2019 to approximately RMB181.0 million for the Year. The Group's administrative expenditure increased by approximately 23.0% from approximately RMB166.8 million for the corresponding period of 2019 to approximately RMB205.2 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 an increasing of the Group's property development projects.

The Group's finance costs increased from approximately RMB38.2 million for the corresponding period of 2019 to approximately RMB79.7 million for the Year. The increase was attributed to interest arising from revenue contracts which are not eligible for capitalisation to properties under development.

The Group's income tax expenses decreased from approximately RMB886.3 million for the corresponding period of 2019 to approximately RMB443.5 million for the Year. The decrease was consistent with the decrease in PRC CIT and PRC LAT due to the decrease in operating profits 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 RMB783.0 million (2019: approximately RMB1,151.6 million).

The basic earnings per share for the Year was RMB7.04 cents (2019: RMB14.87 cents) which was resulted from the decrease in profit attributable to owners of the Company and the issue of ordinary shares during the Year.

The Board recommends the payment of a dividend in respect of the Year of RMB0.81 cents (2019: RMB1.67 cents) per share, amounting to a total dividend of approximately RMB155.0 million (2019: RMB192.5 million).

BUSINESS REVIEW

Property Development in the PRC

During the Year, the property development business in the PRC contributed revenue of approximately RMB7,877.2 million (2019: approximately RMB8,796.0 million) and segment profit of approximately RMB1,033.3 million (2019: approximately RMB1,907.3 million) to the Group. During the Year, there were 11 property projects newly completed by phases/sub-phases and delivered to the property owners, namely, Zhengzhou Zensun Prosperity Court* (鄭州正商啟盛華庭), Zhengzhou Zensun Riverview Garden* (鄭州正商濱河銘築), Zhengzhou Zensun Voyage Mansion* (鄭州正商匯航銘築), Zhengzhou Zensun River Valley Phase II* (鄭州正商河峪洲二期), Zhengzhou Zensun Longshuishangjing* (鄭州正商瓏水上境), Zhengzhou Zensun Princess Lake Phase III* (鄭州正商公主湖三期環湖溪岸), Dengfeng Zensun City (He, Xiang, Yu Garden)* (登封正商城和園、祥園、裕園), Xuchang Zensun Scholar Mansion* (許昌正商書香華府), and Xinxiang Zensun Smart City (Rong Garden)* (新鄉正商智慧新城榕園). Together with our existing completed property projects, there were approximately 743,000 sq.m. booked GFA delivered and recognised into the revenue during the Year as compared to four newly completed property projects during 2019 with approximately 542,000 sq.m. booked GFA delivered and recognised.

Among the property project portfolio delivered during the Year, approximately 432,000 sq.m. of booked saleable/leasable GFA were not located in the core city area within Zhengzhou City and their average selling price were relatively lower than the property project portfolio delivered in 2019 which were mostly located within the core city area within Zhengzhou City. Subject to the national regulatory control measures (including home purchase restriction and price restriction policies) imposed on the real estate sector, selling price of certain property projects especially those not located within the core city area within Zhengzhou City were suppressed and resulted in a lower gross profit as compared to those property projects delivered in 2019. As a result of the national regulatory control measures causing selling price of the certain property projects to be lower than expected, write down of property under development of approximately RMB150.0 million was provided during the Year.

The Group maintained its concrete expansion strategy and persisted continuing effort to expand its land reserves through listing for sale processes in public auctions and merger and acquisitions. During the Year, the Group acquired 47 land parcels with an aggregate site area of approximately 1.87 million sq.m. in the PRC through listing for sales processes held by local governmental land bureaus and other merger acquisitions. In addition, through the acquisition of entire issued share capital of Xingcheng Holdings Limited (“Xingcheng Holdings”) which owns property development projects, from a related company, the Group acquired 12 land parcels with aggregate site area of approximately 550,225 sq.m during the Year.

