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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 amounted to approximately RMB1,806.7 million, representing a decrease of approximately 16.6% as compared to the six months ended 30 June 2021.
- Gross profit for the six months ended 30 June 2022 was approximately RMB243.3 million with a gross profit margin of approximately 13.5%.
- Profit for the six months ended 30 June 2022 was approximately RMB31.3 million, representing a decrease of approximately 83.9% as compared to the six months ended 30 June 2021. Loss attributable to owners of the parent was approximately RMB34.4 million, representing a decrease of approximately 155.5% as compared to the six months ended 30 June 2021.
- Total assets as at 30 June 2022 were approximately RMB16,201.1 million, representing a decrease of approximately 5.9% as compared to 31 December 2021.
- Contracted sales amount of the Group together with its associate for the six months ended 30 June 2022 amounted to approximately RMB1,414.0 million, representing a period-on-period decrease of 70.6%; contracted GFA sold was approximately 181,255 sq.m. for the six months ended 30 June 2022, representing a period-on-period decrease of 66.3%.
- Cash and bank balances were approximately RMB1,292.4 million as at 30 June 2022.
- Net gearing ratio was at a net cash position as at 30 June 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.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sanxun Holdings Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022 (the "**Period**"), together with the unaudited comparative figures for the corresponding period in 2021, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**1,806,697**	2,165,956
Cost of sales		**(1,563,355)**	(1,658,121)
GROSS PROFIT		**243,342**	507,835
Other income and gains		**13,328**	5,898
Selling and distribution expenses		**(82,955)**	(108,921)
Administrative expenses		**(57,404)**	(96,018)
Other expenses		**(9,304)**	(1,823)
Finance costs	*6*	**(14,398)**	(18,753)
Share of losses of:			
Associates		**(1,423)**	(2,360)
PROFIT BEFORE TAX		**91,186**	285,858
Income tax expense	*7*	**(59,901)**	(91,492)
PROFIT FOR THE PERIOD		**31,285**	194,366
Attributable to:			
Owners of the parent		**(34,360)**	61,959
Non-controlling interests		**65,645**	132,407
		31,285	194,366

	Notes	Six months ended 30 June **2022** ***RMB'000*** **(Unaudited)**	 2021 *RMB'000* (Unaudited)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**31,285**	194,366
Attributable to:			
Owners of the parent		**(34,360)**	61,959
Non-controlling interests		**65,645**	132,407
		31,285	194,366
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB(0.05)**	RMB0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**9,951**	15,999
Investment properties		**149,300**	149,152
Right-of-use assets		**19,735**	22,531
Investments in associates		**19,493**	20,917
Deferred tax assets		**310,601**	313,223
Total non-current assets		**509,080**	521,822
CURRENT ASSETS			
Properties under development		**9,472,839**	10,645,871
Completed properties held for sale		**2,153,619**	1,550,335
Trade receivables	*10*	**99**	125
Due from related parties		**1,177**	22,532
Prepayments, other receivables and other assets		**2,378,594**	2,428,025
Tax recoverable		**283,664**	247,134
Restricted cash		**796,629**	956,365
Pledged deposits		**224,184**	272,824
Cash and cash equivalents		**271,629**	464,894
Contract cost assets		**109,576**	101,238
Total current assets		**15,692,010**	16,689,343
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,426,728**	1,744,768
Other payables and accruals		**1,070,839**	1,217,103
Contract liabilities		**9,552,569**	9,545,432
Due from related parties		**20,785**	30,425
Interest-bearing bank and other borrowings		**941,075**	1,372,124
Lease liabilities		**6,880**	7,370
Tax payable		**461,566**	439,143
Net current liabilities		**13,480,442**	14,356,365

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NET CURRENT ASSETS		**2,211,568**	2,332,978
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,720,648**	2,854,800
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**270,078**	226,750
Lease liabilities		**12,926**	15,229
Deferred tax liabilities		**6,781**	7,540
Total non-current liabilities		**289,785**	249,519
NET ASSETS		**2,430,863**	2,605,281
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**6**	6
Reserves		**1,601,410**	1,641,209
		1,601,416	1,641,215
Non-controlling interests		**829,447**	964,066
TOTAL EQUITY		**2,430,863**	2,605,281

NOTES TO INTERIM CONDENSED 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 six months ended 30 June 2022, 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 PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

Going Concern Basis

As at 30 June 2022, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB941,075,000 while its cash and cash equivalents amounted to RMB271,629,000 only. Such condition indicates that a material uncertainty exists that may cast significant doubt over 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 is actively negotiating with several financial institutions to obtain new loans at a reasonable cost.

