

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



Sanxun Holdings Group Limited

三巽控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS HIGHLIGHTS

- Revenue for the year ended 31 December 2021 amounted to approximately RMB5,616.6 million, representing an increase of approximately 42.3% as compared to the year ended 31 December 2020.
- Gross profit for the year ended 31 December 2021 was approximately RMB923.3 million with a gross profit margin of approximately 16.4%.
- Profit for the year ended 31 December 2021 was approximately RMB258.9 million, representing a decrease of approximately 29.6% as compared to the year ended 31 December 2020. Profit attributable to owners of the parent was approximately RMB3.0 million, representing a decrease of approximately 99.0% as compared to the year ended 31 December 2020.
- Total assets as at 31 December 2021 were approximately RMB17,211.1 million, representing an increase of approximately 1.5% as compared to 31 December 2020.
- Contracted sales amount of the Group together with its associate for the year ended 31 December 2021 amounted to approximately RMB7,405.4 million, representing a year-on-year increase of 16.8%; contracted GFA sold was approximately 871,629 sq.m. for the year ended 31 December 2021, representing a year-on-year increase of 15.6%.
- Cash and bank balances were approximately RMB1,694.1 million as at 31 December 2021.
- Net gearing ratio was at a net cash position as at 31 December 2021.
- The Board does not recommend the payment of any final dividend for the financial year ended 31 December 2021.

Note: The net gearing ratio was calculated by dividing the net of interest-bearing liabilities minus cash and bank balances by the total equity.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sanxun Holdings Group Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, referred to as the “**Group**” or “**we**”, “**our**”) for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	5	5,616,646	3,946,091
Cost of sales		<u>(4,693,298)</u>	<u>(2,881,130)</u>
GROSS PROFIT		923,348	1,064,961
Other income and gains		14,325	12,449
Selling and distribution expenses		(221,220)	(200,203)
Administrative expenses		(196,307)	(188,662)
Other expenses		(16,789)	(16,549)
Fair value loss on investment properties		(13,324)	–
Finance costs	7	(39,971)	(22,087)
Share of losses of:			
Associates		<u>(4,645)</u>	<u>(6,620)</u>
PROFIT BEFORE TAX	6	445,417	643,289
Income tax expense	8	<u>(186,512)</u>	<u>(275,593)</u>
PROFIT FOR THE YEAR		<u>258,905</u>	<u>367,696</u>

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Attributable to:			
Owners of the parent		2,991	367,253
Non-controlling interests		255,914	443
		<u>258,905</u>	<u>367,696</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>258,905</u>	<u>367,696</u>
Attributable to:			
Owners of the parent		2,991	367,253
Non-controlling interests		255,914	443
		<u>258,905</u>	<u>367,696</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	<i>10</i>	<u>0.005</u>	<u>0.742</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		15,999	28,499
Investment properties		149,152	–
Right-of-use assets		22,531	51,549
Investments in associates		20,917	25,562
Deferred tax assets		313,223	380,531
		<hr/>	<hr/>
Total non-current assets		521,822	486,141
CURRENT ASSETS			
Properties under development		10,645,871	11,656,637
Completed properties held for sale		1,550,335	540,891
Trade receivables	<i>11</i>	125	–
Due from related parties		22,532	40,392
Prepayments, other receivables and other assets		2,428,025	1,723,663
Tax recoverable		247,134	209,805
Contract cost assets		101,238	64,114
Restricted cash		956,365	1,477,174
Pledged deposits		272,824	307,232
Cash and cash equivalents		464,894	457,430
		<hr/>	<hr/>
Total current assets		16,689,343	16,477,338
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	1,744,768	1,429,801
Other payables and accruals		1,217,103	1,902,844
Contract liabilities		9,545,432	9,458,949
Due to related parties		30,425	3,709
Interest-bearing bank and other borrowings		1,372,124	1,065,298
Lease liabilities		7,370	12,823
Tax payable		439,143	468,530
		<hr/>	<hr/>
Total current liabilities		14,356,365	14,341,954

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
NET CURRENT ASSETS		<u>2,332,978</u>	<u>2,135,384</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,854,800</u>	<u>2,621,525</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		226,750	1,031,154
Lease liabilities		15,229	39,025
Deferred tax liabilities		<u>7,540</u>	<u>8,791</u>
Total non-current liabilities		<u>249,519</u>	<u>1,078,970</u>
NET ASSETS		<u>2,605,281</u>	<u>1,542,555</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	6	–
Reserves		<u>1,641,209</u>	<u>947,759</u>
		1,641,215	947,759
Non-controlling interests		<u>964,066</u>	<u>594,796</u>
TOTAL EQUITY		<u>2,605,281</u>	<u>1,542,555</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the subsidiaries now comprising the Group were involved in property development. The immediate holding company of the Company is Q Kun Ltd. The controlling shareholder of the Group is Mr. Qian Kun (the “**Controlling Shareholder**”).

