三巽集团
SANXUN GROUP

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 2022

ANNUAL RESULTS HIGHLIGHTS

- Revenue for the year ended 31 December 2022 amounted to approximately RMB4,487.6 million, representing a decrease of approximately 20.1% as compared to the year ended 31 December 2021.
- Gross profit for the year ended 31 December 2022 was approximately RMB596.8 million with a gross profit margin of approximately 13.3%.
- Profit for the year ended 31 December 2022 was approximately RMB108.6 million, representing a decrease of approximately 58.1% as compared to the year ended 31 December 2021. Loss attributable to owners of the parent was approximately RMB86.1 million.
- Total assets as at 31 December 2022 were approximately RMB14,178.6 million, representing a decrease of approximately 17.6% as compared to 31 December 2021.
- Contracted sales amount of the Group together with its associate for the year ended 31 December 2022 amounted to approximately RMB2,210.0 million, representing a year-on-year decrease of 70.2%; contracted GFA sold was approximately 292,427 sq.m. for the year ended 31 December 2022, representing a year-on-year decrease of 66.5%.
- Cash and bank balances were approximately RMB976.4 million as at 31 December 2022.
- Net gearing ratio was 3.8% as at 31 December 2022.
- The Board does not recommend the payment of any final dividend for the financial year ended 31 December 2022.

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 2022 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*5*	**4,487,643**	5,616,646
Cost of sales		**(3,890,822)**	(4,693,298)
GROSS PROFIT		**596,821**	923,348
Other income and gains		**18,318**	14,325
Selling and distribution expenses		**(173,221)**	(221,220)
Administrative expenses		**(93,167)**	(196,307)
Other expenses		**(12,799)**	(16,789)
Fair value loss on investment properties		**(15,000)**	(13,324)
Finance costs	*7*	**(27,580)**	(39,971)
Share of losses of:			
Associates		**18,104**	(4,645)
PROFIT BEFORE TAX	*6*	**311,476**	445,417
Income tax expense	*8*	**(202,836)**	(186,512)
PROFIT FOR THE YEAR		**108,640**	258,905

	Note	2022 RMB'000	2021 RMB'000
Attributable to:			
Owners of the parent		**(86,124)**	2,991
Non-controlling interests		**194,764**	255,914
		108,640	258,905
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**108,640**	258,905
Attributable to:			
Owners of the parent		**(86,124)**	2,991
Non-controlling interests		**194,764**	255,914
		108,640	258,905
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB(0.127)**	RMB0.005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2022	2021
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,793**	15,999
Investment properties		**137,200**	149,152
Right-of-use assets		**406**	22,531
Investments in associates		**39,021**	20,917
Deferred tax assets		**216,329**	313,223
Total non-current assets		**397,749**	521,822
CURRENT ASSETS			
Properties under development		**7,960,874**	10,645,871
Completed properties held for sale		**2,128,816**	1,550,335
Trade receivables	*11*	**1,127**	125
Due from related parties		**88,938**	22,532
Prepayments, other receivables and other assets		**2,247,584**	2,428,025
Tax recoverable		**286,854**	247,134
Contract cost assets		**90,228**	101,238
Restricted cash		**687,487**	956,365
Pledged deposits		**155,564**	272,824
Cash and cash equivalents		**133,333**	464,894
Total current assets		**13,780,805**	16,689,343
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,420,541**	1,744,768
Other payables and accruals		**1,068,179**	1,217,103
Contract liabilities		**7,606,122**	9,545,432
Due to related parties		**15,615**	30,425
Interest-bearing bank and other borrowings		**635,373**	1,372,124
Lease liabilities		**201**	7,370
Tax payable		**479,247**	439,143
Total current liabilities		**11,225,278**	14,356,365

	Note	2022 RMB'000	2021 RMB'000
NET CURRENT ASSETS		**2,555,527**	2,332,978
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,953,276**	2,854,800
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**436,160**	226,750
Lease liabilities		**217**	15,229
Deferred tax liabilities		**881**	7,540
Total non-current liabilities		**437,258**	249,519
NET ASSETS		**2,516,018**	2,605,281
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**6**	6
Reserves		**1,549,646**	1,641,209
		1,549,652	1,641,215
Non-controlling interests		**966,366**	964,066
TOTAL EQUITY		**2,516,018**	2,605,281

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**").

