

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022**

FINANCIAL HIGHLIGHTS FOR THE PERIOD

- Revenue for the Period amounted to approximately RMB3,941.0 million, representing a decrease of approximately 29.6% as compared with 2021.
- Profit attributable to owners of the Company for the Period amounted to approximately RMB63.3 million, representing a decrease of approximately 43.1% as compared with 2021.
- Basic earnings per share for the Period was RMB3.3 cents, as compared with RMB5.8 cents for 2021.

The board (the “Board”) of directors (the “Directors”) of Zensun Enterprises Limited (the “Company”) hereby announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021, which have been reviewed by the Company’s audit committee (the “Audit Committee”) as set out in this announcement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	3,941,027	5,595,511
Cost of sales		<u>(3,349,840)</u>	<u>(5,161,644)</u>
Gross profit		591,187	433,867
Other income		12,038	11,929
Other gains and losses, net	5	(210,505)	13,175
Administrative expenses		(91,913)	(113,674)
Sales and marketing expenses		(70,979)	(120,323)
Finance costs	6	<u>(15,548)</u>	<u>(21,947)</u>
PROFIT BEFORE TAX	7	214,280	203,027
Income tax expense	8	<u>(159,638)</u>	<u>(97,525)</u>
PROFIT FOR THE PERIOD		<u>54,642</u>	<u>105,502</u>
Attributable to:			
Owners of the Company		63,344	111,349
Non-controlling interests		<u>(8,702)</u>	<u>(5,847)</u>
		<u>54,642</u>	<u>105,502</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB cents)	10	3.3	5.8
Diluted		<u>NA</u>	<u>NA</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	54,642	105,502
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>(4,998)</u>	<u>1,243</u>
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of non-foreign operations	<u>(124,944)</u>	<u>24,500</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(129,942)</u>	<u>25,743</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(75,300)</u>	<u>131,245</u>
Attributable to:		
Owners of the Company	<u>(67,038)</u>	137,171
Non-controlling interests	<u>(8,262)</u>	<u>(5,926)</u>
	<u>(75,300)</u>	<u>131,245</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	573,321	574,628
Investment properties	<i>11</i>	558,501	531,595
Goodwill		413,222	424,722
Intangible assets		143,280	157,105
Deferred tax assets		467,235	443,790
Pledged deposits		400	4,587
		<hr/>	<hr/>
Total non-current assets		2,155,959	2,136,427
CURRENT ASSETS			
Completed properties held for sale		7,028,906	9,028,002
Properties under development	<i>12</i>	51,192,246	47,834,930
Deposits and prepayments paid for land acquisitions	<i>13</i>	885,682	1,220,087
Accounts receivable, other receivables and other assets	<i>14</i>	2,924,363	2,683,744
Financial assets at fair value through profit or loss		284,400	423,968
Prepaid income tax and tax recoverable		1,468,468	1,404,769
Pledged deposits		140,602	211,289
Restricted bank balances		1,376,042	1,457,690
Cash and cash equivalents		1,214,747	1,838,967
		<hr/>	<hr/>
Total current assets		66,515,456	66,103,446
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	<i>15</i>	6,722,083	6,350,361
Contract liabilities		33,799,376	30,654,098
Amounts due to related companies	<i>16</i>	1,380,818	1,976,226
Loans from a related company	<i>17</i>	7,729,561	8,204,904
Bank and other borrowings		4,941,312	5,894,516
Tax liabilities		681,060	621,477
		<hr/>	<hr/>
Total current liabilities		55,254,210	53,701,582
NET CURRENT ASSETS		11,261,246	12,401,864
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,417,205	14,538,291
		<hr/>	<hr/>

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Rental deposits received	15	7,993	6,492
Bank and other borrowings		4,855,762	5,900,814
Deferred tax liabilities		430,093	432,328
		<u>5,293,848</u>	<u>6,339,634</u>
Total non-current liabilities		<u>5,293,848</u>	<u>6,339,634</u>
Net assets		<u>8,123,357</u>	<u>8,198,657</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	5,326,923	5,326,923
Reserves		2,804,511	2,871,549
		<u>8,131,434</u>	<u>8,198,472</u>
Non-controlling interests		<u>(8,077)</u>	<u>185</u>
Total equity		<u>8,123,357</u>	<u>8,198,657</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE INFORMATION

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 registered office of the Company is located at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong. In the opinion of the directors of the Company, the immediate holding company of the Company is Joy Town Inc., a private limited liability company incorporated in the British Virgin Islands (“BVI”). The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, as trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”), a non-executive director of the Company. Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the Chairman and an executive director of the Company is the spouse of Ms. Huang.

