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ZENSUN ENTERPRISES LIMITED

正商實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS FOR THE PERIOD

- Revenue for the Period amounted to approximately RMB5,914.1 million, representing an increase of approximately 50.1% as compared with 2022.
- Loss attributable to owners of the Company for the Period amounted to approximately RMB374.5 million, representing a decrease of approximately 691.2% compared with the profit attributable to owners of the Company for 2022 of approximately RMB63.3 million.
- Basic loss per share for the Period was RMB19.6 cents, as compared with basic earnings per share of RMB3.3 cents for 2022.

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 2023 (the “Period”) together with the comparative figures for the corresponding period in 2022, 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 2023

		Six months ended 30 June	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	5,914,083	3,941,027
Cost of sales		<u>(5,375,485)</u>	<u>(3,349,840)</u>
Gross profit		538,598	591,187
Other income		4,114	12,038
Other gains and losses, net	5	(509,890)	(210,505)
Administrative expenses		(79,801)	(91,913)
Sales and marketing expenses		(55,062)	(70,979)
Finance costs	6	<u>(76,270)</u>	<u>(15,548)</u>
(LOSS)/PROFIT BEFORE TAX	7	(178,311)	214,280
Income tax expense	8	<u>(199,417)</u>	<u>(159,638)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(377,728)</u>	<u>54,642</u>
Attributable to:			
Owners of the Company		(374,491)	63,344
Non-controlling interests		<u>(3,237)</u>	<u>(8,702)</u>
		<u>(377,728)</u>	<u>54,642</u>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO OWNERS OF			
THE COMPANY			
Basic (RMB cents)	10	(19.6)	3.3
Diluted		<u>NA</u>	<u>NA</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	<u>(377,728)</u>	<u>54,642</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>9,762</u>	<u>(4,998)</u>
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of non-foreign operations	<u>48,214</u>	<u>(124,944)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>57,976</u>	<u>(129,942)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(319,752)</u>	<u>(75,300)</u>
Attributable to:		
Owners of the Company	<u>(317,239)</u>	<u>(67,038)</u>
Non-controlling interests	<u>(2,513)</u>	<u>(8,262)</u>
	<u>(319,752)</u>	<u>(75,300)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		563,486	572,668
Investment properties	<i>11</i>	617,461	584,960
Goodwill		300,357	300,357
Intangible assets		89,826	112,284
Deferred tax assets		504,989	555,315
		<hr/>	<hr/>
Total non-current assets		2,076,119	2,125,584
CURRENT ASSETS			
Completed properties held for sale		11,833,242	10,212,953
Properties under development	<i>12</i>	40,423,264	42,475,033
Accounts receivable, other receivables and other assets	<i>13</i>	2,943,415	3,072,002
Financial assets at fair value through profit or loss		251,102	247,725
Prepaid income tax and tax recoverable		1,437,203	1,418,983
Pledged deposits		332,645	137,515
Restricted bank balances		1,851,860	1,365,905
Cash and cash equivalents		540,917	488,199
		<hr/>	<hr/>
Total current assets		59,613,648	59,418,315
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	<i>14</i>	8,855,232	7,358,246
Contract liabilities		29,192,408	31,327,733
Amounts due to related companies	<i>15</i>	1,165,128	1,038,106
Loans from a related company	<i>16</i>	8,401,661	7,243,579
Bank and other borrowings		5,721,768	4,693,151
Tax liabilities		768,500	676,048
		<hr/>	<hr/>
Total current liabilities		54,104,697	52,336,863
NET CURRENT ASSETS		<hr/> 5,508,951	<hr/> 7,081,452
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 7,585,070	<hr/> 9,207,036

		30 June 2023	31 December 2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Rental deposits received	<i>14</i>	11,153	9,440
Bank and other borrowings		2,202,214	3,506,232
Deferred tax liabilities		371,210	371,119
		<hr/>	<hr/>
Total non-current liabilities		2,584,577	3,886,791
		<hr/>	<hr/>
Net assets		5,000,493	5,320,245
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>17</i>	5,326,923	5,326,923
Reserves		(328,128)	(10,889)
		<hr/>	<hr/>
Non-controlling interests		4,998,795	5,316,034
		1,698	4,211
		<hr/>	<hr/>
Total equity		5,000,493	5,320,245
		<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023 was approved for issue by the board of Directors on 30 August 2023. 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 2023 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 2022.