(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 are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements 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 interim condensed consolidated financial information.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendment to IAS 37	*Onerous Contracts – Cost 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 impact of the revised IFRSs 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.

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property development, the nature of the aforementioned business processes, the type and class of customer for the aforementioned business and the methods used to distribute the properties, thus 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 during the six months ended 30 June 2022 and 2021.

5. REVENUE

An analysis of revenue is as follows:

Revenue:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of properties	**1,805,617**	2,165,956
Rental income	**1,080**	–
	1,806,697	2,165,956
Represented by:		
Revenue from the sale of properties:		
Recognised at a point in time	**1,805,617**	2,165,956

An analysis of the Group's other income and gains is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**2,550**	4,536
Forfeiture of deposits	**746**	813
Foreign exchange gain	**2**	118
Investment income	**–**	6
Government grants	**9,310**	143
Others	**720**	282
	13,328	5,898

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**76,226**	100,192
Interest on lease liabilities	**539**	1,272
Interest expense arising from revenue contracts	**175,533**	203,029
Total interest expense	**252,298**	304,493
Less: Interest capitalised	**(237,900)**	(285,740)
	14,398	18,753

7. 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 during the six months ended 30 June 2022.

Subsidiaries of the Group operating in Mainland China were subject to the People's Republic of China ("**PRC**") corporate income tax at the rate of 25% for the six months ended 30 June 2022.

Land appreciation tax ("**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.

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	**45,801**	77,886
PRC LAT	**12,238**	15,510
Deferred tax	**1,862**	(1,904)
Total tax charge for the period	**59,901**	91,492

8. DIVIDENDS

No dividends have been declared or paid by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/earnings for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 675,529,000 (six months ended 30 June 2021: 495,000,000) shares in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the Company had no potentially dilutive ordinary in issue during the periods.

10. 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:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**99**	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 ("**ECLs**") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, 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 the evaluation on the expected loss rate and gross carrying amount, the directors of the Company are of the opinion that the ECLs in respect of these balances is considered to be immaterial, and therefore, there has not been a loss allowance provision.

11. TRADE AND BILLS PAYABLES

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**1,405,250**	1,682,158
Over 1 year	**21,478**	62,610
	1,426,728	1,744,768

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

12. SHARE CAPITAL

	30 June 2022	31 December 2021
	HK$	*HK$*
Authorised:		
38,000,000,000 ordinary shares of HK$0.00001 each	**380,000**	380,000

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
675,529,000 ordinary shares of HKD$0.00001	**6**	6

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

The Group's revenue decreased from RMB2,166.0 million for the six months ended 30 June 2021 to RMB1,806.7 million for the six months ended 30 June 2022. The Group's profit decreased from RMB194.4 million for the six months ended 30 June 2021 to RMB31.3 million for the six months ended 30 June 2022. For the six months ended 30 June 2022, including an associate, the Group recorded unaudited contracted sales of approximately RMB1,414.0 million, representing a period-on-period decrease of 70.6%.

By optimizing the debt structure, controlling debt growth and strengthening cash reserves, the Group continued to intensify its financial risk resistance. As at 30 June 2022, the Group's major debt indicators remained at an industry healthy level, including net gearing ratio at a net cash position (31 December 2021: net cash), cash-to-short term borrowing ratio of 1.4 times (31 December 2021: 1.2 times) and liabilities to asset ratio (excluding advanced sales proceeds) of 63.4% (31 December 2021: 66.0%), the "Three Red Lines" have been all satisfied.

For the six months ended 30 June 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

Looking back to the first half of 2022, as the Covid-19 pandemic was gradually brought under control, the state and governments at all levels released a series of polices to support the real estate industry, forming a situation where various policies and measures from "the real estate industry is a pillar industry" to "promoting the virtuous circle of the real estate industry" declared by the state early this year are tilted in favor of the real estate industry.