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

2.1 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 2022 was approved for issue by the board of Directors on 26 August 2022. The interim condensed consolidated financial information is unaudited, but has been reviewed by the Company’s audit committee.

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

The financial information relating to the year ended 31 December 2021 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 2021 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 2021. 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2021, 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.

Amendment to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendment to HKFRS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six operating and reportable 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")
- (d) Property investment other than AHR
- (e) Securities trading and investment
- (f) Hotel operations

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses 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 hotel operations in the PRC since January 2022, there are no differences from the Group's annual financial statements for the year ended 31 December 2021 on the basis of segmentation or on the basis of measurement of segment profit or loss, segment assets and liabilities.

The following is an analysis of the Group's revenue and results by operating and reportable segments for the six months ended 30 June 2022 and 2021.

Segment revenue and segment results

	Six months ended 30 June			
	Segment revenue		Segment results	
	2022	2021	2022	2021
	RMB'000	<i>RMB'000</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development in the PRC	3,913,503	5,542,023	366,708	124,637
Project management and sales services in the PRC	3,302	33,640	3,152	31,990
Property investment and management in the USA in AHR	7,199	7,438	5,551	4,357
Property investment other than AHR	4,359	4,758	9,161	1,473
Securities trading and investment	8,377	7,652	(151,340)	48,463
Hotel operations	4,287	–	229	–
	3,941,027	5,595,511	233,461	210,920
Unallocated corporate income			–	9
Other gains and losses, net			(16,814)	(2,364)
Unallocated corporate expenses			(2,367)	(5,538)
Profit before tax			214,280	203,027

The following is an analysis of the Group's assets and liabilities by operating and reporting segments as at 30 June 2022 and at 31 December 2021.

	30 June	31 December
	2022	2021
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Audited)
Property development in the PRC	66,934,883	66,687,630
Project management and sales services in the PRC	3,501	62,444
Property investment and management in the USA in AHR	215,657	202,296
Property investment other than AHR	375,339	357,273
Securities trading and investment	288,140	427,489
Hotel operations	164,086	–
Unallocated assets	67,981,606	67,737,132
	689,809	502,741
	68,671,415	68,239,873

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<i>Segment liabilities</i>		
Property development in the PRC	59,253,588	58,804,650
Project management and sales services in the PRC	197	1,676
Property investment and management in the USA in AHR	62,949	63,024
Property investment other than AHR	117,534	115,475
Hotel operations	120	–
	59,434,388	58,984,825
Unallocated liabilities	1,113,670	1,056,391
	60,548,058	60,041,216

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of properties in the PRC	3,913,503	5,542,023
Project management and sales services in the PRC	3,302	33,640
Hotel operations	4,287	–
<i>Revenue from other sources</i>		
Rental income	11,558	12,196
Dividend income from financial assets at fair value through profit or loss	8,377	7,652
	3,941,027	5,595,511

Disaggregated revenue information for revenue from contracts with customers

Segments	Six months ended 30 June 2022			Total RMB'000 (Unaudited)
	Sales of properties in the PRC RMB'000 (Unaudited)	Project management and sales services in the PRC RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	
Types of goods or services and geographical markets				
Sale of properties in the PRC	3,913,503	–	–	3,913,503
Project management and sales services in the PRC	–	3,302	–	3,302
Hotel services and consumptions in the PRC	–	–	4,287	4,287
Total revenue from contracts with customers	<u>3,913,503</u>	<u>3,302</u>	<u>4,287</u>	<u>3,921,092</u>
Timing of revenue recognition				
Goods transferred at a point in time	3,913,503	–	–	3,913,503
Services transferred over time	–	3,302	4,287	7,589
Total revenue from contracts with customers	<u>3,913,503</u>	<u>3,302</u>	<u>4,287</u>	<u>3,921,092</u>
Six months ended 30 June 2021				
Segments	Sales of properties in the PRC RMB'000 (Unaudited)	Project management and sales services in the PRC RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	
Types of goods or services and geographical markets				
Sale of properties in the PRC	5,542,023	–	5,542,023	
Project management and sales services in the PRC	–	33,640	33,640	
Total revenue from contracts with customers	<u>5,542,023</u>	<u>33,640</u>	<u>5,575,663</u>	
Timing of revenue recognition				
Goods transferred at a point in time	5,542,023	–	5,542,023	
Services transferred over time	–	33,640	33,640	
Total revenue from contracts with customers	<u>5,542,023</u>	<u>33,640</u>	<u>5,575,663</u>	

