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FULLSUN INTERNATIONAL HOLDINGS GROUP CO., LIMITED

福晟國際控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00627)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

INTERIM RESULTS HIGHLIGHTS

		(Unaudited)		
		Six months ended 30 June		
	<i>Unit</i>	2023	2022	Change
Revenue	<i>RMB million</i>	188.35	1,430.02	(87%)
Gross loss	<i>RMB million</i>	(127.01)	(77.25)	64%
Loss before taxation	<i>RMB million</i>	(268.87)	(176.40)	52%
Loss for the period	<i>RMB million</i>	(277.37)	(316.86)	(12%)
Basic loss per share	<i>RMB Cents</i>	(2.26)	(2.68)	(16%)

The board (the “**Board**”) of directors (the “**Directors**”) of Fullsun International Holdings Group Co., Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023 (the “**Period**”) together with the comparative figures for the corresponding period in 2022 (the “**Previous Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3		
Contracts with customers		188,351	1,427,741
Leases		–	2,283
Total revenue		188,351	1,430,024
Cost of sales		(315,359)	(1,507,276)
Gross loss		(127,008)	(77,252)
Other income	5	1,729	3,479
Other gains and losses	5	(3,059)	38,068
Selling and distribution expenses		(12,995)	(19,440)
Administrative expenses		(35,650)	(23,018)
Change in fair value of interests in deconsolidated subsidiaries		(22,714)	–
Change in fair value of financial asset at fair value through profit or loss		–	(515)
Other expenses		(2,183)	(1,468)
Finance costs	6	(66,987)	(96,257)
Loss before taxation		(268,867)	(176,403)
Income tax expense	7	(8,501)	(140,460)
Loss for the period	8	(277,368)	(316,863)

		Six months ended 30 June	
		2023	2022
	<i>NOTES</i>	RMB'000	<i>RMB'000</i>
		(unaudited)	(unaudited)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<u>(65,471)</u>	<u>(64,833)</u>
Total comprehensive expense for the period		<u>(342,839)</u>	<u>(381,696)</u>
Loss for the period attributable to:			
Owners of the Company		<u>(256,813)</u>	(304,358)
Non-controlling interests		<u>(20,555)</u>	<u>(12,505)</u>
		<u>(277,368)</u>	<u>(316,863)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		<u>(322,284)</u>	(369,191)
Non-controlling interests		<u>(20,555)</u>	<u>(12,505)</u>
		<u>(342,839)</u>	<u>(381,696)</u>
Loss per share			
– Basic (RMB cents)	<i>10</i>	<u>(2.26)</u>	<u>(2.68)</u>
– Diluted (RMB cents)	<i>10</i>	<u>(2.26)</u>	<u>(2.68)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Non-current Assets			
Property, plant and equipment		20,549	21,481
Right-of-use assets		20,491	20,831
Investment properties	11	657,490	657,490
Equity instrument designated at fair value through other comprehensive income		500	500
Deferred tax assets		139,601	131,844
		838,631	832,146
Current Assets			
Properties under development/properties for sale	12	5,945,085	5,901,290
Trade and other receivables and prepayments	13	1,044,544	1,036,054
Amounts due from non-controlling shareholders	14	311,005	284,362
Prepaid income tax		127,040	177,684
Restricted bank deposits		5,680	10,448
Bank balances and cash		112,654	183,449
		7,546,008	7,593,287
Interests in deconsolidated subsidiaries	15	–	22,714
		7,546,008	7,616,001

