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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 2023**

FINANCIAL HIGHLIGHTS FOR THE YEAR

- Revenue for the Year amounted to approximately RMB20,034.9 million, representing an increase of approximately 107.5% compared with revenue for 2022 of approximately RMB9,657.1 million.
- Loss attributable to owners of the Company for the Year amounted to approximately RMB2,298.5 million, representing a decrease of approximately 22.0% compared with loss attributable to owners of the Company for 2022 of approximately RMB2,946.1 million.
- Basic loss per share for the Year was approximately RMB120.1 cents, as compared with basic loss per share of approximately RMB154.0 cents for 2022.

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 2023 (the “Year”) together with the comparative figures for 2022 as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2023

	<i>NOTES</i>	2023 RMB'000	2022 <i>RMB'000</i>
REVENUE	3	20,034,898	9,657,056
Cost of sales		<u>(19,262,196)</u>	<u>(8,830,013)</u>
Gross profit		772,702	827,043
Other income	4	8,698	18,820
Other gains and losses, net	4	(1,610,103)	(3,167,711)
Administrative expenses		(173,631)	(194,667)
Sales and marketing expenses		(97,043)	(117,264)
Finance costs	5	<u>(438,624)</u>	<u>(114,768)</u>
LOSS BEFORE TAX	6	(1,538,001)	(2,748,547)
Income tax expense	7	<u>(709,271)</u>	<u>(193,980)</u>
LOSS FOR THE YEAR		<u>(2,247,272)</u>	<u>(2,942,527)</u>
Attributable to:			
Owners of the Company		(2,298,458)	(2,946,113)
Non-controlling interests		<u>51,186</u>	<u>3,586</u>
		<u>(2,247,272)</u>	<u>(2,942,527)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB cents)	9	(120.1)	(154.0)
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	RMB'000
LOSS FOR THE YEAR	<u>(2,247,272)</u>	<u>(2,942,527)</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange difference on translation of foreign operations	(23,013)	(375)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Fair value gains of property, plant and equipment upon transfer to investment properties, net of tax	12,511	–
Exchange difference on translation of non-foreign operations	<u>61,648</u>	<u>64,490</u>
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods	<u>74,159</u>	<u>64,490</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>51,146</u>	<u>64,115</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(2,196,126)</u>	<u>(2,878,412)</u>
Attributable to:		
Owners of the Company	(2,247,460)	(2,882,438)
Non-controlling interests	<u>51,334</u>	<u>4,026</u>
	<u>(2,196,126)</u>	<u>(2,878,412)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2023

		31 December 2023	31 December 2022
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	363,203	572,668
Investment properties	<i>10</i>	810,535	584,960
Goodwill		–	300,357
Intangible assets		67,368	112,284
Deferred tax assets		485,478	555,315
		<hr/>	<hr/>
Total non-current assets		1,726,584	2,125,584
CURRENT ASSETS			
Completed properties held for sale		9,761,774	10,212,953
Properties under development		28,675,621	42,475,033
Accounts receivable, other receivables and other assets	<i>11</i>	2,915,597	3,072,002
Financial assets at fair value through profit or loss		296,979	247,725
Prepaid income tax and tax recoverable		1,179,407	1,418,983
Pledged deposits		130,913	137,515
Restricted bank balances		1,184,149	1,365,905
Cash and cash equivalents		528,296	488,199
		<hr/>	<hr/>
Total current assets		44,672,736	59,418,315
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	<i>12</i>	8,680,025	7,358,246
Contract liabilities		18,087,691	31,327,733
Amounts due to related companies	<i>13</i>	1,218,038	1,038,106
Loans from a related company	<i>14</i>	7,273,704	7,243,579
Bank and other borrowings		5,496,112	4,693,151
Tax liabilities		1,045,181	676,048
		<hr/>	<hr/>
Total current liabilities		41,800,751	52,336,863
NET CURRENT ASSETS		2,871,985	7,081,452
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,598,569	9,207,036
		<hr/>	<hr/>