These 59 newly acquired land parcels during the Year have contributed an aggregate site area of approximately 2.42 million sq.m. and aggregate saleable/leasable GFA of approximately 5.20 million sq.m. (estimated based on maximum permitted plot ratio) in support of its land reserves in the PRC at aggregate consideration of approximately RMB10,584.8 million. 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 selective first and second tier cities in the PRC.

The Group has accumulated its land reserves in line with the concrete expansion strategy adopted since 2017. As at 31 December 2020, the Group had 19 completed property projects and/or sub-phases and 44 on-going complex property projects on hand with 122 land parcels under development and planning constituting the Group’s land reserves with an aggregate site area of approximately 5.19 million sq.m. and aggregate estimated GFA of approximately 10.52 million sq.m. in the PRC. In return, the land reserves will bring to the Group an estimated saleable/leasable GFA under development of approximately 6.26 million sq.m. and estimated GFA under planning of approximately 4.26 million sq.m., which is sufficient for the Group’s development needs for the next three to four years. The Group will remain proactive in reviewing its pace of business expansion, and may adjust its project development plans and schedules in response to changing market conditions, as and when appropriate.

Project management and sales services in the PRC

During the Year, the Group commenced the provision of preliminary project management and sales services in the PRC for property projects and recorded revenue of approximately RMB123.5 million (2019: Nil) and segment profit of approximately RMB117.6 million (2019: Nil). The preliminary project management and sales services were provided directly to certain property projects under development owned by related companies and the Group received 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 Year. Since the Group centrally manage and organise the development, branding and marketing of the property development projects of the Group and related companies as a whole, the Group benefitted from synergy effect with the existing business of the Group which resulted in a high profit margin for these services.

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

During the Year, the property investment in AHR and property management services to AHR and GMR in the USA of the Group, contributed revenue of approximately RMB44.1 million (2019: approximately RMB60.0 million) and segment profit of approximately RMB111.6 million (2019: approximately RMB18.0 million) to the Group. The segment revenue mainly derived from management fee income for management services provided to GMR.

During the Year, the Group provided property management services to GMR and AHR through Inter-American Management LLC (“IAM”), the previously 85%-owned REIT management arm of the Group. In the second half of the Year, in pursuit of the internalisation of its management, GMR terminated the amended and restated management agreement entered into between the Group and GMR and acquired the entire shareholding of Inter-American Group Holdings, Inc. (“IAGH”) and its subsidiary, IAM. As such, the Company and Mr. Jeffrey Busch (who held 15% of IAGH) as sellers entered into the stock purchase agreement with GMR as purchaser, and completed the sale of their shareholding in the IAGH in July 2020 at an aggregate purchase price of US\$17.6 million, after working capital adjustments. Following the abovementioned sale of IAGH, the Group recorded a net gain of approximately RMB99.6 million where constituting substantial of the segment profit and no longer provided property management services to and received management fee income from GMR in the second half of the Year. After the sale the Group continued to operate and manage AHR’s property investment through internal resources.

The decrease in segment revenue was led by the termination of the property management services provided by our Group to GMR since July 2020 as a result of the sale of IAGH.

Property Investment other than AHR

During the Year, the property investment in other regions other than AHR division contributed segment revenue of approximately RMB9.7 million (2019: approximately RMB12.3 million) and recorded segment loss of approximately RMB27.3 million (2019: segment gain of approximately RMB1.8 million) to the Group. The decrease in segment profit was a result of the larger extent of fair value loss of investment properties during the Year of approximately RMB28.9 million as compared to fair value loss of investment properties of approximately RMB1.1 million for the corresponding period of 2019. The fair value of the investment properties was highly sensitive to the economic downturn as affected by the COVID-19 pandemic.

Securities Trading and Investment

During the Year, the Group's securities business recorded segment revenue of approximately RMB14.6 million with segment profit of RMB7.9 million as compared to segment revenue of approximately RMB15.9 million with segment profit of approximately RMB128.6 million for the corresponding period of 2019. The decrease in segment profit was primarily resulted from the fair value loss on financial assets at fair value through profit or loss during the Year of approximately RMB6.7 million (2019: fair value gain of approximately RMB112.7 million).

