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# **SHINSUN 祥生**

**Shinsun Holdings (Group) Co., Ltd.**

**祥生控股(集團)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 02599)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

### **FINANCIAL HIGHLIGHTS**

- Contracted sales attributable to the Group's interests amounted to approximately RMB25,629.9 million, decreased by approximately 68.1% as compared with the corresponding period in the previous year.
- Total revenue amounted to approximately RMB19,701.0 million, decreased by approximately 54.9% as compared with the corresponding period in the previous year.
- Loss for the Relevant Year amounted to approximately RMB3,926.6 million, representing a turnaround as compared with the profit for the year of approximately RMB480.7 million for the corresponding period in the previous year.
- Total gross profit amounted to approximately RMB1,737.2 million, decreased by approximately 63.1% as compared with the corresponding period in the previous year.
- Net gearing ratio increased from 1.5 as at 31 December 2021 to 3.3 as at 31 December 2022.
- Core net loss<sup>1</sup> amounted to approximately RMB2,130.6 million, representing a turnaround as compared with the core net profit of approximately RMB479.9 million for the corresponding period in 2021. Core net loss margin<sup>1</sup> was approximately 10.8%, decreased by 11.9 percentage points as compared with 2021.
- The interest-bearing liabilities of the Company amounted to approximately RMB28,583.7 million, decreased by approximately 16.9% as compared with the end of last year.
- Cash and bank balances<sup>2</sup> amounted to approximately RMB4,645.2 million, decreased by approximately 45.0% as compared with the end of last year.

<sup>1</sup> Core net loss represents the net loss excluding changes of fair value of investment properties and financial assets at fair value through profit or loss, foreign exchange gains/losses, loss on forfeited land development projects and net of deferred taxes. Core net loss margin is based on core net loss for the year divided by revenue for the year and multiplied by 100%.

<sup>2</sup> Cash and bank balances comprise restricted cash, pledged deposits, time deposits and cash and cash equivalents.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Shinsun Holdings (Group) Co., Ltd. (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively, referred to as the “**Group**” or “**we**” or “**our**”) for the year ended 31 December 2022 (the “**Relevant Year**”), together with comparative audited figures for the year ended 31 December 2021, as follows:

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

Year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000 (Reclassified)
<b>REVENUE</b>	3	<b>19,701,040</b>	43,719,028
Cost of sales		<u>(17,963,839)</u>	<u>(39,012,806)</u>
<b>GROSS PROFIT</b>		<b>1,737,201</b>	4,706,222
Other income and gains	3	<b>579,668</b>	436,408
Selling and distribution expenses		<b>(625,220)</b>	(1,266,839)
Administrative expenses		<b>(505,837)</b>	(987,351)
Other expenses		<b>(678,705)</b>	(306,661)
Fair value (loss)/gains on investment properties		<b>(46,397)</b>	17,726
Write-down of completed properties held for sale and properties under development		<b>(292,747)</b>	(134,611)
Impairment of account receivables and other receivables		<b>(220,345)</b>	(12,403)
Loss on forfeited land development projects		<b>(1,643,635)</b>	–
Finance costs	4	<b>(1,547,392)</b>	(1,257,317)
Share of profits and losses of:			
Joint ventures		<b>(63,470)</b>	349,184
Associates		<b>49,772</b>	95,563
<b>(LOSS)/PROFIT BEFORE TAX</b>	5	<b>(3,257,107)</b>	1,639,921
Income tax expense	6	<b>(669,470)</b>	(1,159,246)
<b>(LOSS)/PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR</b>		<b><u>(3,926,577)</u></b>	<b><u>480,675</u></b>
Attributable to:			
Owners of the parent		<b>(3,878,628)</b>	(215,363)
Non-controlling interests		<b>(47,949)</b>	696,038
		<b><u>(3,926,577)</u></b>	<b><u>480,675</u></b>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
		<b>RMB</b>	<b>RMB</b>
Basic and diluted loss per share	8	<b><u>(1.27)</u></b>	<b><u>(0.07)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>NOTES</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>85,257</b>	105,672
Right-of-use assets		<b>16,586</b>	58,122
Investment properties		<b>1,983,083</b>	2,029,480
Intangible assets		<b>6,761</b>	9,917
Investments in joint ventures		<b>702,371</b>	1,467,007
Investments in associates		<b>1,354,055</b>	1,399,643
Deferred tax assets		<b>2,118,031</b>	2,203,424
<b>Total non-current assets</b>		<b>6,266,144</b>	7,273,265
<b>CURRENT ASSETS</b>			
Properties under development		<b>79,130,686</b>	96,433,665
Completed properties held for sale		<b>4,741,588</b>	6,441,718
Trade and bills receivables	9	<b>69,475</b>	13,281
Contract assets		<b>277,084</b>	248,320
Due from related parties		<b>2,865,486</b>	4,284,362
Prepayments, deposits and other receivables		<b>16,537,342</b>	19,103,774
Tax recoverable		<b>2,194,899</b>	2,656,552
Financial assets at fair value through profit or loss		<b>4,946</b>	840,117
Cash and bank balances		<b>4,645,193</b>	8,448,078
<b>Total current assets</b>		<b>110,466,699</b>	138,469,867
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	<b>6,832,230</b>	6,587,113
Other payables and accruals		<b>10,387,495</b>	11,238,515
Contract liabilities		<b>59,196,853</b>	70,018,866
Due to related parties		<b>2,390,758</b>	4,236,529
Interest-bearing bank and other borrowings		<b>12,725,196</b>	14,040,104
Senior notes		<b>5,049,837</b>	3,204,513
Corporate bonds		<b>539,268</b>	3,267
Tax payable		<b>1,839,578</b>	2,044,991
Lease liabilities		<b>21,725</b>	32,332
<b>Total current liabilities</b>		<b>98,982,940</b>	111,406,230
<b>NET CURRENT ASSETS</b>		<b>11,483,759</b>	27,063,637
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>17,749,903</b>	34,336,902