The financial information relating to the year ended 31 December 2022 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 2022 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 2022. 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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKFRS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The adoption of the above new and revised IFRSs has had no significant financial effect on the financial information and reference 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 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 30 June 2023.

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.

Segment revenue and segment results

	Six months ended 30 June			
	Segment revenue		Segment results	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Property development in the PRC	5,864,836	3,913,503	(76,581)	366,708
Project management services in the PRC	12,242	3,302	8,604	3,152
Hotel operations in the PRC	13,688	4,287	3,619	229
Property investment and management in the USA on AHR	7,562	7,199	5,373	5,551
Property investment other than AHR	6,443	4,359	4,228	9,161
Securities trading and investment	9,312	8,377	226	(151,340)
	5,914,083	3,941,027	(54,531)	233,461
Unallocated corporate income			56	–
Other gains and losses, net			(139,695)	(16,814)
Unallocated corporate expenses			15,859	(2,367)
(Loss)/profit before tax			(178,311)	214,280
			30 June	31 December
			2023	2022
			<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	(Audited)
<i>Segment assets</i>				
Property development in the PRC			60,036,720	59,913,866
Project management services in the PRC			9,339	5,030
Hotel operations in the PRC			129,761	132,668
Property investment and management in the USA on AHR			238,976	223,768
Property investment other than AHR			420,632	397,348
Securities trading and investment			255,175	251,586
Segment assets			61,090,603	60,924,266
Unallocated assets			599,164	619,633
Total assets			61,689,767	61,543,899

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<i>Segment liabilities</i>		
Property development in the PRC	55,358,550	54,989,960
Project management services in the PRC	735	682
Property investment and management in the USA on AHR	63,786	62,409
Property investment other than AHR	123,958	120,927
	<hr/>	<hr/>
Segment liabilities	55,547,029	55,173,978
	<hr/>	<hr/>
Unallocated liabilities	1,142,245	1,049,676
	<hr/>	<hr/>
Total liabilities	56,689,274	56,223,654
	<hr/>	<hr/>

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of properties in the PRC	5,864,836	3,913,503
Project management services in the PRC	12,242	3,302
Hotel operations in the PRC	13,688	4,287
	<hr/>	<hr/>
<i>Revenue from other sources</i>		
Gross rental income from investment properties	14,005	11,558
Dividend income from financial assets at fair value through profit or loss	9,312	8,377
	<hr/>	<hr/>
	5,914,083	3,941,027
	<hr/>	<hr/>

Disaggregated revenue information for revenue from contracts with customers

Segments	For the six months ended 30 June 2023			
	Sales of properties in the PRC <i>RMB'000</i> (Unaudited)	Project management services in the PRC <i>RMB'000</i> (Unaudited)	Hotel operations in the PRC <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services and geographical markets				
Sales of properties in the PRC	5,864,836	–	–	5,864,836
Project management services in the PRC	–	12,242	–	12,242
Hotel operations in the PRC	–	–	13,688	13,688
Total revenue from contracts with external customers	<u>5,864,836</u>	<u>12,242</u>	<u>13,688</u>	<u>5,890,766</u>
Timing of revenue recognition				
Goods transferred at a point in time	5,864,836	–	522	5,865,358
Services transferred over time	–	12,242	13,166	25,408
Total revenue from contracts with external customers	<u>5,864,836</u>	<u>12,242</u>	<u>13,688</u>	<u>5,890,766</u>
For the six months ended 30 June 2022				
Segments	Sales of properties in the PRC <i>RMB'000</i> (Unaudited)	Project management services in the PRC <i>RMB'000</i> (Unaudited)	Hotel operations in the PRC <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services and geographical markets				
Sales of properties in the PRC	3,913,503	–	–	3,913,503
Project management services in the PRC	–	3,302	–	3,302
Hotel operations in the PRC	–	–	4,287	4,287
Total revenue from contracts with external 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 external customers	<u>3,913,503</u>	<u>3,302</u>	<u>4,287</u>	<u>3,921,092</u>

