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 2023

**ANNUAL RESULTS HIGHLIGHTS**

- Revenue for the year ended 31 December 2023 amounted to approximately RMB2,623.4 million, representing a decrease of approximately 41.5% as compared to the year ended 31 December 2022.
- Gross profit for the year ended 31 December 2023 was approximately RMB32.8 million with a gross profit margin of approximately 1.25%.
- Loss for the year ended 31 December 2023 was approximately RMB384.8 million, representing a decrease of approximately 454.3% as compared to the profit for the year ended 31 December 2022 amounted to approximately RMB108.6 million. Loss attributable to owners of the parent was approximately RMB413.3 million.
- Total assets as at 31 December 2023 were approximately RMB11,158.4 million, representing a decrease of approximately 21.3% as compared to 31 December 2022.
- Contracted sales amount of the Group together with its associate for the year ended 31 December 2023 amounted to approximately RMB783.2 million, representing a year-on-year decrease of 64.6%; contracted GFA sold was approximately 108,278 sq.m. for the year ended 31 December 2023, representing a year-on-year decrease of 63.0%.
- Cash and bank balances were approximately RMB391.4 million as at 31 December 2023.
- Net gearing ratio was 24.4% as at 31 December 2023.
- The Board does not recommend the payment of any final dividend for the financial year ended 31 December 2023.

*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 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2022, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December*

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **REVENUE** | *5* | **2,623,434** | 4,487,643 |
| Cost of sales | | **(2,590,613)** | (3,890,822) |
| **GROSS PROFIT** | | **32,821** | 596,821 |
| Other income and gains | *5* | **5,120** | 18,318 |
| Selling and distribution expenses | | **(72,090)** | (173,221) |
| Administrative expenses | | **(59,925)** | (93,167) |
| Other expenses | | **(119,307)** | (12,799) |
| Fair value loss on investment properties | | **(10,400)** | (15,000) |
| Finance costs | *7* | **(42,293)** | (27,580) |
| Share of profit of: | | | |
| Associates | | **8,320** | 18,104 |
| **(LOSS)/PROFIT BEFORE TAX** | *6* | **(257,754)** | 311,476 |
| Income tax expenses | *8* | **(127,065)** | (202,836) |
| **(LOSS)/PROFIT FOR THE YEAR** | | **(384,819)** | 108,640 |

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the parent | | **(413,295)** | (86,124) |
| Non-controlling interests | | **28,476** | 194,764 |
| | | **(384,819)** | 108,640 |
| **TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR** | | **(384,819)** | 108,640 |
| Attributable to: | | | |
| Owners of the parent | | **(413,295)** | (86,124) |
| Non-controlling interests | | **28,476** | 194,764 |
| | | **(384,819)** | 108,640 |
| **LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted | *10* | **RMB(0.61)** | RMB(0.13) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December*

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **2,796** | 4,793 |
| Investment properties | | **72,300** | 137,200 |
| Right-of-use assets | | **833** | 406 |
| Investments in associates | | **47,341** | 39,021 |
| Deferred tax assets | | **152,571** | 216,329 |
| Total non-current assets | | **275,841** | 397,749 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **5,231,337** | 7,960,874 |
| Completed properties held for sale | | **2,850,019** | 2,128,816 |
| Trade receivables | *11* | **17,296** | 1,127 |
| Due from related parties | | **76,598** | 88,938 |
| Prepayments, other receivables and other assets | *12* | **1,948,505** | 2,247,584 |
| Tax recoverable | | **286,604** | 286,854 |
| Contract cost assets | | **80,722** | 90,228 |
| Restricted cash | | **263,864** | 687,487 |
| Pledged deposits | | **80,868** | 155,564 |
| Cash and cash equivalents | | **46,707** | 133,333 |
| Total current assets | | **10,882,520** | 13,780,805 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *13* | **1,323,200** | 1,420,541 |
| Other payables and accruals | | **1,142,450** | 1,068,179 |
| Contract liabilities | | **5,201,646** | 7,606,122 |
| Due to related parties | | **31,222** | 15,615 |
| Interest-bearing bank and other borrowings | | **667,620** | 635,373 |
| Lease liabilities | | **833** | 201 |
| Tax payable | | **466,554** | 479,247 |
| Total current liabilities | | **8,833,525** | 11,225,278 |