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value (loss)/gain on financial assets at fair value through profit or loss	(159,716)	40,812
Fair value gain/(loss) on investment properties	7,525	(263)
Exchange losses	(16,814)	(2,364)
Write-down of completed properties held for sale and properties under development to net realisable value	(30,000)	(25,000)
Impairment of goodwill	(11,500)	–
Loss on disposal of property, plant and equipment	–	(10)
	<u>(210,505)</u>	<u>13,175</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank and other borrowings	503,617	705,437
Interest arising from revenue contracts	784,808	643,569
Less: Capitalised in properties under development	(1,272,877)	(1,327,059)
	<u>15,548</u>	<u>21,947</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.75% to 12.50% (six months ended 30 June 2021: 4.95% to 12.80%) per annum during the six months ended 30 June 2022.

7. PROFIT BEFORE TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The Group's profit before tax is arrived at after charging:		
Cost of properties sold	3,344,424	5,158,509
Cost of services	4,252	1,650
Depreciation of property, plant and equipment	6,145	1,100
The Group's profit before tax is arrived at after crediting:		
Interest income	4,177	5,027
Gross rental income from investment properties	11,558	12,196
Less: Direct operating expenses incurred for:		
– investment properties generated rental income	(1,036)	(1,343)
– investment properties that did not generate rental income	(128)	(142)
	(1,164)	(1,485)
	10,394	10,711

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – charge for the period		
– Hong Kong Profits Tax	–	–
– PRC Corporate Income Tax (“PRC CIT”)	113,885	82,467
– PRC Land Appreciation Tax (“PRC LAT”)	71,517	60,125
– Overseas Corporate Income Tax	5	6
Over-provision in prior years		
– Overseas Corporate Income Tax	–	(61)
	185,407	142,537
Deferred tax	(25,769)	(45,012)
Total tax charge for the period	159,638	97,525

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

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

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of approximately RMB3,484,000 (six months ended 30 June 2020: approximately RMB1,605,000).

In addition, during the six months ended 30 June 2022, the Group disposed of investment properties and property, plant and equipment with an aggregate carrying amount of approximately RMB1,000 (six months ended 30 June 2021: approximately RMB14,000).

The fair values of the investment properties as at 30 June 2022 and 31 December 2021 are based on the valuations carried out by APAC Asset Appraisal and Consulting Limited, which is a firm of independent qualified professional valuers not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

All of the fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy. There were no transfers in or out of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the six months ended 30 June 2022.

There has been no change from the valuation techniques used in prior periods.

12. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC. As at 30 June 2022, the Group carried out assessment and provision for write-down of properties under development to net realisable value amounted to approximately RMB243,885,000 (31 December 2021: RMB225,073,000).

13. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

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

14. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Accounts receivable	7,261	12,210
Less: Impairment	—	—
	<u>7,261</u>	<u>12,210</u>
Prepaid value-added taxes and other taxes	2,137,948	1,993,816
Deposits and prepayments	261,889	243,054
Costs of obtaining contracts	290,842	286,408
Other receivables	227,223	148,906
	<u>2,917,752</u>	<u>2,672,184</u>
Less: Impairment	(650)	(650)
	<u>2,917,102</u>	<u>2,671,534</u>
	<u>2,924,363</u>	<u>2,683,744</u>

Accounts receivable represent receivables from sales of properties, property management fee receivables, dividend receivables, rental receivables and hotel room revenue 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 as at the end of the reporting period (31 December 2021: 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 2022 as the directors of the Company 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.

15. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Accounts payable	141,646	221,514
Accrued construction costs (<i>note i</i>)	5,854,731	5,428,927
Rental deposits received	8,776	8,330
Retention deposits and payable	271,734	262,011
Real estate and other taxes payable	96,201	82,324
Other payables and accruals	356,988	353,747
	6,730,076	6,356,853
Less: Rental deposits received – non-current	(7,993)	(6,492)
	6,722,083	6,350,361

The average credit period of accounts payable ranges from 30 to 90 days (31 December 2021: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Notes:

- (i) Included in accrued construction costs were amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang"), of approximately RMB731,342,000 (31 December 2021: approximately RMB523,479,000) for its construction work.