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value loss on financial assets at fair value through profit or loss	(9,085)	(159,716)
Fair value gain on investment properties	5,093	7,525
Exchange losses	(139,695)	(16,814)
Write-down of completed properties held for sale and properties under development to net realisable value	(358,421)	(30,000)
Provision for impairment of goodwill	–	(11,500)
Impairment losses on accounts receivable and other receivables	(7,782)	–
	<u>(509,890)</u>	<u>(210,505)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interests on:		
Bank and other borrowings	351,655	503,617
Interest arising from revenue contracts	476,472	784,808
Less: Capitalised in properties under development	<u>(751,857)</u>	<u>(1,272,877)</u>
	<u>76,270</u>	<u>15,548</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.73% to 12.50% (six months ended 30 June 2022: 4.75% to 12.50%) per annum during the six months ended 30 June 2023.

7. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The Group's (loss)/profit before tax is arrived at after charging:		
Cost of properties sold	5,359,944	3,344,424
Cost of services	13,707	4,252
Depreciation of property, plant and equipment	9,052	6,145
The Group's (loss)/profit before tax is arrived at after crediting:		
Interest income	1,629	4,177
Gross rental income from investment properties	14,005	11,558
Less: Direct operating expenses incurred for:		
– investment properties generated rental income	(1,784)	(1,036)
– investment properties that did not generate rental income	(50)	(128)
	(1,834)	(1,164)
	12,171	10,394

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – charge for the period		
– Hong Kong Profits Tax	–	–
– PRC Corporate Income Tax (“PRC CIT”)	94,084	113,885
– PRC Land Appreciation Tax (“PRC LAT”)	54,785	71,517
– Overseas Corporate Income Tax	50	5
	148,919	185,407
Deferred tax	50,498	(25,769)
Total tax charge for the period	199,417	159,638

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.

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% (six months ended 30 June 2022: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the six months ended 30 June 2023. 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.

9. DIVIDENDS

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company used in the basic (loss)/earnings per share calculation	(374,491)	63,344
	1,913,387	1,913,387
	1,913,387	1,913,387

Shares

Weighted average number of ordinary shares in issue during the period 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 six months ended 30 June 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately RMB13,000 (six months ended 30 June 2022: approximately RMB3,484,000).

In addition, there is no disposal of investment properties and property, plant and equipment during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

The fair values of the investment properties as at 30 June 2023 and 31 December 2022 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited, which is the member of the Hong Kong Institute of Surveyors and Valuers and is an independent qualified professional valuer 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.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The investment properties are leased to third parties under operating leases.

12. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC. As at 30 June 2023, the Group carried out assessment and provision for write-down of properties under development to net realisable value amounted to approximately RMB1,504,488,000 (31 December 2022: RMB1,263,639,000).

13. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Accounts receivable	20,969	16,546
Less: Impairment	<u>(2,127)</u>	<u>(1,063)</u>
	18,842	15,483
Prepaid value-added taxes and other taxes	1,412,664	1,611,784
Deposits and prepayments	548,861	446,349
Costs of obtaining contracts	282,188	261,855
Other receivables	<u>698,770</u>	<u>747,722</u>
	2,942,483	3,067,710
Less: Impairment	<u>(17,910)</u>	<u>(11,191)</u>
	2,924,573	3,056,519
	<u>2,943,415</u>	<u>3,072,002</u>

Accounts receivable represent receivables from sales of properties, project 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 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:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	18,601	14,419
1 to 2 years	241	–
2 to 3 years	–	–
Over 3 years	<u>–</u>	<u>1,064</u>
At end of year	<u>18,842</u>	<u>15,483</u>

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.

14. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Accounts payable	216,399	209,544
Accrued construction costs (<i>Note</i>)	7,214,264	6,211,261
Rental deposits received	12,151	10,393
Retention deposits and payable	197,729	304,058
Real estate and other taxes payable	187,631	324,662
Other payables and accruals	1,038,211	307,768
	8,866,385	7,367,686
Less: Rental deposits received – non-current	(11,153)	(9,440)
	8,855,232	7,358,246

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang"), of approximately RMB608,913,000 (31 December 2022: RMB682,551,000) 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:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	5,155,610	3,316,514
1 to 2 years	2,060,557	2,833,891
2 to 3 years	171,965	194,644
Over 3 years	42,531	75,756
	7,430,663	6,420,805
At end of period/year	7,430,663	6,420,805

15. 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.