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **NET CURRENT ASSETS** | | **2,048,995** | 2,555,527 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,324,836** | 2,953,276 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | | **234,190** | 436,160 |
| Lease liabilities | | **–** | 217 |
| Deferred tax liabilities | | **2,303** | 881 |
| Total non-current liabilities | | **236,493** | 437,258 |
| **NET ASSETS** | | **2,088,343** | 2,516,018 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | *14* | **6** | 6 |
| Reserves | | **1,136,351** | 1,549,646 |
| | | **1,136,357** | 1,549,652 |
| **Non-controlling interests** | | **951,986** | 966,366 |
| **TOTAL EQUITY** | | **2,088,343** | 2,516,018 |

# 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

During the year ended 31 December 2023, the Group recorded a net loss of RMB384,819,000 for the year ended 31 December 2023. As at 31 December 2023, the Group's total interest-bearing bank and other borrowings amounted to RMB901,810,000, out of which RMB667,620,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB46,707,000. As at 31 December 2023, the Group did not pay a principal of RMB390,013,000 of interest-bearing bank and other borrowings which were due for repayment. Subsequent to 31 December 2023, the Group did not repay a principal of RMB220,000,000 of interest-bearing bank and other borrowings due in January 2024. These conditions indicate the existence of material uncertainties which 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:

(i) The Group has been negotiating with the Group's existing lenders of the defaulted borrowings and reaching agreements with them for not taking any actions against the Group to exercise their right to demand immediate payment of the principals and interest of these borrowings;

(ii) The Group has been actively negotiating with the Group's existing lenders for the renewal or extension for repayment of the Group's bank and other borrowings;

(iii) 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; and

(iv) The Group will continue to seek opportunities to dispose of its assets, such as lands and equity interests in project development companies.

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 2023 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to implement the aforementioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) successfully negotiating with the Group's existing lenders of the defaulted borrowings and the reaching of agreements with them for not taking any actions against the Group to exercise their right to demand immediate payment of the principals and interest of those borrowings;

(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) the Group's ability to accelerate the sales of its properties by carrying out the Group's business strategy plan and to accelerate the collection of outstanding sales proceeds; and

(iv) successful and timely implementation of the plans to dispose of certain of its other assets, such as lands, equity interests in project development companies and timely collection of the proceeds.

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 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts* |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform – Pillar Two Model Rules* |

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers | **2,621,824** | 4,486,029 |
| Revenue from other sources | | |
| Rental income | **1,610** | 1,614 |
| | **2,623,434** | 4,487,643 |

### (i) Disaggregated revenue information

*Types of goods or services*

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sale of properties | **2,621,824** | 4,486,029 |

*Timing of revenue recognition:*

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from the sale of properties: | | |
| Recognised at a point in time | **2,621,824** | 4,486,029 |

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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of properties | **2,147,437** | 3,712,913 |

### (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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts expected to be recognised as revenue: | | |
| Within one year | **3,023,481** | 3,994,259 |
| After one year | **2,178,165** | 3,611,863 |
| | **5,201,646** | 7,606,122 |

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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income | **2,624** | 4,792 |
| Forfeiture of deposits | **615** | 884 |
| Investment income | **–** | 58 |
| Government grants | **83** | 9,192 |
| Gain on disposal of subsidiaries | **431** | – |
| Others | **1,367** | 3,392 |
| | **5,120** | 18,318 |

## 6. PROFIT BEFORE TAX

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | **2,089,896** | 3,662,762 |
| Impairment losses recognised for properties under development and completed properties held for sale | **502,892** | 228,888 |
| Depreciation of property, plant and equipment | **2,157** | 10,713 |
| Depreciation of right-of-use assets | **1,005** | 3,545 |
| Gain on disposal of subsidiaries | **431** | – |
| Lease payments not included in the measurement of lease liabilities | **381** | 2,129 |
| Auditors' remuneration | **3,100** | 3,720 |
| Employee benefit expenses (including directors' and chief executive's remuneration): | | |
| Wages and salaries (including bonuses) | **39,427** | 66,518 |
| Pension scheme contributions and social welfare | **6,356** | 9,289 |

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank and other borrowings | **103,929** | 111,322 |
| Interest on lease liabilities | **76** | 554 |
| Interest expense arising from revenue contracts | **446,698** | 351,000 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **550,703** | 462,876 |
| Less: Interest capitalised | **(508,410)** | (435,296) |
| | **42,293** | 27,580 |

## 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 2023.

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.