16. AMOUNTS DUE TO RELATED COMPANIES

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

17. LOANS FROM A RELATED COMPANY

The Group has entered into loan agreements with a related company, Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司) ("Zensun Real Estate"), which is ultimately controlled by Ms. Huang, pursuant to which Zensun Real Estate will provide unsecured loans to the Group.

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 of the Company, the carrying amounts of the loans approximated their fair values at initial recognition.

18. SHARE CAPITAL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued and fully paid:		
19,133,866,698 (31 December 2021: 19,133,866,698) ordinary shares	5,326,923	5,326,923

19. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had contingent liabilities relating to guarantees amounting to approximately RMB19,220,145,000(31 December 2021: RMB18,002,298,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principal together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the Directors, no provision for the guarantees was recognised in the interim condensed consolidated financial statements for the six months ended 30 June 2022 (31 December 2021: Nil) 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.

20. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided in respect of:		
Acquisitions of land use rights	57,529	210,540
Property development expenditures	9,606,930	10,656,821
	9,664,459	10,867,361

21. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim financial information, the Group had the following transactions with related parties during the period:

Related companies (Note (i))	Transactions (Note (ii))	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Relevant members of Ever Diamond Global Company Limited (“Ever Diamond”) together with its subsidiaries (collectively, the “Ever Diamond Group”)	Project management and sales services fee income	–	83,597
Relevant members of Henan Zensun Corporate Development Company Limited (“Zensun Development”) together with its subsidiaries (collectively, the “Zensun Development Group”)	Construction costs (capitalised in properties under development)	872,037	987,420
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	22,249	17,470

Notes:

- (i) Ever Diamond Group are entities controlled by the Ms. Huang together with her spouse, Mr Zhang. 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. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

As at 30 June 2022, the Group’s senior notes and bank and other borrowings amounting to approximately RMB6,297,355,000(31 December 2021: approximately RMB6,922,774,000) were guaranteed by related companies which are controlled by Ms. Huang together with her spouse, Mr. Zhang, and her daughter, Ms. Zhang. No asset 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.

(b) Outstanding balances with related parties:

Details of the Group's balance with related parties as at the end of the reporting period are included in notes 15, 16 and 17 to the interim financial information.

(c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short term employee benefits	433	479
Post-employment benefits	13	23
	<hr/>	<hr/>
Total compensation paid to key management personnel	446	502
	<hr/>	<hr/>

22 EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2022 (the “Period”), the Group recorded revenue of approximately RMB3,941.0 million and gross profit of approximately RMB591.2 million, with a decrease of approximately 29.6% as compared to revenue of approximately RMB5,595.5 million and an increase of approximately 36.3% as compared to gross profit of approximately RMB433.9 million for the corresponding period of 2021. Revenue and gross profit of the Period and the corresponding period of 2021 were primarily derived from the property development business in the PRC. The decrease in revenue was mainly contributed by combination of less delivery of saleable/leasable gross floor area (“GFA”) and lower average selling price (“ASP”) from the delivery of the Group’s completed property development projects during the first half year of 2022 as compared to the first half year of 2021. During the Period, the Group’s completed property development projects delivered approximately GFA of 343,000 square meters (“sq.m.”) with ASP of approximately RMB11,420 per sq.m. as compared to that of approximately 367,000 sq.m. with ASP of approximately RMB14,785 per sq.m. for the corresponding period of 2021. The increase in gross profit during the Period as compared to the corresponding period of 2021 was primarily resulted from the recognition of certain higher profit margin property projects during the Period, while certain property projects delivered in the corresponding period of 2021 were designated as policy-related housing of which the selling prices are strictly controlled by the government and therefore have lower profit margin.

The Group had net other losses of approximately RMB210.5 million during the Period, as compared to net other gains of approximately RMB13.2 million for the corresponding period of 2021. The Group’s net other losses during the Period were attributable to (i) the fair value loss on financial assets at fair value through profit or loss of approximately RMB159.7 million (2021: fair value gain of approximately RMB40.8 million), (ii) write-down of completed properties held for sale and properties under development to net realisable value of approximately RMB30.0 million (2021: approximately RMB25.0 million), (iii) impairment loss on goodwill of RMB11.5 million (2021: Nil) and (iv) net exchange losses of approximately RMB16.8 million (2021: net exchange losses of approximately RMB2.4 million), and offset by fair value gain on investment properties of approximately RMB7.5 million (2021: fair value loss of approximately RMB0.3 million).

