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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 2022

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Revenue for the Year amounted to approximately RMB9,657.1 million, representing a decrease of approximately 28.0% compared with revenue for 2021 amounted to approximately RMB13,421.5 million.

- Loss attributable to owners of the Company for the Year amounted to approximately RMB2,946.1 million, representing a decrease of approximately 837.5% compared with the profit attributable to owners of the Company for 2021 amounted to approximately RMB399.5 million.

- Basic loss per share for the Year was RMB154.0 cents, as compared with basic earnings per share of RMB20.9 cents for 2021.

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 2022 (the “Year”) together with the comparative figures for 2021 as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2022

	NOTES	**2022** **RMB'000**	2021 *RMB'000*
REVENUE	*3*	**9,657,056**	13,421,496
Cost of sales		**(8,830,013)**	(12,158,760)
Gross profit		**827,043**	1,262,736
Other income	*4*	**18,820**	44,024
Other gains and losses, net	*4*	**(3,167,711)**	(71,192)
Administrative expenses		**(194,667)**	(237,360)
Sales and marketing expenses		**(117,264)**	(249,643)
Finance costs	*5*	**(114,768)**	(89,917)
(LOSS)/PROFIT BEFORE TAX	*6*	**(2,748,547)**	658,648
Income tax expense	*7*	**(193,980)**	(273,606)
(LOSS)/PROFIT FOR THE YEAR		**(2,942,527)**	385,042
Attributable to:			
Owners of the Company		**(2,946,113)**	399,470
Non-controlling interests		**3,586**	(14,428)
		(2,942,527)	385,042
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB cents)	*9*	**(154.0)**	20.9
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(2,942,527)**	385,042
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	**(375)**	3,300
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of non-foreign operations	**64,490**	76,484
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**64,115**	79,784
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(2,878,412)**	464,826
Attributable to:		
Owners of the Company	**(2,882,438)**	479,526
Non-controlling interests	**4,026**	(14,700)
	(2,878,412)	464,826

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	NOTES	**31 December 2022 RMB'000**	31 December 2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**572,668**	574,628
Investment properties	*10*	**584,960**	531,595
Goodwill		**300,357**	424,722
Intangible assets		**112,284**	157,105
Deferred tax assets		**555,315**	443,790
Pledged deposits		**–**	4,587
Total non-current assets		**2,125,584**	2,136,427
CURRENT ASSETS			
Completed properties held for sale		**10,212,953**	9,028,002
Properties under development		**42,475,033**	47,834,930
Deposits and prepayments paid for land acquisitions		**–**	1,220,087
Accounts receivable, other receivables and other assets	*11*	**3,072,002**	2,683,744
Financial assets at fair value through profit or loss		**247,725**	423,968
Prepaid income tax and tax recoverable		**1,418,983**	1,404,769
Pledged deposits		**137,515**	211,289
Restricted bank balances		**1,365,905**	1,457,690
Cash and cash equivalents		**488,199**	1,838,967
Total current assets		**59,418,315**	66,103,446
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	*12*	**7,358,246**	6,350,361
Contract liabilities		**31,327,733**	30,654,098
Amounts due to related companies	*13*	**1,038,106**	1,976,226
Loans from a related company	*14*	**7,243,579**	8,204,904
Bank and other borrowings		**4,693,151**	5,894,516
Tax liabilities		**676,048**	621,477
Total current liabilities		**52,336,863**	53,701,582
NET CURRENT ASSETS		**7,081,452**	12,401,864
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,207,036**	14,538,291

	NOTE	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT LIABILITIES			
Rental deposits received		**9,440**	6,492
Bank and other borrowings		**3,506,232**	5,900,814
Deferred tax liabilities		**371,119**	432,328
Total non-current liabilities		**3,886,791**	6,339,634
Net assets		**5,320,245**	8,198,657
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**5,326,923**	5,326,923
Reserves		**(10,889)**	2,871,549
		5,316,034	8,198,472
Non-controlling interests		**4,211**	185
Total equity		**5,320,245**	8,198,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 and management, project management services, hotel operations 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 2022 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.

