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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 2021**

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Revenue for the Year amounted to approximately RMB13,421.5 million, representing an increase of approximately 66.3% compared with 2020.
- Profit attributable to owners of the Company for the Year amounted to approximately RMB399.5 million, representing a decrease of approximately 49.0% compared with 2020.
- Basic earnings per share for the Year was RMB20.9 cents, as compared with RMB70.4 cents (restated) for 2020.

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 2021 (the “Year”) together with the comparative figures for the corresponding period in 2020 as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	3	13,421,496	8,069,061
Cost of sales		<u>(12,158,760)</u>	<u>(6,322,783)</u>
Gross profit		1,262,736	1,746,278
Other income	4	44,024	27,520
Other gains and losses, net	4	(71,192)	(86,030)
Administrative expenses		(237,360)	(205,198)
Sales and marketing expenses		(249,643)	(181,012)
Finance costs	5	<u>(89,917)</u>	<u>(79,686)</u>
Profit before tax	6	658,648	1,221,872
Income tax expense	7	<u>(273,606)</u>	<u>(443,499)</u>
PROFIT FOR THE YEAR		<u>385,042</u>	<u>778,373</u>
Attributable to:			
Owners of the Company		399,470	782,988
Non-controlling interests		<u>(14,428)</u>	<u>(4,615)</u>
		<u>385,042</u>	<u>778,373</u>
			(Restated)
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB cents)	9	20.9	70.4
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	RMB'000
PROFIT FOR THE YEAR	385,042	778,373
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange difference on translation of foreign operations	3,300	4,692
Reclassification adjustments of exchange reserve for subsidiaries disposed of	—	4,634
	<u> </u>	<u> </u>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange difference on translation of non-foreign operation	76,484	220,633
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	79,784	229,959
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	464,826	1,008,332
	<u> </u>	<u> </u>
Attributable to:		
Owners of the Company	479,526	1,012,967
Non-controlling interests	(14,700)	(4,635)
	<u> </u>	<u> </u>
	464,826	1,008,332
	<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

		31 December	31 December
		2021	2020
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	574,628	47,322
Investment properties	<i>10</i>	531,595	552,154
Goodwill		424,722	424,722
Intangible assets		157,105	199,000
Deferred tax assets		443,790	324,652
Pledged deposits		4,587	27,935
Total non-current assets		2,136,427	1,575,785
CURRENT ASSETS			
Completed properties held for sale		9,028,002	6,791,108
Properties under development		47,834,930	48,446,684
Deposits and prepayments paid for land acquisitions		1,220,087	2,646,093
Accounts receivable, other receivables and other assets	<i>11</i>	2,683,744	2,113,132
Financial assets at fair value through profit or loss		423,968	321,590
Prepaid income tax and tax recoverable		1,404,769	1,060,382
Pledged deposits		211,289	330,336
Restricted bank balances		1,457,690	648,635
Cash and cash equivalents		1,838,967	3,218,611
Total current assets		66,103,446	65,576,571
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	<i>12</i>	6,350,361	7,299,395
Contract liabilities		30,654,098	23,379,862
Amounts due to related companies	<i>13</i>	1,976,226	4,100,961
Loans from a related company	<i>14</i>	8,204,904	8,374,973
Bank and other borrowings		5,894,516	6,351,627
Tax liabilities		621,477	509,833
Total current liabilities		53,701,582	50,016,651
NET CURRENT ASSETS		12,401,864	15,559,920
TOTAL ASSETS LESS CURRENT LIABILITIES		14,538,291	17,135,705

		31 December 2021	31 December 2020
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Rental deposits received	<i>12</i>	6,492	4,866
Bank and other borrowings		5,900,814	8,784,298
Deferred tax liabilities		432,328	457,726
		<hr/>	<hr/>
Total non-current liabilities		6,339,634	9,246,890
		<hr/>	<hr/>
Net assets		8,198,657	7,888,815
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	5,326,923	5,326,923
Reserves		2,871,549	2,547,007
		<hr/>	<hr/>
		8,198,472	7,873,930
Non-controlling interests		185	14,885
		<hr/>	<hr/>
Total equity		8,198,657	7,888,815
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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, project management services, property investment 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 2021 but are extracted from those financial statements.

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

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

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

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

The adoption of the above new and revised HKFRSs has had no significant financial effect on the financial information and performance of the Group.

3. REVENUE AND OPERATING SEGMENT INFORMATION

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
An analysis of revenue is as follows:		
<i>Revenue from contracts with customers</i>		
Sales of properties in the PRC	13,321,003	7,877,160
Project management services* in the PRC	61,825	123,516
Property management services in the United States of America (the “USA” or “U.S.”)	–	27,742
	<u>13,382,828</u>	<u>8,028,418</u>
<i>Revenue from other sources</i>		
Gross rental income from investment properties	23,934	26,039
Dividend income from financial assets at fair value through profit or loss	14,734	14,604
	<u>13,421,496</u>	<u>8,069,061</u>

Set out below is the disaggregation of the Group’s revenue from contracts with customers for the year ended 31 December 2021 and 2020:

	Sales of properties in the PRC <i>RMB'000</i>	Project management services in the PRC <i>RMB'000</i>	Total <i>RMB'000</i>
<u>For the year ended 31 December 2021</u>			
Type 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
	<u>13,321,003</u>	<u>61,825</u>	<u>13,382,828</u>
Total revenue from contracts with customers			
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
	<u>13,321,003</u>	<u>61,825</u>	<u>13,382,828</u>
Total revenue from contracts with customers			

* The Group redefined its business segment as “Project management services” during the Year after reintegration of its scope of project management services from “Project management and sales services” as described in prior years.