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 2022, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB635,373,000 while its cash and cash equivalents amounted to RMB133,333,000 only. Considering the market condition in the real estate sector remains under pressure in 2023, 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) The Group has been actively negotiating with the Group's existing lenders to seek renewal or extension for repayment of the Group's bank and other borrowings.

(c) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations.

(d) The Group continues to take action to tighten cost controls over various operating expenses.

The directors of the Company 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 2022 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 and its subsidiaries (collectively referred to as the Group) for the year ended 31 December 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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, as appropriate, 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 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2022. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2022, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**4,486,029**	5,616,646
Revenue from other sources		
Rental income	**1,614**	–
	4,487,643	5,616,646

(i) Disaggregated revenue information

Types of goods or services

	2022	2021
	RMB'000	*RMB'000*
Sale of properties	**4,486,029**	5,616,646

Timing of revenue recognition:

	2022	2021
	RMB'000	*RMB'000*
Revenue from the sale of properties:		
Recognised at a point in time	**4,486,029**	5,616,646

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**3,712,913**	4,720,430

(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:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**3,994,259**	7,244,007
After one year	**3,611,863**	2,301,425
	7,606,122	9,545,432

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:

	2022	2021
	RMB'000	*RMB'000*
Interest income	**4,792**	10,557
Forfeiture of deposits	**884**	1,895
Investment income	**58**	7
Government grants	**9,192**	555
Others	**3,392**	1,311
	18,318	14,325

6. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**3,662,762**	4,693,298
Impairment losses recognised for properties under development and completed properties held for sale	**228,888**	62,022
Depreciation of property, plant and equipment	**10,713**	13,337
Depreciation of right-of-use assets	**3,545**	10,460
Lease payments not included in the measurement of lease liabilities	**2,129**	3,804
Listing expenses	**–**	15,865
Auditors' remuneration	**3,720**	3,600
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries (including bonuses)	**66,518**	177,279
Pension scheme contributions and social welfare	**9,289**	14,818

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**111,322**	206,042
Interest on lease liabilities	**554**	2,236
Interest expense arising from revenue contracts	**351,000**	425,918
Total interest expense on financial liabilities not at fair value through profit or loss	**462,876**	634,196
Less: Interest capitalised	**(435,296)**	(594,225)
	27,580	39,971

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 2022.

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.

	2022 ***RMB'000***	2021 *RMB'000*
Current tax:		
PRC corporate income tax	**106,666**	118,623
PRC LAT	**5,935**	1,831
Deferred tax	**90,235**	66,058
Total tax charge for the year	**202,836**	186,512

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:

	2022 ***RMB'000***	2021 *RMB'000*
Profit before tax	**311,476**	445,417
Tax at the statutory tax rate	**77,869**	111,354
Effect of different tax levy enacted by local authorities	**94**	195
Profits and losses attributable to associates	**(4,526)**	1,161
Expenses not deductible for tax	**2,723**	6,711
Unrecognised temporary differences	**62,736**	17,141
Tax losses not recognised	**59,489**	48,577
Provision for LAT	**5,935**	1,831
Tax effect on LAT	**(1,484)**	(458)
Tax charge at the Group's effective rate	**202,836**	186,512

Tax payable in the consolidated statements of financial position represents:

	2022	2021
	RMB'000	*RMB'000*
PRC corporate income tax	**321,740**	264,979
PRC LAT	**157,507**	174,164
Total tax payable	**479,247**	439,143

The share of tax expense attributable to associates amounting to RMB6,035,000 for the year (2021: tax credit RMB1,548,000) 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 2022 (2021: Nil).

10. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (losses)/earnings per share amount is based on the (losses)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 675,529,000 in issue during the year ended 31 December 2022 (2021: 575,630,460 shares).

No adjustment has been made to the basic (losses)/earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	2022	2021
	RMB'000	*RMB'000*
(LOSSES)/EARNINGS		
(Losses)/profit attributable to ordinary equity holders of the parent	**(86,124)**	2,991
Shares		
Weighted average number of ordinary shares in issue during the year	**675,529,000**	575,630,460
(LOSSES)/EARNINGS per share		
Basic and diluted	**RMB(0.127)**	RMB0.005

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:

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**1,127**	125

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:

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**1,368,765**	1,682,158
Over 1 year	**51,776**	62,610
	1,420,541	1,744,768

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

13. SHARE CAPITAL

	31 December 2022	31 December 2021
Authorised Share Capital	***RMB'000***	*RMB'000*
Issued and fully paid:		
675,529,000 ordinary shares of HK$0.00001 each	**6**	6

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a real estate developer in the People's Republic of China (the "**PRC**") focusing on the development and sales of residential properties. Headquartered in Hefei 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 on 19 July 2021 (the "**Listing**"). This marked an important milestone in the development of the Group.