	<b>2022</b>	2021
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>10,269,350</b>	15,382,675
Senior notes	–	1,258,377
Corporate bonds	–	497,500
Lease liabilities	<b>15,903</b>	35,343
Deferred tax liabilities	<b>216,861</b>	210,651
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<b>Total non-current liabilities</b>	<b>10,502,114</b>	17,384,546
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>7,247,789</b>	16,952,356
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<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>199,616</b>	199,616
Reserves	<b>3,668,876</b>	7,518,097
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	<b>3,868,492</b>	7,717,713
<b>Non-controlling interests</b>	<b>3,379,297</b>	9,234,643
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<b>TOTAL EQUITY</b>	<b>7,247,789</b>	16,952,356
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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

The Company is an exempted limited liability company incorporated in the Cayman Islands on 13 December 2019. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Group was involved in property development, property leasing and the provision of property management services.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Shinlight Limited, which is incorporated in the British Virgin Islands.

### 2.1 BASIS OF PRESENTATION

#### Going concern basis

The Group incurred net loss of RMB3,926,577,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group's liabilities include interest-bearing bank and other borrowings, senior notes, corporate bonds and interest payable on these payables with their carrying amounts of RMB22,994,546,000, RMB5,049,837,000, RMB539,268,000 and RMB1,077,297,000 respectively, out of RMB19,391,598,000 have been due for settlement within the year after that date or repayable on demand are included in current liabilities in the consolidated statement of financial position, while its available cash and cash equivalent amounted to RMB1,195,932,000.

In addition, the Group had default or cross default of principals on certain interest-bearing bank and other borrowings, senior notes and corporate bonds to the aggregate of RMB12,454,465,000 as at 31 December 2022 and RMB13,172,070,000 as at the date of approval of these consolidated financial statements.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. In view of such circumstances, the Directors have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including:

- (i) The Group has been actively negotiating with a number of financial institutions for renewal, extension and replacement of bank loans and other borrowings;
- (ii) The Group will actively communicate with the governance department to secure rescue funds for qualified project development;
- (iii) The Group will continue to actively communicate with banks to timely secure relevant project development loans for qualified project development;
- (iv) The Group will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (v) The Group has prepared a business operating strategy plan mainly focusing on the acceleration of the sales of properties;
- (vi) The Group has implemented measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and
- (vii) The Group will continue to seek suitable opportunities to dispose its equity interest in certain project development companies in order to generate additional cash inflows.

The Directors are of the opinion that, taking into account the above 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 within the next eighteen months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

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

- (i) successfully completing the restructuring of its senior notes;
- (ii) successfully negotiating with the Group's existing lenders for the renewal or extension for repayment of the Group's interest-bearing bank and other borrowings;
- (iii) successfully securing project development loans for qualified project development timely;
- (iv) successfully obtaining additional new sources of financing as and when needed;
- (v) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties;
- (vi) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and
- (vii) successfully disposing the Group's equity interest in project development companies when suitable.

Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

## **2.2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) (which include all standards and interpretations, International Accounting Standards (“IASs”) and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Directors anticipate that the application of the new and amendments to IFRSs that are issued but not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue from contracts with customers</b>		
Sale of properties	19,577,073	43,560,590
Property management services	20,752	17,323
Management consulting services	64,858	64,648
<b>Revenue from other sources</b>		
Property lease income	38,357	76,467
	<u>19,701,040</u>	<u>43,719,028</u>

An analysis of other income and gains is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Reclassified)
<b>Other income and gains</b>		
Subsidy income	140,498	41,364
Gains on disposal of financial assets at fair value through profit or loss	22,841	6,040
Gain on disposal of joint ventures	282,961	55,914
Deposit forfeiture	–	10,025
Gain on disposal of items of property, plant and equipment	1,819	1,539
Interest income	60,047	305,334
Others	71,502	16,192
	<u>579,668</u>	<u>436,408</u>

#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on loans and borrowings	2,248,328	3,683,091
Interest on senior notes	572,679	461,827
Interest on corporate bonds	38,501	38,605
Interest on lease liabilities	3,541	6,601
Interest expense arising from revenue contracts	<u>341,411</u>	<u>722,530</u>
Total interest expense on financial liabilities not at fair value through profit or loss	3,204,460	4,912,654
Less: Interest capitalised	<u>(1,657,068)</u>	<u>(3,655,337)</u>
	<u><u>1,547,392</u></u>	<u><u>1,257,317</u></u>

#### 5. (LOSS)/PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	17,879,185	38,984,995
Cost of services provided	84,654	27,811
Depreciation of property, plant and equipment	18,526	31,682
Depreciation of right-of-use assets	23,733	26,467
Amortisation of intangible assets	3,269	3,370
Lease payments not included in the measurement of lease liabilities	342	5,517
Loss on disposal of subsidiaries*	179,638	39,577
Impairment of investments in joint venture*	206,797	–
Impairment of investments in associates*	2,463	–
Loss on disposal of investments in associates*	4,211	–
Exchange loss, net*	54,806	98,480
Auditor's remuneration	4,800	8,800
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	340,508	763,868
Pension scheme contributions	<u>15,495</u>	<u>76,128</u>

\* These items are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.