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

During the initial outbreak of COVID-19 in early 2020, construction works for real estate projects were mandatorily suspended pursuant to the local government order for two months in order to prevent and control the epidemic. Construction works were ordered to resume work in mid-March 2020. Due to the temporary suspension of construction works, the development and delivery progress of certain projects were affected and delayed. During the Year, three out of eleven newly completed projects were completed and delivered in sub-phases, with the remaining projects involving approximately 327,000 sq.m. under development and its delivery schedule being delayed, leading to revenue recognition being deferred to 2021. Given that there has been no further suspension of works ordered by the local government, as at the date of this announcement, our Directors do not anticipate any further delays in the delivery schedule of property under development. Further, the Group has closely communicated with various construction contractors in order to monitor the development progress and adjust the development pace from time to time where appropriate. The Group continues to monitor and comply with all requirements imposed by the government during the course of property development and will make adjustments to its development and delivery schedule where appropriate and necessary.

The Group has adopted a series of necessary measures in response to the government precautionary measures as a result of the outbreak of COVID-19. The Group developed an online sales platform to maintain the sales of properties through online application in case the sales centers were required to close by government order.

In addition, COVID-19 has adversely affected the macroeconomic especially the property market across the world. It has further affected the valuation of the investment properties held by the Group resulting a turnabout fair value loss of approximately RMB33.5 million for the Year as compared to the fair value gain of approximately RMB2.3 million for the corresponding period of 2019. The Group will regularly review the performance of the property market.

The Group maintained healthy liquidity financial position with cash and cash equivalents of approximately RMB3,218.6 million, current ratio of approximately 1.3 and gearing ratio at 34.8% as at 31 December 2020. Therefore, in the unlikely event that the operation of our Group is temporarily suspended, our Group has sufficient working capital to satisfy the Group's operations.

Save for the above, the Group was not aware of other risks or uncertainties which will have material effects on the operations, financial performance and the financial position of the Group. The Group will continue to closely monitor the development of the COVID-19 pandemic, evaluate its impact on the operations and financial position of the Group and adopt necessary measures and adjustments to business plans to manage the impact of the COVID-19 pandemic from time to time.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 31 December 2020, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances were approximately RMB4,225.5 million (2019: approximately RMB4,778.6 million), representing a decrease of approximately 11.6%. The total cash and bank balances were mainly denominated in RMB, Hong Kong Dollar ("HKD"), US Dollar ("USD"), and Singapore Dollar ("SGD").

As at 31 December 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 RMB358.3 million as at 31 December 2020 (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, 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 2020, net debt and equity attributable to owners of the Company were approximately RMB23,386.3 million (2019: approximately RMB23,904.5 million) and approximately RMB7,873.9 million (2019: approximately RMB3,740.6 million), respectively.

As at 31 December 2020, the Group's aggregate borrowings including bank and other borrowings, loans from a related company and amounts due to related companies amounted to approximately RMB27,611.9 million (2019: approximately RMB28,683.0 million), of which approximately RMB18,827.6 million (2019: approximately RMB15,405.1 million) were repayable within one year or on demand, and approximately RMB8,784.3 million (2019: approximately RMB13,277.9 million) were repayable after one year. The aggregate borrowings were mainly denominated in RMB, USD and SGD.

The Group's bank and other borrowings comprised of listed senior notes and bank and financial institutions facilities. During the Year, 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 and certain subsidiaries of the Company. The Group will adjust its business plans in response to changing market conditions and allocate the use of the net proceeds efficiently.

In addition to the fixed-rate interest for the US\$340 million senior notes issued in the fourth quarter of 2019 of 12.8% per annum and the US\$200 million senior notes of 12.5% per annum issued during the Year, the Group's bank and other borrowings carried fixed interest rates ranging from 4.568% to 11.0% per annum and also various floating interest rates linked with international lending rates including 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 2020. The Group's interest rate risk is mainly driven by the bank and other borrowings with floating interest rates.