		31 December 2023	31 December 2022
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Rental deposits received		520	9,440
Bank and other borrowings		1,187,611	3,506,232
Deferred tax liabilities		286,320	371,119
		<u>1,474,451</u>	<u>3,886,791</u>
Total non-current liabilities		1,474,451	3,886,791
Net assets		3,124,118	5,320,245
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	5,326,923	5,326,923
Reserves		(2,258,350)	(10,889)
		<u>3,068,573</u>	<u>5,316,034</u>
Non-controlling interests		55,545	4,211
		<u>3,124,118</u>	<u>5,320,245</u>
Total equity		3,124,118	5,320,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL

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

The principal activities of the Company and its subsidiaries (collectively, the “Group”) include property development, property investment and management, project management services, hotel operations and securities trading and investment in Hong Kong, the 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 2023 but are extracted from those financial statements.

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

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

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

Going concern basis

For the year ended 31 December 2023, the Group incurred a net loss of approximately RMB2,247,272,000, and as of that date, the Group’s current portion of bank and other borrowings amounted to RMB5,496,112,000, while its cash and cash equivalents amounted to RMB528,296,000.

As of 31 December 2023, the Group did not make payments on certain principal and interest payable of its USD denominated senior notes due in 2023, which had been delisted upon maturity on 13 September 2023, and the interest payable of its USD denominated senior notes due in 2024 (“2024 Senior Notes”), which was subsequently delisted upon maturity on 23 April 2024, triggering an event of default or cross default of various borrowings pursuant to the terms and conditions of respective agreements. The Company had suspended the trading of 2024 Senior Notes on 24 November 2023, and, subsequent to 31 December 2023, the 2024 Senior Notes had been delisted upon maturity on 23 April 2024 and the Company had also suspended the trading of its USD denominated senior notes due in 2025 on 2 April 2024.

As of 31 December 2023, the aggregate principal and interest payables of the said USD denominated senior notes in default or cross default was approximately RMB2,035,611,000.

These events or conditions indicate that material uncertainties exist that may cast significant doubt on the Group’s ability to continue as a going concern. The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (a) The Company will continue to communicate proactively with its creditors, especially noteholders, on mutually agreeable arrangements on payments of outstanding principal and interests;

- (b) The Group will implement various strategies to improve the Group's income from sales of properties, project management and sales, hotel operations, rentals from investment properties and dividend income from financial assets at fair value through profit or loss to generate additional operating cash inflows and putting extra efforts on the collection of outstanding sales proceeds and other receivables;
- (c) The Group is actively reviewing its debt structure and looking for funding opportunities, including actively negotiating with several financial institutions to obtain new loans at a reasonable cost; and
- (d) The Group will continue to take active measures to control administrative costs and unnecessary capital expenditures to relieve liquidity to support operations.

The directors of the Company have reviewed the Group's cash flow forecast covering a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

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

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

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

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 HKAS 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>

Except as described below, the adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies in the consolidated financial statements.

3. REVENUE AND OPERATING SEGMENT INFORMATION

	2023 RMB'000	2022 RMB'000
An analysis of revenue is as follows:		
<i>Revenue from contracts with customers</i>		
Sales of properties in the PRC	19,917,712	9,591,489
Project management services in the PRC	32,222	11,366
Hotel operations in the PRC	34,986	12,456
	<u>19,984,920</u>	<u>9,615,311</u>
<i>Revenue from other sources</i>		
Gross rental income from investment properties	32,649	25,635
Dividend income from financial assets at fair value through profit or loss	17,329	16,110
	<u>20,034,898</u>	<u>9,657,056</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Sales of properties in the PRC RMB'000	Project management services in the PRC RMB'000	Hotel operations in the PRC RMB'000	Total RMB'000
Type of goods or services and geographical markets				
Sale of properties in the PRC	19,917,712	–	–	19,917,712
Project management services in the PRC	–	32,222	–	32,222
Hotel operations in the PRC	–	–	34,986	34,986
	<u>19,917,712</u>	<u>32,222</u>	<u>34,986</u>	<u>19,984,920</u>
Timing of revenue recognition				
Goods transferred at a point in time	19,917,712	–	13,876	19,931,588
Services transferred over time	–	32,222	21,110	53,332
	<u>19,917,712</u>	<u>32,222</u>	<u>34,986</u>	<u>19,984,920</u>