The Group’s sales and marketing expenses decreased by approximately 41.0% from approximately RMB120.3 million for the corresponding period of 2021 to approximately RMB71.0 million for the Period. The Group’s administrative expenses decreased by approximately 19.2% from approximately RMB113.7 million for the corresponding period of 2021 to approximately RMB91.9 million for the Period. Such decreases were in line with the cost-cutting measures implemented by the Group in view of the recent downturn in the property market and continuous outbreak of COVID-19 pandemic during the Period.

The Group’s income tax expenses increased by approximately 63.7% from approximately RMB97.5 million for the corresponding period of 2021 to approximately RMB159.6 million for the Period, which was mainly due to an increase in the amount of PRC CIT and PRC LAT resulting from higher operating net profits generated from the 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 RMB63.3 million (2021: approximately RMB111.3 million). The basic earnings per share for the Period was approximately RMB3.3 cents (2021: approximately RMB5.8 cents).

The Board did not recommend the payment of an interim dividend in respect of the Period (2021: Nil).

BUSINESS REVIEW

Property Development in the PRC

During the Period, the property development business in the PRC contributed revenue of approximately RMB3,913.5 million (2021: approximately RMB5,542.0 million) and segment profit of approximately RMB366.7 million (2021: approximately RMB124.6 million) to the Group. The decrease in segment revenue was attributable to the decrease of GFA delivered to the property owners and lower ASP of the delivered projects during the Period. There were two new completed property development projects in phases/sub-phases delivered during the Period, namely Zhengzhou Zensun Boya Court (Phase I)* (鄭州正商博雅華庭一期) and Zhengzhou Zensun Voyage Garden (Phase II)* (鄭州正商匯航佳苑二期), while during the corresponding period of 2021 there were four new completed projects delivered, namely Beijing Zensun Grand Garden* (北京正商明苑), Beijing Zensun Yazhu Garden* (北京正商雅築佳苑), Zhengzhou Zensun Voyage International Plaza (Phase I)* (鄭州正商啟航國際廣場一期) and Zhengzhou Zensun Orchids Mansion (Valley-view Garden)* (鄭州正商蘭庭華府(峪景佳苑)). Together with our existing property projects completed in prior years, there were approximately 343,000 sq.m. GFA delivered with ASP of approximately RMB11,420 per sq.m. and recognised into the revenue during the Period as compared to that of approximately 367,000 sq.m. GFA delivered with ASP of approximately RMB14,785 per sq.m. and recognised during the corresponding period of 2021.

During the Period, with the impact of tightening regulatory control measures and the COVID-19 pandemic, the overall real estate market in the PRC continued to experience economic downturn and a decrease in public purchasing power. The selling prices of property projects were inevitably suppressed and sales slowed down, such situation was especially worsened for non-core city locations. As a result of the foregoing, a write-down of properties under development and completed properties held for sale of approximately RMB30.0 million (2021: RMB25.0 million on properties under development) for certain properties whose selling price were not recoverable as expected to net realisable value was provided during the Period.

In view of the abovementioned, the Group is adopting a more conservative approach and implementing cost-cutting schemes to maintain a competitive and sustainable business development plan. As a result from the above measures, the sales and marketing and administrative expenses in property development business in the PRC has decreased during the Period as compared to the corresponding period of 2021 which contributed to an overall increase in segment results. In addition, the Group successfully acquired one land in Dengfeng City in Henan Province through listing for sale processes in a public auction, with site area of approximately 42,082 sq.m. and saleable/leasable GFA of approximately 75,747 million sq.m. in support of its land reserves 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 2022, the Group had 32 completed property projects and/or sub-phases and 64 on-going complex property projects on hand with 122 land parcels under development and planning with an aggregate site area of approximately 5.08 million sq.m. and aggregate estimated GFA of approximately 10.38 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 6.86 million sq.m. and estimated GFA under planning of approximately 3.82 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 Period, the Group provided project management and sales services in the PRC and recorded revenue of approximately RMB3.3 million (2021: RMB33.6 million) and segment profit of approximately RMB3.2 million (2021: RMB32.0 million) from the provision of project management services in the PRC to independent property owners. During the Period, the Group no longer provided project management services to the related companies which led to the decrease in this segment revenue.