Going concern basis

As at 31 December 2022, the Group's current portion of bank and other borrowings amounted to RMB4,693,151,000, while its cash and cash equivalents amounted to RMB488,199,000.

The Directors have evaluated the sustainable operation ability for 12 months from the end of the reporting period, which is affected by the macroeconomic environment, industry environment and credit environment superimposing the impact of multiple rounds of epidemic and came to an opinion that the liquidity risk of the Company is facing periodic challenges.

Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include the following:

(a) the Group continues to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from sales of properties, project management services, hotel operations, rentals from investment properties and dividend income from financial assets at fair value through profit or loss to generate additional operating cash inflows and putting extra efforts on the collection of outstanding sales proceeds and other receivables;

(b) the Group is actively reviewing its debt structure and looking for funding opportunities; the Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost;

(c) the Group continues to monitor capital expenditure to balance and relieve cash resource to support operations; and

(d) the Group continues to take actions to tighten cost controls over various operating expenses.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property sector in the PRC and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

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

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

	2022	2021
	RMB'000	*RMB'000*
An analysis of revenue is as follows:		
Revenue from contracts with customers		
Sales of properties in the PRC	**9,591,489**	13,321,003
Project management services in the PRC	**11,366**	61,825
Hotel operations in the PRC	**12,456**	–
	9,615,311	13,382,828
Revenue from other sources		
Gross rental income from investment properties	**25,635**	23,934
Dividend income from financial assets at fair value through profit or loss	**16,110**	14,734
	9,657,056	13,421,496

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	**Sales of properties in the PRC** *RMB'000*	**Project management services in the PRC** *RMB'000*	**Hotel operations in the PRC** *RMB'000*	**Total** *RMB'000*
Type of goods or services and geographical markets				
Sale of properties in the PRC	**9,591,489**	**–**	**–**	**9,591,489**
Project management services in the PRC	**–**	**11,366**	**–**	**11,366**
Hotel operations in the PRC	**–**	**–**	**12,456**	**12,456**
Total revenue from contracts with external customers	**9,591,489**	**11,366**	**12,456**	**9,615,311**
Timing of revenue recognition				
Goods transferred at a point in time	**9,591,489**	**–**	**5,602**	**9,597,091**
Services transferred over time	**–**	**11,366**	**6,854**	**18,220**
Total revenue from contracts with external customers	**9,591,489**	**11,366**	**12,456**	**9,615,311**

For the year ended 31 December 2021

Segments	Sales of properties in the PRC *RMB'000*	Project management services in the PRC *RMB'000*	Total *RMB'000*
Types of goods or services and geographical markets			
Sale of properties in the PRC	13,321,003	–	13,321,003
Project management services in the PRC	–	61,825	61,825
Total revenue from contracts with external customers	13,321,003	61,825	13,382,828
Timing of revenue recognition			
Goods transferred at a point in time	13,321,003	–	13,321,003
Services transferred over time	–	61,825	61,825
Total revenue from contracts with external customers	13,321,003	61,825	13,382,828

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

(a) Property development in the PRC

(b) Project management services in the PRC

(c) Hotel operations in the PRC

(d) Property investment and management in the United States of America ("USA" or "US") in American Housing REIT, Inc. ("AHR")

(e) Property investment other than AHR

(f) 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 previously and up to 31 December 2022.

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 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 2022 on the basis of segmentation or on the basis of measurement of segment profit or loss, segment assets and liabilities.