As at 31 December 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 investment properties, properties under development and pledged deposits with total carrying values of approximately RMB17,443.9 million (2019: 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 31 December 2020. Aside from the Group's senior notes, certain bank and financial institutions facilities to the Group were also guaranteed by related companies which are ultimately controlled by Ms. Huang, together with her spouse, Mr. Zhang and her daughter, Ms. Zhang as at 31 December 2020. No assets of the Group was pledged to these related companies in respect of these guarantees.

As at 31 December 2020, loans from a related company and the amounts due to related companies were unsecured and interest-free.

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

During the Year, the Company successfully completed two separate share placing exercises in May and December 2020, respectively. The Company entered into a placing agreement dated 8 May 2020 with the 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 placing share. The net proceeds from placing amounting to approximately HK\$401.1 million were intended to be applied towards (i) 90% on repayment of bank and other borrowings which were 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 shares under the general mandate pursuant to the terms of the placing agreement. As at 31 December 2020, the entire net proceeds from the placing had been fully utilised towards the Group's intended use of proceeds.

The Company entered into the placing agreement dated 24 November 2020 with the placing agent and agreed to issue by allotment of up to 1,526,090,000 new ordinary shares under the general mandate at the placing price of HK\$0.46 per placing share. The net proceeds from placing amounting to approximately HK\$698.9 million were intended to be applied towards (i) 90% on repayment of bank and other borrowings which were due on or before 31 December 2021; and (ii) 10% on general working capital of the Group. The placing was completed on 18 December 2020 and the Company issued 1,526,090,000 new ordinary shares under the general mandate pursuant to the terms of the placing agreement. As at 31 December 2020, approximately RMB170.0 million (equivalent to approximately HK\$201.8 million) have been utilised towards repayment of bank borrowings, and the remaining unutilised proceeds of approximately HK\$497.1 million are expected to be utilised in 2021.

Furthermore, the Company entered into a subscription agreement dated 24 November 2020 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 6,077,716,750 subscription shares at the subscription price of HK\$0.46 per subscription share under the specific mandate. The subscriber and the Company agreed that the entire shareholders' loan in the amount of approximately RMB2,368.0 million owing from the Group to the subscriber shall be capitalised as consideration for the subscription upon completion of the subscription. The share subscription was completed on 30 December 2020 and the Company issued 6,077,716,750 new ordinary shares.

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 will continue to look for external financing sources. The Group's overall strategy remains unchanged from previous year.

Key Financial Ratios

As at 31 December 2020, the Group recorded a current ratio of approximately 1.3 (2019: 1.5) and a gearing ratio of approximately 34.8% (2019: approximately 46.0%). 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 2020, the capital commitments of the Group in connection with the property development expenditures was approximately RMB12,344.5 million (2019: approximately RMB11,867.2 million) and acquisition of land use rights was approximately RMB549.5 million (2019: Nil), respectively.

Contingent Liabilities

As at 31 December 2020, the Group had contingent liabilities relating to guarantees amounting to approximately RMB13,559.9 million (2019: approximately RMB7,819.6 million) provided by the Group in respect of mortgage loan 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 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 value 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 RMB, HKD, USD and SGD. Due to the currency peg of HKD to USD, the exchange rate between these two currencies has remained stable and thus the Group has not currently implemented any hedging or other alternatives to minimise foreign exchange exposure. Going forward, the Group may formulate a foreign currency hedging policy to provide a reasonable margin of safety for its exposure to RMB and SGD through transactions, assets and liabilities should the need arise.

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 issued by the 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 MPF Support Award for the Company's adoption of 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, namely, 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 Year, amounted to approximately RMB97.1 million (2019: RMB81.0 million).

As at 31 December 2020, the Group had 416 employees.

Significant Investments 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 RMB2,368.0 million. 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 fourth quarter of 2023.