For the year ended 31 December 2022, the Group's revenue decreased from RMB5,616.6 million for the year ended 31 December 2021 to RMB4,487.6 million for the year ended 31 December 2022. For the year ended 31 December 2022, including an associate, the Group recorded contracted sales of approximately RMB2,210.0 million, representing a year-on-year decrease of 70.2%.

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 2022, the Group's major debt indicators remained at an industry healthy level, including net gearing ratio of 3.8% (31 December 2021: net cash), cash (including restricted cash, pledged deposits and cash and cash equivalents) to short-term borrowing ratio of 1.5 times (31 December 2021: 2.1 times) and liabilities to asset ratio (excluding advanced sales proceeds) of 61.7% (31 December 2021: 66.0%), all of the "Three Red Lines" have been satisfied.

For the year ended 31 December 2022, the Group has received the "2021 Social Responsibility Pioneer Award (2021年度社會責任先鋒獎)" granted by the Organizing Committee of the 11th Public Welfare Festival, which reflected our strong sense of social responsibility.

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

Currently, after frequent and steady roll out of demand-side policies during the past year, the appropriate demand-side policies of tier-3 and tier-4 cities and some of the non-core tier-2 cities are almost fully deployed, and with no significant improvement in sales, there is little room for relaxation of demand-side policies. There remains larger room for relaxation of policies in core popular cities and it is expected that there will be implementation of more demand-side policies in core cities. Considering that core cities can be better at maintaining their popularity thus better supply-demand relationship, we believe that during the subsequent stabilization and recovery of the market, the differentiation between various cities will continue.

In respect of the number of cities with increment or decrement in property prices, since 2022, the number of cities with decrement in new and second-hand residential properties prices of the hundred cities on a month-on-month basis remain at high level, and the decrement in second-hand residential properties prices on a month-on-month basis demonstrated an overall upward trend. In December 2022, there were 68 cities with decrement in new residential properties prices of the hundred cities on a month-on-month basis, representing an increase of 10 cities from the corresponding period in 2021. The number of cities with decrement in second-hand residential properties prices of the hundred cities on a month-on-month basis increased to 80 cities, exceeding 70 cities for five consecutive months. In respect of the number of cities with cumulative decrease, there were 70 cities with cumulative decrease in new residential properties prices in 2022, while there were 73 cities with cumulative decrease in second-hand residential properties prices.

Based on the above, the trend of property prices of the hundred cities remains sluggish in 2022. Looking forward, in 2023, as the pandemic is under control, coupled with the effects of the implementation of localized policies in various cities gradually showing, it is expected that the property prices of major tier-1 and tier-2 cities will remain steady, however, it may take longer time to recover.

Outlook

During the Two Sessions held in the beginning of March 2023, there were three major references to the real estate industry, 1."safeguarding people's livelihood and social developments", which outlined the strengthening of the establishment of the housing security system to support rigid and improved housing demand in order to solve housing issues of new citizens and young people; 2. "effective preventing and resolving significant economical and financial risks", which outlined the effective preventing and solving of risks of the premium top-tier real estate enterprises, improving gearing position, preventing disorderly expansions to promote stable development of the real estate industry; 3. "prioritizing the recovery and boosting of consumption", which outlined the government investments and incentive policies to effectively promote investment in the society, such as proposed special bond of RMB3.8 trillion to be issued by local governments during the period and speeding up of the implementation of the major construction projects under the 14th Five-Year Plan and implementation of the Urban Renewal Action Plan. In summary, the main idea behind the three aspects mentioned above is the emphasis on mitigation of risks and relaxation of regulations. From the policies promulgated by the Central Government, we believe the market is currently at the stage of "grinding at the bottom". Walking into 2023, the negative factors gradually eliminate and disruptions such as the pandemic gradually diminish with optimization of pandemic prevention and control. With credit repair of real estate enterprises through continued progress in ensuring delivery, gradual relaxation of demand-side policies and financing policies becoming effective progressively, the wait-and-see sentiment of residents for buying properties may reduce progressively and the sales are expected to recover gradually in 2023.