		At 30 June 2023	At 31 December 2022
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Current Liabilities			
Trade and other payables and accruals	16	3,278,248	3,088,388
Contract liabilities		1,813,790	1,722,401
Income tax payable		363,069	410,563
Borrowings – due within one year	17	<u>2,731,726</u>	<u>2,695,270</u>
		<u>8,186,833</u>	<u>7,916,622</u>
Net Current Liabilities		<u>(640,825)</u>	<u>(300,621)</u>
Total Assets Less Current Liabilities		<u>197,806</u>	<u>531,525</u>
Capital and Reserves			
Share capital	18	96,031	96,031
Reserves		<u>(1,091,560)</u>	<u>(769,276)</u>
Equity attributable to owners of the Company		<u>(995,529)</u>	<u>(673,245)</u>
Non-controlling interests		<u>880,024</u>	<u>900,579</u>
Total (Deficit)/Equity		<u>(115,505)</u>	<u>227,334</u>
Non-current Liabilities			
Borrowings – due after one year	17	9,220	8,844
Deferred tax liabilities		<u>304,091</u>	<u>295,347</u>
		<u>313,311</u>	<u>304,191</u>
		<u>197,806</u>	<u>531,525</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial information has been prepared on a historical cost basis, except for investment properties and certain financial assets at fair value through other comprehensive income and interests in deconsolidated subsidiaries, which are carried at fair value.

Going concern basis

The Group reported a net loss of approximately RMB277 million during the period ended 30 June 2023. As at 30 June 2023, the Group’s total deficit attributable to owners of the Company amounted to approximately RMB996 million and its current liabilities exceeded its current assets approximately RMB641 million. At the same date, the Group’s total borrowings amounted to approximately RMB2,741 million (including the current portion of approximately RMB2,732 million), of which approximately RMB2,615 million were collateralised by the Group’s property, plant and equipment, properties under development, properties for sale and investment properties recorded at a total carrying amount of approximately RMB2,368 million. As at 30 June 2023, the Group had total unrestricted cash and cash equivalents of approximately RMB113 million.

As at 30 June 2023, the Group was unable to repay borrowings and interest payables (the “**Defaulted Borrowings**”) from several lenders according to the repayment schedule with total principal amounts of approximately RMB2,673 million and related interest payables of approximately RMB1,380 million. Such non-repayments are collectively referred to as the “Defaulted Events”. As a result, the entire outstanding principal and interest payables of the Defaulted Borrowings of approximately RMB4,053 million would be immediately repayable if requested by the respective lenders. Other than these Defaulted Borrowings, other borrowings with total principal amounts of approximately RMB59 million and related interest payables of approximately RMB19 million are also repayable within one year or on demand. Furthermore, the Group provided financial guarantee in respect of borrowings of a deconsolidated subsidiary, Vivalink Limited (“**Vivalink**”) for outstanding sum of principals and interest payables of approximately RMB209 million and approximately RMB28 million to lenders respectively. These conditions, together with other matters as described above, indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

Up to the approval date of this consolidated financial information, the Group did not repay any principal and interest payables of the Defaulted Borrowings and other bank and other borrowings.

Capitalised terms used herein but not defined shall bear the same meaning as set out in the Company’s circular dated 23 June 2023 and the announcement dated 26 July 2023. The Group Reorganisation, including the transfer of shares and assets of the Scheme Subsidiaries and the Deconsolidated Subsidiaries to the SchemeCo at nil consideration and the Scheme, in relation to the discharge of all claims owing by the Company or guaranteed by the Company and its subsidiaries, both became effective on 26 July 2023 upon satisfaction of all terms and precedent conditions. On the same date, the subscription of 994,019,402 ordinary shares of the Company (the “**Subscriptions**”) and the placing down of 313,000,000 ordinary shares of the Company (the “**Placing Down**”) have been completed. The cash consideration from the Subscriptions and Placing Down was HK\$168,000,000 (approximately RMB153,914,000). Details of the Subscriptions, the Placing Down, the Group Reorganisation and the Scheme are set out in the Company’s circular dated 23 June 2023. Had the Group Reorganisation and the Scheme (note 22) become effective on 30 June 2023, borrowings and interests payables with carrying amounts of RMB1,052,741,000 and 594,139,000 would be derecognised as the Group would be no longer required to repay these borrowings and interests payables pursuant to the arrangement of the Group Reorganisation and the Scheme.

Also on 26 July 2023, the Supreme Court of Bermuda Court (the “**Bermuda Court**”) ordered that the winding up petition (the “**Petition**”) filed by one of the lenders of Defaulted Borrowings be dismissed. Details of the Petition are set out in the Company’s update announcement dated 16 July 2023.