For the year ended 31 December 2022

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

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

- (a) Property development in the PRC
- (b) Project management services in the PRC
- (c) Hotel operations in the PRC
- (d) Property investment and management in the United States of America (“USA” or “US”) in American Housing REIT, Inc. (“AHR”)
- (e) Property investment other than AHR
- (f) Securities trading and investment

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

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

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

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

Segment revenue and segment results

	Segment revenue		Segment results	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property development in the PRC	19,917,712	9,591,489	(1,554,386)	(2,395,838)
Project management services in the PRC	32,222	11,366	16,710	4,348
Hotel operations in the PRC	34,986	12,456	14,757	(1,503)
Property investment and management on AHR	15,331	14,738	(10,585)	9,683
Property investment other than AHR	17,318	10,897	13,318	21,065
Securities trading and investment	17,329	16,110	57,646	(190,930)
	<u>20,034,898</u>	<u>9,657,056</u>	<u>(1,462,540)</u>	<u>(2,553,175)</u>
Unallocated corporate income			–	820
Unallocated corporate expenses			<u>(75,461)</u>	<u>(196,192)</u>
Loss before tax			<u>(1,538,001)</u>	<u>(2,748,547)</u>

Segment assets

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Property development in the PRC	44,889,330	59,913,866
Project management services in the PRC	6,745	5,030
Hotel operations in the PRC	137,929	132,668
Property investment and management on AHR	207,817	223,768
Property investment other than AHR	680,369	397,348
Securities trading and investment	297,079	251,586
Segment assets	46,219,269	60,924,266
Unallocated assets	180,051	619,633
Total assets	<u>46,399,320</u>	<u>61,543,899</u>
Segment liabilities		
Property development in the PRC	41,100,109	54,989,960
Project management services in the PRC	1,063	682
Hotel operations in the PRC	4,070	–
Property investment and management on AHR	62,367	62,409
Property investment other than AHR	1,323,000	120,927
Segment liabilities	42,490,609	55,173,978
Unallocated liabilities	784,593	1,049,676
Total liabilities	<u>43,275,202</u>	<u>56,223,654</u>

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

An analysis of other income is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	8,103	7,492
Government grants	–	87
Others	595	11,241
	<u>8,698</u>	<u>18,820</u>

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

Fair value (loss)/gain on investment properties	(7,968)	19,319
Fair value gain/(loss) on financial assets at fair value through profit or loss	40,324	(207,039)
Foreign exchange differences, net	(64,290)	(187,153)
Write-down of completed properties held for sale and properties under development to net realisable value	(1,273,227)	(2,656,869)
Provision for impairment of goodwill	(300,357)	(124,365)
Impairment losses on accounts receivable and other receivables (<i>note 11</i>)	(4,585)	(11,604)
	<u>(1,610,103)</u>	<u>(3,167,711)</u>

5. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interests on:		
Bank and other borrowings	727,720	719,716
Interest arising from revenue contracts	1,767,460	1,691,864
Less: Capitalised in properties under development	(2,056,556)	(2,296,812)
	<u>438,624</u>	<u>114,768</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 2.80% to 12.50% (2022: 4.75% to 12.50%) per annum.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2023	2022
	RMB'000	RMB'000
Cost of properties sold	19,237,274	8,805,512
Cost of services	21,592	20,977
Total employee benefit expenses:		
Directors' emoluments	1,181	1,049
Other staff:		
Salaries and other benefits	51,647	90,379
Retirement benefit scheme contributions	2,546	8,949
	55,374	100,377
Less: Capitalised in properties under development	(5,938)	(6,418)
	49,436	93,959
Auditor's remuneration	1,850	2,880
Depreciation of property, plant and equipment	11,189	20,036
Amortisation of intangible assets	44,916	44,909
Lease payments not included in the measurement of lease liabilities	35	368
The Group's loss before tax is arrived at after crediting:		
Interest income	8,103	7,492
Gross rental income from investment properties	32,649	25,635
Less: Direct operating expenses incurred for:		
– investment properties generating rental income	(2,707)	(3,371)
– investment properties not generating rental income	(1,237)	(153)
	(3,944)	(3,524)
	28,705	22,111

7. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax – charge for the year		
– Hong Kong Profits Tax	–	–
– PRC CIT	515,287	207,911
– PRC LAT	199,530	158,875
– Overseas Corporate Income Tax	1	106
Under/(over) provision in prior years	<u>12,957</u>	<u>(31)</u>
Deferred tax	<u>727,775</u> <u>(18,504)</u>	<u>366,861</u> <u>(172,881)</u>
Total tax charge for the year	<u>709,271</u>	<u>193,980</u>

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

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

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

The subsidiaries in the USA are generally subject to Federal Income Tax at a rate of 21% (2022: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the year ended 31 December 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.

8. DIVIDENDS

The Board does not recommend the payment of a dividend in respect of the Year (2022: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss		
Loss attributable to owners of the Company used in the basic loss per share calculation	<u>(2,298,458)</u>	<u>(2,946,113)</u>
	2023 <i>'000</i>	2022 <i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>1,913,387</u>	<u>1,913,387</u>

No diluted loss per share amounts were presented for the years ended 31 December 2023 and 2022 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 RMB0.2 million (2022: approximately RMB4.8 million), and transferred properties of RMB196.0 million from self-use to investment purpose (2022: transferred a property of RMB13.5 million from investment purpose to self-use).

During the Year, there was no material disposal of investment properties and property, plant and equipment (2022: Nil).

11. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Accounts receivable	20,663	16,546
Less: Impairment	<u>(986)</u>	<u>(1,063)</u>
	19,677	15,483
Prepaid value-added taxes and other taxes	1,783,116	1,611,784
Deposits and prepayments	494,144	446,349
Costs of obtaining contracts	136,064	261,855
Other receivables	<u>498,449</u>	<u>747,722</u>
	2,911,773	3,067,710
Less: Impairment	<u>(15,853)</u>	<u>(11,191)</u>
	2,895,920	3,056,519
	<u>2,915,597</u>	<u>3,072,002</u>

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	10,211	14,419
1 to 2 years	9,223	–
2 to 3 years	–	–
Over 3 years	243	1,064
	<hr/>	<hr/>
At end of year	19,677	15,483
	<hr/>	<hr/>

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

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

As at 31 December 2023

	Gross carrying amount <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>
Individual evaluation of expected credit losses	–	–
Assessment of expected credit losses by credit risk portfolio	20,663	986
	<hr/>	<hr/>
At end of year	20,663	986
	<hr/>	<hr/>

As at 31 December 2022

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

12. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Accounts and bills payable	294,533	209,544
Accrued construction costs (<i>Note</i>)	6,574,749	6,211,261
Rental deposits received	1,678	10,393
Retention deposits and payable	160,595	304,058
Real estate and other taxes payable	875,073	324,662
Other payables and accruals	773,917	307,768
	<u>8,680,545</u>	<u>7,367,686</u>
Less: Rental deposits received – non-current	<u>(520)</u>	<u>(9,440)</u>
	<u>8,680,025</u>	<u>7,358,246</u>

Note: Included in accrued construction costs are amounts due to a related company controlled by the daughter of Ms. Huang Yanping (“Ms. Huang”), Ms. Zhang Huiqi (“Ms. Zhang”), of approximately RMB458,780,000 (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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	3,764,942	3,316,514
1 to 2 years	2,393,166	2,833,891
2 to 3 years	548,416	194,644
Over 3 years	162,758	75,756
	<u>6,869,282</u>	<u>6,420,805</u>

13. AMOUNTS DUE TO RELATED COMPANIES

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

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

14. LOANS FROM A RELATED COMPANY

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

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

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

15. SHARE CAPITAL

	Number of ordinary shares in issue	Amount RMB'000
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Ordinary shares with no par value:

At 31 December 2022 and 1 January 2023 and
31 December 2023

	1,913,386,669	5,326,923
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16. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
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Property development expenditures

	6,799,747	10,041,812
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17. RELATED PARTY TRANSACTIONS