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| PRC corporate income tax | **59,091** | 106,666 |
| PRC LAT | **11,227** | 5,935 |
| Deferred tax | **56,747** | 90,235 |
| Total tax charge for the year | **127,065** | 202,836 |

A reconciliation of income tax expenses 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 expenses 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| (Loss)/profit before tax | **(257,754)** | 311,476 |
| Tax at the statutory tax rate | **(64,233)** | 77,869 |
| Effect of different tax levy enacted by local authorities | **(206)** | 94 |
| Profits and losses attributable to associates | **(2,080)** | (4,526) |
| Expenses not deductible for tax | **824** | 2,723 |
| Unrecognised temporary differences | **135,676** | 62,736 |
| Tax losses not recognised | **48,664** | 59,489 |
| Provision for LAT | **11,227** | 5,935 |
| Tax effect on LAT | **(2,807)** | (1,484) |
| Tax charge at the Group's effective rate | **127,065** | 202,836 |

Tax payable in the consolidated statements of financial position represents:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PRC corporate income tax | **299,483** | 321,740 |
| PRC LAT | **167,071** | 157,507 |
| Total tax payable | **466,554** | 479,247 |

The share of tax expenses attributable to associates amounting to RMB2,778,000 for the year (2022: tax credit RMB6,035,000) 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 2023 (2022: Nil).

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

The calculation of the basic losses per share amount is based on the losses 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 2023 (2022: 675,529,000 shares).

No adjustment has been made to the basic losses per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the Group had no potential dilutive ordinary shares during the years ended 31 December 2023 and 2022.

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(LOSSES)** | | |
| Losses attributable to ordinary equity holders of the parent | **(413,295)** | (86,124) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year | **675,529,000** | 675,529,000 |
| **(LOSSES) per share** | | |
| Basic and diluted | **RMB(0.61)** | RMB(0.13) |

## 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Less than 1 year | **17,296** | 1,127 |

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. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Prepayments for acquisition of land use rights | **37,160** | 136,770 |
| Prepayments for construction cost | **56,169** | 35,072 |
| Deposits | **132,689** | 93,015 |
| Other tax recoverable | **610,429** | 752,523 |
| Due from non-controlling shareholders of the subsidiaries | **1,062,869** | 1,180,286 |
| Due from third parties | **71,324** | 38,000 |
| Receivables from disposal of subsidiaries | **1,410** | – |
| Other receivables | **20,519** | 19,126 |
| Other prepayments | **5,216** | 3,364 |
| | **1,997,785** | 2,258,156 |
| Impairment allowance | **(49,280)** | (10,572) |
| Total | **1,948,505** | 2,247,584 |

Other receivables are unsecured, non-interest-bearing and repayable on demand.

## 13. 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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Less than 1 year | **1,270,872** | 1,368,765 |
| Over 1 year | **52,328** | 51,776 |
| | **1,323,200** | 1,420,541 |

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

## 14. SHARE CAPITAL

| | **31 December** | 31 December |
|---|---|---|
| **Authorised Share Capital** | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| 38,000,000,000 ordinary shares of HK$0.00001 each | **380,000** | 380,000 |
| **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 2023, the Group's revenue decreased from RMB4,487.6 million for the year ended 31 December 2022 to RMB2,623.4 million for the year ended 31 December 2023. For the year ended 31 December 2023, including an associate, the Group recorded contracted sales of approximately RMB783.2 million, representing a year-on-year decrease of 64.6%.

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 2023, the Group's major debt indicators remained at an industry healthy level, including net gearing ratio of 24.4% (31 December 2022: 3.8%), cash (including restricted cash, pledged deposits and cash and cash equivalents) to short-term borrowing ratio of 0.59 times (31 December 2022: 1.5 times) and liabilities to asset ratio (excluding advanced sales proceeds) of 64.9% (31 December 2022: 61.7%).

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

According to the data from China Index Academy, in 2023, the total sales of TOP100 real estate enterprises amounted to RMB 6,279.10 billion, representing a year-on-year decrease of 17.3%. The year-on-year sales of real estate enterprises in all tiers declined, with the average year-on-year sales of TOP10 real estate enterprises dropping by 11.7%, and the average year-on-year sales of real estate enterprises among TOP11-30, TOP31-50 and TOP51-100 dropping by a larger percentage as to 17.8%, 19.0% and 28.2% respectively.

In terms of enterprise categories, central state-owned enterprises achieved growing results. Among the TOP50 enterprises, sales of central state-owned enterprises grew by an average of 4.0%, while sales of established private enterprises declined by an average of 12.4%, sales of mixed-ownership enterprises declined by 15.8%, and insured private enterprises declined by 46.5%.