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 July 2021.

2 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with IFRSs (which include all standards and interpretations approved by the IASB, and International Accounting Standards (“**IASs**”), Standing Interpretations Committee interpretations approved by the IASB that remain in effect), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going Concern Basis

As at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB1,372,124,000 while its cash and cash equivalents amounted to RMB464,894,000 only. Considering the market condition in the real estate sector remains under pressure in 2022, and therefore, in the absence of a sharp recovery in the market and a resurge of various financing options, the Company remains cautious about its liquidity in the near term. The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taken into account the past operating performance of the Group and the following:

- (a) The Group continues to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.
- (b) As of 31 December 2021, the Group has interest-bearing bank and other borrowings contracts signed but not yet used, amounting to RMB703,803,000. Up to the date of approval of this consolidated financial information, the above-mentioned loans have been granted for RMB168,833,000.
- (c) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost. Certain financial institutions have indicated their intention to grant new loans to the Group.
- (d) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations.
- (e) The Group continues to take action to tighten cost controls over various operating expenses.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the Reporting Period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 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 the Group's 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 information.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendment to IFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in RMB and foreign currencies based on the Inter Bank Offered Rate as at 31 December 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group did not have any rent concessions arising as a direct consequence of the covid-19 pandemic for the period ended 31 December 2021.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project location for the purpose of making decisions about resource allocation and performance assessment. As all locations have similar economic characteristics with a similar nature of property development, business processes, types or classes of customer for the aforementioned business and methods used to distribute the properties, all locations were aggregated as one reportable operating segment.

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers	<u>5,616,646</u>	<u>3,946,091</u>

(i) Disaggregated revenue information

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sale of properties	<u>5,616,646</u>	<u>3,946,091</u>

Timing of revenue recognition:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from the sale of properties:		
Recognised at a point in time	<u>5,616,646</u>	<u>3,946,091</u>

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	<u>4,720,430</u>	<u>3,784,501</u>

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

For property sales contracts, the Group recognises revenue equal to the contract amount when the purchaser obtains the physical possession or the legal title of the completed property.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	7,244,007	4,401,873
After one year	2,301,425	5,057,076
	<u>9,545,432</u>	<u>9,458,949</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	10,557	7,626
Gain on disposal of an associate	–	2,366
Forfeiture of deposits	1,895	1,061
Foreign exchange gain	–	513
Investment income	7	354
Government grants	555	65
Gain on disposal of a subsidiary	–	2
Others	1,311	462
	<u>14,325</u>	<u>12,449</u>

6. PROFIT BEFORE TAX

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	4,693,298	2,881,130
Impairment losses recognised for properties under development and completed properties held for sale	62,022	–
Depreciation of property, plant and equipment	13,337	16,731
Depreciation of right-of-use assets	10,460	3,819
Lease payments not included in the measurement of lease liabilities	3,804	4,925
Listing expenses	15,865	5,194
Auditors' remuneration	3,600	158
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries (including bonuses)	177,279	159,219
Pension scheme contributions and social welfare	14,818	11,359

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	206,042	205,255
Interest on lease liabilities	2,236	612
Interest expense arising from revenue contracts	425,918	397,317
Total interest expense on financial liabilities not at fair value through profit or loss	634,196	603,184
Less: Interest capitalised	(594,225)	(581,097)
	39,971	22,087

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands respectively are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2021.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax at the rate of 25% for the year.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant the PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC corporate income tax	118,623	227,603
PRC LAT	1,831	129,663
Deferred tax	66,058	(81,673)
	<u>186,512</u>	<u>275,593</u>
Total tax charge for the year	186,512	275,593

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	445,417	643,289
Tax at the statutory tax rate	111,354	160,822
Effect of different tax levy enacted by local authorities	195	135
Profits and losses attributable to associates	1,161	1,655
Expenses not deductible for tax	6,711	6,139
Unrecognised temporary differences	17,141	–
Tax losses not recognised	48,577	9,595
Provision for LAT	1,831	129,663
Tax effect on LAT	(458)	(32,416)
	<u>186,512</u>	<u>275,593</u>
Tax charge at the Group's effective rate	186,512	275,593

Tax payable in the consolidated statements of financial position represents:

	2021	2020
	RMB'000	RMB'000
PRC corporate income tax	264,979	239,771
PRC LAT	174,164	228,759
Total tax payable	439,143	468,530

The share of tax credit attributable to associates amounting to RMB1,548,000 for the year (2020: RMB2,207,000) is included in “Share of profits and losses of joint ventures and associates” in the consolidated statement of profit or loss.

