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 2023

INTERIM RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 amounted to approximately RMB1,985.2 million, representing an increase of approximately 9.9% as compared to the six months ended 30 June 2022.

- Gross profit for the six months ended 30 June 2023 was approximately RMB144.2 million with a gross profit margin of approximately 7.3%.

- Loss for the six months ended 30 June 2023 was approximately RMB121.9 million, as compared to a profit of approximately RMB31.3 million for the six months ended 30 June 2022. Loss attributable to owners of the parent was approximately RMB226.4 million, representing an increase of approximately 558.1% as compared to the six months ended 30 June 2022.

- Total assets as at 30 June 2023 were approximately RMB12,187.9 million, representing a decrease of approximately 14.0% as compared to 31 December 2022.

- Contracted sales amount of the Group together with its associate for the six months ended 30 June 2023 amounted to approximately RMB532.9 million, representing a period-on-period decrease of 62.3%; contracted GFA sold was approximately 74,090 sq.m. for the six months ended 30 June 2023, representing a period-on-period decrease of 59.1%.

- Cash and bank balances were approximately RMB731.2 million as at 30 June 2023.

- Net gearing ratio was 9.9% as at 30 June 2023.

Note: The net gearing ratio was calculated by dividing the net of interest-bearing liabilities minus cash and bank balances by the total equity.

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

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**1,985,187**	1,806,697
Cost of sales		**(1,841,035)**	(1,563,355)
GROSS PROFIT		**144,152**	243,342
Other income and gains	*5*	**3,518**	13,328
Selling and distribution expenses		**(49,282)**	(82,955)
Administrative expenses		**(29,087)**	(57,404)
Other expenses		**(57,859)**	(9,304)
Fair value loss on investment properties		**(5,200)**	–
Finance costs	*7*	**(18,229)**	(14,398)
Share of losses of:			
Associates		**(418)**	(1,423)
(LOSS)/PROFIT BEFORE TAX		**(12,405)**	91,186
Income tax expense	*8*	**(109,518)**	(59,901)
(LOSS)/PROFIT FOR THE PERIOD		**(121,923)**	31,285
Attributable to:			
Owners of the parent		**(226,430)**	(34,360)
Non-controlling interests		**104,507**	65,645
		(121,923)	31,285

	Notes	Six months ended 30 June **2023** ***RMB'000*** **(Unaudited)**	 2022 *RMB'000* (Unaudited)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(121,923)**	31,285
Attributable to:			
Owners of the parent		**(226,430)**	(34,360)
Non-controlling interests		**104,507**	65,645
		(121,923)	31,285
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB(0.34)**	RMB(0.05)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,613**	4,793
Investment properties		**132,000**	137,200
Right-of-use assets		**1,336**	406
Investments in associates		**38,602**	39,021
Deferred tax assets		**171,996**	216,329
Total non-current assets		**347,547**	397,749
CURRENT ASSETS			
Properties under development		**6,441,448**	7,960,874
Completed properties held for sale		**2,032,878**	2,128,816
Trade receivables	*11*	**1,288**	1,127
Due from related parties		**128,463**	88,938
Prepayments, other receivables and other assets	*12*	**2,132,336**	2,247,584
Tax recoverable		**293,120**	286,854
Restricted cash		**502,753**	687,487
Pledged deposits		**105,385**	155,564
Cash and cash equivalents		**123,052**	133,333
Contract cost assets		**79,606**	90,228
Total current assets		**11,840,329**	13,780,805
CURRENT LIABILITIES			
Trade and bills payables	*13*	**1,292,903**	1,420,541
Other payables and accruals		**1,072,830**	1,068,179
Contract liabilities		**5,958,641**	7,606,122
Due to related parties		**32,767**	15,615
Interest-bearing bank and other borrowings		**744,803**	635,373
Lease liabilities		**1,064**	201
Tax payable		**495,259**	479,247
Total current liabilities		**9,598,267**	11,225,278

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
NET CURRENT ASSETS		**2,242,062**	2,555,527
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,589,609**	2,953,276
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**221,190**	436,160
Lease liabilities		**313**	217
Deferred tax liabilities		**2,911**	881
Total non-current liabilities		**224,414**	437,258
NET ASSETS		**2,365,195**	2,516,018
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**6**	6
Reserves		**1,323,216**	1,549,646
		1,323,222	1,549,652
Non-controlling interests		**1,041,973**	966,366
TOTAL EQUITY		**2,365,195**	2,516,018

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 2023, 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 2023 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 2022.