Segment revenue and segment results

	Segment revenue		**Segment results**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Property development in the PRC	**9,591,489**	13,321,003	**(2,395,838)**	492,287
Project management services in the PRC	**11,366**	61,825	**4,348**	58,734
Hotel operations in the PRC	**12,456**	-	**(1,503)**	-
Property investment and management on AHR	**14,738**	14,441	**9,683**	9,912
Property investment other than AHR	**10,897**	9,493	**21,065**	2,038
Securities trading and investment	**16,110**	14,734	**(190,930)**	127,351
	9,657,056	13,421,496	**(2,553,175)**	690,322
Unallocated corporate income			**820**	326
Other gains and losses			**(187,153)**	(16,942)
Unallocated corporate expenses			**(9,039)**	(15,058)
(Loss)/profit before tax			**(2,748,547)**	658,648

Segment assets

	2022	2021
	RMB'000	*RMB'000*
Property development in the PRC	**59,913,866**	66,687,630
Project management services in the PRC	**5,030**	62,444
Hotel operations in the PRC	**132,668**	-
Property investment and management on AHR	**223,768**	202,296
Property investment other than AHR	**397,348**	357,273
Securities trading and investment	**251,586**	427,489
Segment assets	**60,924,266**	67,737,132
Unallocated assets	**619,633**	502,741
Total assets	**61,543,899**	68,239,873
Segment liabilities		
Property development in the PRC	**54,989,960**	58,804,650
Project management services in the PRC	**682**	1,676
Property investment and management on AHR	**62,409**	63,024
Property investment other than AHR	**120,927**	115,475
Segment liabilities	**55,173,978**	58,984,825
Unallocated liabilities	**1,049,676**	1,056,391
Total liabilities	**56,223,654**	60,041,216

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

An analysis of other income is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest income	**7,492**	30,793
Government grants	**87**	2,914
Others	**11,241**	10,317
	18,820	44,024

Fair value gain/(loss) on fair value of investment properties	**19,319**	(104)
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(207,039)**	112,618
Exchange losses	**(187,153)**	(16,942)
Write-down of properties under development and completed properties held for sale to net realisable value	**(2,656,869)**	(166,764)
Provision for impairment of goodwill	**(124,365)**	–
Impairment losses on accounts receivable and other receivables *(note 11)*	**(11,604)**	–
	(3,167,711)	(71,192)

5. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interests on:		
Bank and other borrowings	**719,716**	1,323,241
Interest arising from revenue contracts	**1,691,864**	1,525,514
Less: Capitalised in properties under development	**(2,296,812)**	(2,758,838)
	114,768	89,917

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.75% to 12.50% (2021: 4.95% to 12.80%) per annum.

6. (LOSS)/PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of properties sold	**8,805,512**	12,152,459
Cost of services	**20,977**	3,091
Total employee benefit expenses:		
Directors' emoluments	**1,049**	1,023
Other staff:		
Salaries and other benefits	**90,379**	122,661
Retirement benefit scheme contributions	**8,949**	9,168
	100,377	132,852
Less: Capitalised in properties under development	**(6,418)**	(27,144)
	93,959	105,708
Auditor's remuneration	**2,880**	2,380
Depreciation of property, plant and equipment	**20,036**	2,158
Lease payments not included in the measurement of lease liabilities	**368**	1,483

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

	2022	2021
Interest income	**7,492**	30,793
Gross rental income from investment properties	**25,635**	23,934
Less: Direct operating expenses incurred for:		
– investment properties generating rental income	**(3,371)**	(3,068)
– investment properties not generating rental income	**(153)**	(142)
	(3,524)	(3,210)
	22,111	20,724

7. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax – charge for the year		
– Hong Kong Profits Tax	**–**	–
– PRC CIT	**207,911**	291,669
– PRC LAT	**158,875**	126,325
– Overseas Corporate Income Tax	**106**	118
Over provision in prior years	**(31)**	(10)
	366,861	418,102
Deferred tax	**(172,881)**	(144,496)
Total tax charge for the year	**193,980**	273,606

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 at a rate of 21% (2021: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the year ended 31 December 2022. Certain of these subsidiaries retained with undistributed income are also subjected 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 does not recommend the payment of a dividend in respect of the Year (2021: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic (loss)/earnings per share is based on:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company used in the basic (loss)/earnings per share calculation	**(2,946,113)**	399,470

	2022	2021
	RMB'000	*RMB'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**1,913,387**	1,913,387

No diluted (loss)/earnings per share amounts were presented for the years ended 31 December 2022 and 2021 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 (2021: approximately RMB2.8 million), and transferred a property of RMB13.5 million from investment purpose to self-use.