9. DIVIDENDS

No dividends have been declared or paid by the Company for the year ended 31 December 2021 (2020: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 575,630,460 in issue during the year ended 31 December 2021 (2020: 495,000,000 shares, taking into account the effects of the reorganisation and the capitalisation issue as described in note 15).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculations of the basic and diluted earnings per share amounts are based on:

	2021	2020
	RMB'000	RMB'000
Earnings		
Profit or loss attributable to ordinary equity holders of the parent	2,991	367,253
Shares		
Weighted average number of ordinary shares in issue during the year	575,630,460	495,000,000
Earnings per share		
Basic and diluted	RMB0.005	RMB0.742

11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 1 year	<u>125</u>	<u>–</u>

Receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rate of trade receivables is assessed to be 0.1%. Based on evaluation on the expected loss rate and gross carrying amount, the directors of the Company are of the opinion that the ECL in respect of these balances is considered to be immaterial, and therefore, there has not been a loss allowance provision.

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each year, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Less than 1 year	1,682,158	1,408,779
Over 1 year	<u>62,610</u>	<u>21,022</u>
	<u>1,744,768</u>	<u>1,429,801</u>

The trade payables are unsecured and are normally settled based on the progress of construction.

13. SHARE CAPITAL

	31 December 2021 HK\$	31 December 2020 HK\$
Authorised:		
38,000,000,000 ordinary shares of HK\$0.00001 each	<u>380,000</u>	<u>380,000</u>
	31 December 2021 RMB'000	31 December 2020 RMB'000
Issued and fully paid:		
675,529,000 ordinary shares of HK\$0.00001 each	<u>6</u>	<u>–</u>

On 17 July 2021, upon its listing on the Hong Kong Stock Exchange, the Company issued 165,000,000 new ordinary shares with a par value HK\$0.00001 each at HK\$4.75 per share for a total cash consideration of HK\$783,750,000. The respective share capital amount was approximately RMB1,000.

On 17 July 2021, 494,990,000 shares were issued by way of capitalisation with a par value HK\$0.00001 each, the respective share capital amount was approximately RMB4,000.

On 11 August 2021, upon its listing on the Hong Kong Stock Exchange, the over-allotment option has been partially exercised and the Company allotted and issued 15,529,000 additional shares at HK\$4.75 per share for a total cash consideration of HK\$73,762,750. The respective share capital amount was approximately RMB1,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a fast-growing real estate developer in the People's Republic of China (the "PRC") focusing on the development and sales of residential properties. Headquartered in Shanghai and deeply rooted in Anhui Province, the Group had established its presence in the Yangtze River Delta. Since the establishment of its predecessor, Anhui Sanxun Investment Group Co., Ltd., in 2004, the Group had been strategically focusing on the real estate market in Anhui Province, actively expanded cities located in the Yangtze River Delta, expanded its operation from core prefecture-level cities to county-level cities in the province, and had also successfully expanded into the real estate markets of Shandong and Jiangsu provinces since 2018.

The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 6611) by way of the global offering (as defined in the prospectus of the Company dated 30 June 2021 (the "Prospectus")) on 19 July 2021 (the "Listing Date") (the "Listing"). This marked an important milestone in the development of the Group.

The Group achieved a constant growth during the year ended 31 December 2021. The Group's revenue increased from RMB3,946.1 million for the year ended 31 December 2020 to RMB5,616.6 million for the year ended 31 December 2021. For the year ended 31 December 2021, including an associate, the Group recorded contracted sales of approximately RMB7,405.4 million, representing a year-on-year increase of 16.8%.

By optimizing the debt structure, controlling the debt growth and strengthening the cash reserves, the Group continued to intensify its financial risk resistance. As at 31 December 2021, the Group's major debt indicators remained at an industry healthy level, including net gearing ratio at a net cash position (31 December 2020: net cash), cash (including restricted cash, pledged deposits and cash and cash equivalents) to short-term borrowing ratio of 1.2 times (31 December 2020: 2.1 times) and liabilities to asset ratio (excluding advanced sales proceeds) of 66.0% (31 December 2020: 79.4%), all of the "Three Red Lines" have been satisfied.

The Group's projects have received various awards during the year ended 31 December 2021, including Huaiyuan Sanxun·Elegance (懷遠三巽·風華和悅) was granted with "Year 2021 Real Estate Quality and Safety Premises" (2021安徽房地產質量放心樓盤) as announced by the Real Estate Research Institution of Anhui Province, which reflected our excellent quality and production capabilities.

With both opportunities and challenges in the real estate industry, the Group adhered to its goal of “Creating a Happy Life” and operational approaches of “maintaining stable results with rising trend, increasing efficiency and reducing expenditure”. The Group focused on the improvement of core business capabilities, deepened its Yangtze River Delta development footprint, forged ahead and achieved good operational results.

Industry Review

Performance Review

In 2021, China’s real estate market saw an upward trend followed by a downward trend. The overall market performance for the year was at a record high but fell sharply since the second half of the year. Nevertheless, the sales area and sales volume of commercial housings for the year reached record highs.