16. 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.

17. SHARE CAPITAL

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Issued and fully paid:		
1,913,386,669 (31 December 2022: 1,913,386,669) ordinary shares	<u>5,326,923</u>	<u>5,326,923</u>

18. CONTINGENT LIABILITIES

As at 30 June 2023, the Group had contingent liabilities relating to guarantees amounting to approximately RMB20,165,802,000 (31 December 2022: RMB19,274,110,000) 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 2023 (31 December 2022: Nil) as 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.

19. COMMITMENTS

- (a) The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted for, but not provided in respect of: Property development expenditures	11,142,862	10,041,812

- (b) The Group has no lease contracts that have not yet commenced as at 30 June 2023.

20. 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
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)	919,040	872,037
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	18,580	22,249

Notes:

- (i) 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 2023, the Group’s senior notes and bank and other borrowings amounting to approximately RMB6,101,557,000 (31 December 2022: approximately RMB4,284,452,000) 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 14, 15 and 16 to the interim financial information.

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

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Short term employee benefits	1,047	433
Post-employment benefits	33	13
Total compensation paid to key management personnel	<u>1,080</u>	<u>446</u>

21. EVENTS AFTER THE REPORTING PERIOD

On 29 August 2023, the Company has commenced an exchange offer (“Exchange Offer”) to exchange any and all of its outstanding 2023 Notes held by eligible holders of 2023 Notes with new notes with a tenor of two years and bearing interest at 7% per annum payable semi-annually in arrears in accordance with the terms and conditions as set forth in the exchange offer memorandum. For details of the Exchange Offer, please refer to the announcement of the Company on 29 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

During the Period, the Group recorded revenue of approximately RMB5,914.1 million and gross profit of approximately RMB538.6 million, with an increase of approximately 50.1% as compared to revenue of approximately RMB3,941.0 million and a decrease of approximately 8.9% as compared to gross profit of approximately RMB591.2 million for the corresponding period of 2022, respectively. Revenue and gross profit of the Period and the corresponding period of 2022 were primarily derived from the property development business in the PRC. The increase in revenue during the Period was mainly contributed by more delivery of saleable/leasable gross floor area (“GFA”) from the delivery of the Group’s completed property development projects during the Period as compared to the corresponding period of 2022. The decrease in gross profit during the Period as compared to the corresponding period of 2022 was resulted from the recognition of certain lower profit margin property projects during the Period, which was caused by higher unexpected construction cost and suppressed selling prices under the decreasing public purchasing desires and power derived from the macroeconomic downturn and the continued depletion of demand in real estate properties.

The Group had other income of approximately RMB4.1 million during the Period, with a decrease of approximately 65.8% as compared to approximately RMB12.0 million for the corresponding period of 2022. It was primarily attributable to the decrease in interest income and income from heat supply management services during the Period.

The Group had net other losses of approximately RMB509.9 million during the Period, as compared to net other losses of approximately RMB210.5 million for the corresponding period of 2022. The Group’s net other losses during the Period were attributable to the combination effects of (i) the fair value loss on financial assets at fair value through profit or loss of approximately RMB9.1 million (2022: fair value loss of approximately RMB159.7 million), (ii) write-down of completed properties held for sale and properties under development to net realisable value of approximately RMB358.4 million (2022: approximately RMB30.0 million), (iii) net exchange losses of approximately RMB139.7 million (2022: net exchange losses of approximately RMB16.9 million), and (iv) impairment losses on accounts receivable and other receivables of approximately RMB7.8 million (2022: Nil); and being offset by fair value gain on investment properties of approximately RMB5.1 million (2022: fair value gain of approximately RMB7.5 million).