During the Year, there was no material disposal of investment properties and property, plant and equipment (2021: Nil).

11. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Accounts receivable	**16,546**	12,210
Less: Impairment	**(1,063)**	–
	15,483	12,210
Prepaid value-added taxes and other taxes	**1,611,784**	1,993,816
Deposits and prepayments	**446,349**	243,054
Costs of obtaining contracts	**261,855**	286,408
Other receivables	**747,722**	148,906
	3,067,710	2,672,184
Less: Impairment	**(11,191)**	(650)
	3,056,519	2,671,534
	3,072,002	2,683,744

Accounts receivable represent receivables from sales of properties, project management services, property management services, dividend receivables and rental receivables. Receivables arising from sales of properties and project management fee receivables are due for settlement in accordance with the terms of the related agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and the net of loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**14,419**	10,083
1 to 2 years	**–**	–
2 to 3 years	**–**	–
Over 3 years	**1,064**	2,127
At end of year	**15,483**	12,210

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

Set out below is the information about the credit risk exposure on the Group's financial assets included in accounts receivable using a provision matrix:

As at 31 December 2022

	Gross carrying amount	**Expected credit losses**
	RMB'000	***RMB'000***
Individual evaluation of expected credit losses	**2,127**	**1,063**
Assessment of expected credit losses by credit risk portfolio	**14,419**	**–**
At end of year	**16,546**	**1,063**

As at 31 December 2021

	Gross carrying amount	Expected credit losses
	RMB'000	*RMB'000*
Assessment of expected credit losses by credit risk portfolio	12,210	–

12. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2022 *RMB'000*	2021 *RMB'000*
Accounts and bills payable	**209,544**	221,514
Accrued construction costs *(Note)*	**6,211,261**	5,428,927
Rental deposits received	**10,393**	8,330
Retention deposits and payable	**304,058**	262,011
Real estate and other taxes payable	**324,662**	82,324
Other payables and accruals	**307,768**	353,747
	7,367,686	6,356,853
Less: Rental deposits received – non-current	**(9,440)**	(6,492)
	7,358,246	6,350,361

Note: Included in accrued construction costs are amounts due to a related company controlled by the daughter of Ms. Huang Yanping ("Ms. Huang"), Ms. Zhang Huiqi ("Ms. Zhang"), of approximately RMB682,551,000 (2021: RMB523,479,000) for its construction work.

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within 1 year	**3,316,514**	3,229,724
1 to 2 years	**2,833,891**	1,352,075
2 to 3 years	**194,644**	744,335
Over 3 years	**75,756**	324,307
At end of year	**6,420,805**	5,650,441

13. AMOUNTS DUE TO RELATED COMPANIES

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

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 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 was 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, the carrying amounts of the loans approximate their fair vales at initial recognition.

15. SHARE CAPITAL

	Number of ordinary shares in issue	Amount *RMB'000*
Ordinary shares with no par value:		
At 1 January 2021	**19,133,866,698**	**5,326,923**
Share Consolidation *(Note)*	**(17,220,480,029)**	**–**
Share issue expenses	**–**	**–**
At 31 December 2021 and 1 January 2022 and 31 December 2022	**1,913,386,669**	**5,326,923**

Note:

Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company held on 5 August 2021, the share consolidation on the basis that every ten issued ordinary shares in the share capital of the Company be consolidated into one ordinary share in the share capital of the Company became effective on 9 August 2021 (the "Share Consolidation").