Going Concern Basis

As at 30 June 2023, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB744,803,000 while its cash and cash equivalents amounted to RMB123,052,000 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 has been actively negotiating with the Group's existing lenders to seek renewal or extension for repayment of the Group's bank and other borrowings.

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

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

The Directors 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 2022, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The above amendments did not have any significant impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project 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 or 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 2023 and 2022.

5. REVENUE

An analysis of revenue is as follows:

Revenue:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of properties	**1,984,164**	1,805,617
Rental income	**1,023**	1,080
	1,985,187	1,806,697
Represented by:		
Revenue from the sale of properties:		
Recognised at a point in time	**1,984,164**	1,805,617

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**1,433**	2,550
Income from penalties and forfeitures	**1,035**	746
Foreign exchange gain	**–**	2
Gain on disposal of a subsidiary	**412**	-
Government grants	**203**	9,310
Others	**435**	720
	3,518	13,328

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,527,105**	1,497,963
Impairment loss recognised for properties under development and completed properties held for sales	**313,930**	65,392
Depreciation of property, plant and equipment	**1,321**	6,058
Depreciation of right-of-use assets	**503**	3,358
Lease payments not included in the measurement of lease liabilities	**240**	1,879
Auditors' remuneration	**–**	412
Employee benefit expense (including directors' and chief executive's remuneration):		
Salaries and wages (including bonuses)	**22,131**	48,643
Pension scheme contributions and social welfare	**2,005**	3,883

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**52,747**	76,226
Interest on lease liabilities	**56**	539
Interest expense arising from revenue contracts	**147,432**	175,533
Total interest expense	**200,235**	252,298
Less: Interest capitalised	**(182,006)**	(237,900)
	18,229	14,398

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands respectively are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the six months ended 30 June 2023.

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 2023.

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	**59,550**	45,801
PRC LAT	**6,038**	12,238
Deferred tax	**43,930**	1,862
Total tax charge for the period	**109,518**	59,901

9. DIVIDENDS

No dividends have been declared or paid by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic loss per share amount is based on the loss 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 2022: 675,529,000) shares in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the periods.

11. TRADE RECEIVABLES

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

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Less than 1 year	**1,288**	1,127

Receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

The Group applies the simplified approach to providing for expected credit losses ("**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.

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepayments for acquisition of land use rights	**37,160**	136,770
Prepayments for construction cost	**44,496**	35,072
Other deposits	**103,879**	93,015
Prepaid other taxes	**633,560**	752,523
Due from non-controlling shareholders of the subsidiaries	**1,220,649**	1,180,286
Due from third parties	**28,935**	–
Proceeds from disposal of subsidiaries	**15,300**	–
Other receivables	**57,532**	57,126
Other prepayments	**3,963**	3,364
	2,145,474	2,258,156
Impairment allowance	**(13,138)**	(10,572)
	2,132,336	2,247,584

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

13. 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 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 1 year	**1,043,685**	1,368,765
Over 1 year	**249,218**	51,776
	1,292,903	1,420,541

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

14. SHARE CAPITAL

	30 June 2023	31 December 2022
	HK$	*HK$*
Authorised:		
38,000,000,000 ordinary shares of HK$0.00001 each	**380,000**	380,000

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Issued and fully paid:		
675,529,000 ordinary shares of HK$0.00001	**6**	6

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a real estate developer in the People's Republic of China ("**PRC**") focusing on the development and sales of residential properties. Headquartered in Hefei and deeply rooted in Anhui Province, the Group had established its presence in the Yangtze River Delta. Since the establishment of its predecessor, Anhui Sanxun Investment Group Co., Ltd., in 2004, the Group 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 Anhui Province. It also successfully expanded into the real estate markets of Shandong and Jiangsu provinces since 2018.