In terms of land acquisition, in 2023, the total land acquisition of TOP100 enterprises amounted to RMB 1,319.5 billion, representing a slight increase of 1.7% year-on-year, and the pace of land launch at the end of the year was accelerated, which led the growth rate of the total land acquisition of enterprises to turn positive. Among the top 50 and top 100 enterprises, central state-owned enterprises and state-owned enterprises accounted for about 80%. The top enterprises insisted on setting production targets according to sales records and keeping expenditure within the limits of revenues, so as to maintain investment efficiency and operational stability.

In terms of financing, in 2023, the total amount of bond financing of real estate enterprise was RMB692.54 billion, representing a drop of 7.5% year-on-year. Among them, credit bond financing of real estate industry was RMB 423.31 billion, representing a year-on-year decline of 9.1% and accounting for 61.1%; overseas bond issuance amounted to RMB 21.93 billion, increasing by 24.6% year-on-year and accounting for 3.2%; ABS financing amounted to RMB 247.29 billion, decreasing by 6.8% year-on-year, accounting for 35.7%.

Overall, in 2023, China's real estate market is still in a downside stage, and the pressure on the capital profile of real estate enterprises remained unchanged. Under the new situation of significant changes in supply and demand, the market landscape and enterprise landscape continued to encounter adjustments. In the long run, the scale of real estate market will still amount to RMB 10 trillion, and there will still be structural opportunities in different cities for different demands. Meanwhile, the direction of exploring new development models in the industry become clear gradually, and real estate enterprises should seize the market opportunities and take the initiative to adapt to the new situations, thereby achieving high-quality development with a balanced structure of asset-light and asset-heavy business. Looking ahead in 2024, the national new housing market will continue to be exposed to downside pressure in the short term, and different real estate enterprises will need to formulate corresponding strategies according to their own circumstances to ride out the cycle.

## Outlook

In terms of macro environment of economic and policy environment, economic growth may slow down in 2024, cross-cycle and counter-cyclical adjustment policies are expected to be further strengthened.

Looking ahead in 2024, global economic growth is slowing down, external demand may continue to be sluggish, the "One Belt, One Road" is expected to continue to drive China's exports, while the scarring effect brought about by the epidemic is still in place, the probability of consumer spending exceeding expectations is relatively low, and the need to stabilise investment has become even stronger. At the Central Economic Work Conference in December 2023, "striving to seek progress amidst stability, promoting stability through progress, and breaking through before making achievements", "strengthening counter-cyclical and cross-cyclical adjustments in macro policies, continuing to implement proactive fiscal policies and prudent monetary policies, and strengthening the innovation and co-ordination of policy tools" were proposed. It is expected that the monetary policy will further stabilise the economy in the future, and the fiscal policy is expected to follow up in tandem with the monetary policy, thereby better unleashing the potentials of economic development.

In terms of policy environment, against the backdrop of "significant changes in the relationship between supply and demand", it is expected that all regions will continue to optimise their property market policies, and the supporting measures for the "three major projects" are expected to accelerate.

The meeting held on 24 July 2023 of the Political Bureau of the Central Committee put forward "to adapt to the new situation of significant changes in the relationship between supply and demand in China's real estate market", which was a major judgement to define the real estate market, and since then a number of ministries and commissions clarified the direction of the real estate policy optimization, the policies of regions continued to be implemented. According to the monitoring of the China Index Academy, in 2023, more than 200 provinces and cities (counties) have launched real estate control policies for more than 670 times, and most of the restrictive policies of the cities have been completely released.

At the central level, in February 2023, the magazine "Qiushi" published an article by the General Secretary Xi Jinping entitled "Several Important Issues in the Current Economic Works", which emphasised the importance of the real estate industry in the national economy, and proposed "in-depth research and judgement on the supply and demand relationship in the real estate market and the landscape of urbanisation, as well as other major trend and structural changes, and to urgently carrying out researches on medium- and long-term solutions to address the problem at root". The government work reports of the Two Sessions also emphasised "effectively preventing and resolving the risks of high-quality leading real estate enterprises", "strengthening the building of the housing protection system" and "supporting rigid and improving housing demand". In April 2023, a meeting of the Political Bureau of the Central Committee was convened to analyse and study the current economic situation and economic work, and the key words for real estate such as "Housing Without Speculation", "City-based Policy Implementation", "Supporting Rigid And Improving Housing Demand" and "Guaranteed Delivery Of Housing" and "New Model Of Real Estate Development" have all continued the previous propositions, and the overall environment of real estate policies has remained relaxed.