The Group’s remaining borrowings and interest payables, which are classified as current liabilities as at 30 June 2023 due to maturities of less than twelve months, with defaulted and cross-defaulted status are approximately RMB1,678,985,000 and RMB804,414,000 respectively had the Group Reorganisation and the Scheme been completed on 30 June 2023. The high interest and refinancing costs expected to be incurred still have significant impact on the Group’s operating results for the year ending 31 December 2023.

Hunan Xingrucheng Real Estate Development Co., Ltd.* (湖南興汝城房地產開發有限公司) (“**Hunan Xingru**”), a non-wholly owned indirect subsidiary of the Group, received a civil judgment letter issued by Changsha City Intermediate People’s Court (湖南省長沙市中級人民法院) (the “**Changsha Court**”), whereby the Changsha Court accepted the application of several creditors (the “**Hunan Xingru Creditors**”), for the winding-up of Hunan Xingru on the ground that Hunan Xingru was unable to repay various debts owing from it to the Hunan Xingru Creditors. The judgment took effect on 17 January 2023. As at 31 December 2022, the net assets value of Hunan Xingru was RMB399,465,000. In case of completion of the winding-up procedures, the Group will cease to recognise Hunan Xingru as its subsidiary. Details are set out in the Company’s announcement dated 12 February 2023.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group’s ability to continue as a going concern. In view of such circumstances, the management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by the management to mitigate the Group’s liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

- a. the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings not to take any actions against the Group as borrower or guarantor for immediate payment of the principals and interest payables of these Defaulted Borrowings;

* for identification purpose only

- b. the Group is also seeking for other potential investors who are interested in co-development or acquisition of the Group's properties development projects and investment property; and
- c. the Group has implemented measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to achieve its plan and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- a. timely securing new financing from banks and financial institutions with which the Group is actively negotiating to restructure its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions.
- b. accelerating the construction as well as presale and sale of its properties under development, which requires the meeting of all of the necessary conditions to launch the presale, and to make these pre-sales at the expected sale prices.
- c. the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

Should the Group fail to achieve the abovementioned 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 effects of these adjustments have not been reflected in this consolidated financial information.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The Group did not have any material acquisition and disposal during the six months ended 30 June 2023.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis, except for the investment properties and interests in deconsolidated subsidiaries, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial information:

HKFRS 17	Insurance Contracts and the Related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in this condensed consolidated financial information.

The Group has not applied any new and amendments to HKFRSs that have been issued but not yet effective for the current accounting period.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

Six months ended 30 June (unaudited)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Property development segment		
Types of goods		
Sales of completed properties	<u>188,351</u>	<u>1,427,741</u>
Geographical market		
The People's Republic of China ("PRC")	<u>188,351</u>	<u>1,427,741</u>
Timing of revenue recognition		
A point in time	<u>188,351</u>	<u>1,427,741</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

Six months ended 30 June 2023 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Consolidated total <i>RMB'000</i>
Sales of completed properties	<u>188,351</u>	<u>–</u>	<u>188,351</u>
Revenue from contracts with customers and total revenue	<u>188,351</u>	<u>–</u>	<u>188,351</u>

Six months ended 30 June 2022 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Consolidated total <i>RMB'000</i>
Sales of completed properties	1,427,741	–	1,427,741
Revenue from contracts with customers	1,427,741	–	1,427,741
Leases	–	2,283	2,283
Total revenue	1,427,741	2,283	1,430,024

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable segments:

Six months ended 30 June 2023 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment revenue (external)	188,351	–	188,351
Segment loss	(161,677)	(5,437)	(167,114)
Finance costs			(66,987)
Bank interest income			662
Exchange loss			(3,059)
Change in fair value of interests in deconsolidated subsidiaries			(22,714)
Unallocated expenses			(9,654)
Loss before taxation			(268,866)