All the shares issued during 2021 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:

	2022 *RMB'000*	2021 *RMB'000*
Contracted for, but not provided, in respect of		
Acquisitions of land use rights	**–**	210,540
Property development expenditures	**10,041,812**	10,656,821
	10,041,812	10,867,361

17. RELATED PARTY TRANSACTIONS

		2022	2021
		RMB'000	*RMB'000*
***Related companies** (Note i)*	***Transactions** (Note ii)*		
Relevant members of Ever Diamond Global Company Limited ("Ever Diamond", and collectively, the "Ever Diamond Group")	Project management service fee income	**–**	61,571
Relevant members of Henan Zensun Corporate Development Company Limited ("Zensun Development", and collectively, the "Zensun Development Group")	Construction costs (capitalised in properties under development)	**1,601,402**	2,434,403
Relevant members of Xingye Wulian Service Group Company Limited ("Xingye Wulian", and collectively, the "Xingye Wulian Group")	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	**45,884**	45,982

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. 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.

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 and 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.

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 12, 13 and 14 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) (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS AND DIVIDEND

For the year ended 31 December 2022 (the "Year"), the Group recorded revenue of approximately RMB9,657.1 million and gross profit of approximately RMB827.0 million, with a decrease of approximately 28.0% as compared to revenue of approximately RMB13,421.5 million and a decrease of approximately 34.5% as compared to gross profit of approximately RMB1,262.7 million for 2021, respectively. Revenue and gross profit of the Year and for 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 Year as compared to 2021. During the Year, the Group's completed property development projects delivered approximately GFA of 950,000 square meters ("sq.m.") with ASP of approximately RMB10,200 per sq.m. as compared to that of approximately 1,100,000 sq.m. with ASP of approximately RMB12,200 per sq.m. for 2021. The decrease in gross profit during the Year as compared to 2021 was resulted from the recognition of certain lower profit margin property projects during the Year, which was caused by property projects leading to had a higher unexpected construction cost due to the COVID-19 pandemic which prolonged development progress and property projects, together with suppressed selling prices under the decreasing public purchasing desires and power derived from aggregated unfavourable factors including the recurrence of the COVID-19 pandemic, the macroeconomic downturn and the continued depletion of demand in real estate properties.

The Group had other income of approximately RMB18.8 million during the Year, with a decrease of approximately 57.3% as compared to approximately RMB44.0 million during 2021. It was primarily attributable to the decrease in interest income of approximately RMB23.3 million during the Year.

The Group had net other losses of approximately RMB3,167.7 million during the Year, as compared to net other losses of approximately RMB71.2 million for 2021. The Group's net other losses during the Year were attributable to (i) the fair value loss on financial assets at fair value through profit or loss of approximately RMB207.0 million (2021: fair value gain of approximately RMB112.6 million), (ii) writedown of completed properties held for sale and properties under development to net realisable value of approximately RMB2,656.9 million (2021: approximately RMB166.8 million), (iii) impairment loss on goodwill of RMB124.4 million (2021: Nil), (iv) net exchange losses of approximately RMB187.2 million (2021: net exchange losses of approximately RMB16.9 million), and (v) impairment losses on accounts receivable and other receivables of approximately RMB11.6 million (2021: Nil); and offset by fair value gain on investment properties of approximately RMB19.3 million (2021: fair value loss of approximately RMB0.1 million).

The Group's sales and marketing expenses decreased by approximately 53.0% from approximately RMB249.6 million for 2021 to approximately RMB117.3 million for the Year. The Group's administrative expenses decreased by approximately 18.0% from approximately RMB237.4 million for 2021 to approximately RMB194.7 million for the Year. Such decreases were in line with less sales activities in the market and the cost-cutting measures implemented by the Group in view of the recent downturn in the property market and recurrence of COVID-19 pandemic during the Year.

The Group's finance costs increased by approximately 27.7% from approximately RMB89.9 million for 2021 to approximately RMB114.8 million for the Year. The increase was attributable to interest arising from the increasing revenue contracts which are not eligible for capitalisation to properties under development.

The Group's income tax expenses decreased by approximately 29.1% from approximately RMB273.6 million for 2021 to approximately RMB194.0 million for the Year. The decrease was consistent with the decrease in PRC CIT due to the decrease in operating profits in the PRC during the Year.

As a result of the foregoing, the Group's loss attributable to owners of the Company for the Year amounted to approximately RMB2,946.1 million (2021: profit attributable to owners of the Company of approximately RMB399.5 million).