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

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

- a) Property development in the PRC
- b) Project management services in the PRC
- c) Property investment and management in the USA on American Housing REIT, Inc. (“AHR”) and property management in the USA provided to Global Medical REIT, Inc. (“GMR”)
- d) Property investment other than AHR
- e) Securities trading and investment

Following the disposal of a subsidiary engaging the property management business in the USA in July 2020, the Group no longer provided property management services to and received management fee income from GMR thereafter.

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 was evaluated together and assessed as one operating segment by the management previously and up to 31 December 2021. Following to the termination of the property management services as a result of the sale of the Group’s subsidiary, the Group continued to operate and manage AHR’s property investment through internal resources and will evaluate and assess the Group’s property investment businesses in Hong Kong, the USA and Singapore as a whole to integrate as one single operating segment in the future.

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

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

Segment revenue and results

	Segment revenue		Segment results	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property development in the PRC	13,321,003	7,877,160	492,287	1,033,298
Project management services in the PRC	61,825	123,516	58,734	117,614
Property investment and management on AHR and property management provided to GMR in the USA	14,441	44,070	9,912	111,556
Property investment other than AHR	9,493	9,711	2,038	(27,291)
Securities trading and investment	14,734	14,604	127,351	7,934
	<u>13,421,496</u>	<u>8,069,061</u>	<u>690,322</u>	<u>1,243,111</u>
Unallocated corporate income			326	738
Other gains and losses			(16,942)	1,047
Unallocated corporate expenses			(15,058)	(23,024)
Profit before tax			<u>658,648</u>	<u>1,221,872</u>

Segment assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property development in the PRC	66,687,630	65,699,030
Project management services in the PRC	62,444	125,026
Property investment and management on AHR and property management provided to GMR in the USA	202,296	210,755
Property investment other than AHR	357,273	375,026
Securities trading and investment	427,489	325,098
	<u>67,737,132</u>	<u>66,734,935</u>
Unallocated assets	502,741	417,421
	<u>68,239,873</u>	<u>67,152,356</u>

Segment liabilities

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property development in the PRC	58,804,650	58,081,282
Project management services in the PRC	1,676	2,395
Property investment and management on AHR and property management provided to GMR in the USA	63,024	82,514
Property investment other than AHR	115,475	126,071
	<hr/>	<hr/>
	58,984,825	58,292,262
Unallocated liabilities	1,056,391	971,279
	<hr/>	<hr/>
	60,041,216	59,263,541
	<hr/>	<hr/>

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

An analysis of other income is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income	30,793	20,438
Government grants	2,914	820
Others	10,317	6,262
	<hr/>	<hr/>
	44,024	27,520
	<hr/>	<hr/>

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

Fair value loss on investment properties	(104)	(33,511)
Fair value gain/(loss) on financial assets at fair value through profit or loss	112,618	(6,669)
Exchange (loss)/gain, net	(16,942)	4,596
Write-down of properties under development and completed properties held for sale to net realisable value	(166,764)	(150,000)
Gain on disposal of a subsidiary	-	99,554
	<hr/>	<hr/>
	(71,192)	(86,030)
	<hr/>	<hr/>

5. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings	1,323,241	1,563,416
Interest arising from revenue contracts	1,525,514	944,468
Less: capitalised in properties under development	(2,758,838)	(2,428,388)
Interest on lease liabilities	–	190
	<u>89,917</u>	<u>79,686</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.95% to 12.80% (2020: 4.568% to 12.80%) per annum during the Year.

6. PROFIT BEFORE TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The Group's profit before tax is arrived at after charging:		
Cost of properties sold	12,152,459	6,313,705
Cost of services provided	3,091	5,902
Total employee benefit expenses		
Directors' emoluments	1,023	1,052
Other staff:		
Salaries and other benefits	122,661	86,410
Retirement benefit scheme contributions	9,168	9,610
	132,852	97,072
Less: capitalised in properties under development	(27,144)	(19,592)
	<u>105,708</u>	<u>77,480</u>
Auditor's remuneration	2,380	1,700
Depreciation of property, plant and equipment	2,158	2,388
Depreciation of right-of-use assets	–	819
Lease payments not included in the measurement of lease liabilities	1,483	5,866
The Group's profit before tax is arrived at after crediting:		
Interest income	30,793	20,438
Gross rental income from investment properties	23,934	26,039
Less: direct operating expenses incurred for:		
– investment properties generated rental income	(3,068)	(2,890)
– investment properties that did not generate rental income	(142)	(286)
	<u>(3,210)</u>	<u>(3,176)</u>
	<u>20,724</u>	<u>22,863</u>

7. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax – charge for the year		
– Hong Kong Profits Tax	–	–
– PRC Corporate Income Tax (“PRC CIT”)	291,669	425,139
– PRC Land Appreciation Tax (“PRC LAT”)	126,325	185,488
– Overseas Corporate Income Tax	118	273
(Over)/under-provision in prior years	<u>(10)</u>	<u>2,607</u>
	418,102	613,507
Deferred tax	<u>(144,496)</u>	<u>(170,008)</u>
Total tax charge for the year	<u>273,606</u>	<u>443,499</u>

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

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

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

8. DIVIDENDS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final dividend of RMB0.81 cents per share	<u>–</u>	<u>154,984</u>

The final dividend in respect of the year ended 31 December 2020 of RMB0.81 cents per share was declared and approved at the annual general meeting of the Company held on 8 June 2021. The 2020 final dividend amounting to approximately RMB154,984,000 has been distributed out of the Company's retained earnings and paid in July 2021.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNER OF THE COMPANY

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	<u>399,470</u>	<u>782,988</u>
	<i>'000</i>	<i>'000</i> (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,913,387</u>	<u>1,112,548</u>

The weighted average number of ordinary shares in issue for both current and prior years used in the basic earnings per share calculation has been adjusted for the share consolidation of every ten ordinary shares into one consolidated ordinary share (as detailed in note 15) which became effective on 9 August 2021.

No diluted earnings per share were presented for the years ended 31 December 2021 and 2020 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 RMB2.8 million (2020: approximately RMB4.8 million), and reclassified a property held for self-use and operation of approximately RMB529.5 million under property, plant and equipment upon construction completion and ready for use (2020: Nil).

During the Year, there was no material disposal of investment properties and property, plant and equipment (2020: disposal with an aggregate carrying amount of approximately RMB5.5 million).

11. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Accounts receivable	12,210	14,204
Less: Impairment	<u>–</u>	<u>–</u>
	12,210	14,204
Prepaid value-added taxes and other taxes	1,993,816	1,566,028
Deposits and prepayments	243,054	220,941
Costs of obtaining contracts	286,408	203,346
Other receivables	<u>148,906</u>	<u>109,263</u>
	2,672,184	2,099,578
Less: Impairment	<u>(650)</u>	<u>(650)</u>
	2,671,534	2,098,928
Accounts receivable, other receivables and other assets	<u>2,683,744</u>	<u>2,113,132</u>

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

Receivable arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. All accounts receivable were aged less than 3 months (2020: less than 3 months) as at the end of the reporting period, based on the revenue recognition date or invoice date.

No provision for impairment of accounts receivable was provided for as at 31 December 2021 and 2020 as the Directors consider that the expected credit loss is insignificant.

12. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Accounts and bills payable	221,514	494,346
Accrued construction costs (<i>Note</i>)	5,428,927	6,221,656
Rental deposits received	8,330	5,749
Retention deposits and payable	262,011	109,498
Real estate and other taxes payable	82,324	47,428
Other payables and accruals	353,747	425,584
	<u>6,356,853</u>	<u>7,304,261</u>
Less: Rental deposits received – non-current	<u>(6,492)</u>	<u>(4,866)</u>
	<u>6,350,361</u>	<u>7,299,395</u>

The average credit period of accounts payable ranges from 30 days to 90 days (2020: 30 days to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang") of approximately RMB523,479,000 (2020: approximately RMB1,227,889,000) for its construction work.

13. AMOUNTS DUE TO RELATED COMPANIES

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

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

14. LOANS FROM A RELATED PARTY

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

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

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

15. SHARE CAPITAL

	Number of ordinary shares in issue	Amount <i>RMB'000</i>
Ordinary shares with no par value:		
At 1 January 2020	10,294,699,948	2,014,112
Issues of new ordinary shares	8,839,166,750	3,322,546
Share issue expenses	–	(9,735)
	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	19,133,866,698	5,326,923
Share Consolidation (<i>Note</i>)	(17,220,480,029)	–
	<hr/>	<hr/>
At 31 December 2021	<u>1,913,386,669</u>	<u>5,326,923</u>

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 the year rank *pari passu* with other shares in issue in all respects.

16. COMMITMENTS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contracted, but not provided in respect of:		
Acquisitions of land use rights	210,540	549,497
Property development expenditures	10,656,821	12,344,501
	<hr/>	<hr/>
	<u>10,867,361</u>	<u>12,893,998</u>

17. RELATED PARTY TRANSACTIONS

		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Related companies (Note i)</i>	<i>Transactions (Note ii)</i>		
Relevant members of Ever Diamond Global Company Limited (“Ever Diamond”, and collectively, the “Ever Diamond Group”)	Project management service fee income	61,571	123,516
Relevant members of Henan Zensun Corporate Development Company Limited (“Zensun Development”, and collectively, the “Zensun Development Group”)	Construction costs (capitalised in properties under development)	2,434,403	1,532,739
Relevant members of Xingye Wulian Service Group Company Limited (“Xingye Wulian”, and collectively, the “Xingye Wulian Group”)	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	<u>45,982</u>	<u>27,035</u>

Notes:

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

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 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.