In July 2023, the meeting of the Political Bureau of the Central Committee defined the real estate, for which firstly, "China's real estate market supply and demand relationship has undergone significant changes" was clearly put forward and secondly the transformation of urban villages, public infrastructure "for normal and urgent use", as well as the planning and construction of affordable housing were further promoted. In this context, the regulatory and control policies launched at the previous stage where supply could not meet demand need to be adjusted and optimised in a timely manner, thereby opening more room for the regulatory authorities as well as the optimisation of the property market policy across the regions. Since the end of August 2023, a number of ministries and commissions actively stated their stance and launched specific measures, and the restricting policies across the regions were also gradually loosened, such that the real estate industry really welcomed the policy bottom.

From 30 to 31 October 2023, the Central Financial Work Conference made it clear that it would "promote the virtuous cycle of finance and real estate, optimise the regulatory system for the business entity of real estate enterprises and the supervision of funds, improve the macro-prudential financial management of real estate, and satisfy the reasonable financing needs of real estate enterprises of different ownerships on an equitable basis, as well as making good use of city-based policies with the pool of policies, better supporting rigid and improved housing demand, accelerating the construction of 'three major projects' such as affordable housing, and building a new model of real estate development."

In December 2023, the Central Economic Work Conference confirmed the policy direction for 2024. Firstly, it continued to emphasise "resolutely guarding the bottom line of not incurring systemic risks", "proactively and steadily resolving the risks of the real estate, satisfying the reasonable financing needs of real estate enterprises of different ownerships on an equitable basis, and promoting the stable and healthy development of the real estate market". Secondly, it further specified "accelerating the 'three major projects' such as the construction of affordable housing, the construction of public infrastructure 'for normal and urgent use', and the transformation of urban villages". Meanwhile, it proposed to "improve the relevant basic system and accelerate the building of a new model of real estate development". The definition of policy of " Breaking Through Before Making Achievements" has also brought stronger optimisation expectations for real estate policies.

At the local level, since the end of August 2023, favoured by the frequent introduction of policies across the regions, the policy of "mortgage granted to homebuyers based on the number of houses they own rather than on their previous mortgage loan record (認房不認貸)" for the first home mortgage was implemented in Beijing, Shanghai, Guangzhou and Shenzhen, and the application frequency of policy in September 2023 reached its monthly record high since the fourth quarter in 2022. In terms of purchase restrictions, 14 second-tier cities, such as Nanjing, Hefei, Jinan and Qingdao, etc., completely lifted their purchase restriction policies, while a number of other second-tier cities relaxed their purchase restrictions by optimising the number of housing units to be purchased, optimising the scope of purchase restriction, and relaxing the restrictions on the purchase of housing. Among the first-tier cities, Guangzhou relaxed the purchase restriction in its suburbs.

In terms of lending restrictions, various regions have actively implemented differentiated housing credit policies, with the down payment ratio of 20% for the first house and 30% for the second house being implemented in most cities for commercial loans, and the lower limit of the interest rate for second-unit loans being adjusted to LPR+20BP, with the down payment ratio in some core tier-2 cities such as Hangzhou being lowered to 25% for the first house and 35% for the second house. Among the first-tier cities, Guangzhou and Shenzhen have lowered the down payment ratio for commercial loans to 30% for the first house and 40% for the second house; Beijing and Shanghai have adjusted the down payment ratio for commercial loans to 30% for the first house and 40%-50% for the second house, depending on the regions. In addition, most cities across the country have implemented the policy of "mortgage granted to homebuyers based on the number of houses they own rather than on their previous mortgage loan record (認房不認貸)" for the first home mortgage.

According to the monitoring of China Index Academy, nearly 30 cities have lowered or cancelled the requirement for the number of years of sales restriction since 2023; more than a dozen cities, such as Shenzhen, Chengdu, Hefei, etc., have optimised their price restriction policies. Meanwhile, more than 30 cities across the country have explicitly implemented housing voucher, and Guangzhou, one of the first-tier cities, has explicitly proposed to explore the mechanism of housing voucher policy.

To sum up the above factors, on the one hand, the current regulatory authorities and governments at all levels have gained a unified understanding of the real estate industry, and it is expected that various powerful measures will be implemented gradually and in concert in the future. After the policy environment has reached its tipping point, the policies on the supply and demand sides will be launched, which will be conducive to the market stability and recovery.

On the other hand, the real estate market has been in deep adjustment for more than two years since the second half of 2021, representing the longest adjustment period in the history, and there is limited room for the market to continue to move sharply downward.