## 6. INCOME TAX EXPENSE

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 operating. 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 are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2022 (2021: Nil).

Subsidiaries of the Group operating in Mainland China were subject to People's Republic of China (the "PRC") corporate income tax with a tax rate of 25% (2021: 25%) for the year.

Land appreciation tax (the "LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the 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 the LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
Corporate income tax		
– Charge for the year	414,205	936,645
– Overprovision in the prior year	(227,117)	–
LAT	465,943	343,261
Deferred tax	16,439	(120,660)
	<u>669,470</u>	<u>1,159,246</u>
Total tax charge for the year	<u>669,470</u>	<u>1,159,246</u>

## 7. DIVIDENDS

The Directors did not recommend the payment of a final dividend for the years ended 31 December 2022 and 2021.

## 8. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,043,403,000 (2021: 3,043,403,000) in issue during the year.

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent	<u><u>3,878,628</u></u>	<u><u>215,363</u></u>
	<b>Number of Shares</b>	
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year	<u><u>3,043,403,000</u></u>	<u><u>3,043,403,000</u></u>
<b>Loss per share</b>		
Basic and diluted	<u><u>RMB1.27</u></u>	<u><u>RMB0.07</u></u>

## 9. TRADE AND BILLS RECEIVABLES

The Group's trade and bills receivables primarily consist of receivables from its property management services, management consulting services provided to its customers, property leasing and sale of properties.

An ageing analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	60,192	12,768
1 to 3 years	<u>9,283</u>	<u>513</u>
	<u><u>69,475</u></u>	<u><u>13,281</u></u>

## 10. TRADE AND BILLS PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 1 year	3,401,893	6,284,308
Over 1 year	<u>3,430,337</u>	<u>302,805</u>
	<u><u>6,832,230</u></u>	<u><u>6,587,113</u></u>

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

## 11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current year's presentation.

## 12. EVENTS AFTER THE REPORTING PERIOD

In March 2023, the Company and its subsidiary, Shinsun Property Group Co., Ltd commenced the extension offer to the corporate bonds with a principal amount of RMB500,000,000 (the "2020 Bonds").

In April 2023, the Group has obtained approval from the bondholders of the 2020 Bonds for further extension of the maturity date for 3 years to March 2026 with additional land use right and property of the Group's subsidiaries as collateral. Furthermore, the interest rate of 2020 Bonds has adjusted to 5.5% per annum.

## **EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022:

### **DISCLAIMER OF OPINION**

We do not express an opinion on the consolidated financial statements of the Group. Because of the significant matters as described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR DISCLAIMER OF OPINION**

#### **Multiple Uncertainties Relating to Going Concern**

As set out in note 2.1 to the consolidated financial statements, the Group incurred net loss of RMB3,926,577,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group's liabilities include interest-bearing bank and other borrowings, senior notes, corporate bonds and interest payable on these payables with their carrying amounts of RMB22,994,546,000, RMB5,049,837,000, RMB539,268,000 and RMB1,077,297,000 respectively, out of RMB19,391,598,000 have been due for settlement within the year after that date or repayable on demand are included in current liabilities in the consolidated statement of financial position, while its available cash and cash equivalent amounted to RMB 1,195,932,000.

In addition, the Group had default or cross default of principals on certain interest-bearing bank and other borrowings, senior notes and corporate bonds to the aggregate of RMB12,454,465,000 as at 31 December 2022 and RMB13,172,070,000 as at the date of approval of these consolidated financial statements. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material multiple uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures, as detailed in note 2.1 to the consolidated financial statements, to be undertaken by the Group. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the going concern assumption be inappropriate, 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 the consolidated financial statements.

## **THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION**

The Directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including that the Group:

1. has been actively negotiating with a number of financial institutions for renewal, extension and replacement of bank loans and other borrowings;
2. will proactively communicate with relevant government departments to secure bail-out funds for qualified project development;
3. will continue to actively communicate with banks to timely secure relevant project development loans for qualified project development;
4. will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
5. has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties;
6. has implemented measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and
7. will continue to seek suitable opportunities to dispose of its equity interest in certain project development companies in order to generate additional cash inflows.

The Directors of the Company are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to finance its operations. Accordingly, the Directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above plans and measures, significant uncertainties exist as to whether the Group will be able to implement them successfully. Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

As of the date of this announcement, the negotiations with the banks and financial institutions and the restructuring plan are still ongoing. The Company will publish an appropriate announcement when there is a material development regarding its restructuring and re-financing plans in accordance with the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

## **AUDIT COMMITTEE’S VIEW ON THE DISCLAIMER OF OPINION**

The audit committee of the Board (the “**Audit Committee**”) has critically reviewed the disclaimer of opinion of Prism Hong Kong and Shanghai Limited (the “**Disclaimer of Opinion**”), the management’s position concerning the Disclaimer of Opinion (the “**Management’s Position**”) and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management’s Position based on the reasons above. Moreover, the Audit Committee has requested the management to take all necessary actions to address the uncertainties regarding going concern underlying the Disclaimer of Opinion. The Audit Committee had also discussed with Prism Hong Kong and Shanghai Limited regarding the financial position of the Group, measures taken and to be taken by the Group, and considered Prism Hong Kong and Shanghai Limited’s rationale and understood their consideration in arriving their opinion.