According to the National Bureau of Statistics, the sales area of China’s commercial housings in 2021 reached a record 1.79 billion square meters (“**sq.m.**”), representing an increase of 1.9% over the previous year, of which the sales area of residential housings was 1.57 billion sq.m. with a year-on-year increase of 1.1%, that of office buildings increased by 1.2% year-on-year, and that of commercial business premises decreased by 2.6% year-on-year. In 2021, the sales volume of China’s commercial housings was RMB18.193 trillion, representing an increase of 4.8% over the previous year, setting a new record high, of which the sales volume of residential housings increased by 5.3% year-on-year, that of office buildings decreased by 6.9% year-on-year, and that of commercial business premises decreased by 2.0% year-on-year.

In 2021, the national real estate development investment was RMB14.7602 trillion, representing an increase of 4.4% over the previous year, of which the investment in residential housings was RMB11.1173 trillion, representing an increase of 6.4%; the investment in office buildings was RMB597.4 billion, representing a decrease of 8.0%; the investment in commercial business premises was RMB1.2445 trillion, representing a decrease of 4.8%. The land acquisition area of real estate development enterprises was 215.9 million sq.m., representing a decrease of 15.5% over the previous year; the housing construction area of real estate development enterprises was 9,753.87 million sq.m., representing an increase of 5.2% over the previous year, of which the residential housing construction area was 6,903.19 million sq.m., representing an increase of 5.3%. The newly commencement area of housings was 1,988.95 million sq.m., representing a decrease of 11.4% over the previous year; of which the newly commencement area of residential housings were 1,463.79 million sq.m., representing a year-on-year decrease of 10.9%. The completed area of housings was 1,014.12 million sq.m., representing an increase of 11.2% over the previous year, of which the completed area of residential housings was 730.16 million sq.m., representing an increase of 10.8% over the previous year.

As of the end of 2021, the area of commercial housings available for sale was 510.23 million sq.m., representing an increase of 8.58 million sq.m. compared with the end of November. Among them, the area for sale of residential housings increased by 4.8 million sq.m., that of office buildings increased by 940,000 sq.m., and that of commercial business premises increased by 460,000 sq.m..

Outlook

The year 2021 marks the commencement of the 14th Five-Year Plan. Looking ahead, the industry is gradually returning to be rational and returning to the very essence of operation. During the Reporting Period, the gross domestic product was RMB114.4 trillion, representing a year-on-year increase of 8.1%; the national real estate development investment was RMB14.8 trillion, representing a year-on-year increase of 4.4%; the sales area of commercial housings was approximately 17.9 trillion sq.m., representing a year-on-year increase of 1.9%. With the COVID-19 situation becoming more contained, the overall recovery trend of China's national economy is positive and the momentum of steady recovery of China's macro economy will continue. Looking forward to the 2022, against the background of the unchanged real estate control policies, the "Three Red Lines" of real estate financing, the tightening of market liquidity margins, and the implementation of the policy of "centralised land supply" and "centralised management of housing loans" will continue to bring new challenges to real estate investment, but it also drives real estate developers to focus on cash flow of operating activities and promotes further improvement of sustainable operation capabilities. Against the current macro-economic background, the prospects of the real estate market are still optimistic in the long-term. The Group adheres to the business strategy of keeping expenditure within the limits of revenue, insisting on steady investment and further improving the accuracy of land bank expansion. In the future, in addition to participating in land bidding, auctions and listings in the public market, the Group will vigorously explore the non-public market resources and acquire quality land resources reserve through mergers and acquisitions, urban renewal and industrial city and other approaches. Driven by the macro-economic policy environment, the Group will further stabilise its leverage and increase its turnover rate and improve management quality.

In terms of financial management, the Group will continue to comply with relevant regulatory requirements, strengthen financial disciplines, insist on strengthening financial security and maintaining sufficient liquidity. The Group will further broaden financing channels and further develop low-cost financing channels.

The real estate market in the Yangtze River Delta is a region which recovers quickly in the post-epidemic period. During the Reporting Period, with the backing of the Anhui province cities that the Group was deeply rooted for many years, the Group will continue to actively expand in Yangtze River Delta cities. The Group will make full use of the listing on the Stock Exchange as a platform to achieve diversified financing channels and promote the business development of the Group to maximise returns to the Shareholders of the Company (the “**Shareholders**”).

Property Development Business

Contracted sales

As at 31 December 2021, the Group recorded contracted sales of approximately RMB6,307.7 million, representing a year-on-year increase of 11.5%, and contracted gross floor area sold of approximately 791,871 sq.m., representing a year-on-year increase of 12.5%. The average selling price of our contracted sales for the year ended 31 December 2021 was approximately RMB7,965.5 per sq.m., representing a year-on-year decrease of approximately 0.9%.