In 2022, in order to attract enterprises to actively participate in bidding for land, local governments listed various premium land for sale, most of which will be available in 2023. It is expected that the newly added supply structure in general will lean towards improvement projects. At the same time, the economy of the PRC remains at the stage of slow recovery, more time is needed for the recovery of the expected household income and the wait-and-see sentiment towards the market, the momentum from rigid demand remain weak. It is expected that the proportion of improvement projects may further increase in the structure of trade in 2023.

In terms of total area, we believe a slow recovery will commence in the first quarter of 2023. With policies becoming effective gradually and the economy recovering, sales in the second quarter of 2023 is expected to achieve growth against the low base as affected by the pandemic in 2022, while sales in the third and fourth quarter of 2023 will remain relatively stable, it is expected that a marginal increase of 1.2% will be achieved for the year.

In 2023, against the overall background of various policies introduced by the country that focus on the recovery economy, the real estate industry (being a pillar industry of the economy) is at the new stage of history where both the nurturing of ideas and the iteration of models prevail. The Company will integrate its understanding on the new development model of the industry, its interpretation on the key opportunities and the nature of competition, while keeping pace with the market to create branded, quality and differentiated products. The Company will always prioritise its management on operating profits, accompanied by its efforts to review and reposition all projects, and consider words of mouth on its delivery as key task, while taking differentiated product design, services, financial operation-featured control as its benchmark, which covers the production redeployment and optimization of operation strategies among organisations and projects under the Group; 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.

Property Development Business

Contracted sales

As at 31 December 2022, the Group recorded contracted sales of approximately RMB2,118.1 million excluding the sales of an associate, representing a year-on-year decrease of 66.4%, and contracted gross floor area sold of approximately 273,935 square meters ("**sq.m.**"), representing a year-on-year decrease of 65.4%. The average selling price of our contracted sales for the year ended 31 December 2022 was approximately RMB7,732.3 per sq.m., representing a year-on-year decrease of approximately 2.9%.

As at 31 December 2022, the Group had contract liabilities of approximately RMB7,606.1 million, as compared to approximately RMB9,545.4 million as at 31 December 2021, representing a decrease of approximately 20.3%.

Sale of properties

The following table sets forth a breakdown of the Group's revenue recognised from sales of properties development, the aggregate gross floor area (the "**GFA**") delivered, and the recognised average selling price (the "**ASP**") per sq.m. by geographic locations for the periods and as at the dates indicated:

	For the year ended/as at 31 December 2022			For the year ended/as at 31 December 2021		
	GFA delivered	**Total revenue**	**Recognised ASP**	GFA delivered	Total revenue	Recognised ASP
Cities	***sq.m.***	***RMB'000***	***(RMB/sq.m.)***	*sq.m.*	*RMB'000*	*(RMB/sq.m.)*
Chuzhou(1)	**1,399**	**4,632**	**3,311**	84,064	436,848	5,197
Mingguang	**21,017**	**97,682**	**4,648**	62,243	292,467	4,699
Lixin	**163,090**	**1,137,480**	**6,975**	130,041	855,504	6,579
Bozhou(2)	**20,107**	**165,846**	**8,248**	116,711	825,252	7,071
Fengyang	**108**	**948**	**8,778**	4,283	34,660	8,092
Hefei	**68,763**	**841,203**	**12,233**	56,606	713,738	12,609
Fuyang	**15,773**	**50,306**	**3,189**	208,153	1,477,151	7,096
Tai'an	**35,385**	**190,175**	**5,374**	32,943	169,771	5,153
Shouxian	**17,798**	**85,447**	**4,801**	63,281	526,141	8,314
Nanjing	**62,260**	**954,775**	**15,335**	10,280	285,114	27,734
Guoyang	**111,903**	**757,799**	**6,772**	–	–	–
Xuancheng	**28,306**	**199,736**	**7,056**	–	–	–
Total	**545,909**	**4,486,029**	**8,218**	768,605	5,616,646	7,308

Notes:

(1) Excludes Mingguang and Fengyang.

(2) Excludes Lixin.

As at 31 December 2022, the Group had a diverse portfolio of 47 projects, 27 were completed projects, 19 were projects under development and 1 were projects held for future development.

As at 31 December 2022, the Group had completed properties held for sale of RMB2,128.8 million, representing a 37.3% increase from RMB1,550.3 million as at 31 December 2021. 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 2022, the Group had properties under development of RMB7,960.9 million, representing a 25.2% decrease from RMB10,645.9 million as at 31 December 2021 as the Company was more prudent on the construction of new projects during the Reporting Period.