The basic loss per share for the Year was RMB154.0 cents (2021: basic earnings per share of RMB20.9 cents) which was resulted from the decrease in profit attributable to owners of the Company during the Year.

The Board does not recommend the payment of a dividend in respect of the Year.

BUSINESS REVIEW

Property Development in the PRC

During the Year, the property development business in the PRC contributed revenue of approximately RMB9,591.5 million (2021: approximately RMB13,321.0 million) and segment loss of approximately RMB2,395.8 million (2021: segment profit of approximately RMB492.3 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 Year. There were ten new completed property development projects in phases/sub-phases delivered during the Year, namely Zhengzhou Zensun Voyage Garden (Phase I and Phase II)* (鄭州正商匯航佳苑一期及二期), Wuhan Zensun Scholar Mansion* (武漢正商書香華府), Zhengzhou Zensun Yating Mansion (Phase I)* (鄭州正商雅庭華府一期), Zhengzhou Zensun Princess Lake Phase II* (鄭州正商公主湖二期), Zhengzhou Zensun Zhenruishangjing* (鄭州正商禎瑞上境), Zhengzhou Zensun Boya Court (Phase I)* (鄭州正商博雅華庭一期), Dengzhou Zensun Xintiandi* (鄧州正商新天地), Zhengzhou Zensun Voyage International Plaza (Phase II)* (鄭州正商啟航國際廣場二期), and Fengon Garden* (豐安苑), while during 2021 there were 11 new completed projects delivered.

Together with our existing property projects completed in prior years, there were approximately 950,000 sq.m. GFA delivered with ASP of approximately RMB10,200 per sq.m. and recognised into the revenue during the Year as compared to that of approximately 1,100,000 sq.m. GFA delivered with ASP of approximately RMB12,200 per sq.m. and recognised during 2021. During the Year, with the impact of economy downturn and the recurrence of COVID-19 pandemic, the overall real estate market in the PRC continued to experience a decrease in public purchasing power. The selling prices of property projects were inevitably suppressed which led to slowing down of sales and 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 RMB2,656.9 million (2021: approximately RMB166.8 million on properties under development) for certain properties whose selling price was not recoverable as expected to net realisable value was provided during the Year.

In view of the abovementioned, the Group is adopting a more conservative approach and implementing cost-cutting schemes to maintain its 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 Year as compared to the 2021. In addition, the Group conservatively 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 business development strategy adopted, the Group's land resources have been sufficiently accumulated. As at 31 December 2022, the Group had 41 completed property projects and/or sub-phases and 55 on-going complex property projects on hand with 116 land parcels under development and planning with an aggregate site area of approximately 4.6 million sq.m. and aggregate estimated GFA of approximately 9.9 million sq.m. in the PRC. In return, it is expected that the land reserves will bring to the Group with estimated saleable/leasable GFA under development of approximately 6.2 million sq.m. and estimated GFA under planning of approximately 3.7 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 the changing market conditions, as and when appropriate.

Project Management Services in the PRC

During the Year, the Group provided project management services in the PRC and recorded revenue of approximately RMB11.4 million (2021: approximately RMB61.8 million) and segment profit of approximately RMB4.3 million (2021: approximately RMB58.7 million) from the provision of project management services in the PRC to independent property owners. During the Year, 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 on AHR

The segment revenue derived from property investment and/or management on AHR remained fairly stable of approximately RMB14.7 million for the Year and approximately RMB14.4 million for 2021, and the segment profit also remained stable of approximately RMB9.7 million for the Year and approximately RMB9.9 million for 2021.

Property Investment other than AHR

During the Year, the property investment in other regions other than AHR division contributed to segment revenue of approximately RMB10.9 million (2021: approximately RMB9.5 million) and segment profit of approximately RMB21.1 million (2021: approximately RMB2.0 million) to the Group. The increase in segment profit was primarily attributable to fair value gain on investment properties in this division during the Year of approximately RMB19.5 million as compared to fair value loss of approximately RMB0.2 million during 2021.