## **MARKET REVIEW**

In 2022, the pandemic recurred in various regions of China, the real estate market performance was weak, and the investment and demand in real estate lacked confidence. The situation deteriorated cyclically with inter-changing negative feedback among factors such as the crash-down of many real estate enterprises, customers’ wait-and-see attitude, sales decline and difficulties in financing. Annual sales of commercial housing dropped by 26.7% year-on-year. Despite the several rounds of sales facilitating policies with different focuses introduced by the government during the year, however, customers were affected by the frequent outbreaks of pandemics, project non-deliveries, falling income expectations and declining property prices, etc., resulting in investor sentiment dropping to freezing low, and the market was unable to recover vigorously like the previous cycles. Financial institutions were overly risk-averse, and domestic and foreign open market financing channels for real estate enterprises were nearly shut down, resulting in a double squeeze on financing and operating cash flow and leading to a significant increase in defaulting enterprises and continuous contraction of the industry.

## **BUSINESS REVIEW**

The Group continued to operate steadily to ensure barrier-free completion and delivery. We completed the delivery of 20 projects in 2022 successfully with a delivery area of approximately 2.08 million sq.m. and 13,291 units were delivered. Affected by the overall sluggish market environment, as of 31 December 2022, the Group’s annual contracted sales amounted to approximately RMB25.6 billion, representing a decrease of approximately 68.1% as compared to 2021. Our gross profit amounted to approximately RMB1,737.2 million, representing a decrease of approximately 63.1% as compared to 2021. Our gross profit margin was 8.8% as compared to 10.8% in 2021. The land bank area held was approximately 9.71 million sq.m., representing a decrease of approximately 53.3% as compared to 2021.

## **OUTLOOK**

Looking forward, the government of the People’s Republic of China (“**PRC**”) will put more efforts to propelling stable economic growth and will firmly position real estate as a pillar industry of the national economy. Therefore, governments at all levels are gradually introducing many policies to support the overall economic development and stabilize the real estate industry, and the external environment is expected to improve.

With the recovery of China's economy, customers' sentiment toward home ownership is expected to pick up gradually. However, it will take time for the economy as well as the expectations of the upstream and downstream industry chains, such as home buyers, financial institutions, suppliers, etc., to recover and it will take even longer time to translate them into improved corporate cash flow and restoration of the ability to invest, hence, the industry still has a long way to pass the cold spring. It is the Group's primary business goal to maintain operational liquidity, solve various problems and surmount difficulties in an orderly manner to ensure smooth completion of project delivery.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUMMARY OF OPERATING RESULTS

	For the year ended 31 December		Change in percentage
	2022	2021	
<b>Contracted sales</b> <i>(Note 1)</i>			
Contracted sales attributable to the Group's interests <i>(RMB'000)</i> <i>(Note 1)</i>	<b>25,629,866</b>	80,331,016	(68.1)%
Contracted GFA sold attributable to the Group's interests <i>(sq.m.)</i>	<b>2,055,602</b>	5,946,696	(65.4)%
Contracted average selling price ("ASP") attributable to the Group's interests <i>(RMB/sq.m.)</i>	<b>12,468</b>	13,509	(7.7)%
<b>Selected financial information</b>			
Revenue <i>(RMB'000)</i>	<b>19,701,040</b>	43,719,028	(54.9)%
Gross profit <i>(RMB'000)</i>	<b>1,737,201</b>	4,706,222	(63.1)%
Loss/Profit for the year <i>(RMB'000)</i>	<b>(3,926,577)</b>	480,675	(916.9)%
Core net loss/profit <i>(Note 2)</i> <i>(RMB'000)</i>	<b>(2,130,646)</b>	479,940	(544.0)%
Loss attributable to owners of the Company <i>(RMB'000)</i>	<b>(3,878,628)</b>	(215,363)	1,701.0%
Gross profit margin (%) <i>(Note 3)</i>	<b>8.8%</b>	10.8%	
Core net loss/profit margin (%) <i>(Note 4)</i>	<b>(10.8%)</b>	1.1%	
(Loss) per share (basic and diluted) <i>(RMB cents)</i>	<b>(127)</b>	(7)	
Core earnings per share (basic and diluted) <i>(RMB cents)</i>	<b>(127)</b>	(7)	

	<b>As at 31 December</b>		<b>Change in percentage</b>
	<b>2022</b>	2021	
Total assets ( <i>RMB'000</i> )	<b>116,732,843</b>	145,743,132	(19.9)%
Cash and bank balances ( <i>RMB'000</i> ) <i>(Note 5)</i>	<b>4,645,193</b>	8,448,078	(45.0)%
Total indebtedness ( <i>RMB'000</i> ) <i>(Note 6)</i>	<b>28,583,651</b>	34,386,436	(16.9)%
Total equity ( <i>RMB'000</i> )	<b>7,247,789</b>	16,952,356	(57.2)%
Equity attributable to owners of the Company ( <i>RMB'000</i> )	<b>3,868,492</b>	7,717,713	(49.9)%
Net gearing ratio <i>(Note 7)</i>	<b>330.3%</b>	153.0%	
Weighted average costs of indebtedness (%) <i>(Note 8)</i>	<b>7.8%</b>	8.8%	