	2023 RMB'000	2022 RMB'000
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Related companies (Note i)

Transactions (Note ii)

Relevant members of Ever Diamond Global Company Limited (“Ever Diamond”, and collectively, the “Ever Diamond Group”)

Project management service fee income

	94	–
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Relevant members of Henan Zensun Corporate Development Company Limited (“Zensun Development”, and collectively, the “Zensun Development Group”)

Construction costs (capitalised in properties under development)

	1,758,149	1,601,402
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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

	26,532	45,884
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Notes:

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

The Group's senior notes, and certain bank and financial institutions facilities to the Group were guaranteed by related companies, which was ultimately controlled by Ms. Huang and Ms. Zhang. No asset of the Group was pledged to these related companies in respect of these guarantees.

The Group is licensed by Zensun Real Estate to use the trademark of "Zensun" and "正商" on a royalty-free basis until July 2025.

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 12, 13 and 14 of this announcement.

Save as above, no transaction has been entered into with the Directors (being the key management personnel) during the Year other than the emoluments paid to them (being key management personnel compensation) (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS AND DIVIDEND

For the year ended 31 December 2023 (the “Year”), the Group recorded revenue of approximately RMB20,034.9 million and gross profit of approximately RMB772.7 million, with an increase of approximately 107.5% as compared to revenue of approximately RMB9,657.1 million and a decrease of approximately 6.6% as compared to gross profit of approximately RMB827.0 million for 2022, respectively. Revenue and gross profit of the Year and for 2022 were primarily derived from the property development business in the PRC. The increase in revenue during the Year 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 Year as compared to 2022. The decrease in gross profit during the Year as compared to 2022 was resulted from the recognition of certain lower profit margin property projects during the Year, which was caused by unexpected higher construction cost and suppressed selling prices under the decreasing public purchasing desires and power in the real estate market derived from the macroeconomic downturn and the continued depletion of demand in real estate properties.

The Group had other income of approximately RMB8.7 million during the Year, with a decrease of approximately 53.8% as compared to approximately RMB18.8 million during 2022. It was primarily attributable to the decrease in income from heat supply management services during the Year.

The Group had net other losses of approximately RMB1,610.1 million during the Year, as compared to net other losses of approximately RMB3,167.7 million for 2022. The Group’s net other losses during the Year were attributable to (i) write-down of completed properties held for sale and properties under development to net realisable value of approximately RMB1,273.2 million (2022: approximately RMB2,656.9 million), (ii) impairment loss on goodwill of RMB300.4 million (2022: approximately RMB124.4 million), (iii) net exchange losses of approximately RMB64.3 million (2022: approximately RMB187.2 million), (iv) impairment losses on accounts receivable and other receivables of approximately RMB4.6 million (2022: approximately RMB11.6 million), and (v) fair value loss on investment properties of approximately RMB8.0 million (2022: fair value gain of approximately RMB19.3 million); and offset by the fair value gain on financial assets at fair value through profit or loss of approximately RMB40.3 million (2022: fair value loss of approximately RMB207.0 million).

The Group's sales and marketing expenses decreased by approximately 17.2% from approximately RMB117.3 million for 2022 to approximately RMB97.0 million for the Year. The Group's administrative expenses decreased by approximately 10.8% from approximately RMB194.7 million for 2022 to approximately RMB173.6 million for the Year. Such decreases were in line with less sales activities in the market and the cost-cutting measures implemented by the Group in view of the continuous downturn in the property market of the PRC during the Year.

The Group's finance costs increased significantly by approximately 282.2% from approximately RMB114.8 million for 2022 to approximately RMB438.6 million for the Year. The increase was primarily attributable to the decrease in interests which are eligible for capitalisation to properties under development during the Year.

The Group's income tax expenses increased significantly by approximately 265.6% from approximately RMB194.0 million for 2022 to approximately RMB709.3 million for the Year. The increase was primarily attributable to the increase in PRC CIT due to the increase in operating profits in the PRC during the Year.

As a result of the foregoing, the Group's loss attributable to owners of the Company for the Year amounted to approximately RMB2,298.5 million (2022: RMB2,946.1 million).