Based on the above information, looking ahead in 2024, the recovery of the real estate market still depends on whether the expectations of homebuyers can be restored, and there is still room for policies on both the supply and demand sides to take effect. “Three major projects” will be the main direction of the policy implementation, which is expected to play an important role in stabilising investments in 2024 while playing a positive role in restoring sales and stabilising expectations. Generally speaking, the new home sales market will continue to face adjustment pressure in 2024. If the economy continues to recover and homeownership sentiment improves, coupled with the urban village transformation progressing on schedule, the sales scale may achieve modest growth.

**Property Development Business**

*Contracted sales*

As at 31 December 2023, the Group recorded contracted sales of approximately RMB774.2 million excluding the sales of an associate, representing a year-on-year decrease of 63.4%, and contracted gross floor area sold of approximately 107,114 square meters ("**sq.m.**"), representing a year-on-year decrease of 60.9%. The average selling price of our contracted sales for the year ended 31 December 2023 was approximately RMB7,227.8 per sq.m., representing a year-on-year decrease of approximately 6.5%.

As at 31 December 2023, the Group had contract liabilities of approximately RMB5,201.6 million, as compared to approximately RMB7,606.1 million as at 31 December 2022, representing a decrease of approximately 31.6%.

*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 2023** | | | For the year ended/as at 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | **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] | **913** | **2,140** | **2,342** | 1,399 | 4,632 | 3,311 |
| Mingguang | **5,120** | **22,103** | **4,317** | 21,017 | 97,682 | 4,648 |
| Lixin | **68,018** | **420,717** | **6,185** | 163,090 | 1,137,480 | 6,975 |
| Bozhou[2] | **16,404** | **106,225** | **6,476** | 20,107 | 165,846 | 8,248 |
| Fengyang | **–** | **–** | **–** | 108 | 948 | 8,778 |
| Hefei | **45,592** | **623,052** | **13,666** | 68,763 | 841,203 | 12,233 |
| Fuyang | **–** | **–** | **–** | 15,773 | 50,306 | 3,189 |
| Tai'an | **6,260** | **33,440** | **5,342** | 35,385 | 190,175 | 5,374 |
| Shouxian | **–** | **–** | **–** | 17,798 | 85,447 | 4,801 |
| Nanjing | **1,443** | **21,014** | **14,565** | 62,260 | 954,775 | 15,335 |
| Guoyang | **20,975** | **131,094** | **6,250** | 111,903 | 757,799 | 6,772 |
| Xuancheng | **42,834** | **277,014** | **6,467** | 28,306 | 199,736 | 7,056 |
| Suzhou | **59,106** | **412,363** | **6,977** | – | – | – |
| Wuxi | **41,380** | **367,388** | **8,878** | – | – | – |
| Anqing | **31,028** | **205,274** | **6,616** | – | – | – |
| **Total** | **339,073** | **2,621,824** | **7,732** | 545,909 | 4,486,029 | 8,218 |

*Notes:*

(1) Excludes Mingguang and Fengyang.

(2) Excludes Lixin.

As at 31 December 2023, the Group had a diverse portfolio of 46 projects, 30 were completed projects, 15 were projects under development and 1 was the project held for future development.

As at 31 December 2023, the Group had completed properties held for sale of RMB2,850.0 million, representing a 33.9% increase from RMB2,128.8 million as at 31 December 2022. 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 2023, the Group had properties under development of RMB5,231.3 million, representing a 34.3% decrease from RMB7,960.9 million as at 31 December 2022, 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 2023:

| | 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 | 95,536 | 298,194 | – | 393.730 | 19.8% |
| Chuzhou | 4 | 11,795 | 41,439 | – | 53,234 | 2.7% |
| Huainan | 1 | – | 118,593 | 132,101 | 250,694 | 12.6% |
| Hefei | 3 | 16,241 | 99,342 | 63,816 | 179,399 | 9.0% |
| Suzhou | 2 | 2,015 | 108,448 | 99,436 | 209,899 | 10.6% |
| Xuancheng | 1 | 7,759 | – | – | 7,759 | 0.4% |
| Bengbu | 3 | – | 276,439 | 64,137 | 340,575 | 16.0% |
| **Subtotal** | 27 | 133,346 | 942,455 | 359,490 | 1,435,291 | 72.2% |
| **Jiangsu Province** | | | | | | |
| Nanjing | 5 | 5,902 | 78,369 | – | 84,271 | 4.2% |
| Wuxi | 4 | 31,568 | 230,421 | – | 261,989 | 13.2% |
| Changzhou | 1 | – | 132,391 | – | 132,391 | 6.7% |
| **Subtotal** | 10 | 37,470 | 441,181 | – | 478,651 | 24.1% |
| **Total-Subsidiary** | 37 | 170,816 | 1,383,637 | 359,490 | 1,913,942 | 96.3% |
| *Associate* | | | | | | |
| Hefei | 1 | 93 | 73,276 | – | 73,368 | 3.7% |
| **Total-Associate** | 1 | 93 | 73,276 | – | 73,368 | 3.7% |
| **Total Land Reserves** | 38 | 170,909 | 1,456,912 | 359,490 | 1,987,310 | 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 41.6% from approximately RMB4,486.0 million for the year ended 31 December 2022 to approximately RMB2,621.8 million for the year ended 31 December 2023, primarily due to the decrease of delivered GFA for the year ended 31 December 2023 which was brought by the adverse market environment. The total aggregate GFA recognised decreased from 545,909 sq.m. for the year ended 31 December 2022 to 339,073 sq.m. for the year ended 31 December 2023 primarily due to fewer properties completed and delivered for the year ended 31 December 2023.