As at 31 December 2021, the Group had contract liabilities of approximately RMB9,545.4 million, as compared to approximately RMB9,458.9 million as at 31 December 2020, representing an increase of approximately 0.9%.

Sale of properties

The following table sets forth a breakdown of the Group's revenue recognised from sales of properties development, the aggregate GFA delivered, and the recognised ASP per square meter by geographic locations for the periods and as at the dates indicated:

Cities	For the year ended/as at 31 December 2021			For the year ended/as at 31 December 2020		
	GFA delivered <i>sq.m.</i>	Total revenue <i>RMB'000</i>	Recognised ASP <i>(RMB/sq.m.)</i>	GFA delivered <i>sq.m.</i>	Total revenue <i>RMB'000</i>	Recognised ASP <i>(RMB/sq.m.)</i>
Chuzhou ⁽¹⁾	84,064	436,848	5,197	120,280	840,932	6,991
Mingguang	62,243	292,467	4,699	77,656	372,786	4,800
Lixin	130,041	855,504	6,579	142,754	985,338	6,902
Bozhou ⁽²⁾	116,711	825,252	7,071	165,047	1,331,211	8,066
Fengyang	4,283	34,660	8,092	4,060	32,874	8,097
Hefei	56,606	713,738	12,609	–	–	–
Fuyang	208,153	1,477,151	7,096	–	–	–
Tai'an	32,943	169,771	5,153	70,020	382,950	5,469
Shouxian	63,281	526,141	8,314	–	–	–
Nanjing	10,280	285,114	27,734	–	–	–
Total	768,605	5,616,646	7,308	579,817	3,946,091	6,806

Notes:

(1) Excludes Mingguang and Fengyang.

(2) Excludes Lixin.

As at 31 December 2021, the Group had a diverse portfolio of 48 projects, 18 were completed projects, 28 were projects under development and 2 were projects held for future development.

As at 31 December 2021, the Group had completed properties held for sale of RMB1,550.3 million, representing a 186.6% increase from RMB540.9 million as at 31 December 2020. The increase was primarily due to the increase in GFA completed during the Reporting Period. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

As at 31 December 2021, the Group had properties under development of RMB10,645.9 million, representing a 8.7% decrease from RMB11,656.6 million as at 31 December 2020, which remained stable as compared to the corresponding period last year.

Land Bank

The following table sets forth the GFA breakdown of the Group's land reserves portfolio as at 31 December 2021:

	Numbers of Projects	Completed saleable GFA unsold (in sq.m.)	Planned GFA Under Development (in sq.m.)	Estimated GFA held for Future Development (in sq.m.)	Land Reserves (in sq.m.)	% of Total Land Reserves
<i>Subsidiaries</i>						
Anhui Province						
Bozhou	14	158,780	979,069	–	1,137,849	30.7%
Chuzhou	6	35,793	203,112	–	238,905	6.5%
Huainan	2	22,946	118,593	132,101	273,640	7.4%
Hefei	3	88,229	183,980	63,816	336,025	9.1%
Fuyang	1	6,844	–	–	6,844	0.2%
Anqing	1	–	115,771	–	115,771	3.1%
Suzhou	2	–	199,459	101,632	301,091	8.1%
Xuancheng	1	–	129,008	–	129,008	3.5%
Bengbu	3	–	106,665	193,968	300,633	8.1%
Subtotal	33	312,592	2,035,657	491,517	2,839,765	76.7%
Jiangsu Province						
Nanjing	5	7,234	193,866	–	201,100	5.4%
Wuxi	4	–	384,198	–	384,198	10.4%
Changzhou	1	–	132,391	–	132,391	3.6%
Subtotal	10	7,234	710,455	–	717,689	19.4%
Shandong Province						
Tai'an	1	3,199	112,120	–	115,318	3.1%
Subtotal	1	3,199	112,120	–	115,318	3.1%
Total-Subsidiary	44	323,025	2,858,231	491,517	3,672,773	99.3%

	Numbers of Projects	Completed saleable GFA unsold (in sq.m.)	Planned GFA Under Development (in sq.m.)	Estimated GFA held for Future Development (in sq.m.)	Land Reserves (in sq.m.)	% of Total Land Reserves
<i>Associate</i>						
Hefei	1	–	27,753	–	27,753	0.7%
Total-Associate	1	–	27,753	–	27,753	0.7%
Total Land Reserves	45	323,025	2,885,984	491,517	3,700,526	100%

Note:

- (1) Total GFA of the Group's land bank includes (i) GFA available for sale and total leasable GFA for completed properties, (ii) GFA for properties under development and (iii) GFA for properties held for future development. For projects that are developed by the Group's joint ventures and associates, the total GFA will be adjusted by our equity interest in the respective project.