The Group’s sales and marketing expenses decreased by approximately 22.4% from approximately RMB71.0 million for the corresponding period of 2022 to approximately RMB55.1 million for the Period. The Group’s administrative expenses decreased by approximately 13.2% from approximately RMB91.9 million for the corresponding period of 2022 to approximately RMB79.8 million for the Period. 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 of the PRC during the Period.

The Group's finance costs increased by approximately 390.5% from approximately RMB15.5 million for the corresponding period of 2022 to approximately RMB76.3 million for the Period. The increase was primarily attributable to the decrease in interest which are eligible for capitalisation to properties under development during the Period.

The Group's income tax expenses increased by approximately 24.9% from approximately RMB159.6 million for the corresponding period of 2022 to approximately RMB199.4 million for the Period. The increase was mainly due to increase in deferred tax resulted from increased impact from tax loss not being recognised.

As a result of the foregoing, the Group's loss attributable to owners of the Company for the Period amounted to approximately RMB374.5 million (2022: profit attributable to owners of the Company of approximately RMB63.3 million).

The basic loss per share for the Period was RMB19.6 cents (2022: basic earnings per share of RMB3.3 cents) which was resulted from the decrease in profit attributable to owners of the Company during the Period.

The Board does not recommend the payment of an interim dividend in respect of the Period.

BUSINESS REVIEW

Property Development in the PRC

During the Period, the property development business in the PRC contributed revenue of approximately RMB5,864.8 million (2022: approximately RMB3,913.5 million) and segment loss of approximately RMB76.6 million (2022: segment profit of approximately RMB366.7 million) to the Group. The increase in segment revenue was attributable to the increase of GFA delivered to the property owners during the Period.

During the Period, with the continuous impact of economy downturn, 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 RMB358.4 million (2022: approximately RMB30.0 million) for certain properties whose selling price was 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 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 Period as compared to the corresponding period of 2022.

Given the current severe real estate market environment, the Group will remain conservative 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 Period, the Group provided project management services in the PRC and recorded revenue of approximately RMB12.2 million (2022: approximately RMB3.3 million) and segment profit of approximately RMB8.6 million (2022: approximately RMB3.2 million) from the provision of project management services in the PRC to independent property owners. The increase is primarily resulted from more new project management services contracts entered during the period.

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 RMB7.6 million for the Period and approximately RMB7.2 million for the corresponding period of 2022, and the segment profit also remained stable of approximately RMB5.4 million for the Period and approximately RMB5.6 million for the corresponding period of 2022.

Property Investment other than AHR

During the Period, the property investment in other regions other than AHR division contributed to segment revenue of approximately RMB6.4 million (2022: approximately RMB4.4 million) and segment profit of approximately RMB4.2 million (2022: approximately RMB9.2 million) to the Group. The decrease in segment profit for the Period is mainly due to the increase in finance cost resulted from increase in interest rates.

Securities Trading and Investment

During the Period, the Group's securities business recorded segment revenue of approximately RMB9.3 million with segment profit of approximately RMB0.2 million as compared to segment revenue of approximately RMB8.4 million with segment loss of approximately RMB151.3 million for the corresponding period of 2022. The turnaround of segment loss into segment profit was primarily stemming from the decrease in fair value loss on financial assets at fair value through profit or loss of approximately RMB9.1 million during the Period as compared to fair value loss of approximately RMB159.7 million for the corresponding period of 2022.

Hotel Operations

The Group operated a hotel in Zhengzhou City in the PRC since 2022 and generated revenue of approximately RMB13.7 million during the Period as compared to approximately RMB4.3 million for the corresponding period of 2022 and segment profit of approximately RMB3.6 million during the Period as compared to approximately RMB0.2 million for the corresponding period of 2022.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 30 June 2023, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances was approximately RMB2,725.4 million (31 December 2022: approximately RMB1,991.6 million). The total cash and bank balances were mainly denominated in RMB, Hong Kong dollars, US dollars and Singapore dollars.

As at 30 June 2023, 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 RMB332.6 million as at 30 June 2023 (31 December 2022: approximately RMB137.5 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 2023, net debt and equity attributable to owners of the Company were approximately RMB14,765.3 million (31 December 2022: approximately RMB14,489.4 million) and approximately RMB4,998.8 million (31 December 2022: approximately RMB5,316.0 million), respectively.