Six months ended 30 June 2022 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment revenue (external)	<u>1,427,741</u>	<u>2,283</u>	<u>1,430,024</u>
Segment (loss)/profit	<u>(113,463)</u>	<u>1,901</u>	<u>(111,562)</u>
Change in fair value of financial asset at FVTPL			(515)
Finance costs			(96,257)
Bank interest income			3,053
Exchange gain			38,053
Unallocated expenses			<u>(9,175)</u>
Loss before taxation			<u>(176,403)</u>

The following is an analysis of the Group's assets and liabilities by reportable segments:

Segment assets

At 30 June 2023 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment assets	<u>6,413,650</u>	<u>673,048</u>	<u>7,086,698</u>
Unallocated			<u>1,297,941</u>
Consolidated total assets			<u>8,384,639</u>

At 31 December 2022 (audited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment assets	<u>6,421,717</u>	<u>669,276</u>	<u>7,090,993</u>
Unallocated			<u>1,357,154</u>
Consolidated total assets			<u>8,448,147</u>

Segment liabilities

At 30 June 2023 (unaudited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment liabilities	<u>3,393,332</u>	<u>243,354</u>	<u>3,636,686</u>
Unallocated			<u>4,863,458</u>
Consolidated total liabilities			<u>8,500,144</u>

At 31 December 2022 (audited)

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>
Segment liabilities	<u>3,233,745</u>	<u>184,374</u>	<u>3,418,119</u>
Unallocated			<u>4,802,694</u>
Consolidated total liabilities			<u>8,220,813</u>

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	<i>RMB'000</i>
	(unaudited)	(unaudited)
Other income:		
Rental income from temporary lease of completed properties for sales	717	–
Interest income on bank deposits	662	3,053
Others	350	426
	<u>1,729</u>	<u>3,479</u>
Other gains and losses:		
Gain on termination of leases	–	15
Exchange (loss)/gain, net	(3,059)	38,053
	<u>(3,059)</u>	<u>38,068</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interests on		
– bank and other loans	192,748	433,148
– contract liabilities	4,864	20,839
	<u>197,612</u>	<u>453,987</u>
Less: amount capitalised to properties under development	(130,625)	(357,730)
	<u>66,987</u>	<u>96,257</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax expense:		
PRC Enterprise Income Tax (“EIT”)	1,931	53,064
Land Appreciation Tax (“LAT”)	7,856	76,677
	<u>9,787</u>	129,741
Deferred tax (credit)/expense	<u>(1,286)</u>	<u>10,719</u>
	<u>8,501</u>	<u>140,460</u>

For current period and prior period, no provision for Hong Kong Profits Tax has been made in the condensed consolidated financial information as the Hong Kong subsidiaries incurred tax losses during current and prior period.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The provision of LAT is estimated according to the requirement set forth in the relevant PRC tax law and regulations. LAT has been provided at ranges of progressive rate of the appreciation value, with certain allowable exemptions and deductions.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Cost of properties for sale included in cost of sales	212,842	1,411,040
(Gain)/loss on disposal of property, plant and equipment	(487)	75
Gain on termination of leases	–	(15)
Depreciation of property, plant and equipment	647	785
Depreciation of right-of-use assets	340	340
	<u> </u>	<u> </u>
Gross rental income from investment properties	–	(2,283)
Less: direct operating expenses included for investment properties that generated rental income during the period	<u> </u>	<u>43,914</u>
	<u> </u>	<u>41,631</u>
Staff costs		
Staff salaries and allowances	29,286	22,714
Retirement benefit contributions	2,530	1,741
	<u> </u>	<u> </u>
Total staff costs, excluding directors' remuneration	31,816	24,455
Less: amount capitalised to properties under development	<u>(19,502)</u>	<u>(11,519)</u>
	<u>12,314</u>	<u>12,936</u>

9. DIVIDENDS

No dividend was paid to or proposed for shareholders of the Company during the six months ended 30 June 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(256,813)</u>	<u>(304,358)</u>

Number of shares:

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>11,365,386,067</u>	<u>11,365,386,067</u>

For the six months ended 30 June 2023 and 2022, diluted loss per share equals basic loss per share as there were no diluted potential ordinary shares in issue during the period.