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

The Group's revenue increased from RMB1,806.7 million for the six months ended 30 June 2022 to RMB1,985.2 million for the six months ended 30 June 2023. The Group's profit decreased from RMB31.3 million for the six months ended 30 June 2022 to loss of RMB121.9 million for the six months ended 30 June 2023. For the six months ended 30 June 2023, including an associate, the Group recorded unaudited contracted sales of approximately RMB532.9 million, representing a period-on-period decrease of 62.3%.

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 2023, the Group's major debt indicators remained at an industry healthy level, including net gearing ratio of 9.9% (31 December 2022: 3.8%), cash-to-short term borrowing ratio of 0.98 times (31 December 2022: 1.5 times) and liabilities to asset ratio (excluding advanced sales proceeds) of 62.0% (31 December 2022: 61.7%).

With both opportunities and challenges in the real estate industry, the Group adhered to its goal of "Creating a Happy Life" and operational approaches of "Maintaining Stable Results with Rising Trend, Increasing Efficiency and Reducing Expenditure". The Group focused on the improvement of core business capabilities, deepened its Yangtze River Delta development footprint and forged ahead.

Industry Review

During the first half of 2023, the PRC Central Government clarified the pillar status of the real estate industry while consistently stressing the concept of "houses are for living in and not for speculative investment" and implementing city-based policies to support rigid and upgrade demand for housing, with an aim to guarantee the delivery of properties, protect people's livelihood and secure jobs. Various ministries and commissions actively responded to the requirements of the PRC Central Government and various measures for "stabilizing pillars", "promoting demand" and "preventing risks" were gradually implemented. In the first half of the year, more than 100 provinces, cities (counties) across China have optimized their real estate control policies for more than 300 times, involving supportive policies in provident fund, issuance of subsidies for purchasing properties, optimization of purchase restrictions, and reduction of down payment ratios and mortgage rates. Over 40 cities reduced the lower limit of first-home mortgage rates to below 4%. The restrictive policies on real estate in ordinary second-tier, third-tier and fourth-tier cities were basically cancelled.

In terms of market, new housing prices of 100 cities remained a sideways trend in the first half of 2023 and the prices of second-hand housing continued to fall, representing an increase of 0.01% and a decrease of 0.82% respectively. The prices of second-hand housing have fallen for 14 consecutive months. In the second quarter, the pace of market recovery has slowed down, and the average price of new residential buildings in 100 cities turned from rising to falling quarter-to-quarter. Affected by the continued increase in the number of listings, the decline in second-hand housing has gradually expanded quarter-to-quarter. In the first half of 2023, the trading activity of new commercial housing in key 100 cities rebounded in the first quarter but fell in the second quarter, with the cumulative transaction scale increasing by 11% year-on-year. The transaction scale was at a relatively low level in the same period in recent years. The market continued to be weak in the second quarter, and the sales area during the six months ended 30 June 2023 fell by more than 20% period-on-period.

In terms of land, the national land market continued to be in a downturn during the first half of 2023. The scale of residential land demand and supply in 300 cities fell by more than 30% year-on-year, which was the lowest level in the same period in the past ten years. In the first half of the year, the support from local state-owned enterprises was weak. Their proportion in land acquisition cost in 22 cities dropped from 42% in the previous year to 9%. Central enterprises and state-owned enterprises were still the main force in land acquisition, and their proportion of land acquisition cost rose to 58% in the first half of the year.