Property Investment and/or Management in the USA in AHR

Accordingly, the Group recorded a slight decrease in segment revenue from approximately RMB7.4 million for the corresponding period of 2021 to approximately RMB7.2 million for the Period and an increase in segment profit from approximately RMB4.4 million for the corresponding period of 2021 to approximately RMB5.6 million for the Period. The increase in segment profit was mainly due to the fair value gain on investment properties in this division during the Period of approximately RMB0.3 million (2021: fair value loss of approximately RMB0.5 million).

Property Investment other than AHR

During the Period, the property investment in other regions other than AHR division contributed to segment revenue of approximately RMB4.4 million (2021: approximately RMB4.8 million) and segment profit of approximately RMB9.2 million (2021: segment profit of approximately RMB1.5 million) to the Group. The increase in segment profit was primarily attributable to fair value gain on investment properties in this division during the Period of approximately RMB7.2 million as compared to fair value gain of approximately RMB0.3 million during the corresponding period of 2021.

Securities Trading and Investment

During the Period, the Group's securities business recorded segment revenue of approximately RMB8.4 million with segment loss of approximately RMB151.3 million as compared to segment revenue of approximately RMB7.7 million with segment profit of approximately RMB48.5 million for the corresponding period of 2021. The turnaround of segment profit into segment loss was primarily stemming from the fair value loss on financial assets at fair value through profit or loss during the Period of approximately RMB159.7 million (2021: fair value gain of approximately RMB40.8 million) due to the overall downturn of the stock markets.

Hotel operations

During the Period, the Group has started to operate a new hotel in Zhengzhou City in the PRC with revenue generated of approximately RMB4.3 million (2021: Nil).

IMPACT OF COVID-19 PANDEMIC ON OUR BUSINESS

The Group was exposed to market volatility as a result of the economic downturn in the overall PRC real estate market with decreasing public purchasing desires and power derived from aggregated unfavourable factors including the continuous impact from COVID-19 pandemic and tightening housing control measures. Due to the economic downturn, the selling prices of certain properties were suppressed and were not able to be recoverable as expected to net realisable value. A write-down of approximately RMB30.0 million was provided for properties under development and completed properties held for sale during the Period.

The Group maintained sustainable liquidity financial position with bank balances (including pledged deposits, restricted bank balances and cash and cash equivalents) of approximately RMB2,731.8 million, current ratio remained stable at approximately 1.2 and our gearing ratio decreased to 23.6% (from 27.1% at 31 December 2021) with net current assets of approximately RMB11,278.8 million as at 30 June 2022. Therefore, we are confident that our Group has sufficient working capital to satisfy the Group's operations.

As the COVID-19 pandemic continues, epidemic prevention and controls became regular and normal. Our Group was also required to be prepared for and responsive to confronting these ever-changing challenges so as to mitigate the impact brought by the COVID-19 pandemic. The Group closely communicates with our construction contractors in order to monitor the development progress and adjust the development and delivery schedule pace from time to time, where appropriate and necessary, after taking into the consideration of the COVID-19 pandemic development. Besides adopting government orders in issue, we also developed our internal sales team as well as our online sales platform to maintain the sales of properties through online application with no limitation on the number of attendees. Since 2021, our Group implemented strategy in expanding our project management business in order to diversify our income streams. 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.

In light of the conditions of the property market at present, the PRC local governments have started to adopt relevant policies to facilitate stable and healthy development of the real estate sector in the first quarter of 2022. The Board considers the overall business operation and financial position of the Group remain healthy and solid and remains optimistic about the long-term development of the Group despite the challenges posed by the economic environment under the COVID-19 pandemic, fierce competition and evolving national regulatory control measures and policies.

Save for the above, the Group was not aware of other risks or uncertainties which will have a material effect on the operations, financial performance and the financial position of the Group.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 30 June 2022, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances was approximately RMB2,731.8 million (31 December 2021: approximately RMB3,512.5 million). The total cash and bank balances were mainly denominated in RMB, Hong Kong dollars, US dollars and Singapore dollars.

As at 30 June 2022, 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 RMB141.0 million as at 30 June 2022 (31 December 2021: approximately RMB215.9 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 the aggregate of cash and cash equivalents, restricted bank balances and pledged deposits. The equity attributable to owners of the Company comprised issued share capital and reserves. As at 30 June 2022, net debt and equity attributable to owners of the Company were approximately RMB16,175.7 million (31 December 2021: approximately RMB18,463.9 million) and approximately RMB8,131.4 million (31 December 2021: approximately RMB8,198.5 million), respectively.