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) (2020: Nil).

18. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 23 March 2022, the Group acquired land use rights of a land parcel located in Dengfeng City, Henan Province, the PRC through listing for sale process in a public auction held by Dengfeng City Natural Resources and Planning Bureau* (登封市自然資源和規劃局) for transfer of state-owned land use rights with site area of approximately 42,081.84 square meters at a consideration of RMB167,899,200. The land parcel was designated for residential usage with term of use of 70 years and underground floor for transportation service station usage with term of use of 50 years. The handover of the land parcel is expected to be completed respectively in the second quarter of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS AND DIVIDEND

For the year ended 31 December 2021 (the “Year”), the Group recorded a revenue of approximately RMB13,421.5 million and gross profit of approximately RMB1,262.7 million, with an increase of approximately 66.3% as compared to revenue of approximately RMB8,069.1 million for the corresponding period of 2020. Revenue and gross profit of both years were primarily derived from the property development business in the PRC, and the substantial growth in revenue was arising from the delivery of the Group’s newly completed property development projects during the Year. During the Year, the Group completed 11 property development projects (or in sub-phases) and delivered approximately 1.1 million square meters (“sq.m.”) booked saleable/leasable gross floor area (“GFA”) as compared to that of approximately 0.7 million sq.m. for the corresponding period of 2020. Gross profit recorded for the Year of approximately RMB1,262.7 million was decreased by approximately 27.7% as compared to that of approximately RMB1,746.3 million for the corresponding period of 2020. The decrease in gross profit was resulted from the recognition of certain lower profit margin property projects during the Year, which included (i) property projects which are designated as policy-related housing of which the selling prices are strictly controlled by the government; (ii) property projects which had a higher unexpected construction cost due to the outbreak of COVID-19 pandemic which prolonged development progress and resulted in a lower profit margin at the time of recognition upon delivery during the Year; and (iii) property projects with suppressed selling prices under the impact of the general downturn in the property market as affected by national regulatory control measures and policies restricting the purchase of properties and the COVID-19 pandemic.

The Group had other income of approximately RMB44.0 million during the Year, with increase of approximately 60.0% as compared to approximately RMB27.5 million in the corresponding period of 2020. It was primarily attributable to the increase in interest income of approximately RMB10.4 million during the Year.

The Group had net other loss of approximately RMB71.2 million during the Year, as compared to net other losses for the corresponding period of 2020 of approximately RMB86.0 million. The Group’s net other loss during the Year comprised a combined effect of (i) fair value gain on financial assets at fair value through profit or loss of approximately RMB112.6 million (2020: fair value loss of approximately RMB6.7 million); offset with (ii) fair value loss on investment properties of approximately RMB0.1 million (2020: RMB33.5 million); (iii) write-down of properties under development and completed properties held for sale of approximately RMB166.8 million (2020: approximately RMB150.0 million) to net realisable value; and (iv) net exchange losses of approximately RMB16.9 million (2020: net exchange gains of approximately RMB4.6 million) during the Year.

The Group's sales and marketing expenses increased by approximately 37.9% from approximately RMB181.0 million for the corresponding period of 2020 to approximately RMB249.6 million for the Year. The Group's administrative expenditure increased by approximately 15.7% from approximately RMB205.2 million for the corresponding period of 2020 to approximately RMB237.4 million for the Year. Such increases were in line with the business expansion in the Group's property development business in the PRC during the Year with an increase in the Group's property development projects.

The Group's finance costs increased by approximately 12.8% from approximately RMB79.7 million for the corresponding period of 2020 to approximately RMB89.9 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 from approximately RMB443.5 million for the corresponding period of 2020 to approximately RMB273.6 million for the Year. The decrease was consistent with the decrease in PRC CIT and PRC LAT due to the decrease in operating profits in the PRC during the Year.

As a result of the foregoing, the Group's profit attributable to owners of the Company for the Year amounted to approximately RMB399.5 million (2020: approximately RMB783.0 million).

The basic earnings per share for the Year was RMB20.9 cents (2020: RMB70.4 cents (restated)) 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 RMB13,321.0 million (2020: approximately RMB7,877.2 million) and segment profit of approximately RMB492.3 million (2020: approximately RMB1,033.3 million) to the Group. The increase in segment revenue was attributable to the increase of booked GFA delivered to the property owners during the Year, which was contributed from the Group's 11 newly completed property development projects in phases/sub-phases, namely, Beijing Zensun Grand Garden* (北京正商明苑), Beijing Zensun Yazhu Garden* (北京正商雅築佳苑), Zhengzhou Zensun Voyage International Plaza (Phase I)* (鄭州正商啟航國際廣場一期), Zhengzhou Zensun Orchids Mansion (Valley-view Garden)* (鄭州正商蘭庭華府(峪景佳苑)), Zhengzhou Zensun River Home Phase II (Courtyard No.2)* (鄭州正商家河家二期(華庭二號院)), Xinxiang Zensun Smart City (Xiang Garden)* (新鄉正商智慧新城祥園), Dengfeng Zensun City (Tai Garden, Xi Garden)* (登封正商城泰園、禧園), Xuchang Zensun Golden Mile House* (許昌正商金域世家), Xinxiang Zensun Golden Mile House Phase II* (新鄉正商金域世家二期) and Zhengzhou Zensun International Building* (鄭州正商國際大廈). Together with our existing completed property projects, there were approximately 1.1 million sq.m. booked GFA delivered and recognised into the revenue during the Year as compared to approximately 0.7 million sq.m. booked GFA delivered and recognised during 2020.