11. INVESTMENT PROPERTIES

	Investment properties <i>RMB'000</i>
At fair value	
At 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>657,490</u>

All of the Group's property interests held under operating leases to earn rentals or intended to earn rentals in future or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties are situated in the PRC.

The fair value was grouped under level 3 and was commercial properties in Fujian Province in the PRC which was determined based on the income approach method and office units in Changsha in the PRC which was determined based on both the income approach and market comparison method.

Income approach is arrived at by reference to the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. For the properties which are currently not rented out, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The key inputs in valuing the investment properties are the term yield, reversionary yield and market rent of comparable properties. The term yield and reversion yield are determined by reference to the yields derived from analysing the sales transactions of similar properties in Fujian and Hunan Province, the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

Direct comparison approach is arrived at by reference to comparable market transactions and suppose that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors.

12. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Properties under development	4,683,967	3,763,237
Properties for sale	1,261,118	2,138,053
	<u>5,945,085</u>	<u>5,901,290</u>

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Trade receivables mainly arise from sales of properties in the PRC. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the date of agreement. Certain property buyers used their housing fund contributions to pay for the consideration through the application to the Housing Provident Fund Bureau and certain portion of consideration (3% to 5%) will be settled by the Housing Provident Fund Bureau upon the release of building ownership certificate to the property buyers.

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables from sales of properties (<i>note a</i>)	1,262	795
Lease receivables (<i>note b</i>)	28,564	28,551
Other receivables, deposits and prepayments (<i>note e</i>)	829,029	810,836
Refundable deposits paid	1,691	41,083
Guarantee deposits (<i>note c</i>)	109,665	81,688
Prepayments to suppliers	7,704	6,882
Prepaid other taxes	63,313	62,903
Advance to a third party (<i>note d</i>)	3,316	3,316
	<u>1,044,544</u>	<u>1,036,054</u>

Notes:

- a. As at 30 June 2023, trade receivables from contracts with customers amounted to RMB1,262,000 (31 December 2022: RMB795,000).
- b. For lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime expected credit loss (“ECL”). The Group determines the expected credit losses on individual trade debtors balances. ECL on lease receivables is considered as insignificant.
- c. The amounts represent the guarantee deposits paid to certain trust companies, as the security for loans provided to the Group. Guarantee deposits of approximately RMB109,665,000 (31 December 2022: RMB81,688,000) are expected to be released upon full repayment of the loan. The guarantee deposits were included in current assets at 30 June 2023.
- d. The advance is unsecured and expected to be recovered within one year. The advance comprises mainly earnest money for potential projects.
- e. Other receivables, deposits and prepayments consists of amounts due from deconsolidated subsidiaries of approximately RMB559,396,000 (31 December 2022: RMB559,396,000) which is net of impairment loss of RMB271,606,000 (31 December 2022: RMB271,606,000). The amounts are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade receivables based on the date of delivery of the properties to the customers at the end of each reporting period.

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
91 to 180 days	467	–
181 to 365 days	795	795
	<u>1,262</u>	<u>795</u>

14. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

The amounts due from non-controlling shareholders at 30 June 2023 and 31 December 2022 were non-trade in nature, unsecured, interest-free and with repayment on demand.

15. INTERESTS IN DECONSOLIDATED SUBSIDIARIES

Saved as disclosed in notes 35(B) and 36 of the consolidated financial statements of the Company's annual report for the year ended 31 December 2022, the Group deconsolidated Gold Assets and Wise Think on 30 November 2021 and Vivalink on 1 January 2022, respectively, as a result of actions taken by Receivers on these deconsolidated subsidiaries.

As at 30 June 2023, the Directors considered the estimated residual values of these deconsolidated subsidiaries are nil in view of the highly probable chance of completion of the Group Reorganisation (note 22) which would result in the transfer of these deconsolidated subsidiaries to the SchemeCo at nil consideration. The Group Reorganisation was completed subsequently on 26 July 2023.

16. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade payables (<i>note a</i>)	227,520	177,140
Retention payables	1,272	1,272
Interest payables	1,398,553	1,212,968
Other payables and accruals (<i>note b</i>)	1,071,729	1,090,176
Other tax payables	203,125	177,571
Consideration payable for acquisition of a subsidiary	82,658	82,658
Deposit received	1,410	1,399
Accrued construction costs	248,929	302,152
Provision for litigation	43,052	43,052
	<u>3,278,248</u>	<u>3,088,388</u>

Notes:

- a. Trade payables mainly represent the payables to suppliers for construction work. The credit period for trade payables ranged from 0 to 30 days.
- b. Other payables and accruals consist of amounts due to deconsolidated subsidiaries and amounts due to related companies of approximately RMB559,396,000 and RMB27,302,000 (31 December 2022: RMB559,396,000 and RMB27,289,000) respectively. These amounts are unsecured, interest-free and repayable on demand.

The following is an aged analysis of the Group's trade payables presented based on invoice date at the end of reporting period.

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 to 60 days	18,449	64,603
61 to 180 days	32,196	24,693
181 to 365 days	89,032	3,901
Over 1 year	87,843	83,943
	<u>227,520</u>	<u>177,140</u>

17. BORROWINGS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Bank loans	151,500	151,500
Other loans	2,589,446	2,552,614
	<u>2,740,946</u>	<u>2,704,114</u>
The carrying amounts of the borrowings that do not contain a repayment on demand clause and are repayable:		
Immediately or within 1 year	2,672,830	2,637,815
More than 2 years, but not exceeding 5 years	9,220	8,844
	<u>2,682,050</u>	<u>2,646,659</u>
The carrying amounts of borrowings that contain a repayment on demand clause (shown under current liabilities) and repayable:		
Immediately or within 1 year	58,896	57,455
Total borrowings	<u>2,740,946</u>	<u>2,704,114</u>
Less: Amounts due within 1 year/repayable on demand shown under current liabilities	<u>(2,731,726)</u>	<u>(2,695,270)</u>
Amounts due after 1 year	<u>9,220</u>	<u>8,844</u>

During the six months ended 30 June 2023, approximately nil new borrowing was raised (six months ended 30 June 2022: RMB200,000) and the Group repaid borrowings approximately amounting to RMB9,668,000 (six months ended 30 June 2022: RMB92,000,000).

As disclosed in note 2 of the consolidated financial statements of Company's annual report for the year ended 31 December 2022, the Vivalink Assigned Borrowing was defaulted during the year ended 31 December 2021 and subsequently reassigned to the Assignee on 4 January 2022. On 19 March 2022, the Company received the Petition filed by Harbor Sure with the Bermuda Court against the Company in respect of the Company's alleged failure as guarantor to pay the outstanding principal and interest payables of the Vivalink Defaulted Borrowing.

The outstanding principals and interest payables of the Vivalink Assigned Borrowing and the Vivalink Defaulted Borrowing totalled RMB351,884,000 were derecognised upon the deconsolidation of Vivalink and no financial guarantee provision has been recognised as at 30 June 2023 (31 December 2022: nil).

As at 30 June 2023, the outstanding sum of principals and interest payables of the Vivalink Assigned Borrowing and the Vivalink Defaulted Borrowing totalled RMB236,912,000 (31 December 2022: RMB229,535,000), might fall due for repayment immediately if requested by the lenders pursuant to the guarantee clauses.

Had the Group Reorganisation and the Scheme (note 22) become effective on 30 June 2023, borrowings and interests payables with carrying amounts of RMB1,052,741,000 and RMB594,139,000 respectively would be derecognised as the Group would be no longer required to repay these borrowings and interests payables pursuant to the arrangement of the Group Reorganisation and the Scheme.

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Equivalent to RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 31 December 2022 and 30 June 2023	<u>50,000,000,000</u>	<u>500,000</u>	<u>423,381</u>
Issued and fully paid:			
At 31 December 2022 and 30 June 2023	<u>11,365,386,067</u>	<u>113,654</u>	<u>96,031</u>

19. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group and the mortgage loans granted to the customers of the Group at the end of each reporting period.