- (b) During the Year, the Group acquired land use rights of land parcels in Henan Province with expected completion period fall within second quarter of 2022 to first quarter of 2025 through respective public auctions held by various PRC governmental land bureau and other merger and acquisitions, as set out in the below summary:

Time of Acquisition during the Year	City/County	Designated land usage(s)	Site area (sq.m.) Approximately	Consideration (RMB' million) Approximately
February	Xinmi	Residential, Underground transport service station site	79,029	350.6
March	Weihui	Residential, Commercial	43,964	125.1
April	Xinxiang, Xinyang	Residential, Commercial	93,869	151.5
May	Dengfeng, Xingyang	Residential, Commercial/ Residential	94,304	486.2
June	Dengfeng, Xinyang, Gongyi, Xinzheng	Residential, Commercial/ Residential/Residential, Underground for parking, supporting and ancillary facilities	435,263	1,863.2
July	Ruyang, Nanyang, Shangqiu, Dengzhou, Lushan, Huaxian, Guangshan	Residential/Residential, Commercial	397,114	1,733.4
August	Huixian, Dengfeng, Zhengzhou, Dengzhou, Yichuan, Zhoukou	Residential/Residential, Commercial/Commercial/ Residential, Underground transport service station site	472,939	1,683.2
September	Xinxiang, Gongyi	Residential/Residential, Commercial	64,952	184.0
October	Dengzhou	Residential	1,030	3.7
November	Dengzhou	Residential	53,734	177.5
December	Xinzheng, Zhengzhou	Residential, Underground transport service station site	129,074	1,458.4
			1,865,272	8,216.8

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.

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 seeks investment opportunities which strengthen its profitability with 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 banks and financial institutions. Going forward, the Group believes our future funding 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, nine property development projects namely, Zhengzhou Zensun Prosperity Court* (鄭州正商啟盛華庭), Zhengzhou Zensun Riverview Garden* (鄭州正商濱河銘築), Zhengzhou Zensun Voyage Mansion* (鄭州正商匯航銘築), Zhengzhou Zensun River Valley Phase II* (鄭州正商河峪洲二期), Zhengzhou Zensun Longshuishangjing* (鄭州正商瓏水上境), Zhengzhou Zensun Princess Lake Phase III* (鄭州正商公主湖三期環湖溪岸), Dengfeng Zensun City (He, Xiang, Yu Garden)* (登封正商城和園、祥園、裕園), Xuchang Zensun Scholar Mansion* (許昌正商書香華府), and Xinxiang Zensun Smart City (Rong Garden)* (新鄉正商智慧新城榕園) were newly completed in phases/sub-phases and delivered to customers in accordance with the terms and conditions of the purchase agreements. In accordance with the Group's latest development progress and delivery schedule, it is expected that 10 to 13 property development projects and/or subphases will complete its development and launch delivery in 2021. The Group's property development projects remain focused on providing "High Quality" products with both standard and deluxe design with full refurbishment so as to meet different customers' preferences and needs. Revenue from the sale of properties are expected to be recognised upon completion and delivery of the property projects and/or sub-phases.

After the ambitious land acquisitions completed during the Year, the Group built up strong land reserves for the Group's property development business in the PRC for the next three to four years with a strong presence in Henan Province, thus the Group will focus more on developing the existing and new property development projects on its land reserves in 2021 and 2022.

During the Year, the Group further completed the acquisition of the entire issued share capital of Xingcheng 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 contributing to the Group's land reserves for the Group's expansion in property development business in the PRC, the acquisition has also brought a synergy effect to the Group by sharing resources with existing property development projects and utilising management expertise thereby, building on the Group's property development portfolio and allowing the Group to take on larger-scale property development projects in support of further business expansion in the PRC.

The Board will maintain open-minded in identifying new property development projects and bidding for land use rights of other selective land parcels in the PRC with a focus in Zhengzhou City, Henan Province and other selective first and second tier cities in the PRC in the coming few years.