Land Bank

The following table sets forth the GFA breakdown of the Group's land reserves portfolio as at 31 December 2022:

	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
Subsidiaries						
Anhui Province						
Bozhou	13	33,489	549,578	–	583,068	23.0%
Chuzhou	5	19,937	131,587	–	151,524	6.0%
Huainan	1	–	118,593	132,101	250,694	9.9%
Hefei	3	16,610	183,980	63,816	264,406	10.4%
Anqing	1	1,011	–	–	1,011	0.04%
Suzhou	2	–	201,656	99,436	301,091	11.9%
Xuancheng	1	22,119	–	–	22,119	0.9%
Bengbu	3	–	276,439	64,137	340,575	13.4%
Subtotal	29	93,166	14,618,833	359,490	1,914,488	75.4%
Jiangsu Province						
Nanjing	5	4,540	78,369	–	82,909	3.3%
Wuxi	4	–	384,198	–	384,198	15.1%
Changzhou	1	–	132,391	–	132,391	5.2%
Subtotal	10	4,540	594,958	–	599,498	23.6%
Shandong Province						
Tai'an	1	10,307	346	–	10,652	0.4%
Subtotal	1	10,307	346	–	10,652	0.4%

	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
Total-Subsidiary	40	108,014	2,057,136	359,490	2,524,640	99.4%
Associate						
Hefei	1	–	14,504	–	14,504	0.6%
Total-Associate	1	–	14,504	–	14,504	0.6%
Total Land Reserves	41	108,014	2,071,640	359,490	2,539,144	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 and rental. Revenue of the Group decreased by 20.1% from approximately RMB5,616.6 million for the year ended 31 December 2021 to approximately RMB4,486.0 million for the year ended 31 December 2022, primarily due to the decrease of delivered GFA for the year ended 31 December 2022 which was brought by the adverse market environment and the impact of Covid-19 epidemic. The total aggregate GFA recognised decreased from 768,650 sq.m. for the year ended 31 December 2021 to 545,909 sq.m. for the year ended 31 December 2022 primarily due to fewer properties completed and delivered for the year ended 31 December 2022.

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					
	2022			2021		
	GFA delivered	**Recognised revenue**	**Recognised ASP**	GFA delivered	Recognised revenue	Recognised ASP
	sq.m.	***RMB'000***	***(RMB/sq.m.)***	*sq.m.*	*RMB'000*	*(RMB/sq.m.)*
Residential	**507,375**	**4,277,936**	**8,432**	694,122	5,222,167	7,523
Commercial	**10,933**	**129,273**	**11,824**	22,775	281,202	12,347
Carparks and underground storage space[1]	**27,601**	**78,820**	**2,856**	51,708	113,277	2,191
Total	**545,909**	**4,486,029**	**8,218**	768,605	5,616,646	7,308

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 decreased by 17.1% from approximately RMB4,693.3 million for the year ended 31 December 2021 to approximately RMB3,890.8 million for the year ended 31 December 2022, which was due to the decrease in the delivery of properties during the Reporting Period.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 35.4% from approximately RMB923.3 million for the year ended 31 December 2021 to approximately RMB596.8 million for the year ended 31 December 2022 primarily due to the decrease of revenue for the year ended 31 December 2022.

Our gross profit margin decreased to 13.3% for the year ended 31 December 2022, as compared to 16.4% for the year ended 31 December 2021 primarily because of (i) the completion and delivery of Ningyang Platinum House (寧陽鉑悦府), Mingguang Park Villa (明光公園墅) and Nanjing Joy River South (南京和悦江南) with a relatively low gross profit margin; and (ii) 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 27.9% from approximately RMB14.3 million for the year ended 31 December 2021 to approximately RMB18.3 million for the year ended 31 December 2022, mainly because of the government grants received this year.

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 decreased by 21.7% from approximately RMB221.2 million for the year ended 31 December 2021 to approximately RMB173.2 million for the year ended 31 December 2022, which was primarily due to decreased 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 decreased by 52.5% from approximately RMB196.3 million for the year ended 31 December 2021 to approximately RMB93.2 million for the year ended 31 December 2022, primarily due to the decreased labor cost arising from the contraction of the Group's business.

Other Expenses

Other expenses primarily consist of bad debt losses, penalties, donation, exchange loss and others. Other expenses of the Group decreased by 23.8% from approximately RMB16.8 million for the year ended 31 December 2021 to approximately RMB12.8 million for the year ended 31 December 2022, primarily resulted from the decrease in penalties and the decrease in exchange loss.