As at 30 June 2023, the Group's aggregate borrowings including bank and other borrowings, loans from a related company, and amounts due to related companies amounted to approximately RMB17,490.8 million (31 December 2022: approximately RMB16,481.1 million), of which approximately RMB15,288.6 million (31 December 2022: approximately RMB12,974.8 million) were repayable within one year or on demand, and approximately RMB2,202.2 million (31 December 2022: approximately RMB3,506.2 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 2023 (the "2023 Notes") in the open market in an aggregate principal amount of US\$55.01 million representing approximately 27.5% of the 2023 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 4.73% 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 2023. The Group's interest rate risk is mainly driven by the bank and other borrowings with floating interest rates.

As at 30 June 2023, 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 2022: approximately RMB15,369.3 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 2023. 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 2023. No asset of the Group was pledged to these related companies in respect of the guarantees.

As at 30 June 2023, 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 2023, the Group recorded a current ratio of approximately 1.1 (31 December 2022: approximately 1.1) and a gearing ratio of approximately 23.9% (31 December 2022: approximately 23.5%). 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 2023, the capital commitments of the Group in connection with the property development expenditures was approximately RMB11,142.9 million (31 December 2022: approximately RMB10,041.8 million).

Contingent Liabilities

As at 30 June 2023, the Group had contingent liabilities relating to guarantees amounting to approximately RMB20,165.8 million (31 December 2022: RMB19,274.1 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 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 the three awards issued by the Mandatory Provident Fund Schemes Authority of Hong Kong, 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.

Since the Stock Exchange published the amendments to Chapter 17 of the Listing Rules relating to share schemes which took effect on 1 January 2023, the Company has passed an ordinary resolution at the annual general meeting of the Company held on 7 June 2023 to approve the adoption of a new share option scheme (the “New Share Option Scheme”) and the termination of the previous share option scheme which expired on 27 August 2023. The New Share Option Scheme became effective following the grant of a listing approval by the Stock Exchange on 12 June 2023. The New Share Option Scheme continues to provide the Company with a means of providing the employee participants, being one of the categories of the eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefits of the Company and its shareholders as a whole, as well as to motivate them to contribute to the success of the Group’s operations. Total staff costs, including Directors’ emoluments during the Period, amounted to approximately RMB68.7 million (30 June 2022: RMB65.6 million).

As at 30 June 2023, the Group had 560 employees.

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

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, hotel operations and securities trading and investment. 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 the 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 assess existing capital resources, and to seek new sources of funding, in order to maintain and expand its business on a cost-effective basis.

The PRC

During the Period, thirteen property development projects were 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 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 in the near future. The Board will maintain open mindset 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.

The Group continues to pursue in diversification of its business 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 with the ultimate goal will continue to seek cooperation with potential partners 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 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 operated a new hotel operation in Zhengzhou City in the PRC since 2022 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 2022

On 29 August 2023, the Company has commenced an exchange offer (“Exchange Offer”) to exchange any and all of its outstanding 2023 Notes held by eligible holders of 2023 Notes with new notes with a tenor of two years and bearing interest at 7% per annum payable semi-annually in arrears in accordance with the terms and conditions as set forth in the exchange offer memorandum. For details of the Exchange Offer, please refer to the announcement of the Company on 29 August 2023.

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 2022 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Between 25 May 2023 and 2 June 2023, the Company has repurchased the 2023 Notes in the open market in an aggregate principal amount of US\$55,010,000, representing approximately 27.5% of the 2023 Notes originally issued.

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 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.

CONSTITUTIONAL DOCUMENTS

During the Period, a special resolution has been passed at the annual general meeting of the Company held on 7 June 2023 to approve the adoption of the new articles of association of the Company (the "New Articles of Association") in substitution for, and to the exclusion of, the existing memorandum and articles of association of the Company. Details of the New Articles of Association are set out in the circular of the Company dated 27 April 2023. A copy of the New Articles of Association is available at the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zensunenterprises.com).

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 2023 (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, 30 August 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.

In this announcement, certain amounts and figures presented may have been rounded to the nearest units. Any discrepancies in or between any table or announcement content are due to rounding.

* For identification purpose only