Though there was an overall increase in the booked GFA, decrease in gross profit resulted from the recognition of certain lower profit margin property projects during the Year, which included (i) property projects which are designated as policy-related housing of which the selling prices are strictly controlled by the government; (ii) property projects which had a higher unexpected construction cost due to the outbreak of COVID-19 pandemic which prolonged development progress and resulted in a lower profit margin at the time of recognition upon delivery during the Year; and (iii) property projects with suppressed selling prices under the impact of the general downturn in the property market as affected by national regulatory control measures and policies restricting the purchase of properties and the COVID-19 pandemic.

During the Year, with the impact from tightening regulatory control measures and the COVID-19 pandemic, the overall real estate market in the PRC experienced economic downturn and a decreasing in public purchasing power. The selling prices of property projects were inevitably suppressed and slowed down, such situation was especially worse 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 RMB166.8 million (2020: RMB150.0 million on properties under development) for certain properties whose selling price were not recoverable as expected to net realisable value was provided during the Year. Following the increasing number of ongoing property projects under development in our expansion and development of land reserves, sales and marketing and administrative expenses in property development business in the PRC increased accordingly and resulted in an overall decrease in segment profit.

The Group maintained its concrete expansion strategy and persisted continuing effort to expand its land reserves through listing for sale processes in public auctions and merger and acquisitions. During the Year, the Group acquired 15 land parcels at aggregate consideration of approximately RMB3,132.2 million contributing an aggregate site area of approximately 626,837 sq.m. and aggregate saleable/leasable GFA of approximately 1.49 million sq.m. (estimated based on maximum permitted plot ratio) in support of its land reserves in the PRC through listing for sales processes held by local governmental land bureaus. These successful land bids and acquisitions further complemented the Group's strategy in expanding its business operation with a focus in Zhengzhou City, Henan Province and other selective first and second tier cities in the PRC.

The Group has accumulated its land reserves in line with the concrete expansion strategy adopted since 2017. As at 31 December 2021, the Group had 30 completed property projects and/or sub-phases and 63 on-going complex property projects on hand with 123 land parcels under development and planning constituting the Group's land reserves with an aggregate site area of approximately 5.21 million sq.m. and aggregate estimated GFA of approximately 10.72 million sq.m. in the PRC. In return, the land reserves will bring to the Group an estimated saleable/leasable GFA under development of approximately 6.76 million sq.m. and estimated GFA under planning of approximately 3.96 million sq.m., which is sufficient for the Group's development needs for the next three to four years. The Group will remain proactive in reviewing its pace of business expansion, and may adjust its project development plans and schedules in response to changing market conditions, as and when appropriate.

Project management services in the PRC

During the Year, the Group recorded segment revenue of approximately RMB61.8 million (2020: approximately RMB123.5 million) and segment profit of approximately RMB58.7 million (2020: approximately RMB117.6 million) from the provision of project management services in the PRC to property project owners including both independent and related companies. The decrease of segment revenue from project management fee income was led by the decrease in GFA remaining available to be sold under the management and sale services framework agreement entered into with the related companies in prior year.

With the necessary expertise, know-how and experience established from the prior services under the framework agreement, the Group enhanced its project management services during the Year from preliminary project management and sales services to an integrated project management process including, *inter alia*, preliminary project planning, project management, operation and execution, and branding and marketing management services, etc. in return for management fee income from property owners over the management period. The Group expanded its project management services to independent property project owners in the market in the fourth quarter in 2021 and had entered into 12 management agreements covering projects under management with aggregated GFA of approximately 2.06 million sq.m. as at 31 December 2021. The terms of these management agreements ranged from 3 to 5 years, depending on the size and type of the projects under management which is in line with the industry norm.

Since the Group centrally manage and organise the development, branding and marketing of the property development projects of the Group and related companies as a whole, the Group benefitted from synergy effect with the existing business of the Group which resulted in a high profit margin for these services.

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

Since July 2020, the Group no longer provided property management services to GMR in the USA as a result of the sale of its subsidiary, and only maintained the management of AHR's property investment in the USA through internal resources. Accordingly, the Group recorded a decrease in segment revenue from approximately RMB44.1 million for the corresponding period of 2020 to approximately RMB14.4 million for the Year and a decrease in segment profit from approximately RMB111.6 million for the corresponding period of 2020 to approximately RMB9.9 million for the Year. The decrease in segment profit was resulted from the one-off net gain on sale of the subsidiary of approximately RMB99.6 million in 2020. During the Year, the Group no longer generated property management services fee income and the segment revenue and profit were derived from property investment on AHR.