	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Properties under development	462,056	462,056
Properties for sale	1,241,354	1,315,452
Property, plant and equipment	15,590	16,126
Investment properties	649,440	649,440
	<u>2,368,440</u>	<u>2,443,074</u>

In addition, certain equity shares of the subsidiaries of the Group were pledged to several borrowings granted to the Group.

20. OTHER COMMITMENTS

	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Commitments for property development contracted for but not provided in the condensed consolidated financial information	<u>3,421,457</u>	<u>3,460,748</u>

21. CONTINGENT LIABILITIES

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Guarantees given in favour of banks for:		
Mortgage facilities granted to purchasers of the Group's properties	3,509,451	4,098,163
Defaulted borrowings and interest payable of a deconsolidated subsidiary guaranteed by the Group (<i>note</i>)	236,912	229,535
	<u>3,746,363</u>	<u>4,327,698</u>

Note:

No change in financial guarantee provision, other than exchange differences, has been recorded as at 30 June 2023 (31 December 2022: nil) as the Directors considered completion of the Group Reorganisation (note 22) which would result in discharge of all claims owing by the Company or guaranteed by the Company and its subsidiaries (including Vivalink Assigned Borrowing and Vivalink Defaulted Borrowing) would be highly probable. Accordingly, the Group's credit exposure arising from the financial guarantee was estimated to be insignificant as at 30 June 2023. The Group Reorganisation and the Scheme were completed subsequently on 26 July 2023.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

Completion of the Group Reorganisation

Saved as disclosed in note 1, all the conditions precedent to the Subscriptions have been fulfilled and the Subscriptions, together with the Placing Down, took place on 26 July 2023. Ordinary shares of 994,019,402 and 313,000,000 were issued to the subscriber and placees, respectively at total cash consideration of HK\$168,000,000 (approximately RMB153,914,000).

The Group Reorganisation was also completed on 26 July 2023. Equity interests in certain subsidiaries, including the Deconsolidated Subsidiaries of which enforcement actions by the Receivers have been terminated, were transferred to the SchemeCo at nil consideration while all claims owing by the Company or guaranteed by the Company and its subsidiaries were discharged. Upon fulfillment of all of the conditions precedent to the Scheme, including completion of the Group Reorganisation, the Scheme has become effective on 26 July 2023. The Bermuda Court ordered that the Petition be dismissed on the same date. Details of the Petition are set out in the Company's update announcement dated 16 July 2023.

Details of the Subscriptions, the Placing Down, the Group Reorganisation and the Scheme are set out in the Company's circular dated 23 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are property development and property investment business. As at 30 June 2023, the Group owned 13 projects under development and for sale and had a total gross floor area of approximately 855,944 sq.m. with gross floor area attributable to the Group of approximately 678,349 sq.m. The Group also owned 2 investment properties with gross floor area attributable to the Group of 45,946 sq.m. The financial performance of the Group for the six months ended 30 June 2023 is summarised below:

OVERALL REVIEW

Property development

During the Period, revenue from sales of properties was approximately RMB188,351,000 (Previous Period: approximately RMB1,427,741,000).

The revenue from sales of properties was mainly contributed by projects in Hunan Province, Fujian Province and Guangdong Province across Mainland China. The recognised sales during the Period has decreased by 86.8% as compared to that of the Previous Period due to weakened demand during the Period.

Property investment

Rental income for the Period was nil (Previous Period: approximately RMB2,283,000). Rental income was mainly contributed by the commercial investment properties in Changsha.

As at 30 June 2023, the fair value on the Group's investment property portfolio remained unchanged.

Operating expenses

During the Period, the selling and distribution expenses was approximately RMB12,995,000 (Previous Period: approximately RMB19,440,000), and the cost-income ratio calculated as the relevant expenses divided by the revenue for the Period was 6.90% (Previous Period: 1.36%). During the Period, the administrative expenses was approximately RMB35,650,000 (Previous Period: approximately RMB23,018,000), and the cost-income ratio calculated as the relevant expenses divided by the revenue for the Period was 18.93% (Previous Period: 1.61%). The increase in operating expenses was due to the increase in professional fee regarding the scheme arrangement in very substantial disposal completed on 26 July 2023.