During the first half of the year, marginal improvements were seen in the financing environment of real estate enterprises. On the one hand, indebtedness reduction pace was adjusted and "Three Red Lines" for financing and "Two Red Lines" for real estate loans were appropriately relaxed. On the other hand, reasonable financing needs were supported and credit tightening over private enterprises was corrected. Enterprises' reasonable financing needs were actively supported and the financing function of real estate enterprises was recovered, giving a boost to market confidence. The policies in relation to residents' mortgage loans were further relaxed to support rigid and updated housing demands and guide real estate transactions towards normalization. Consequently, the real estate industry will also be shifted from deleveraging to stabilizing leverage.

The economy achieved steady growth owing to the driving forces from the overall supply and structure of monetary policy and relevant relaxing, reserve requirement lowering and interest rate reduction. The reserve requirement ratio was lowered by 0.25 percentage point generally, releasing long-term funds of approximately RMB530.0 billion. The over-five-year Loan Prime Rate (LPR) was reduced by 20 basis points to 4.45%, contributing to the short-term stability of real estate. Real estate policies were relaxed successively for nearly 500 times across 175 provinces and cities. After the meeting of the Political Bureau of the Chinese Communist Party dated 29 April 2022, local policy relaxation was significantly accelerated in frequency and the strength thereof was further reinforced from a base level.

The major projects of the Group are distributed in Nanjing and Hefei urban agglomerations and are gradually gaining influence with the strengthening of the urban agglomerations' abilities in intensification, industrial structure composite superposition and population absorption. After the release of several rounds of policies, the market heat of the urban agglomerations is gradually and steadily recovering. Seeing through the market demand, we also understand the long-term competition logic in the future will be transformed into development models of operation, quality and services. It also points out for the Group the new ideas and methods for achieving long-term development, pursuant to which the Group has carried out a series of attempts and measures in terms of quality management, service improvement and internal project operators in order to improve our competitiveness in response to new market growth and demands and form a brand-new quality development model of quality and services.

OUTLOOK

It is expected that monetary policy will carry on the relaxation momentum in the second half of 2022, possibly benefiting the real estate industry. The industry will continue to adjust on the supply and demand sides: the supply side will be relaxed and the demand side will be gradually released.

According to the data of the National Bureau of Statistics in June 2022, the sales prices of commercial residential buildings in 70 large and medium-sized cities have generally stabilized on a month-on-month basis. The number of cities that experienced month-on-month increases increased and the real estate sales and investment data also shown a recovery momentum, further indicating that the signs of stabilization of the real estate market are increasing. In June 2022, the sales price of newly built commercial residential buildings in tier 1 cities increased by 0.5% month-on-month, an increase of 0.1 percentage point over last month, while the sales price of second-hand residential buildings increased by 0.1% from the same level last month.

In the forthcoming September and October 2022, it is expected that the market will fully warm up. At present, Suzhou in the Yangtze River Delta, Dongguan in the Greater Bay Area, and Chengdu in the western region are warming up significantly. In addition, Foshan, Nanjing and Hangzhou all showed signs of recovery, and Qingdao and Hefei also continued to recover, suggesting that the real estate market is bottoming out.

China Index Academy released the "Sales Performance Ranking of Real Estate Enterprises in China in the First Half of 2022" (《2022上半年中國房地產企業銷售業績排行榜》). According to the ranking, in the first half of 2022, the real estate industry was still undergoing deep adjustment and the market recovery was not as expected. Since April 2022, various real estate-related easing policies have been successively introduced, which enhanced the policy easing certainty, helping to stabilize market expectations. However, with the resurgences of the Covid-19 pandemic, there is still uncertainty over the recovery pace of the market in short term. The market is expected to stabilize in the second half of the year.

Under this background, for real estate enterprises expecting steady development, they shall, on the one hand, grasp the structural opportunities brought by urban differentiation and segment differentiation, adhere to the principle of acquiring good land, producing right products, and improving product and service capabilities, and on the other hand, continue to pay close attention to sales proceeds collection, optimize debt structure, ensure cash flow and operation security, and pursue high-quality development.