The basic loss per share for the Year was approximately RMB120.1 cents (2022: RMB154.0 cents) which was due to the decrease in loss attributable to owners of the Company during the Year.

The Board does not recommend the payment of a dividend in respect of the Year (2022: Nil).

BUSINESS REVIEW

Property Development in the PRC

During the Year, the property development business in the PRC contributed revenue of approximately RMB19,917.7 million (2022: approximately RMB9,591.5 million) and segment loss of approximately RMB1,554.4 million (2022: RMB2,395.8 million) to the Group. The increase in segment revenue was attributable to the increase of GFA delivered to the property owners during the Year. The decrease in segment loss was mainly due to the decrease in write-down of completed properties held for sale and properties under development during the Year.

During the Year, 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 completed properties held for sale and properties under development of approximately RMB1,273.2 million (2022: approximately RMB2,656.9 million) for certain properties whose selling price was not recoverable as expected to net realisable value was provided during the Year.

In view of the abovementioned, the Group continues to adopt a conservative approach and implementing cost-cutting schemes to maintain its competitive and sustainable business development plan. 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 Year, the Group provided project management services in the PRC and recorded revenue of approximately RMB32.2 million (2022: approximately RMB11.4 million) and segment profit of approximately RMB16.7 million (2022: approximately RMB4.3 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 into during the Year.

Hotel Operations

The Group operated a hotel in Zhengzhou City in the PRC since 2022 and generated revenue of approximately RMB35.0 million during the Year as compared to approximately RMB12.5 million for 2022 and segment profit of approximately RMB14.8 million during the Year as compared to segment loss of approximately RMB1.5 million for 2022. The improved performance for this segment was mainly resulted from more guests staying at the hotel during the Year as compared to 2022.

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 RMB15.3 million for the Year and approximately RMB14.7 million for 2022, and the turnaround of segment profit of approximately RMB9.7 million for 2022 into segment loss of approximately RMB10.6 million for the Year is mainly stemming from the fair value loss of investment properties in the USA.

Property Investment other than AHR

During the Year, the property investment in other regions other than AHR division contributed to segment revenue of approximately RMB17.3 million (2022: approximately RMB10.9 million) and segment profit of approximately RMB13.3 million (2022: approximately RMB21.1 million) to the Group. The decrease in segment profit for the Year is mainly due to the increase in finance cost resulted from increase in interest rates.

Securities Trading and Investment

During the Year, the Group's securities business recorded segment revenue of approximately RMB17.3 million with segment profit of approximately RMB57.7 million as compared to segment revenue of approximately RMB16.1 million with segment loss of approximately RMB190.9 million for 2022. The turnaround of segment loss into segment profit was primarily stemming from the fair value gain on financial assets at fair value through profit or loss of approximately RMB40.3 million during the Year (2022: fair value loss of approximately RMB207.0 million) due to the recovery of the US stock market.

FINANCIAL REVIEW

Liquidity and Capital Resources

Liquidity Position

As at 31 December 2023, the carrying amount of the Group's total cash and bank balances including pledged deposits and restricted bank balances were approximately RMB1,843.4 million (2022: approximately RMB1,991.6 million), representing a decrease of approximately 7.4%. 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 2023, certain bank balances and deposits of the Group were pledged to certain banks and financial institutions as securities for (i) the bank and financial institutions facilities granted to the Group and (ii) the mortgage loan facilities granted to the property buyers of the Group. The total pledged deposits were approximately RMB130.9 million as at 31 December 2023 (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 31 December 2023, net debt and equity attributable to owners of the Company were approximately RMB13,332.1 million (31 December 2022: approximately RMB14,489.4 million) and approximately RMB3,068.6 million (31 December 2022: approximately RMB5,316.0 million), respectively. As at 31 December 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 RMB15,175.5 million (31 December 2022: approximately RMB16,481.1 million), of which approximately RMB13,987.8 million (31 December 2022: approximately RMB12,974.9 million) were repayable within one year or on demand, and approximately RMB1,187.7 million (31 December 2022: approximately RMB3,506.2 million) were repayable after one year. The aggregate borrowings were mainly denominated in RMB, USD, SGD and HKD.