As at 30 June 2022, the Group's aggregate borrowings including bank and other borrowings, loans from a related company, and amounts due to related companies amounted to approximately RMB18,907.5 million (31 December 2021: approximately RMB21,976.5 million), of which approximately RMB14,051.7 million (31 December 2021: approximately RMB16,075.6 million) were repayable within one year or on demand, and approximately RMB4,855.8 million (31 December 2021: approximately RMB5,900.8 million) were repayable after one year. The aggregate borrowings were mainly denominated in RMB, US dollars, Singapore dollars and Hong Kong dollars.

During the Period, the Company has repurchased the US\$200 million 12.5% senior notes due 2022 (the “2022 Notes”) in the open market in an aggregate principal amount of US\$67.5 million representing approximately 33.8% of the 2022 Notes originally issued.

In addition to the 12.5% per annum fixed-rate interest for the US\$160 million senior notes and the US\$200 million senior notes, the Group’s bank and other borrowings carried fixed interest rates ranging from 4.75% to 10.5% 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 2022. The Group’s interest rate risk is mainly driven by the bank and other borrowings with floating interest rates.

As at 30 June 2022, 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 RMB14,656.0 million (31 December 2021: approximately RMB15,799.8 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 2022. 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, and her daughter, Ms. Zhang as at 30 June 2022. No asset of the Group was pledged to these related companies in respect of the guarantees.

As at 30 June 2022, 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 Period.

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 2022, the Group recorded a current ratio of approximately 1.2 (31 December 2021: approximately 1.2) and a gearing ratio of approximately 23.6% (31 December 2021: approximately 27.1%). Gearing ratio is defined as the ratio of total borrowings less the aggregate value of cash and cash equivalents, restricted bank balances and pledged deposits to total assets.

Capital Commitments

As at 30 June 2022, the capital commitments of the Group in connection with the property development expenditures was approximately RMB9,606.9 million (31 December 2021: approximately RMB10,656.8 million) and acquisition of land use rights was approximately RMB57.5 million (31 December 2021: RMB210.5 million), respectively.

Contingent Liabilities

As at 30 June 2022, the Group had contingent liabilities relating to guarantees amounting to approximately RMB19,220.1 million (31 December 2021: RMB18,002.3 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 the 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; 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 guarantees was recognised in the financial statements for the Period 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, Hong Kong dollars, US dollars 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 RMB and Singapore dollars 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 awards issued by the Mandatory Provident Fund Authority (“MPFA”), namely, the “Good MPF Employer 5 Years+” for the 6th consecutive year since MPFA launched the Good MPF Employer Scheme in 2015 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 the electronic means for MPF administration, and has striven to encourage employees to actively manage their mandatory provident fund.

Moreover, the Company has also continued to receive an award, the Certificate of the Good Employer Charter, from the Labour Department of the government of Hong Kong Special Administration Region 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 also 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 RMB65.6 million (30 June 2021: RMB55.4 million).

As at 30 June 2022, the Group had 925 employees.

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

During the Period, the Group acquired land use rights of land parcels in Henan Province with expected completion period approximately in third quarter of 2025 through public auction held by various PRC governmental land bureau, as set out in the below summary:

Time of acquisition during the Period	City/County	Designated land usage(s)	Site area (sq.m.) <i>Approximately</i>	Consideration (RMB' million) <i>Approximately</i>
March	Dengfeng	Residential, and underground transportation service station site usage	42,082	167.9

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.

Outlook and Prospects

The Group is principally engaged in the business of property development, property investment, project management and sales services and hotel operations. In order to pursue sustainable development, the Group looks for investment opportunities which strengthen its 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 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 expand its business on a cost-effective basis.

The PRC

During the Period, two property development projects, namely, Zhengzhou Zensun Boya Court (Phase I)* (鄭州正商博雅華庭一期) and Zhengzhou Zensun Voyage Garden (Phase II)* (鄭州正商匯航佳苑二期) were newly completed 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 fourteen property development projects will be completed and delivered in the second half year of 2022. The Group's property development projects focus on providing "high quality" property with both standard and deluxe design accompanied by full refurbishment so as to meet different customers' preferences and needs. Revenue from the sale of properties is expected to be recognised upon the completion and delivery of the completed properties and/or sub-phases.