*Notes:*

- (1) Contracted sales include contracted sales attributable to the Group's interests. Contracted sales data is unaudited and is prepared based on internal information of the Group. Contracted sales data may be subject to various uncertainties during the process of collating such sales information and is provided for investors' reference only.
- (2) Core net loss represents the net loss excluding changes of fair value of investment properties and financial assets at fair value through profit or loss, foreign exchange gains/losses, loss on forfeited land development projects and net of deferred taxes. Core net profit represents the net profit excluding changes of fair value of investment properties and financial assets at fair value through profit or loss, foreign exchange gains/losses and listing expenses, net of deferred taxes.
- (3) The calculation of gross profit margin is based on gross profit for the year divided by revenue for the year and multiplied by 100%.
- (4) The calculation of core net loss margin is based on core net loss for the year divided by revenue for the year and multiplied by 100%. The calculation of core net profit margin is based on core net profit for the period divided by revenue for the period and multiplied by 100%.
- (5) Cash and bank balances comprise restricted cash, pledged deposits, time deposits and cash and cash equivalents.
- (6) Total indebtedness represents total interest-bearing bank and other borrowings, senior notes, corporate bonds and asset-backed securities.
- (7) The calculation of net gearing ratio is based on total indebtedness less cash and bank balances divided by total equity at the end of the year and multiplied by 100%.
- (8) Weighted average cost of indebtedness is the weighted average of interest costs of all indebtedness outstanding at the end of each financial year.



## PROPERTY DEVELOPMENT AND SALES

### Contracted Sales

During the Relevant Year, the Group achieved contracted sales attributable to the Group's interests of approximately RMB25,630 million, decreased by approximately 68.1% from approximately RMB80,331 million in 2021, which was mainly due to overall market sluggishness, lack of confidence of real estate investors and a large proportion of customers bearing a wait-and-see attitude, and also the fact that the Group focused its capital on barrier-free completion and had no new development projects, resulting in a relatively significant decrease in contracted sales.

During the Relevant Year, the Group's contracted sales in gross floor area ("GFA") attributable to the Group's interests amounted to 2,055,602 sq.m., representing a decrease of approximately 65.4% from 5,946,696 sq.m. in 2021. The Group's contracted ASP in 2022 was RMB12,468/sq.m., representing a decrease of approximately 7.7% from RMB13,509/sq.m. in 2021.

Contracted sales attributable to the Group's interests from the Zhejiang province, Pan-Yangtze River Delta region and other regions, which represent regions in the PRC other than Zhejiang province and the Pan-Yangtze River Delta region, including Hubei province, Hunan province, Inner Mongolia Autonomous region, Fujian province and Liaoning province, accounted for approximately 57.55%, 20.95% and 21.5% of total attributable contracted sales of the Group's interests in 2022, respectively.

The following table sets forth the details of contracted sales attributable to the Group's interests for the Relevant Year:

	<b>Contracted sales attributable to the Group's interests</b> <i>(RMB'000)</i>	<b>Percentage of total contracted sales</b> <i>(%)</i>	<b>GFA attributable to the Group's interests</b> <i>(sq.m.)</i>	<b>Contracted ASP</b> <i>(RMB/sq.m.)</i>
Hangzhou	4,592,184	17.92%	170,828	26,882
Shaoxing	3,434,888	13.40%	177,137	19,391
Suqian	1,859,215	7.25%	205,476	9,048
Wenzhou	1,531,401	5.98%	60,415	25,348
Huhhot	1,394,242	5.44%	145,191	9,603
Quzhou	1,346,963	5.26%	58,369	23,077
Ningbo	1,170,090	4.57%	41,937	27,901
Lishui	1,108,712	4.33%	75,943	14,599
Zoucheng	1,026,262	4.00%	119,333	8,600
Suzhou	796,536	3.11%	123,813	6,433
Fuyang	786,629	3.07%	82,725	9,509
Shangrao	630,786	2.46%	77,768	8,111
Zhoushan	578,986	2.26%	39,969	14,486
Chuzhou	542,515	2.12%	98,193	5,525
Others	4,830,457	18.85%	578,505	8,350
Total	<u><u>25,629,866</u></u>	<u><u>100%</u></u>	<u><u>2,055,602</u></u>	<u><u>12,468</u></u>

### Land Bank

The following table sets out a breakdown of the total land bank developed by the subsidiaries, joint ventures and associates of the Group attributable to the Group by geographical location as at 31 December 2022:

## Developed by the Group's subsidiaries

Provinces	Cities	Number of projects	Completed properties available for sale/lease and for investment (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group (sq.m.)	Percentage of total land bank attributable to the Group (%)
Anhui	<b>Anhui</b>	<b>25</b>	<b>289,838.93</b>	<b>963,981.50</b>	<b>56,881.00</b>	<b>1,310,701.43</b>	<b>10.37%</b>
	Chuzhou	9	164,286.33	106,191.00	56,881.00	327,358.33	2.59%
	Fuyang	1	–	234,990.00	–	234,990.00	1.86%
	Hefei	7	–	341,735.88	–	341,735.88	2.70%
	Suzhou	1	–	281,064.62	–	281,064.62	2.22%
	Wuhu	1	4,395.00	–	–	4,395.00	0.03%
	Xuancheng	6	121,157.60	–	–	121,157.60	0.96%
Fujian	<b>Fujian</b>	<b>2</b>	<b>52,006.99</b>	<b>–</b>	<b>130,641.00</b>	<b>182,647.99</b>	<b>1.44%</b>
	Nanping	2	52,006.99	–	130,641.00	182,647.99	1.44%
Hubei	<b>Hubei</b>	<b>5</b>	<b>96,482.60</b>	<b>–</b>	<b>222,011.45</b>	<b>318,494.05</b>	<b>2.52%</b>
	Honghu	1	15,980.68	–	–	15,980.68	0.13%
	Wuhan	1	–	–	67,000.00	67,000.00	0.53%
	Xiantao	3	80,501.92	–	155,011.45	235,513.37	1.86%
Hunan	<b>Hunan</b>	<b>3</b>	<b>114,487.84</b>	<b>128,676.99</b>	<b>123,804.43</b>	<b>366,969.26</b>	<b>2.90%</b>
	Changde	1	58,677.54	43,650.79	109,787.05	212,115.38	1.68%
	Hengyang	1	9,647.19	83,760.20	–	93,407.39	0.74%
	Yueyang	1	46,163.11	1,266.00	14,017.38	61,446.49	0.49%
Jiangsu	<b>Jiangsu</b>	<b>18</b>	<b>861,307.23</b>	<b>152,558.88</b>	<b>124,901.20</b>	<b>1,138,767.31</b>	<b>9.01%</b>
	Liangyungang	2	73,022.20	–	–	73,022.20	0.58%
	Nantong	3	12,879.84	152,558.88	–	165,438.72	1.31%
	Suqian	3	268,146.87	–	–	268,146.87	2.12%
	Taizhou	6	428,282.31	–	–	428,282.31	3.39%
	Yancheng	1	15,223.64	–	–	15,223.64	0.12%
	Yangzhou	1	53,108.00	–	124,901.20	178,009.20	1.41%
	Suzhou	2	10,644.37	–	–	10,644.37	0.08%
Jiangxi	<b>Jiangxi</b>	<b>6</b>	<b>214,067.51</b>	<b>115,612.98</b>	<b>168,259.32</b>	<b>497,939.81</b>	<b>3.94%</b>
	Fuzhou	3	30,077.10	–	168,259.32	198,336.42	1.57%
	Nanchang	1	–	115,612.98	–	115,612.98	0.91%
	Others	1	66,197.84	–	–	66,197.84	0.52%
	Shangrao	1	117,792.57	–	–	117,792.57	0.93%
Liaoning	<b>Liaoning</b>	<b>2</b>	<b>25,492.11</b>	<b>–</b>	<b>–</b>	<b>25,492.11</b>	<b>0.20%</b>
	Anshan	2	25,492.11	–	–	25,492.11	0.20%
Inner Mongolia	<b>Inner Mongolia</b>	<b>6</b>	<b>39,216.07</b>	<b>700,445.50</b>	<b>–</b>	<b>739,661.57</b>	<b>5.85%</b>
	Hohhot	6	39,216.07	700,445.50	–	739,661.57	5.85%
Shandong	<b>Shandong</b>	<b>3</b>	<b>–</b>	<b>562,070.29</b>	<b>164,488.29</b>	<b>726,558.58</b>	<b>5.75%</b>
	Zoucheng	3	–	562,070.29	164,488.29	726,558.58	5.75%
Shanghai	<b>Shanghai</b>	<b>1</b>	<b>–</b>	<b>132,842.94</b>	<b>151,330.62</b>	<b>284,173.56</b>	<b>2.25%</b>
	Shanghai	1	–	132,842.94	151,330.62	284,173.56	2.25%
Zhejiang	<b>Zhejiang</b>	<b>94</b>	<b>1,892,902.78</b>	<b>4,509,715.65</b>	<b>–</b>	<b>6,402,618.43</b>	<b>50.64%</b>
	Hangzhou	11	375,303.18	1,328,549.90	–	1,703,853.08	13.48%
	Huzhou	3	20,474.25	–	–	20,474.25	0.16%
	Jiaxing	6	55,895.49	–	–	55,895.49	0.44%
	Lishui	7	48,314.14	86,402.96	–	134,717.10	1.07%
	Ningbo	4	14,904.61	394,552.51	–	409,457.12	3.24%
	Quzhou	8	260,558.23	271,977.10	–	532,535.33	4.21%
	Shaoxing	40	609,154.20	2,009,492.39	–	2,618,646.59	20.71%
	Taizhou	8	306,455.66	177,798.67	–	484,254.33	3.83%
	Wenzhou	3	12,160.30	196,777.12	–	208,937.42	1.65%
	Zhoushan	4	189,682.71	44,165.00	–	233,847.71	1.85%
	<b>Subtotal</b>	<b>165</b>	<b>3,585,802.06</b>	<b>7,265,904.73</b>	<b>1,142,317.31</b>	<b>11,994,024.10</b>	<b>94.86%</b>