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** | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **GFA delivered** *sq.m.* | **Recognised revenue** *RMB'000* | **Recognised ASP** *(RMB/sq.m.)* | GFA delivered *sq.m.* | Recognised revenue *RMB'000* | Recognised ASP *(RMB/sq.m.)* |
| Residential | **331,906** | **2,543,179** | **7,662** | 507,375 | 4,277,936 | 8,432 |
| Commercial | **5,512** | **71,630** | **12,995** | 10,933 | 129,273 | 11,824 |
| Carparks and underground storage space[1] | **1,655** | **7,015** | **4,239** | 27,601 | 78,820 | 2,856 |
| **Total** | **339,073** | **2,621,824** | **7,732** | 545,909 | 4,486,029 | 8,218 |

*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 33.4% from approximately RMB3,890.8 million for the year ended 31 December 2022 to approximately RMB2,590.6 million for the year ended 31 December 2023, 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 94.5% from approximately RMB596.8 million for the year ended 31 December 2022 to approximately RMB32.8 million for the year ended 31 December 2023 primarily due to the decrease of revenue for the year ended 31 December 2023.

Our gross profit margin decreased to 1.3% for the year ended 31 December 2023, as compared to 13.3% for the year ended 31 December 2022 primarily because of 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 decreased by 72% from approximately RMB18.3 million for the year ended 31 December 2022 to approximately RMB5.1 million for the year ended 31 December 2023, mainly because of the decrease in receipt of government grants in 2023.

### 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 58.4% from approximately RMB173.2 million for the year ended 31 December 2022 to approximately RMB72.1 million for the year ended 31 December 2023, 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 35.7% from approximately RMB93.2 million for the year ended 31 December 2022 to approximately RMB59.9 million for the year ended 31 December 2023, primarily due to the decrease 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 increased by 832.0% from approximately RMB12.8 million for the year ended 31 December 2022 to approximately RMB119.3 million for the year ended 31 December 2023, primarily because: (1) the Group revoked the contract signed with the government for acquisition of the land in Bengbu to enhance the liquidity and lost part of the advances amounting to RMB49.6 million in the first half of the year; (2) bad debt losses increased because of the downward real estate market.

### 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 53.3% from approximately RMB27.6 million for the year ended 31 December 2022 to approximately RMB42.3 million for the year ended 31 December 2023, primarily due to the increase in the interest on pre-sales deposits, net of interest capitalised during the Reporting 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 decreased by 37.3% from approximately RMB202.8 million for the year ended 31 December 2022 to approximately RMB127.1 million for the year ended 31 December 2023, primarily due to the decrease in the profit during the Reporting Period.

### Loss for the Reporting Period

As a result of the foregoing, the Group recorded a loss of approximately RMB384.8 million for the year ended 31 December 2023, as compared to the profit of approximately RMB108.6 million for the year ended 31 December 2022.

## 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.

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 2023, the Group had cash and bank balances of approximately RMB391.4 million (31 December 2022: RMB976.4 million), which primarily consisted of restricted cash, pledged deposit and cash and cash equivalents.

**Current ratio**

As at 31 December 2023, the Group's current assets and current liabilities were RMB10,882.5 million and RMB8,833.5 million (31 December 2022: RMB13,780.8 million and RMB11,225.3 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 2023, the Group's current ratio was 1.2 times (31 December 2022: 1.2 times).

**Indebtedness**

As at 31 December 2023, the Group had total indebtedness, including bank loans and other borrowings, amounted to approximately RMB901.8 million (31 December 2022: approximately RMB1,071.5 million).