After the ambitious land acquisitions completed in the past years, the Group built up and maintained 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 from its land reserves from 2022 to 2025.

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 its strong land reserves for 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 and cooperate with quality construction contractors which can offer the best and most favourable terms to the Group so as to complement the Group's expansion in property development operation 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 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. As approved in the extraordinary general meeting of the Company (the "EGM") held on 8 December 2020 in regard to the 2021 master services agreement, the approved annual cap for the transactions with Zensun Development Group during the years ending 31 December 2022 and 2023 are RMB2,555 million and RMB1,778 million, respectively.

The Group and Xingye Wulian entered into the master property engineering framework agreement and master property management framework agreement in 2020 to appoint Xingye Wulian Group as service providers to provide property engineering services and property management and value-added services to the Group with term 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 for the year ending 2022 is RMB34.0 million, and the annual caps for the transactions under the master property management framework agreement with Xingye Wulian for the year ending 31 December 2022 is RMB66.0 million.

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 has implemented the strategy in diversifying to a light-asset model by investing more internal resources to further expand the project management business and providing a more integrated project management services in return for management fee income to other independent property owners in the market. The Group has successfully gained confidence from and secured 2 management contracts with other independent property owners in the market during the Period to expand the project management business. The Board considers project management business in the PRC shall become popular in the market with prosperous business potential, and the expansion in project management business served as a diversification to light-asset model from our traditional heavy-asset model in the property development business. The diversification allows the Group to gain competitive advantages

from managing property projects on behalf of property owners without having to bear heavy investment cost in land acquisition and construction cost, and in turn, leverage the risks from industry concentration and tightening government regulations on property development business. 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 of the Group 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 Henan Zensun Real Estate Co., Ltd* (河南正商置業有限公司) ("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 5.7% equity interest in a NYSE-listed REIT, GMR in securities trading and investment segment and 99% equity interest in AHR in property investment and management segment.

1. GMR

During the Period, the Group performed regular review on GMR's business performance and its business strategies and prospect. It is considered that the investment in GMR's would achieve long term capital appreciation to the Group with stable average annual yield.

2. AHR

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

Other operations

The Group has commenced a new hotel operation in Zhengzhou City in the PRC during the Period and 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 markets.

CHANGES SINCE 31 DECEMBER 2021

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 2021 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Between 14 January 2022 and 21 January 2022, the Company has repurchased the US\$200 million 12.5% senior notes due 2022 (the "2022 Notes") in the open market in an aggregate principal amount of US\$15.9 million (the "First Repurchased Notes"), representing approximately 7.95% of the 2022 Notes originally issued. The First Repurchased Notes have been cancelled in accordance with the terms and conditions of the 2022 Notes on 25 February 2022.

Between 21 March 2022 and 22 June 2022, the Company has further repurchased the 2022 Notes in the open market in an aggregate principal amount of US\$43.8 million (the "Second Repurchased Notes"), representing approximately 21.90% of the 2022 Notes originally issued. The Second Repurchased Notes have been cancelled in accordance with the terms and conditions of the 2022 Notes on 29 June 2022.

On 28 June 2022, the Company has further repurchased the 2022 Notes in the open market in an aggregate principal amount of US\$7.8 million (the "Third Repurchased Notes"), representing approximately 3.90% of the 2022 Notes originally issued. The Third Repurchased Notes will be cancelled in accordance with the terms and conditions of the 2022 Notes.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or not) during the Period.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Company has adopted corporate governance practices based on the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in the Appendix 14 to the Listing Rules as its own code of corporate governance practices.

The Board is of the view that, the Company has complied with the relevant code provisions contained in the CG Code during the Period, save for deviation from code provision C.2.1 of the CG Code.

Pursuant to Code Provision C.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.

The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

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, Mr. Ma Yuntao and Dr. Li Huiqun.

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement was published on the website of the Stock Exchange (*www.hkexnews.hk*) and the website of the Company (*www.zensunenterprises.com*). The interim report for the six months ended 30 June 2022 (containing all the information required by Appendix 16 of the Listing Rules) will be dispatched to shareholders of the Company in due course, and published on the websites of the Stock Exchange and the Company.

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.

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

Hong Kong, 26 August 2022

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, Mr. Ma Yuntao and Dr. Li Huiqun.

* *For identification purpose only*