FINANCIAL REVIEW

Revenue

The Group's revenue during the Reporting Period consisted of revenue derived from sales of properties. Revenue of the Group increased by 42.3% from approximately RMB3,946.1 million for the year ended 31 December 2020 to approximately RMB5,616.6 million for the year ended 31 December 2021, primarily due to the increase of delivered GFA for the year ended 31 December 2021. The total aggregate GFA recognised increased from 579,817 sq.m. for the year ended 31 December 2020 to 768,605 sq.m. for the year ended 31 December 2021 primarily due to more properties completed and delivered for the year ended 31 December 2021.

The table below sets forth the Group's revenue recognised, aggregate GFA delivered and recognised ASP by property types for the periods indicated:

	For the year ended 31 December					
	2021			2020		
	GFA delivered <i>sq.m.</i>	Recognised revenue <i>RMB'000</i>	Recognised ASP <i>(RMB/sq.m.)</i>	GFA delivered <i>sq.m.</i>	Recognised revenue <i>RMB'000</i>	Recognised ASP <i>(RMB/sq.m.)</i>
Residential	694,122	5,222,167	7,523	535,793	3,549,223	6,624
Commercial	22,775	281,202	12,347	33,777	378,346	11,201
Carparks and underground storage space ⁽¹⁾	51,708	113,277	2,191	10,247	18,522	1,808
Total	768,605	5,616,646	7,308	579,817	3,946,091	6,806

Note:

(1) Includes non-saleable carparks for which the Group transferred the right of use to customers.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly associated with the property development activities. The principal components of the Group's cost of sales includes construction and labor costs, land use rights costs and capitalised interest costs on related borrowings for the purpose of property development during the period of construction.

The cost of sales of the Group increased by 62.9% from approximately RMB2,881.1 million for the year ended 31 December 2020 to approximately RMB4,693.3 million for the year ended 31 December 2021, which was due to the increase in the delivery of properties during the Reporting Period.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 13.3% from approximately RMB1,065.0 million for the year ended 31 December 2020 to approximately RMB923.3 million for the year ended 31 December 2021 primarily due to the increase of cost of sales for the year ended 31 December 2021.

Our gross profit margin decreased to 16.4% for the year ended 31 December 2021, as compared to 27.0% for the year ended 31 December 2020 primarily because of (i) the completion and delivery of Bozhou Platinum House, Nanjing Upper Joy Garden and Hefei Elegance with a relatively low gross profit margin; (ii) the cost overruns of several projects determined at the period of the settlements with suppliers; and (iii) an impairment provision on inventories due to the continuing downturn in the real estate industry.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, forfeiture of deposits and others. Interest income primarily includes interest income on bank deposits. Forfeiture of deposits primarily represents forfeited deposits received from certain homebuyers who did not subsequently enter into pre-sales/sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts with the Group.

Other income and gains of the Group increased by 15.3% from approximately RMB12.4 million for the year ended 31 December 2020 to approximately RMB14.3 million for the year ended 31 December 2021, primarily due to the increase of interest income on bank deposit.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of sales commissions, advertising, marketing and business development expenses, staff costs, depreciation and amortisation, office expenses, rent, travel and others.

Selling and distribution expenses of the Group increased by 10.5% from approximately RMB200.2 million for the year ended 31 December 2020 to approximately RMB221.2 million for the year ended 31 December 2021, which was primarily due to increased promotion and marketing activities for the Group's projects.

Administrative Expenses

Administrative expenses primarily consist of staff costs, hospitality cost, office expenses, travel, rental, tax and professional fees.

Administrative expenses of the Group increased by 4.0% from approximately RMB188.7 million for the year ended 31 December 2020 to approximately RMB196.3 million for the year ended 31 December 2021, primarily due to a continuous expansion in the Group's business scale.

Other Expenses

Other expenses primarily consist of bad debt losses, penalties, donation, exchange loss and others. Other expenses of the Group remained relatively stable at approximately RMB16.5 million for the year ended 31 December 2020 and approximately RMB16.8 million for the year ended 31 December 2021.

Finance Costs

Finance costs primarily consist of interest on loans and other borrowings and interest on pre-sales deposits, net of interest capitalised.

Finance costs of the Group increased by 81.0% from approximately RMB22.1 million for the year ended 31 December 2020 to approximately RMB40.0 million for the year ended 31 December 2021, primarily due to an increase in interest charged on borrowings before official commencement of construction of the project.

Income Tax Expenses

Income tax expenses represent corporate income tax, income tax and land appreciation tax (“LAT”) payable by subsidiaries of the Group in the PRC.