## Developed by the Group's joint ventures and associates

Provinces	Cities	Number of projects	Completed properties available for sale/lease and for investment (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group (sq.m.)	Percentage of total land bank attributable to the Group (%)
Anhui	Anhui	5	30,913.88	39,973.89	–	70,887.77	0.56%
	Anqing	3	7,181.50	39,973.89	–	47,155.39	0.37%
	Chuzhou	2	23,732.38	–	–	23,732.38	0.19%
Hubei	Hubei	2	13,747.03	56,683.44	57,660.26	128,090.74	1.01%
	Jingmen	2	13,747.03	56,683.44	57,660.26	128,090.74	1.01%
Jiangsu	Jiangsu	4	8,179.06	40,840.04	12,719.10	61,738.19	0.49%
	Nanjing	1	6,339.90	–	12,719.10	19,059.00	0.15%
	Taizhou	2	1,839.16	–	–	1,839.16	0.01%
	Zhenjiang	1	–	40,840.04	–	40,840.04	0.32%
Shandong	Shandong	1	–	57,037.18	63,780.45	120,817.63	0.96%
	Zibo	1	–	57,037.18	63,780.45	120,817.63	0.96%
Zhejiang	Zhejiang	11	46,670.17	221,295.87	–	267,966.04	2.12%
	Hangzhou	2	25,252.30	77,457.73	–	102,710.03	0.81%
	Jinhua	1	7,057.96	–	–	7,057.96	0.06%
	Ningbo	1	4,673.53	–	–	4,673.53	0.04%
	Shaoxing	6	9,686.38	120,381.48	–	130,067.85	1.03%
	Wenzhou	1	–	23,456.67	–	23,456.67	0.19%
	<b>Subtotal</b>	<b>23</b>	<b>99,510.14</b>	<b>415,830.43</b>	<b>134,159.81</b>	<b>649,500.37</b>	<b>5.14%</b>
	<b>Total</b>	<b>188</b>	<b>3,685,312.19</b>	<b>7,681,735.16</b>	<b>1,276,477.12</b>	<b>12,643,524.47</b>	<b>100.00%</b>

Regions	Number of projects	Completed properties available for sale/lease and for investment (sq.m.)	Planned GFA under development (sq.m.)	Estimated GFA for future development (sq.m.)	Total land bank attributable to the Group (sq.m.)	Percentage of total land bank attributable to the Group (%)
Pan-Yangtze River						
Delta region	53	1,190,239.10	1,330,197.25	345,831.92	2,866,268.26	22.67%
Other regions	30	555,500.15	1,620,526.39	930,645.20	3,106,671.74	24.57%
Zhejiang region	105	1,939,572.94	4,731,011.52	–	6,670,584.47	52.76%
<b>Total</b>	<b>188</b>	<b>3,685,312.19</b>	<b>7,681,735.16</b>	<b>1,276,477.12</b>	<b>12,643,524.47</b>	<b>100.00%</b>

## Completed properties held for sale

Completed properties held for sale represent completed GFA remaining unrecognised at the end of each reporting period and are stated at the lower of cost and net realisable value. Cost of the completed properties held for sale refers to the related costs incurred attributable to the unsold properties.

As at 31 December 2022, the Group had 117 completed property projects, and the total completed GFA amounted to approximately 3.69 million sq.m., representing a decrease from approximately 4.05 million sq.m as at 31 December 2021.

## Projects under development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost, which comprises land costs, construction costs, capitalised interests and other costs directly attributable to such properties incurred during the development period, and net realisable value. Upon completion, the properties are transferred to completed properties held for sale.

As at 31 December 2022, the Group had 65 property projects under development, and the total GFA under development amounted to approximately 7.68 million sq.m., representing a decrease from approximately 13.10 million sq.m as at 31 December 2021.

## FINANCIAL REVIEW

### Revenue

During the Relevant Year, the Group derived its revenue from five business lines, namely (i) property development and sales; (ii) management consulting services; (iii) property leasing; (iv) hotel services; and (v) property management services. The revenue of the Group was primarily derived from the sales of properties in the PRC. The following table sets forth the details of the Group's revenue recognised by business line for the years indicated:

	For the year ended		Change in Percentage
	31 December		
	2022	2021	
	(RMB'000)	(RMB'000)	
<b>Revenue</b>			
Property development and sales	<b>19,577,073</b>	43,560,590	(55.1)%
Management consulting services	<b>64,858</b>	64,648	0.3%
Property leasing	<b>38,357</b>	76,467	(49.8)%
Property management services	<b>20,752</b>	17,323	19.8%
<b>Total</b>	<b>19,701,040</b>	43,719,028	(54.9)%

### ***Revenue from property development and sales***

The following table sets forth the details of revenue and GFA recognised for the years indicated:

	For the year ended 31 December					
	2022			2021		
	Revenue (RMB'000)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)	Revenue (RMB'000)	Recognised GFA (sq.m.)	Recognised ASP (RMB/sq.m.)
Zhejiang	15,709,057	1,221,199	12,864	30,155,104	1,938,251	15,558
Pan-Yangtze River						
Delta	1,898,650	286,570	6,625	10,815,850	1,472,739	7,344
Other regions	1,969,366	272,101	7,238	2,589,636	365,763	7,080
<b>Total</b>	<b>19,577,073</b>	<b>1,779,870</b>	<b>10,999</b>	<b>43,560,590</b>	<b>3,776,753</b>	<b>11,534</b>

In 2022, the Group's revenue from property development and sales amounted to approximately RMB19,577.1 million, representing a year-on-year decrease of approximately 55.1%, which was mainly due to the decrease in number of projects delivered.

