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SHINSUN 祥生

Shinsun Holdings (Group) Co., Ltd.

祥生控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 02599)

**FURTHER ANNOUNCEMENT OF AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND APPLICATION FOR THE WAIVER FROM STRICT COMPLIANCE
WITH RULE 13.46(2)(A) OF THE LISTING RULES**

Reference is made to the announcement of Shinsun Holdings (Group) Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2022, in relation to the unaudited annual results for the year ended 31 December 2021 (the “**Announcement**”). Terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

AUDITED ANNUAL RESULTS

The Board is pleased to announce that the Company’s auditor, Ernst & Young, has completed its audit of the consolidated financial statements of the Group for the year ended 31 December 2021 in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The annual results contained in the Announcement remain unchanged.

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2021 as set out in the Announcement have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with HKSAs, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the Announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from Ernst & Young:

“Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an 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 disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, as at 31 December 2021, the Group’s total bank and other borrowings, senior notes and corporate bonds amounted to RMB34,386,436,000, out of which RMB17,247,884,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB2,931,923,000. Subsequent to 31 December 2021, the Group did not repay a principal of US\$19,470,000 (equivalent to approximately RMB123,461,000) and an interest of US\$12,000,000 (equivalent to approximately RMB76,110,000) for certain senior notes due in January 2022 and March 2022 respectively. As a result, senior notes and interest-bearing bank and other borrowings with an aggregate amount of RMB8,135,267,000 became default or cross-default and were payable on demand. These conditions, together with other matters disclosed in note 2.1 to the 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 directors of the Company have been undertaking measures to improve the Group’s liquidity and financial position, which are set out in note 2.1 to the financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including: (i) successfully completing the restructuring of its senior notes; (ii) successfully negotiating with the Group’s existing lenders for the renewal or extension for repayment of the Group’s bank and other borrowings; (iii) successfully securing project development loans for qualified project development timely; (iv) successfully obtaining of additional new sources of financing as and when needed; (v) successfully carrying out the Group’s business strategy plan including the acceleration of the sales of properties; (vi) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and (vii) successfully disposing of the Group’s equity interest in project development companies when suitable.

Should the Group be unable to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, 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 these consolidated financial statements."

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

In view of the uncertainties relating to going concern, the Directors have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including that the Group:

- (i) has appointed a financial adviser to assist it with a restructuring of its senior notes, in order to reach a consensual solution with all the stakeholders as soon as practicable;
- (ii) has been actively negotiating with a number of financial institutions for renewal, extension and replacement of bank loans and other borrowings;
- (iii) will continue to actively communicate with banks to timely secure relevant project development loans for qualified project development;
- (iv) will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (v) has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties;
- (vi) has implemented measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and
- (vii) will continue to seek suitable opportunities to dispose of its equity interest in certain project development companies in order to generate additional cash inflows.

The Directors are of the opinion that, taking into account the above 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 within the next twelve months from 31 December 2021. Accordingly, the Directors are satisfied that 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 plans and measures, significant uncertainties exist as to whether the Group will be able to implement them successfully. Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the carrying values of 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 effect of these adjustments has not been reflected in the consolidated financial statements.

As of the date of this announcement, the negotiation with the banks and financial institutions and the restructuring plan are still ongoing. The Company will publish an appropriate announcement when there is a material development regarding its restructuring and re-financing plans in accordance with the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The Audit Committee had critically reviewed the disclaimer of opinion of Ernst & Young (the “**Disclaimer of Opinion**”), the management’s position concerning the Disclaimer of Opinion (the “**Management’s Position**”) and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management’s Position based on the reasons above. Moreover, the Audit Committee requested the management to take all necessary actions to address the uncertainties regarding going concern underlying the Disclaimer of Opinion that no such Disclaimer of Opinion will be made in the forthcoming audited financial statements. The Audit Committee had also discussed with Ernst & Young regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Ernst & Young’s rationale and understood their consideration in arriving their opinion.

ANNUAL GENERAL MEETING

The Company will convene the annual general meeting (the “**Annual General Meeting**”) for the year of 2021 by the end of June 2022. A notice convening the Annual General Meeting and the relevant circular will be despatched to the Shareholders in due course.

PUBLICATION OF ANNUAL REPORT AND APPLICATION FOR THE WAIVER FROM STRICT COMPLIANCE WITH RULE 13.46(2)(A) OF THE LISTING RULES

As mentioned in the Announcement, due to the city-wide lockdown imposed by the authorities in Shanghai, the offices of the Group were temporarily shut down since late March 2022 and up until the date of this announcement. The Company has managed to complete the 2021 annual report (the “**Annual Report**”) except for certain content, information of which has been kept in hard copy at the head office of the Group in the PRC located in Minhang District, Shanghai. As at the date of this announcement, Minhang District is still under the list of “Lockdown Control Area” (封控區), none of the staff of the Group is allowed access to the office building. With the recent positive progress of the “Dynamic Zero-tolerance Policy” (動態清零政策) achieved in Shanghai, the Company estimates the individual staff may be granted access to the office building before 20 May 2022. As the Company requires additional time to make logistic arrangements with the services providers for printing and despatching the Annual Report to its shareholders, it is estimated that the Company will publish and distribute the Annual Report on or before 24 May 2022.

In view of the aforementioned further delay, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 13.46(2)(a) of the Listing Rules to allow the despatch of the Annual Report be further extended to 24 May 2022. In the event of any further update on the timetable of the Annual Report, the Company will make further announcement(s) as and when appropriate in due course.

By order of the Board
Shinsun Holdings (Group) Co., Ltd.
Chen Guoxiang
Chairman

Hong Kong, 9 May 2022

As at the date of this announcement, the Board of the Company comprises Mr. Chen Guoxiang, Mr. Chen Hongni, Mr. Han Bo and Mr. Zhao Leiyi as executive Directors; and Mr. Ding Jiangan, Mr. Ma Hongman and Mr. Hung Yuk Miu as independent non-executive Directors.