Finance costs

Finance costs comprised of interest on bank and other borrowings and interest on contract liabilities, net of capitalised interest relating to properties under development. The finance costs was approximately RMB66,987,000 for the Period (Previous Period: approximately RMB96,257,000).

Income tax expense

During the Period, income tax expense amounted to approximately RMB8,501,000 (Previous Period: approximately RMB140,460,000). The decrease in income tax expense was mainly due to the decrease in the PRC EIT for the sales of completed properties during the Period.

PROSPECTS

In 2023, the real estate sector continued its volatility and in-depth adjustments that the property market in China has been facing an unprecedentedly difficult and complicated operating environment. The recurring domestic COVID-19 pandemic cases, shortage and disruption of the supply chain, credit crises of property developers, weakened demand for property purchases and the liquidity crisis of property development sector have collectively led to the most severe consequences of the post-pandemic era being encountered. The operations of the Group were inevitably affected during the period ended 30 June 2023.

According to the data released by the National Bureau of Statistics of China, China's gross domestic product reached RMB59.3 trillion in the first half of 2023, representing an increase of 5.5% as compared with the same period in the previous year. The China's government continues to implement the spirit of the 20th National Congress of the Communist Party of China to accelerate the construction of a modernised and strong agricultural country. It is of utmost importance to develop and accelerate the modernisation of agricultural and rural areas to ensure the market stability of food and agricultural products towards a post-COVID 19 economic rebound. In view of this, the Group will consider starting the trading business including but not limited to construction material, food and health related products in China.

Outside China, according to certain recent research reports, business activities and markets in Europe and Asia countries have recovered quickly since the relaxation of the border measures attracting international corporations to look for investment opportunities. The Group will also consider diversifying its investment portfolio outside China including but not limited to France, Japan, Malaysia, other European and Asian countries as well.

Going forward, the Group holds a cautious view about the global economic outlook. The Board and management will be more careful and prudent in managing the operations of the Group. In the meantime, the Board will explore possible investing opportunities in new lines of business with growth potential and reorganise the Group's asset portfolio to enlarge its business scale in properties development and related services sectors in the future.

EVENTS AFTER THE REVIEW PERIOD

Details of significant events occurring after the reporting date are set out in note 22 to the condensed consolidated financial information in this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the Period (Previous Period: nil).

CORPORATE GOVERNANCE

The Company had complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Period except for code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Notwithstanding that the responsibilities of the chairman and the chief executive officer of the Company are currently vested in Dr. Hiroshi Kaneko (the executive director and the chief executive officer), all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power and the current corporate arrangement maintains a strong management position of the Company. Save for the above, the Company had complied with all code provisions as set out in the CG Code throughout the Period and, where appropriate, the applicable recommended best practices of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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 regarding directors’ securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she had complied with the required standards as set out in the Model Code throughout the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) is currently comprised of three independent non-executive Directors, namely Ms. Ha Sze Wan (Chairperson of the Audit Committee), Mr. Huang Zhongquan and Ms. Tang Ying Sum. The main duties of the Audit Committee are to examine, review and monitor the financial reporting procedures and financial reporting, risk management and internal control systems of the Company. The Audit Committee has reviewed the unaudited interim results of the Group for the Period.

PUBLICATION OF THE INTERIM RESULTS AND 2023 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange and the Company, and the 2023 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fullsun.com.hk) in due course.

By order of the Board
Fullsun International Holdings Group Co., Limited
Hiroshi Kaneko
Executive Director and Chief Executive Officer

Hong Kong, 31 August 2023

As at the date of this announcement, the Board comprises one executive Director, namely Dr. Hiroshi Kaneko, one non-executive Director, namely Mr. Chung Ho Wai Alan and three independent non-executive Directors, namely Mr. Huang Zhongquan, Ms. Tang Ying Sum and Ms. Ha Sze Wan.