Following the termination of the property management services as a result of the sale of the Group's subsidiary, the Group continued to operate and manage AHR's property investment through internal resources and will integrate AHR division with other divisions to evaluate and assess the Group's property investment businesses located in Hong Kong, the USA and Singapore as a whole and report as one single operating segment in the future.

Property Investment other than AHR

During the Year, the property investment in other regions other than AHR division contributed segment revenue of approximately RMB9.5 million (2020: approximately RMB9.7 million) and recorded segment profit of approximately RMB2.0 million (2020: segment loss of approximately RMB27.3 million) to the Group. The turnaround of segment profit was a result of the lesser extent of fair value loss of investment properties during the Year of approximately RMB0.2 million as compared to fair value loss of investment properties of approximately RMB28.9 million for the corresponding period of 2020. The fair value of the investment properties was highly sensitive to the economic downturn as affected by the COVID-19 pandemic.

Securities Trading and Investment

During the Year, the Group's securities business recorded segment revenue of approximately RMB14.7 million with segment profit of RMB127.4 million as compared to segment revenue of approximately RMB14.6 million with segment profit of approximately RMB7.9 million for the corresponding period of 2020. The increase in segment profit was primarily resulted from the substantial fair value gain on financial assets at fair value through profit or loss during the Year of approximately RMB112.6 million (2020: fair value loss of approximately RMB6.7 million).

IMPACT OF COVID-19 PANDEMIC ON OUR BUSINESS

At the initial stage of COVID-19 pandemic, construction works for certain property projects had been mandatorily suspended pursuant to the local government prevention and control orders. The delay in development progress and delivery of certain property projects resulted in a higher unexpected construction cost and their delivery and revenue and profit recognition was deferred to the Year, which brought a lower profit margin to the Group. During the Year, there was no further suspension of construction ordered by the local government.

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 from aggregated unfavourable factors including COVID-19 pandemic and tightening housing control measures. Due to the economic downturn, the selling prices of certain properties were suppressed and were not able to be recoverable as expected to net realisable value. A write-down of approximately RMB166.8 million was provided for properties under development and completed properties held for sale during the Year.

The Group maintained sustainable liquidity financial position with bank balances (including pledged deposits, restricted bank balances and cash and cash equivalents) of approximately RMB3,512.5 million, remained stable current ratio at approximately 1.2 and decreased our gearing ratio to 27.1% from 34.8% of last year with net current assets of approximately RMB12,401.9 million as at 31 December 2021. Therefore, it is confident that our Group has sufficient working capital to satisfy the Group's operations.

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

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

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

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 31 December 2021, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances were approximately RMB3,512.5 million (2020: approximately RMB4,225.5 million), representing a decrease of approximately 16.9%. 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 2021, 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 RMB215.9 million as at 31 December 2021 (2020: approximately RMB358.3 million).

Capital Structure, Borrowings and Charges on the Group's assets

The capital structure of the Group consists of net debt, which includes bank and other borrowings, loans from a related company, and amounts due to related companies, net of cash and cash equivalents, restricted bank balances and pledged deposits; and equity attributable to owners of the Company, comprising issued share capital and reserves. As at 31 December 2021, net debt and equity attributable to owners of the Company were approximately RMB18,463.9 million (2020: approximately RMB23,386.3 million) and approximately RMB8,198.5 million (2020: approximately RMB7,873.9 million), respectively.

As at 31 December 2021, the Group's aggregate borrowings including bank and other borrowings, loans from a related company and amounts due to related companies amounted to approximately RMB21,976.5 million (2020: approximately RMB27,611.9 million), of which approximately RMB16,075.6 million (2020: approximately RMB18,827.6 million) were repayable within one year or on demand, and approximately RMB5,900.8 million (2020: approximately RMB8,784.3 million) were repayable after one year. The aggregate borrowings were mainly denominated in RMB, USD and SGD.

The Group's bank and other borrowings comprised of listed senior notes and bank and financial institutions facilities. During the Year, the Company issued two listed senior notes in the principal amount of (i) US\$200 million carrying interest of 12.5% per annum due on 13 September 2023 (of which US\$142,420,000 was issued in exchange for validly tendered and accepted senior notes originally due on 3 October 2021 pursuant to the terms and conditions of the exchange offer) and (ii) US\$160 million carrying interest of 12.5% per annum due on 23 April 2024, both of which have been listed on the Stock Exchange. The net proceeds of the senior notes was intended to refinance existing indebtedness. The senior notes were unsecured but guaranteed by related companies, which are ultimately controlled by Ms. Huang and certain subsidiaries of the Company. The Group will adjust its business plans in response to changing market conditions and allocate the use of the net proceeds efficiently.

In addition to the fixed-rate interest at 12.5% per annum for the US\$200 million and US\$160 million senior notes issued during the Year, the Group's bank and other borrowings carried fixed interest rates ranging from 4.95% to 11.0% per annum and also various floating interest rates linked with international lending rates including Singapore Dollar Swap Offered Rate, Singapore Interbank Offered Rate, London Interbank Offered Rate, the base lending rate of the People's Bank of China and the Loan Prime Rate in the PRC as at 31 December 2021. The Group's interest rate risk is mainly driven by the bank and other borrowings with floating interest rates.