Income tax expenses of the Group decreased by 32.3% from approximately RMB275.6 million for the year ended 31 December 2020 to approximately RMB186.5 million for the year ended 31 December 2021, primarily due to a decrease in LAT for the year resulting from a lower amount of income tax payable and a lower gross profit margin caused by the decrease in the Group’s profit before tax.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded a profit of approximately RMB258.9 million for the year ended 31 December 2021, and the profit of approximately RMB367.7 million for the year ended 31 December 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group operated in a capital-intensive industry and financed the Group’s working capital, capital expenditure and other capital requirements primarily through cash generated from operations including proceeds from the pre-sales of its properties, as well as bank and other borrowings, which were typically designated for specific construction and projects of the Group.

Following the continuous expansion of property portfolio of the Group, it is expected the saleable GFA of the Group will continue to increase from which the Group expects to generate additional operating cash. The Group intends to continue to monitor its development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with existing and planned external financing opportunities, including but not limited to the issuance of corporate bonds or other debt offerings and property sales proceeds.

Cash Position

As at 31 December 2021, the Group had cash and bank balances of approximately RMB1,694.1 million (31 December 2020: RMB2,241.8 million), which primarily consisted of restricted cash, pledged deposit and cash and cash equivalents.

Current ratio

As at 31 December 2021, the Group's current assets and current liabilities were RMB16,689.3 million and RMB14,356.4 million (31 December 2020: RMB16,477.3 million and RMB14,342.0 million), respectively. The Group's current ratio was calculated based on its total current assets divided by its total current liabilities as at the respective dates. As at 31 December 2021, the Group's current ratio was 1.2 times (31 December 2020: 1.1 times).

Indebtedness

As at 31 December 2021, the Group had total indebtedness, including bank loans and other borrowings, amounted to approximately RMB1,598.9 million (31 December 2020: approximately RMB2,096.5 million).

The following table sets forth the components of the Group's indebtedness as at the dates indicated:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current Borrowings		
Bank loans – secured	646,224	114,000
Other loans – secured ⁽¹⁾	712,033	942,326
Other loans – unsecured ⁽¹⁾	13,867	8,972
Total Current Borrowings	<u>1,372,124</u>	<u>1,065,298</u>
Non-Current Borrowings		
Bank loans – secured	226,750	794,220
Other loans – secured ⁽¹⁾	–	236,934
Total Non-Current Borrowing	<u>226,750</u>	<u>1,031,154</u>
Total	<u>1,598,874</u>	<u>2,096,452</u>

Notes:

- (1) These borrowings are mainly in the form of trust and assets management financing arrangements with trust financing providers and asset management companies, and other financing arrangements with companies and independent third party individuals.

The following table sets forth the maturity profiles of the Group's bank and other borrowings as at the dates indicated:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Repayable within one year	1,372,124	1,065,298
Repayable in the second year	226,750	1,031,154
Total	<u>1,598,874</u>	<u>2,096,452</u>

Gearing Ratio

The net gearing ratio was at a net cash position which was calculated by dividing the net of interest-bearing liabilities minus cash and bank balances (including restricted cash, pledged deposits and cash equivalents) was at a net cash position as at 31 December 2021 (31 December 2020: at a net cash position).

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. The Group had no significant concentrations of credit risk in view of its large number of customers. The credit risk of the Group's other financial assets, which mainly comprises restricted cash, pledged deposits, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Directors do not expect any material losses from non-performance of these counterparties.

Foreign Exchange Risks

The Group mainly operates its business in the PRC, and all of its revenue and expenses are substantially denominated in Renminbi, while the net proceeds from the Listing is payable in Hong Kong dollar. As at 31 December 2021, among the Group's cash at bank and on hand, only RMB1.2 million was denominated in Hong Kong dollar and was subject to fluctuation of the exchange rate. The Group does not have any policy to hedge against foreign exchange risk. However, the Group will closely monitor its foreign exchange exposure, and strive to maintain the value of the Group's cash.

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in market interest rates is mainly attributable to its interest-bearing loans and other borrowings. The Group had not used derivative financial instruments to hedge interest rate risk, and obtained all bank borrowings and other borrowings with fixed rates. The Directors do not anticipate significant impacts to interest-bearing assets resulting from the changes in interest rates, because the interest rates of cash equivalents are not expected to change significantly.

Pledge of Assets

As at 31 December 2021, certain of the Group's bank and other borrowings are secured by the pledges of the Group's assets with carrying values of approximately RMB4,275.0 million (31 December 2020: approximately RMB4,060.5 million) which mainly include properties under development.

Contingent Liabilities

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to customers of the Group in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the execution of the mortgage guarantee contract up until (i) two years after the maturity of the bank borrowings and mortgages in the event of customer's default; or (ii) the registration of the mortgage are completed. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If the Group fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, the Group does not conduct independent credit checks on its customers but rely on the credit checks conducted by the mortgagee banks.