After more than one year of industry squeeze, de-inventory and deleveraging, there is a great chance that shock cycle of the industry may possibly has come close to an end, and is entering into the formation of a new cycle. In connection with the new cycle of high-quality development, in the future, the Group will, on the development end, rely on the high-quality customers of its existing properties, continue to consolidate its services quality, create the competitiveness of the urban agglomeration in which it operates, constantly innovate and create quality products, and provide high-quality and livable living paradise for many customers, and on the financial side, continue to control quality and profits, strictly observe various financial disciplines, organize abundant funds for striking supply and demand balance, and meet the Group's development demands for new quality.

Property Development Business

Contracted sales

For the six months ended 30 June 2022, the Group recorded unaudited contracted sales of approximately RMB1,414.0 million, representing a period-on-period decrease of 70.6%, and contracted gross floor area ("**GFA**") sold of approximately 181,255 sq.m., representing a period-on-period decrease of 66.3%. The average selling price ("**ASP**") of our contracted sales for the six months ended 30 June 2022 was approximately RMB7,801 per sq.m., representing a period-on-period decrease of approximately 12.8%.

As at 30 June 2022, the Group had contract liabilities of approximately RMB9,552.6 million, as compared to approximately RMB9,545.4 million as at 31 December 2021, representing an increase of approximately 0.1%.

Sale of properties

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

Cities	**Six months ended 30 June 2022**			Six months ended 30 June 2021		
	GFA delivered *sq.m.*	**Total revenue** *RMB'000* **(unaudited)**	**Recognised ASP** *(RMB/sq.m.)*	GFA delivered *sq.m.*	Total revenue *RMB'000* (unaudited)	Recognised ASP *(RMB/sq.m.)*
Chuzhou[1]	**1,153**	**3,014**	**2,614**	46,380	304,797	6,572
Mingguang	**17,434**	**83,286**	**4,777**	21,080	108,272	5,136
Lixin	**96,579**	**700,136**	**7,249**	49,888	346,390	6,943
Bozhou[2]	**17,695**	**155,375**	**8,842**	12,738	78,008	6,124
Fengyang	**108**	**948**	**8,778**	3,458	23,734	6,864
Hefei	**47,118**	**574,156**	**12,185**	9,096	118,379	13,014
Fuyang	**15,773**	**50,306**	**3,189**	171,202	1,183,387	6,912
Tai'an	**1,831**	**10,603**	**5,791**	530	2,989	5,640
Shouxian	**15,071**	**54,385**	**3,609**	–	–	–
Nanjing	**12,735**	**165,158**	**12,969**	–	–	–
Guoyang	**1,584**	**8,250**	**5,208**	–	–	–
Total	**227,081**	**1,805,617**	**7,956**	314,372	2,165,956	6,890

Notes:

(1) Excludes Mingguang and Fengyang.

(2) Excludes Lixin.

As at 30 June 2022, the Group had a diverse portfolio of 48 projects, 20 were completed projects, 27 were projects under development and 1 was project held for future development.

As at 30 June 2022, the Group had completed properties held for sale of RMB2,153.6 million, representing a 38.9% increase from RMB1,550.3 million as at 31 December 2021. The increase was primarily due to the increase in GFA completed during the Period. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

As at 30 June 2022, the Group had properties under development of RMB9,472.8 million, representing a 11.0% decrease from RMB10,645.9 million as at 31 December 2021, which was primarily due to the increase in GFA completed during the Period.

Land Reserves

The following table sets forth the GFA breakdown of the Group's land reserves portfolio as at 30 June 2022 in terms of geographic locations:

	Numbers of Projects	Completed saleable GFA unsold	Planned GFA Under Development	Estimated GFA held for Future Development	Land Reserves	% of Total Land Reserves
		(in sq.m.)	*(in sq.m.)*	*(in sq.m.)*	*(in sq.m.)*	
Subsidiaries						
Anhui Province						
Bozhou	14	30,401	588,297	–	618,698	20.4%
Chuzhou	5	19,937	131,587	–	151,524	5.0%
Huainan	2	22,946	118,593	132,101	273,640	9.0%
Hefei	3	16,610	183,980	63,816	264,406	8.7%
Fuyang	1	3,955	–	–	3,955	0.1%
Anqing	1	–	115,771	–	115,771	3.8%
Suzhou	2	–	201,656	99,436	301,091	9.9%
Xuancheng	1	–	129,008	–	129,008	4.3%
Bengbu	3	–	276,439	64,137	340,575	11.3%
Subtotal	32	93,849	1,745,330	359,490	2,198,669	72.6%