As at 31 December 2021, 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 RMB15,799.8 million (2020: RMB17,443.9 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 2021. 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 2021. No asset of the Group was pledged to these related companies in respect of these guarantees.

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

During the Year, the Company completed 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 pursuant to an ordinary resolution passed by shareholders of the Company ("Shareholders") at the extraordinary general meeting held on 5 August 2021, which the share consolidation became effective on 9 August 2021.

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 2021, the Group recorded a current ratio of approximately 1.2 (2020: 1.3) and a gearing ratio of approximately 27.1% (2020: approximately 34.8%). 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 2021, the capital commitments of the Group in connection with the property development expenditures was approximately RMB10,656.8 million (2020: approximately RMB12,344.5 million) and acquisition of land use rights was approximately RMB210.5 million (2020: approximately RMB549.5 million), respectively.

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities relating to guarantees amounting to approximately RMB18,002.3 million (2020: approximately RMB13,559.9 million) provided by the Group in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group would be responsible for repaying the outstanding mortgage principal together with the accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the property buyers; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the Directors, no provision for the guarantee contracts was recognised in the financial statements for the Year as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

Foreign Exchange Exposure

The revenues, expenses, assets and liabilities are denominated substantially in RMB, HKD, USD and SGD. Due to the currency peg of HKD to USD, the exchange rate between these two currencies has remained stable and thus the Group has not currently implemented any hedging or other alternatives to minimise foreign exchange exposure. Going forward, the Group may formulate a foreign currency hedging policy to provide a reasonable margin of safety for its exposure to RMB and SGD through transactions, assets and liabilities should the need arise.

Employee and Remuneration Policy

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance-related bonuses. The Company has continued to receive the three awards issued by the Mandatory Provident Fund Authority, namely, the Good MPF Employer Award in recognition of the Company's compliance with employer's statutory obligations and provision of better retirement protection for employees, the e-Contribution Award and the MPF Support Award for the Company's adoption of electronic means for MPF administration, and has striven to encourage employees to actively manage their MPF. Moreover, the Company has also continued to receive an award, namely, the Certificate of the Good Employer Charter, from the Labour Department in recognition of the Company's adoption of an employee-oriented and progressive human resource management practices. These practices can help boost staff morale, enhance employees' sense of belonging and hence lay a solid foundation for business growth. The Company adopted a share option scheme on 28 August 2013 and share options may also be granted to eligible employees of the Group. Total staff costs, including Directors' emoluments during the Year, amounted to approximately RMB132.9 million (2020: RMB97.1 million).

As at 31 December 2021, the Group had 1,144 employees.

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

- (a) During the Year, the Group acquired land use rights of land parcels in Henan Province with expected completion period falling between the fourth quarter of 2023 to the fourth quarter of 2025 through respective public auctions 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 (sq.m.) <i>Approximately</i>	Consideration (RMB' million) <i>Approximately</i>
February	Dengzhou	Residential	41,127	97.5
March	Yuanyang	Residential, commercial	51,293	100.0
April	Huaiyang, Dengfeng, Shangcheng, Huaibin, Luoyang	Residential, commercial/ residential and underground transport service station site usage/residential, commercial, underground car parking spaces and civil air defense facility usage	182,999	1,071.1

Time of acquisition during the Year	City/County	Designated land usage(s)	Site area (sq.m.) <i>Approximately</i>	Consideration (RMB' million) <i>Approximately</i>
May	Luohe, Shangqiu, Luoshan, Yucheng	Residential, commercial/ residential	178,397	704.4
June	Zhengzhou	Residential	51,985	389.9
November	Zhengzhou, Xinmi	Residential	77,308	606.6
December	Dengfeng	Residential	43,728	162.7
			626,837	3,132.2

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

On 23 March 2022, the Group acquired land use rights of a land parcel located in Dengfeng City, Henan Province, the PRC through listing for sale process in a public auction held by Dengfeng City Natural Resources and Planning Bureau* (登封市自然資源和規劃局) for transfer of state-owned land use rights with site area of approximately 42,081.84 square meters at a consideration of RMB167,899,200. The land parcel was designated for residential usage with term of use of 70 years and underground floor for transportation service station usage with term of use of 50 years. The handover of the land parcel is expected to be completed respectively in the second quarter of 2022.

Save as disclosed above, there was no significant event after the reporting period and up to the date of this announcement.