Securities Trading and Investment

During the Year, the Group's securities business recorded segment revenue of approximately RMB16.1 million with segment loss of approximately RMB190.9 million as compared to segment revenue of approximately RMB14.7 million with segment profit of approximately RMB127.4 million for 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 Year of approximately RMB207.0 million (2021: fair value gain of approximately RMB112.6 million) due to the overall downturn of the stock markets.

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 recurrence of the COVID-19 pandemic, the macroeconomic downturn and the continued depletion of demand in real estate properties.

Although policies favourable to the real estate industry have been introduced and the Group has been actively taking promotion measures to boost property sales, property sales were still weaker than expected. Therefore, taking a prudent approach, the Group has recognised an increased impairment loss for properties under construction and completed properties held for sale amounted to approximately RMB2,656.9 million during the Year.

Our Group was prepared for and responsive to confronting these ever-changing challenges so as to mitigate the impact brought by the COVID-19 pandemic and the adverse market sentiment and the wait-and-see position cautiously taken by customers. The Group closely communicates with our construction contractors in order to monitor the development progress and adjust the development and pace of delivery schedule from time to time, where appropriate and necessary.

The Group maintained sustainable liquidity financial position with bank balances (including pledged deposits, restricted bank balances and cash and cash equivalents) of approximately RMB1,991.6 million, with our current ratio slightly decreased to 1.1 (from 1.2 at 31 December 2021), and our gearing ratio decreasing to 23.5% (from 27.1% at 31 December 2021) with net current assets of approximately RMB7,081.5 million as at 31 December 2022. Therefore, we are confident that our Group has sufficient working capital to satisfy the Group's operations.

The Board considers the overall business operation and financial position of the Group to remain healthy and solid and therefore remains optimistic about the long-term development of the Group despite the challenges posed by the downturn of economic environment, 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 31 December 2022, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances were approximately RMB1,991.6 million (2021: approximately RMB3,512.5 million), representing a decrease of approximately 43.3%. The total cash and bank balances were mainly denominated in RMB, Hong Kong Dollar ("HKD" or "HK$"), US Dollar ("USD" or "US$"), and Singapore Dollar ("SGD").

As at 31 December 2022, certain bank balances and deposits of the Group were pledged to certain banks and financial institutions as securities for (i) the bank and financial institutions facilities granted to the Group and (ii) the mortgage loan facilities granted to the property buyers of the Group. The total pledged deposits was approximately RMB137.5 million as at 31 December 2022 (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 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 2022, net debt and equity attributable to owners of the Company were approximately RMB14,489.4 million (2021: approximately RMB18,463.9 million) and approximately RMB5,316.0 million (2021: approximately RMB8,198.5 million), respectively.

As at 31 December 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 RMB16,481.1 million (2021: approximately RMB21,976.5 million), of which approximately RMB12,974.9 million (2021: approximately RMB16,075.6 million) were repayable within one year or on demand, and approximately RMB3,506.2 million (2021: approximately RMB5,900.8 million) were repayable after one year. The aggregate borrowings were mainly denominated in RMB, USD and SGD.

During the Year, the Company repurchased and cancelled part of the US$200 million 12.5% senior notes due 2022 ("2022 Notes") with an aggregated principal amount of US$163.6 million from the open market. The Company has repaid the 2022 Notes in full at their outstanding amount of US$36.4 million together with interest accrued at the maturity date on 13 September 2022.

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 31 December 2022. The Group's interest rate risk is mainly driven by the bank and other borrowings with floating interest rates.

As at 31 December 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 investment properties, properties under development, completed properties held for sale and pledged deposits with total carrying values of approximately RMB15,369.3 million (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 31 December 2022. 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 and her daughter, Ms. Zhang as at 31 December 2022. No asset of the Group was pledged to these related companies in respect of these guarantees.

As at 31 December 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 Year.