	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
Jiangsu Province						
Nanjing	5	3,728	166,413	–	170,141	5.6%
Wuxi	4	–	384,198	–	384,198	12.7%
Changzhou	1	–	132,391	–	132,391	4.4%
Subtotal	10	3,728	683,002	–	686,730	22.7%
Shangdong Province						
Tai'an	1	1,409	112,120	–	113,529	3.8%
Subtotal	1	1,409	112,120	–	113,529	3.8%
Total-Subsidiary	43	98,985	2,540,452	359,490	2,998,927	99.1%
Associate						
Hefei	1	–	27,753	–	27,753	0.9%
Total-Associate	1	–	27,753	–	27,753	0.9%
Total Land Reserves	44	98,985	2,568,205	359,490	3,026,680	100%

FINANCIAL REVIEW

Revenue

The Group's revenue during the Period consisted of revenue derived from sales of properties and rental. Revenue of the Group decreased by 16.6% from approximately RMB2,166.0 million for the six months ended 30 June 2021 to approximately RMB1,806.7 million for the six months ended 30 June 2022, primarily due to the decrease of the aggregate GFA delivered for the six months ended 30 June 2022. The aggregate GFA delivered decreased from 314,372 sq.m. for the six months ended 30 June 2021 to 227,081 sq.m. for the six months ended 30 June 2022. The decrease in the GFA delivered by the Group was primarily due to fewer properties completed and delivered for the six months ended 30 June 2022.

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

	Six months ended 30 June					
	2022			2021		
	GFA delivered *sq.m.*	**Recognised revenue** *RMB'000* **(unaudited)**	**Recognised ASP** *(RMB/sq.m.)*	GFA delivered *sq.m.*	Recognised revenue *RMB'000* (unaudited)	Recognised ASP *(RMB/sq.m.)*
Residential	**193,942**	**1,667,727**	**8,599**	302,921	2,096,299	6,920
Commercial	**6,592**	**65,367**	**9,916**	4,306	52,422	12,174
Carparks and underground storage space[1]	**26,547**	**72,523**	**2,732**	7,145	17,235	2,412
Total	**227,081**	**1,805,617**	**7,956**	314,372	2,165,956	6,890

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 5.7% from approximately RMB1,658.1 million for the six months ended 30 June 2021 to approximately RMB1,563.4 million for the six months ended 30 June 2022, which was mainly because of the decrease in the delivery of properties.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 52.1% from approximately RMB507.8 million for the six months ended 30 June 2021 to approximately RMB243.3 million for the six months ended 30 June 2022 primarily due to fewer properties completed and delivered for the six months ended 30 June 2022.

Our gross profit margin decreased to 13.5% for the six months ended 30 June 2022, as compared to 23.4% for the six months ended 30 June 2021 primarily because of the completion and delivery of Hefei Jade Orient ("合肥翡麗東方"), which recorded comparatively lower gross profit margins. In addition, provision was made for inventory impairment based on the principle of prudence, resulting in an increase in asset impairment losses.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, investment income, forfeiture of deposits and others. Interest income primarily consists of interest income on bank deposits and investment income primarily consists of wealth management products. 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 125.4% from approximately RMB5.9 million for the six months ended 30 June 2021 to approximately RMB13.3 million for the six months ended 30 June 2022, primarily due to the receipt of listing incentives from the government.

Selling and Marketing Expenses

Selling and marketing 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 marketing expenses of the Group decreased by 23.8% from approximately RMB108.9 million for the six months ended 30 June 2021 to approximately RMB83.0 million for the six months ended 30 June 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 40.2% from approximately RMB96.0 million for the six months ended 30 June 2021 to approximately RMB57.4 million for the six months ended 30 June 2022, primarily due to the Group's efforts in tightening cost controls over its staff remuneration expenses and daily expenses.