OUTLOOK

The overall economic situation was under our prediction at the beginning of the year. Since May 2023, various kinds of positive economic policies continue to be introduced, and the positioning and understanding of the economic entities of real estate is also more rationalized, which is of great significance to the development of the entire industry; in the first half of 2023, through the efforts and coordination of various divisions of the Group in different sectors in the first half year after the Covid-19 epidemic, several projects were delivered on time, and the quality of our main projects for sale has been verified by the market. The Company will continue to focus on users and products, and strive to create ingenuity. In terms of internal management, we focused on three aspects namely finance, operation and quality to improve the satisfaction of owners and focus on corporate profits, so as to achieve greater development and more opportunities in the market competition and opportunities in the second half of the year.

Property Development Business

Contracted sales

For the six months ended 30 June 2023, the Group recorded unaudited contracted sales of approximately RMB532.9 million, representing a period-on-period decrease of 62.3%, and contracted gross floor area ("**GFA**") sold of approximately 74,090 sq.m., representing a period-on-period decrease of 59.1%. The average selling price ("**ASP**") of our contracted sales for the six months ended 30 June 2023 was approximately RMB7,193 per sq.m., representing a period-on-period decrease of approximately 7.8%.

As at 30 June 2023, the Group had contract liabilities of approximately RMB5,958.6 million, as compared to approximately RMB7,606.1 million as at 31 December 2022, representing a decrease of approximately 21.7%.

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:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
Cities	**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.)*
Suzhou	**68,185**	**478,345**	**7,015**	–	–	–
Lixin	**64,293**	**397,267**	**6,179**	96,579	700,136	7,249
Guangde	**36,928**	**235,681**	**6,382**	–	–	–
Hefei	**35,096**	**478,570**	**13,648**	47,118	574,156	12,185
Anqing	**25,118**	**182,851**	**7,280**	–	–	–
Guoyang	**22,670**	**143,171**	**6,315**	1,584	8,250	5,208
Mingguang	**6,273**	**27,495**	**4,383**	17,434	83,286	4,777
Nanjing	**2,233**	**23,186**	**10,383**	12,735	165,158	12,969
Tai'an	**1,866**	**10,752**	**5,762**	1,831	10,603	5,791
Bozhou(1)	**862**	**5,213**	**6,048**	17,695	155,375	8,842
Chuzhou(2)	**333**	**1,633**	**4,903**	1,153	3,014	2,614
Fuyang	**–**	**–**	**–**	15,773	50,306	3,189
Shouxian	**–**	**–**	**–**	15,071	54,385	3,609
Fengyang	**–**	**–**	**–**	108	948	8,778
Total	**263,857**	**1,984,164**	**7,520**	227,081	1,805,617	7,956

Notes:

(1) Excludes Lixin.

(2) Excludes Mingguang and Fengyang.

As at 30 June 2023, the Group had a diverse portfolio of 46 projects, 28 were completed projects, 17 were projects under development and 1 was project held for future development.

As at 30 June 2023, the Group had completed properties held for sale of RMB2,032.9 million, representing a 4.5% decrease from RMB2,128.8 million as at 31 December 2022. The decrease was primarily due to the increase in GFA delivered during the Period. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

As at 30 June 2023, the Group had properties under development of RMB6,441.4 million, representing a 19.1% decrease from RMB7,960.9 million as at 31 December 2022, 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 2023 in terms of geographic locations:

	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.)*	Percentage of Total Land Reserves
Subsidiaries						
Anhui Province						
Bozhou	13	42,631	476,074	–	518,705	23.5%
Chuzhou	4	19,937	41,439	–	61,376	2.8%
Huainan	1	–	118,593	132,101	250,694	11.3%
Hefei	3	16,610	99,342	63,816	179,768	8.1%
Anqing	1	101	–	–	1,011	0.05%
Suzhou	2	2,015	134,170	99,436	235,621	10.7%
Xuancheng	1	7,759	–	–	7,759	0.4%
Bengbu	3	–	276,439	64,137	340,575	15.4%
Subtotal	28	89,963	1,146,057	359,490	1,595,510	72.2%
Jiangsu Province						
Nanjing	5	4,529	78,369	–	82,898	3.8%
Wuxi	4	–	384,198	–	384,198	17.4%
Changzhou	1	–	132,391	–	132,391	6.0%
Subtotal	10	4,529	594,958	–	599,487	27.1%
Total-Subsidiary	38	94,492	1,741,015	359,490	2,194,996	99.3%
Associate						
Hefei	1	–	14,504	–	14,504	0.7%
Total-Associate	1	–	14,504	–	14,504	0.7%
Total Land Reserves	39	94,492	1,755,519	359,490	2,209,500	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 increased by 9.9% from approximately RMB1,805.6 million for the six months ended 30 June 2022 to approximately RMB1,984.2 million for the six months ended 30 June 2023, primarily due to the increase of the aggregate GFA delivered for the six months ended 30 June 2022. The aggregate GFA delivered increased from 227,081 sq.m. for the six months ended 30 June 2022 to 263,857 sq.m. for the six months ended 30 June 2023, primarily due to the increase in properties completed and delivered for the six months ended 30 June 2023.

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					
	2023			2022		
	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	**258,502**	**1,936,862**	**7,493**	193,942	1,667,727	8,599
Commercial	**3,861**	**44,065**	**11,413**	6,592	65,367	9,916
Carparks and underground storage space[1]	**1,494**	**3,237**	**2,167**	26,547	72,523	2,732
Total	**263,857**	**1,984,164**	**7,520**	227,081	1,805,617	7,956

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, capitalised interest costs on related borrowings for the purpose of property development during the period of construction and the impairment loss recognised during the Period.

The cost of sales of the Group increased by 17.8% from approximately RMB1,563.4 million for the six months ended 30 June 2022 to approximately RMB1,841.0 million for the six months ended 30 June 2023, which was mainly because of the increase of the impairment loss recognised for properties under development and completed properties for sales.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 40.7% from approximately RMB243.3 million for the six months ended 30 June 2022 to approximately RMB144.2 million for the six months ended 30 June 2023, primarily due to increase in provision for impairment of inventories.

The gross profit margin decreased to 7.3% for the six months ended 30 June 2023, as compared to 13.5% for the six months ended 30 June 2022 primarily because of the impairment loss recognised for properties under development and completed properties for sales during the Period.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, investment income, income from penalties and forfeitures and others. Income from penalties and forfeitures primarily represents forfeited deposits received from certain homebuyers who did not subsequently enter into pre-sales/sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts with the Group.

Other income and gains of the Group decreased by 73.7% from approximately RMB13.3 million for the six months ended 30 June 2022 to approximately RMB3.5 million for the six months ended 30 June 2023, primarily due to the receipt of listing incentives from the government in 2022.

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 40.6% from approximately RMB83.0 million for the six months ended 30 June 2022 to approximately RMB49.3 million for the six months ended 30 June 2023, which was primarily due to decreased promotion and marketing activities for the Group's projects.

Administrative Expenses

Administrative expenses primarily consist of staff costs, hospitality cost, office expenses, travel, rental, tax and professional fees.

Administrative expenses of the Group decreased by 49.3% from approximately RMB57.4 million for the six months ended 30 June 2022 to approximately RMB29.1 million for the six months ended 30 June 2023, 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 522.6% from approximately RMB9.3 million for the six months ended 30 June 2022 to approximately RMB57.9 million for the six months ended 30 June 2023, primarily because the Group revoked the contract signed with the government for acquisition of the land in Bengbu to enhance the liquidity and lost part of the advances amounting to RMB49.6 million in the first half of the year.

Finance Costs

Finance costs primarily consist of interest on loans and other borrowings and interest on pre-sales deposits, net of interest capitalised.

Finance costs of the Group increased by 26.4% from approximately RMB14.4 million for the six months ended 30 June 2022 to approximately RMB18.2 million for the six months ended 30 June 2023, primarily due to the decrease in interest capitalised in 2023.