On 12 September 2023, the Company completed the issuance of senior notes at a principal amount of US\$103.478 million carrying interest of 7% per annum due on 12 September 2025 (the "2025 Notes") which is pursuant to the exchange offer (the "Exchange Offer").

The 2025 Notes were unsecured and guaranteed by an intermediate holding company of the Company (“Parent Guarantor”) and certain subsidiaries of the Parent Guarantor. The Company did not receive any cash proceeds from the Exchange Offer. The Exchange Offer was intended to refinance the Notes due 2023 (the “2023 Notes”) and improve the Company’s debt structure to enable it to extend its debt maturity profile and improve cash flow management. Details of the Exchange Offer are set out in the Company’s announcements dated 29 August 2023, 11 September 2023, 12 September 2023 and 13 September 2023.

In addition to the 12.5% per annum fixed-rate interest for the US\$160 million senior notes due 2024 (the “2024 Notes”) and the US\$200 million senior notes (i.e. the 2023 Notes), and the 7% per annum fixed-rate interest for the US\$103.478 million senior notes (i.e. the 2025 Notes), the Group’s bank and other borrowings carried fixed interest rates ranging from 2.80% to 10.50% per annum and also various floating interest rates linking up with international lending rates including Hong Kong Interbank Offered Rate, Singapore Dollar Swap Offered Rate, Singapore Interbank Offered Rate, London Interbank Offered Rate, the base lending rate of the People’s Bank of China and the Loan Prime Rate in the PRC as at 31 December 2023. The Group’s interest rate risk is mainly driven by the bank and other borrowings with floating interest rates.

As at 31 December 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 RMB10,386.5 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 31 December 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 31 December 2023. No asset of the Group was pledged to these related companies in respect of the guarantees.

As at 31 December 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 Year.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders of the Company (the “Shareholders”) through the optimisation of the debt and equity balance.

Key Financial Ratios

As at 31 December 2023, the Group recorded a current ratio of approximately 1.07 (31 December 2022: approximately 1.14) and a gearing ratio of approximately 28.7% (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 31 December 2023, the capital commitments of the Group in connection with the property development expenditures was approximately RMB6,799.7 million (31 December 2022: approximately RMB10,041.8 million).

Contingent Liabilities

As at 31 December 2023, the Group had contingent liabilities relating to guarantees amounting to approximately RMB19,614.5 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 Year 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 revenue, expenses, assets and liabilities are denominated substantially in RMB, HKD, USD and SGD in the respective entities of the Group. Due to the currency peg of HKD to USD, 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. 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 was adopted on 28 August 2013. 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 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. During the Year, the Company did not grant any share options under the New Share Option Scheme. Total staff costs, including Directors’ emoluments during the Year, amounted to approximately RMB55.4 million (31 December 2022: RMB100.4 million).

As at 31 December 2023, the Group had 529 employees.

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

As at 31 December 2023, the Group did not hold any significant investment accounting for more than 5% of the Group’s total assets. The Group did not 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

Change of company secretary of the Company

With effect from 29 February 2024, Mr. Yuen Ping Man (“Mr. Yuen”) has retired as the company secretary of the Company and following the retirement of Mr. Yuen, Mr. Eric Jackson Chang has been appointed as the company secretary of the Company. For further details, please refer to the Company’s announcement dated 29 February 2024.

Maturity and delisting of the 2024 Notes

As the 2024 Notes matured on 23 April 2024, the 2024 Notes were delisted from the Stock Exchange on the same day. For further details on the maturity and delisting of the 2024 Notes, please refer to the Company’s announcement dated 22 April 2024.

Change of auditor of the Company

Grant Thornton Hong Kong Limited (“Grant Thornton”) has resigned as the auditor of the Company with effect from 4 July 2024. On 11 July 2024, with the recommendation from the Audit Committee, the Board has resolved to appoint Prism Hong Kong Limited (formerly known as Prism Hong Kong and Shanghai Limited) as the new auditor of the Company, to fill the casual vacancy following the resignation of Grant Thornton and to hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcements of the Company dated 4 July 2024 and 11 July 2024.