The following table sets forth the Group's total guarantees as at the dates indicated:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	6,774,905	7,084,443
Total	6,774,905	7,084,443

Capital Commitment

As at 31 December 2021, the Group's capital commitment it had contracted but yet provided for was RMB2,809.4 million, compared to RMB4,146.1 million as at 31 December 2020.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Reporting Period and as at 31 December 2021, there were no significant investments held by the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group has no significant acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and this announcement, there was no any plan authorised by the Board for other material investments or additions of capital assets as at 31 December 2021.

THE GLOBAL OFFERING

On 19 July 2021, the shares of the Company were listed on the Stock Exchange. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering as defined in the Prospectus (including the partial exercise of over-allotment options as described in the Prospectus and the announcement of the Company dated 11 August 2021) of approximately HK\$773.5 million (the "**Net Proceeds**").

Save as disclosed, the Directors are not aware of any material change to the planned use and expected timeline of the Net Proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

An analysis of the planned usage of the Net Proceeds as stated in the Prospectus and the actual utilisation of the Net Proceeds for the Reporting Period are set out as below:

Planned usage of Net Proceeds as stated in the Prospectus	Percentage of total Net Proceeds	Intended allocation of Net Proceeds (Note) HK\$ million	Actual use of	Net	Expected timeline
			Net Proceeds for the Reporting Period HK\$ million	Proceeds unused HK\$ million	
To finance the construction costs for the development of our existing projects	60%	464.1	464.1	–	Fully utilised
To fund the land acquisition to increase our land bank by seeking and acquiring land parcels or suitable merger and acquisition opportunities that meet our internal criteria	30%	232.0	232.0	–	Fully utilised
General working capital	10%	77.4	77.4	–	Fully utilised
	<u>100%</u>	<u>773.5</u>	<u>773.5</u>	<u>–</u>	

Note: The Net Proceeds from the Listing, after deduction of the underwriting fees and commissions and other listing expenses paid by the Company in connection therewith, were approximately HK\$700.3 million. The actual Net Proceeds received by the Company were approximately HK\$773.5 million after the partial exercise of the over-allotment option (for details, please refer to the announcement of the Company dated 11 August 2021). The Company intends to apply the difference of approximately HK\$73.2 million to the planned usage in the same proportion as originally allocated in the Prospectus.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group did not have any other significant event subsequent to 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 779 employees (31 December 2020: 847). The Group offers its employees competitive remuneration packages that include salary, bonus and various allowances. The Group also contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds. The Group had also implemented a variety of training programs for its employees at different levels on a regular basis to meet different requirements and emphasise individual initiative and responsibility.

The Directors and members of the senior management receive compensation from the Group in the form of salaries, bonuses and other benefits in kind such as share option award, contributions to pension plans. The Board will review and determine the remuneration and compensation packages of the Directors and senior management, and will receive recommendation from the remuneration committee of the Board which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except for the Company's Global Offering (including the partial exercise of over-allotment options), the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company for the year ended 31 December 2021 and to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of our Shareholders and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance.

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code from the Listing Date to the 31 December 2021. The Company will continue to review and monitor its corporate governance practice to ensure the compliance of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own Code of Conduct for securities transactions conducted by relevant Directors and employees. After making specific enquires to all the Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code from the Listing Date to the 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the number of shares held by the public in the Company since the Listing Date and up to the date of this announcement has been in compliance with the minimum percentage of public float prescribed by the Stock Exchange.

ANNUAL GENERAL MEETING

The annual general meeting (the “**Annual General Meeting**”) of the Company for the year of 2022 is scheduled to be held on Friday, 24 June 2022. A notice convening the Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

FINAL DIVIDEND

The Board resolved not to declare the payment of final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 pm on Monday, 20 June 2022.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules with written terms of reference. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Chan Ngai Fan, Mr. Chen Sheng and Mr. Zhou Zejiang. Mr. Chan Ngai Fan is the chairman of the Audit Committee.

The Audit Committee has discussed with the management and the external auditor of the Company and has reviewed the annual results of the Group for the year ended 31 December 2021 together with the accounting standards and practices adopted by the Group. The Audit Committee has agreed with the management of the Company on the annual results of the Group for the year ended 31 December 2021.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**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 this announcement.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s annual financial statements for the year ended 31 December 2021:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which states that as at 31 December 2021, the Group’s current portion of interest-bearing bank and other borrowings amounted to RMB1,372,124,000 while its cash and cash equivalents amounted to RMB464,894,000 only. This condition, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.sanxungroup.com). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above-mentioned websites in due course.

By order of the Board
Sanxun Holdings Group Limited
Qian Kun
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the Board consists of Mr. Qian Kun, Ms. An Juan, Mr. Wang Zizhong and Mr. Zhang Xiaohui, being the executive Directors, and Mr. Chen Sheng, Mr. Zhou Zejiang and Mr. Chan Ngai Fan, being the independent non-executive Directors.