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 decreased by 31.0% from approximately RMB40.0 million for the year ended 31 December 2021 to approximately RMB27.6 million for the year ended 31 December 2022, primarily due to: (i) the corresponding decrease in interest expenses due to the increase in repayment and the decrease in additional borrowings during the period; (ii) the office premise leased by Shanghai Tongxun in 2021, but the lease of the premise was suspended during the period.

Income Tax Expenses

Income tax expenses represent corporate income tax, income tax and land appreciation tax payable by subsidiaries of the Group in the PRC.

Income tax expenses of the Group increased by 8.8% from approximately RMB186.5 million for the year ended 31 December 2021 to approximately RMB202.8 million for the year ended 31 December 2022, primarily due to the increase in the unrecognised tax losses and unrecognised deductible temporary difference during the Reporting Period.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded a profit of approximately RMB108.6 million for the year ended 31 December 2022, as compared to the profit of approximately RMB258.9 million for the year ended 31 December 2021.

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 2022, the Group had cash and bank balances of approximately RMB976.4 million (31 December 2021: RMB1,694.1 million), which primarily consisted of restricted cash, pledged deposit and cash and cash equivalents.

Current ratio

As at 31 December 2022, the Group's current assets and current liabilities were RMB13,780.8 million and RMB11,225.3 million (31 December 2021: RMB16,689.3 million and RMB14,356.4 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 2022, the Group's current ratio was 1.2 times (31 December 2021: 1.2 times).

Indebtedness

As at 31 December 2022, the Group had total indebtedness, including bank loans and other borrowings, amounted to approximately RMB1,071.5 million (31 December 2021: approximately RMB1,598.9 million).

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current Borrowings		
Bank loans – secured	**168,500**	646,224
Other loans – secured[(1)]	**402,353**	712,033
Other loans – unsecured[(1)]	**64,520**	13,867
Total Current Borrowings	**635,373**	1,372,124
Non-Current Borrowings		
Bank loans – secured	**169,390**	226,750
Other loans – secured[(1)]	**266,770**	–
Total Non-Current Borrowings	**436,160**	226,750
Total	**1,071,533**	1,598,874

Note:

(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	
	2022	2021
	RMB'000	*RMB'000*
Repayable within one year	**635,373**	1,372,124
Repayable in the second year	**262,770**	226,750
Repayable in the third year	**173,390**	–
Total	**1,071,533**	1,598,874

Gearing Ratio

The net gearing ratio 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 3.8% as at 31 December 2022 (31 December 2021: 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. As at 31 December 2022, among the Group's cash at bank and on hand, only RMB0.3 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 2022, certain of the Group's bank and other borrowings are secured by the pledges of the Group's assets with carrying values of approximately RMB2,244.4 million (31 December 2021: approximately RMB4,275.0 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	
	2022	2021
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	**5,897,790**	6,774,905
Total	**5,897,790**	6,774,905

Capital Commitment

As at 31 December 2022, the Group's capital commitment it had contracted but yet provided for was RMB2,447.0 million, compared to RMB2,809.4 million as at 31 December 2021.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Reporting Period and as at 31 December 2022, 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

There was no any plan authorised by the Board for other material investments or additions of capital assets as at 31 December 2022.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 14 March 2023, the Company received the filed order of the High Court regarding the dismissal of the winding-up petition against the Company. In light of the dismissal of the petition, any disposition of the property of the Company, including any things in action, any transfer of shares, or alteration in the status of the members of the Company made on or after the date of presentation of the petition, being 31 October 2022, will not be affected. For details, please refer to the announcement of the Company dated 14 March 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 289 employees (31 December 2021: 779). 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

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 2022 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 Part 2 of 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 for the year ended 31 December 2022. 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 for the year ended 31 December 2022.

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 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 2023 is scheduled to be held on Tuesday, 20 June 2023. 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 2022 (for the year ended 31 December 2021: 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 Thursday, 15 June 2023 to Tuesday, 20 June 2023 (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 Wednesday, 14 June 2023.

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. Tong Yu. 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 2022 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 2022.

SCOPE OF AUDITOR'S WORK ON ANNOUNCEMENT OF ANNUAL RESULTS

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 2022 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 2022:

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 2022, 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 2022, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB635,373,000 while its cash and cash equivalents amounted to RMB133,333,000 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 2022 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 2023

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. Tong Yu and Mr. Chan Ngai Fan, being the independent non-executive Directors.