Save as disclosed above, there was no significant event that affected the Group has occurred after the end of the Year and up to the date of this announcement.

Outlook and Prospects

The Group is principally engaged in the business of property development, property investment, project management 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.

Looking forward, despite the real estate industry may still face demand and financing pressure, it is expected the Chinese government will continue to introduce policies to support the real estate market and stabilize macroeconomic growth. It is also expected that there may be prospect that the consumer confidence and market sentiment can be restored at some point of time, taking into account the time needed for the relevant policies to take effect. Meanwhile, the Group will continue to implement measures to improve operational efficiency and achieve business objectives.

The Group will continue to 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 its 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 Year, more than ten new 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.

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 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 real estate investment trust listed on the New York Stock Exchange, Global Medical REIT, Inc. (“GMR”) and approximately 99% equity interest in American Housing REIT, Inc. (“AHR”).

1. GMR

GMR has been focusing on acquisition of state-of-the-art, purpose built, licenced and specialised medical facilities in the U.S. 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’s would achieve long term capital appreciation to the Group with stable average annual yield.

2. AHR

AHR, primarily focusing on property investment and management segment, 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 hotel in Zhengzhou City in the PRC since 2022 and will regularly review the Singapore property market to explore different business opportunities.

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. The Group remains optimistic and confident about the future, and believes that with the efforts of all employees, the Group will overcome the current difficult conditions and move forward steadily.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Reference is made to the announcements of the Company dated 29 August 2023, 11 September 2023, 12 September 2023 and 13 September 2023 in relation to the Exchange Offer for the 12.5% senior notes due 2023 (i.e. the 2023 Notes). On 12 September 2023, all conditions precedent to the Exchange Offer have been fulfilled and the Exchange Offer has been completed. Senior notes in the principal amount of US\$103,478,000 carrying interest of 7% per annum due on 12 September 2025 (i.e. the 2025 Notes) were issued. As a result, the 2023 Notes validly tendered for exchange and accepted pursuant to the Exchange Offer have been cancelled. The aggregate principal amount of US\$9,752,000 of the 2023 Notes remains outstanding.

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

CONSTITUTIONAL DOCUMENTS

During the Year, 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 was set out in the circular of the Company dated 27 April 2023. A copy of the New Articles of Association is available at the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.zensunenterprises.com).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all code provisions (the “Code Provision(s)”) and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “CG Code”) throughout the Year, save for the deviations which are explained below.

Pursuant to Code Provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly internals. Although only two regular Board meetings were held during the Year, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Directors. In addition, senior management of the Group has provided to the Directors the information in respect of the Group’s business development and activities from time to time and, when required, *ad hoc* Board meetings were held to discuss matters.

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “Model Code”) as set out in Appendix C3 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.

SCOPE OF WORK OF PRISM HONG KONG LIMITED

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 2023 as set out in this announcement have been agreed by the Group's auditor, Prism Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Prism Hong Kong Limited 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 Prism Hong Kong Limited in this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

Material uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred net loss of RMB2,247,272,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group's liabilities include bank and other borrowings and relevant interest payable with their carrying amounts of RMB6,683,723,000 and RMB141,868,000, respectively, of which RMB5,637,980,000 have been due for settlement within one year or repayable on demand are included in current liabilities in the consolidated statement of financial position, while its available cash and cash equivalent amounted to RMB528,296,000.

In addition, the Group had defaulted or cross defaulted of principals on certain bank and other borrowings, to the aggregate amount of RMB1,928,223,000 as at 31 December 2023 and at the date of approval of these consolidated financial statements. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures, as detailed in note 2.1 to the consolidated financial statements, to be undertaken by the Group. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as going concern, we have disclaimed our audit opinion on the consolidated financial statements.

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

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 2023.

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 ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is available for viewing on the website of the Stock Exchange 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”.

The annual report of the Company for the Year will be available on the aforementioned websites in due course and despatched to Shareholders upon request.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares (stock code: 185) and debt securities (stock code: 5862) of the Company on the Stock Exchange have been suspended with effect from 9:00 a.m. on 2 April 2024 and will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 September 2024

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*