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 increased by 82.8% from approximately RMB59.9 million for the six months ended 30 June 2022 to approximately RMB109.5 million for the six months ended 30 June 2023, primarily due to the increase in unrecognized tax losses and unrecognized deductible temporary difference during the Period.

Loss/Profit For the Six Months Ended 30 June 2023

As a result of the foregoing, the Group recorded a loss for the period of approximately RMB121.9 million for the six months ended 30 June 2023, as compared to a profit of approximately RMB31.3 million for the six months ended 30 June 2022.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group operated in a capital-intensive industry and financed the Group's working capital, capital expenditure and other capital requirements primarily through cash generated from operations including proceeds from the pre-sales of its properties, as well as bank and other borrowings, which were typically designated for specific construction and projects of the Group.

Additionally, 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 2023, the Group had cash and bank deposits of approximately RMB731.2 million (31 December 2022: RMB976.4 million), which primarily consisted of restricted cash, pledged deposit and cash and cash equivalents.

Indebtedness

As at 30 June 2023, the Group had total indebtedness, including bank loans and other borrowings, amounted to approximately RMB966.0 million (31 December 2022: approximately RMB1,071.5 million).

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Current Borrowings		
Bank loans – secured	**83,000**	168,500
Other loans – secured[1]	**600,803**	402,353
Other loans – unsecured[1]	**61,000**	64,520
Total Current Borrowings	**744,803**	635,373
Non-Current Borrowings		
Bank loans – secured	**186,390**	169,390
Other loans – secured[1]	**34,800**	266,770
Total Non-Current Borrowings	**221,190**	436,160
Total	**965,993**	1,071,533

Note:

(1) These borrowings are mainly in the form of trust and assets management financing arrangements with trust financing providers and asset management companies, and other financing arrangements with companies and independent third-party individuals.

The following table sets forth the maturity profiles of the Group's bank and other borrowings as at the dates indicated:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Repayable within one year	**744,803**	635,373
Repayable in the second year	**47,000**	262,770
Repayable in the third year	**174,190**	173,390
Total	**965,993**	1,071,533

Gearing Ratio

The net gearing ratio was 9.9% 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 2023 (31 December 2022: 3.8%).

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. The Group had no significant concentrations of credit risk in view of its large number of customers. The credit risk of the Group's other financial assets, which mainly 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 are denominated in Hong Kong dollar. As at 30 June 2023, among the Group's cash at bank and on hand, only RMB0.1 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 2023, the Group's certain bank and other borrowings are secured by the pledges of the Group's assets with carrying values of approximately RMB2,035.4 million (31 December 2022: approximately RMB2,244.4 million) which mainly include properties under development.

Contingent Liabilities

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to customers of the Group in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the execution of the mortgage guarantee contract up until (i) two years after the maturity of the bank borrowings and mortgages in the event of customer's default; or (ii) the registration of the mortgage are completed. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If the Group fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, the Group does not conduct independent credit checks on its customers but rely on the credit checks conducted by the mortgagee banks.

The following table sets forth the Group's total guarantees as at the dates indicated:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	**5,200,952**	5,897,790
Total	**5,200,952**	5,897,790

Capital Commitment

As at 30 June 2023, the Group's capital commitment it had contracted but not provided for was RMB2,097.7 million, compared to RMB2,447.0 million as at 31 December 2022.

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 2023. Save as disclosed in this announcement, there was no any plan authorised by the Board for other material investments or additions of capital assets as at 30 June 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 199 employees (31 December 2022: 289). The Group offers its employees competitive remuneration packages that include salary, bonus and various allowances. The Group also contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds. The Group had also implemented a variety of training programs for its employees at different levels on a regular basis to meet different requirements and emphasise individual initiative and sense of 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 2023.

PURCHASE, SALE OR 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 2023 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 2023.

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 2023, 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 2023.

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2023. 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 2023 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 2023

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