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 2022, the Group recorded a current ratio of approximately 1.1 (2021: 1.2) and a gearing ratio of approximately 23.5% (2021: approximately 27.1%). 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 2022, the capital commitments of the Group in connection with the property development expenditures was approximately RMB10,041.8 million (2021: approximately RMB10,656.8 million) and there was no capital commitments for acquisition of land use rights (2021: approximately RMB210.5 million), respectively.

Contingent Liabilities

As at 31 December 2022, the Group had contingent liabilities relating to guarantees amounting to approximately RMB19,274.1 million (2021: approximately RMB18,002.3 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 5 Years+ 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. 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 RMB136.1 million (2021: approximately RMB132.9 million).

As at 31 December 2022, the Group had 620 employees.

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

During the Year, 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 Year	City/County	Designated land usage(s)	Site area	Consideration
			(sq.m.) Approximately	*(RMB' million) Approximately*
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 Year.

Events after the Reporting Period

There was no significant event after the reporting period and up to the date of this announcement.

Outlook and Prospects

The Group is principally engaged in the business of property development, property investment, project management services and hotel operations. In order to pursue sustainable development, the Group looks for investment opportunities which could 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 Year, ten property development projects, namely Zhengzhou Zensun Voyage Garden (Phase I and Phase II)* (鄭州正商匯航佳苑一期及二期), Wuhan Zensun Scholar Mansion* (武漢正商書香華府), Zhengzhou Zensun Yating Mansion (Phase I)* (鄭州正商雅庭華府一期), Zhengzhou Zensun Princess Lake Phase II* (鄭州正商公主湖二期), Zhengzhou Zensun Zhenruishangjing* (鄭州正商禎瑞上境), Zhengzhou Zensun Boya Court (Phase I)* (鄭州正商博雅華庭一期), Dengzhou Zensun Xintiandi* (鄧州正商新天地), Zhengzhou Zensun Voyage International Plaza (Phase II)* (鄭州正商啟航國際廣場二期), and Fengon Garden* (豐安苑) were newly completed and delivered to customers in accordance with the terms and conditions of the purchase agreements. 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 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 2023 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 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 and cooperate with 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.

The Group continues to pursue 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. 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, Global Medical REIT, Inc. ("GMR") in securities trading and investment segment and 99% equity interest in AHR in property investment and management segment.

1. GMR

   During the Year, the Group performed regular review on GMR's business performance and its business strategies and prospect. It is considered that the investment in GMR 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 Year 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company repurchased and cancelled part of the 2022 Notes with an aggregated principal amount of US$163.6 million from the open market. The Company has repaid the 2022 Notes in full at their outstanding amount of US$36.4 million together with interest accrued at the maturity date on 13 September 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Year.

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 as set out in Appendix 14 to the Listing Rules ("CG Code") throughout the Year, save for the deviations which are explained below.

Pursuant to Code Provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly internals. Although only two 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 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.

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, Mr. Ma Yuntao and Dr. Li Huiqun.

The Audit Committee has reviewed, with the management and the external auditor 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 2022 and 2021 included in this preliminary announcement of final results 2022 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 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 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 2021 and 2022. 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, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 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 audited 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2022, the Group's current portion of bank and other borrowings amounted to RMB4,693,151,000, while its cash and cash equivalents amounted to RMB488,199,000. This condition, along with other matters as set forth in Note 2.1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

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 did not recommend the payment of a final dividend for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders of the Company who are entitled to attend and vote at the 2023 AGM expected to be held on Wednesday, 7 June 2023, the register of members of the Company is expected to be closed on Thursday, 1 June 2023 to Wednesday, 7 June 2023, both days inclusive. In order to qualify for attending and voting at the 2023 AGM, all transfer documents should be lodged for registration with the Company's Share Registrar, Tricor Friendly Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong expected not later than 4:30 p.m. on Wednesday, 31 May 2023.

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Wednesday, 7 June 2023 and the notice of the 2023 AGM will be published and despatched in the manner as required by the Listing Rules and the Company's articles of association in due course.

APPRECIATION

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

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

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

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

Hong Kong, 30 March 2023

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 purposes only*