Outlook and Prospects

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

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

The PRC

During the Year, 11 property development projects namely, Beijing Zensun Grand Garden* (北京正商明苑), Beijing Zensun Yazhu Garden* (北京正商雅築佳苑), Zhengzhou Zensun Voyage International Plaza (Phase I)* (鄭州正商啟航國際廣場一期), Zhengzhou Zensun Orchids Mansion (Valley-view Garden)* (鄭州正商蘭庭華府(峪景佳苑)), Zhengzhou Zensun River Home Phase II (Courtyard No.2)* (鄭州正商家河家二期(華庭二號院)), Xinxiang Zensun Smart City (Xiang Garden)* (新鄉正商智慧新城祥園), Dengfeng Zensun City (Tai Garden, Xi Garden) * (登封正商城泰園·禧園), Xuchang Zensun Golden Mile House* (許昌正商金域世家), Xinxiang Zensun Golden Mile House Phase II* (新鄉正商金域世家二期) and Zhengzhou Zensun International Building* (鄭州正商國際大廈) were newly completed in phases/sub-phases and delivered to customers in accordance with the terms and conditions of the purchase agreements. In accordance with the Group's latest development progress and delivery schedule, it is expected that 13 to 16 property development projects and/or subphases will complete its development and launch delivery in 2022. The Group's property development projects remain focused on providing "High Quality" products with both standard and deluxe design with full refurbishment so as to meet different customers' preferences and needs. Revenue from the sale of properties are expected to be recognised upon completion and delivery of the property projects and/or sub-phases.

After the ambitious land acquisitions completed during the Year, the Group built up strong land reserves for the Group's property development business in the PRC for the next three to four years with a strong presence in Henan Province, thus the Group will focus more on developing the existing and new property development projects on its land reserves in 2022 to 2024.

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

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

The Group and Xingye Wulian entered into the master property engineering framework agreement and master property management framework agreement in 2020 to appoint Xingye Wulian Group as service providers to provide property engineering services and property management and value-added services to the Group with term commencing from 9 March 2020 and up to 31 December 2022. The annual caps for the transactions under the master property engineering framework agreement with Xingye Wulian for the years ending 31 December 2021 and 2022 are RMB26.5 million and RMB34.0 million, respectively, and the annual caps for the transactions under the master property management framework agreement as amended by the supplemental agreement with Xingye Wulian for the years ended/ending 31 December 2021 and 2022 are RMB66.0 million and RMB66.0 million, respectively.

The Group possesses the necessary expertise and know-how in property project management services through managing its existing property development portfolio. The Group provides Ever Diamond Group with project management services for certain selected property development projects. Thus, the Group can centrally manage and organise the development, branding and marketing of property development projects of the Group and the Ever Diamond Group, which will result in reduced competition for business opportunities between the Group and the Ever Diamond Group. As approved in 2019 in regard to the management and sales services framework agreement, the approved annual cap for the transactions with Ever Diamond Group during the year ended 31 December 2021 were RMB200 million.

In view of the expiring management and sales services framework agreement with the related companies, the Group determined to implement the strategy in diversifying to a light-asset model by investing more internal resources to further expand the project management business and providing a more integrated project management services in return for management fee income. The Group has successfully won confidence and secured 12 management contracts with other independent property owners in the market in the fourth quarter of 2021 to expand the project management business. The Board considers project management business in the PRC shall become popular in the market with prosperous business potential, and the expansion in project management business served as a diversification to light-asset model from our traditional heavy-asset model in the property development business. The diversification allows the Group to gain competitive advantages from managing property projects on behalf of property owners without having to bear heavy investment cost in land acquisition and construction cost, and in turn, leverage the risks from industry concentration and tightening government regulations on property development business.

The Company takes leverage on the PRC property development and investment experience of its management team to seek suitable projects for development or investment with potential to deliver value to its Shareholders. In addition to existing business partners, the Company will continue to seek potential partners' cooperation to explore capital resources and reduce the Group's capital investment in property projects at an early stage and facilitate project development. The management remains cautiously optimistic on the long-term prospects of the real estate industry and will expedite its property development and sales of its development projects in the PRC through making use of its own advantages and leveraging on the national network and business resources of Zensun Real Estate, a company controlled by Ms. Huang. The synergistic effect brought by Zensun Real Estate will improve the position of the Group in the real estate industry in the PRC.

The U.S.

As at the date of this announcement, the Group has approximately 5.7% equity interest in a NYSE-listed REIT, GMR in securities trading and investment segment and 99% equity interest in AHR in property investment and management segment.

1. GMR

During the 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 Company. AHR diversified its previous investment in single family houses to senior housing communities in order to seize the potential opportunity for higher-than-average annualised yield.

Other regions

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

Overall

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all code provisions ("Code Provision(s)") and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules effective up to 31 December 2021 ("2021 CG Code") throughout the Year, save for the deviations which are explained below.

Pursuant to Code Provision A.1.1 of the 2021 CG Code (currently numbered as C5.1), 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 A.2.1 of the 2021 CG Code (currently numbered as C2.1), 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 2020 and 2021 included in this preliminary announcement of final results 2021 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 2020 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 2020 and 2021. 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 2021 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.

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 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders of the Company who are entitled to attend and vote at the 2022 AGM expected to be held on Tuesday, 7 June 2022, the register of members of the Company is expected to be closed on Wednesday, 1 June 2022 to Tuesday, 7 June 2022, both days inclusive. In order to qualify for attending and voting at the 2022 AGM, all transfer documents should be lodged for registration with the Company's Share Registrar, Tricor Friendly Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Tuesday, 31 May 2022.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Tuesday, 7 June 2022 and the notice of the 2022 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, 25 March 2022

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

* *For identification purposes only*