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

| | **As at 31 December** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| **Current Borrowings** | | |
| Bank loans – secured | **33,877** | 168,500 |
| Other loans – secured[1] | **572,743** | 402,353 |
| Other loans – unsecured[1] | **61,000** | 64,520 |
| Total Current Borrowings | **667,620** | 635,373 |
| **Non-Current Borrowings** | | |
| Bank loans – secured | **199,390** | 169,390 |
| Other loans – secured[1] | **34,800** | 266,770 |
| Total Non-Current Borrowings | **234,190** | 436,160 |
| **Total** | **901,810** | 1,071,533 |

*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 | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Repayable within one year | **667,620** | 635,373 |
| Repayable in the second year | **84,800** | 262,770 |
| Repayable in the third year | **149,390** | 173,390 |
| **Total** | **901,810** | 1,071,533 |

**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 24.4% as at 31 December 2023 (31 December 2022: 3.8%).

**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 2023, among the Group's cash at bank and on hand, only RMB0.09 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 2023, certain of the Group's bank and other borrowings are secured by the pledges of the Group's assets with carrying values of approximately RMB1,982.9 million (31 December 2022: approximately RMB2,244.4 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 | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties | **5,310,298** | 5,897,790 |
| **Total** | **5,310,298** | 5,897,790 |

**Capital Commitment**

As at 31 December 2023, the Group's capital commitment it had contracted but yet provided for was RMB1,827.5 million, compared to RMB2,447.0 million as at 31 December 2022.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the Reporting Period and as at 31 December 2023, 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 2023.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In January 2024, a total amount of RMB220,000,000 interest-bearing bank and other borrowing has become default and repayable on demand.

As of the date of this announcement, the Company has not paid the principal and interest on the abovementioned borrowing due and payable on the maturity date.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 223 employees (31 December 2022: 289). 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 2023 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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

During the year ended 31 December 2023, Mr. Chan Ngai Fan resigned as an independent non-executive Director on 30 September 2023. Following the resignation of Mr. Chan, the Company failed to meet the Rules 3.10, 3.10(A), 3.10(2), 3.21, 3.25, and 3.27A of the Listing Rules. Following the appointment of Mr. Wang Ye as an independent non-executive Director on 28 December 2023, the Company has re-complied with the above-mentioned rules.

Saved as disclosed above, 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 2023. 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 C3 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 2023.

## 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 2024 is scheduled to be held on Friday, 28 June 2024. 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 2023 (for the year ended 31 December 2022: 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, 25 June 2024 to Friday, 28 June 2024 (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, 24 June 2024.

## 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. On 30 September 2023, Mr. Chan Ngai Fan had tendered his resignation as an independent non-executive Director and ceased to be the chairman of the Audit Committee.

Mr. Wang Ye has been appointed as independent non-executive Director and the chairman of the Audit Committee since 28 December 2023. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wang Ye, Mr. Chen Sheng and Mr. Tong Yu. Mr. Wang Ye 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 2023 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 2023.

## 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 2023 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 2023:

*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 relating to going concern 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

*Material uncertainty related to going concern*

As set out in note 2 to the consolidated financial statements, the Group recorded a net loss of RMB384,819,000 for the year ended 31 December 2023. As at 31 December 2023, the Group's total interest-bearing bank and other borrowings amounted to RMB901,810,000, out of which RMB667,620,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB46,707,000. As at 31 December 2023, the Group did not pay a principal of RMB390,013,000 of interest-bearing bank and other borrowings which were due for repayment. Subsequent to 31 December 2023, the Group did not repay a principal of RMB220,000,000 of interest-bearing other borrowings due in January 2024. These conditions, together with other matters set out in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which 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 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of those measures, which are subject to multiple uncertainties, including:

(i) successfully negotiating with the Group's existing lenders of the defaulted borrowings and the reaching of agreements with them for not taking any actions against the Group to exercise their right to demand immediate payment of the principals and interest of those borrowings;

(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) the Group's ability to accelerate the sales of its properties by carrying out the Group's business strategy plan and to accelerate the collection of outstanding sales proceeds; and

(iv) successful and timely implementation of the plans to dispose of certain of its other assets, such as lands, equity interests in project development companies and timely collection of the proceeds.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and 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 effect of these adjustments has not been reflected in the consolidated financial statements.

## 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 2023 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, 28 March 2024

*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. Wang Ye and Mr. Tong Yu, being the independent non-executive Directors.*