With the strong land reserves and 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 quotations from quality construction contractors which can offer the best and most favourable terms to cooperate so as to complement the Group's expansion in property development in the PRC. In order to cater for the Group's growing needs and requirements, and secure high quality construction services for the Group's property projects, the Group renegotiated new terms with Zensun Development and entered into the 2021 master services agreement during the Year to engage Zensun Development Group for construction, engineering and related services for certain selected property development projects. The term of the 2021 master services agreement was for three years, starting from 1 January 2021 and continue up to and including 31 December 2023. The annual cap for the transactions with Zensun Development Group during the years ending 31 December 2021, 2022 and 2023 of RMB3,212 million, RMB2,555 million and RMB1,778 million, respectively was approved in the extraordinary general meeting of the Company held on 8 December 2020.

The Group possesses the necessary expertise and know-how in preliminary property project management and sales services through managing its existing property development portfolio. The Group will continue to provide Ever Diamond Group with preliminary project management services and sales services for 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 result in 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. As approved in 2019 in regard to the management and sales services framework agreement, the approved annual cap for the transactions with Ever Diamond Group during the year ending 31 December 2021 were RMB200 million.

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 suitable projects for development or investment 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 and reduce the Group's capital investment in property projects 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.

Following the sale of the Group's subsidiary, IAGH, the Group remained its equity investment of approximately 7.5% over the NYSE-listed REIT, GMR under our securities trading and investment business and approximately 99% equity interest in AHR under our property investment business as at 31 December 2020.

1. GMR

The Group remained optimistic regarding the business development of GMR and that its investment in GMR would continue to allow the Group to share GMR's growth through receipt of dividend income, thereby achieving 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 higher-than-average annualised yield due to the current strong demand on retirement communities and elderly care industries in the USA. Following the sale of IAGH, being the Group's then 85%-owned REIT management arm, the Group continues to operate and manage AHR's property investment with internal resources.

Other regions

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 markets with business growth opportunities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Pursuant to Code Provision A.1.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly internals. Although only three regular Board meetings were held during the Year, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Directors. In addition, senior management of the Group has provided to the Directors the information in respect of the Group’s business development and activities from time to time and, when required, *ad hoc* Board meetings were held to discuss matters.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be segregated. The Company is of the view that it is in the best interest of the Company that Mr. Zhang with his profound expertise in the property business, shall continue in his dual capacity as chairman and chief executive officer. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

PRELIMINARY ANNOUNCEMENT OF CONSOLIDATED ANNUAL RESULTS

The financial information relating to the years ended 31 December 2019 and 2020 included in this preliminary announcement of final results 2020 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- (a) The Company has delivered the financial statements for the year ended 31 December 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 and will deliver the financial statements for the Year to the Registrar of Companies as required in due course.
- (b) The Company's auditor has reported on the financial statements of the Group for the years ended 31 December 2019 and 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLIC FLOAT

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.81 cents in the form of cash per share in respect of the Year to shareholders of the Company whose names appear on the register of members of the Company on Thursday, 17 June 2021 (record date). The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the central parity rate of RMB to Hong Kong dollars published by the People's Bank of China as at Tuesday, 8 June 2021. Subject to the approval of the Shareholders at the 2021 annual general meeting of the Company ("2021 AGM"), it is expected that the final dividend will be paid to the eligible Shareholders on or around Friday, 23 July 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (a) For the purpose of determining the shareholders of the Company who are entitled to attend and vote at the 2021 AGM expected to be held on Tuesday, 8 June 2021, the register of members of the Company expected to be closed on Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive. In order to qualify for attending and voting at the 2021 AGM, all transfer documents should be lodged for registration with the Company's Share Registrar, Tricor Friendly Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Wednesday, 2 June 2021.
- (b) For the purpose of determining the shareholders of the Company who qualify for the final dividend, the register of members of the Company expected to be closed on Tuesday, 15 June 2021 to Thursday, 17 June 2021 both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Share Registrar, Tricor Friendly Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Friday, 11 June 2021.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Tuesday, 8 June 2021 and the notice of the 2021 AGM will be published and despatched in the manner as required by the Listing Rules and the Company's articles of association in due course.

APPRECIATION

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

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

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

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

Hong Kong, 25 March 2021

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