Other Expenses

Other expenses primarily consist of accrued liabilities, bad debt losses, penalties, donation, exchange loss and others.

Other expenses of the Group increased by 410.4% from approximately RMB1.8 million for the six months ended 30 June 2021 to approximately RMB9.3 million for the six months ended 30 June 2022, primarily resulted from the accrued liabilities recorded in relation to the delayed delivery of properties of approximately RMB4.8 million and the bad debt losses of approximately RMB3.3 million for the six months ended 30 June 2022.

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 23.2% from approximately RMB18.8 million for the six months ended 30 June 2021 to approximately RMB14.4 million for the six months ended 30 June 2022, primarily due to the decrease in interest-bearing debt in 2022.

Income Tax Expenses

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

Income tax expenses of the Group decreased by 34.5% from approximately RMB91.5 million for the six months ended 30 June 2021 to approximately RMB59.9 million for the six months ended 30 June 2022, primarily due to a decrease in the taxable income as the Group's profit before tax decreased.

Profit For the Six Months Ended 30 June 2022

As a result of the foregoing, the Group recorded a profit for the period of approximately RMB31.3 million for the six months ended 30 June 2022, as compared to a profit of approximately RMB194.4 million for the six months ended 30 June 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 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 30 June 2022, the Group had cash and bank balances of approximately RMB1,292.4 million (31 December 2021: RMB1,694.1 million), which primarily consisted of restricted cash, pledged deposit and cash and cash equivalents.

Indebtedness

As at 30 June 2022, the Group had total indebtedness, including bank loans and other borrowings, amounted to approximately RMB1,211.2 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:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Current Borrowings		
Bank loans – secured	**312,011**	646,224
Other loans – secured[1]	**574,677**	712,033
Other loans – unsecured[1]	**54,387**	13,867
Total Current Borrowings	**941,075**	1,372,124
Non-Current Borrowings		
Bank loans – secured	**173,375**	226,750
Other loans – secured[1]	**96,703**	–
Total Non-Current Borrowings	**270,078**	226,750
Total	**1,211,153**	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:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Repayable within one year	**941,075**	1,372,124
Repayable in the second year	**270,078**	226,750
Total	**1,211,153**	1,598,874

Gearing Ratio

The net gearing ratio was at a net cash position which was calculated by dividing the net of interest-bearing liabilities minus cash and bank balances (including restricted cash, pledged deposits and cash and cash equivalents) as at 30 June 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 comprise restricted cash, pledged deposits, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Directors do not expect any material losses from non-performance of these counterparties.

Foreign Exchange Risks

The Group mainly operates its business in the PRC, and all of its revenue and expenses are substantially denominated in Renminbi, while the net proceeds from its listing on the Stock Exchange is payable in Hong Kong dollar. As at 30 June 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 30 June 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 RMB3,367.8 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:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	**6,589,382**	6,774,905
Total	**6,589,382**	6,774,905

Capital Commitment

As at 30 June 2022, the Group's capital commitment it had contracted but not provided for was RMB2,631.4 million, compared to RMB2,809.4 million as at 31 December 2021.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022. Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and this announcement, there was no any plan authorised by the Board for other material investments or additions of capital assets as at 30 June 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 385 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, contributions to pension plans and other benefits in kind such as share option award. 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.

SUBSEQUENT EVENTS

As at the date of this announcement, no material events were undertaken by the Group subsequent to 30 June 2022.

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 during the six months ended 30 June 2022 and up to the date of this announcement.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining and strengthening high standards of corporate governance, in order to safeguard and protect the interests of its shareholders and to enhance corporate value and accountability system.

The Company has adopted the principles and code provisions of the Corporate Governance Code ("**CG Code**") contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own corporate governance code.

During the six months ended 30 June 2022, so far as the Directors are aware, the Company has complied with all the applicable code provisions set out in the CG Code. 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 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 during the six months ended 30 June 2022.

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2022. The Audit Committee is of the view that the unaudited interim condensed consolidated financial information is in compliance with the applicable accounting standards, the Listing Rules and other legal requirements, and that sufficient disclosure has been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.sanxungroup.com). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company 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 August 2022

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