### ***Revenue from management consulting services***

In 2022, the Group's revenue from management consulting services amounted to approximately RMB64.9 million, representing a year-on-year increase of approximately 0.3%, which remained relatively stable as compared with the last year.

### ***Revenue from property leasing***

The Group's revenue from property leasing in 2022 amounted to approximately RMB38.4 million, representing a year-on-year decrease of approximately 49.8%, which was mainly due to the overall impact from the epidemic on entity businesses.

### ***Revenue from property management services***

The Group's revenue from property management services in 2022 amounted to approximately RMB20.8 million, representing a year-on-year increase of approximately 19.8%, which was primarily due to the increase in property management income from Tiantai Commercial.

### **Cost of sales**

The Group incurred the vast majority of its cost of sales in its property development and sales business. The Group's cost of sales decreased by approximately 54.0% from approximately RMB39,012.8 million in 2021 to approximately RMB17,963.8 million for 2022. Cost of sales declined in line with the decline in property development income.

## **Gross profit and gross profit margin**

The Group's gross profit for the year ended 31 December 2022 amounted to approximately RMB1,737.2 million, representing a year-on-year decrease of approximately 63.1%.

Gross profit margin for the year ended 31 December 2022 was 8.8%, representing a decrease of 2 percentage points as compared to 10.8% for the same period of last year, mainly due to the different layout of properties in different regions and the difference in selling price and gross profit margin levels resulted from the different structure of properties sold. Furthermore, as continuously affected by the systemic risk of the real estate sector in 2022, the Group sold those projects located in third-tier and fourth-tier cities at a discount in order to improve its liquidity, resulting in a decrease in the overall gross profit margin for the year.

## **Finance income**

Finance income primarily consists of interest income from bank deposits. The Group's finance income decreased by approximately 80.3% from approximately RMB305.3 million in 2021 to approximately RMB60.0 million in 2022, which was mainly due to the decrease in bank deposits as a result of the funding crunch.

## **Other income and gains**

The Group's other income and other gains primarily include (i) gain on disposal of joint ventures; (ii) subsidy income; and (iii) interest income.

The Group's other income and gains increased by 32.8% from approximately RMB436.4 million for the year ended 31 December 2021 to approximately RMB579.7 million for the year ended 31 December 2022, which was mainly due to the increase in gain on disposal of joint ventures in 2022.

## **Selling and distribution expenses**

The Group's selling and distribution expenses decreased by approximately 50.6% from approximately RMB1,266.8 million for the year ended 31 December 2021 to approximately RMB625.2 million for the year ended 31 December 2022, which was primarily due to the decrease in advertising and promotional charges and remuneration of sales staff.

## **Administrative expenses**

The Group's administrative expenses decreased by approximately 48.8% from approximately RMB987.4 million for the year ended 31 December 2021 to approximately RMB505.8 million for the year ended 31 December 2022, which was mainly due to the decrease in labour costs.

## **Other expenses**

The Group's other expenses primarily consist of (i) donations to non-profit organizations and local communities for purposes of poverty elimination, tuition sponsorship, infrastructure construction, disaster relief and elderly care; (ii) compensation for delayed delivery of property projects; and (iii) the increase in late payment of taxes and penalties due to larger increase in penalties related to construction violations and losses incurred in the disposal of subsidiaries. For the year ended 31 December 2022, the Group's other expenses increased by approximately 121.3% from RMB306.7 million to approximately RMB678.7 million as compared with the corresponding period in the previous year, primary due to the loss on disposal of subsidiaries and the provision for impairment of investments in associates and joint ventures.

## **Fair value losses/gains on investment properties**

The Group's fair value loss on investment properties for the year ended 31 December 2022 amounted to approximately RMB46.4 million, representing a turnaround from fair value gains on investment properties of approximately RMB17.7 million for the corresponding period in 2021, which was mainly due to a steady to moderate decline in commercial property values resulted from the weaker than expected recovery of the property market and the remaining weakness in the commercial property market on both the supply and demand sides.

## **Loss on forfeited land development projects**

Loss on forfeited land development projects mainly includes (i) the land deposit which is not refundable when the land transfer contract is terminated; (ii) taxes related to the performance of the land transfer contract; and (iii) the initial construction cost.

The Group's loss on forfeited land development projects for the year ended 31 December 2022 amounted to approximately RMB1,643.6 million (nil for the corresponding period in 2021) in relation to the Group's loss on operating projects in Hangzhou and Shaoxing.

## **Finance costs**

Finance costs mainly consist of (i) interest on loans and other borrowings, senior notes, corporate bonds and lease liabilities; and (ii) interest expense arising from revenue contracts which represent interest expenses recognised for the significant financing components included in contract liabilities during the period from the receipt of sales proceeds to the delivery of underlying properties, less capitalised interests.

The Group's finance costs increased from approximately RMB1,257.3 million in 2021 to approximately RMB1,547.4 million in 2022, which was mainly due to the decrease in the capitalisable interest after project delivery.



### **Share of profits and losses of joint ventures**

The Group recorded share of profits of joint ventures of approximately RMB349.2 million in 2021 and share of losses of joint ventures of approximately RMB 63.5 million in 2022. The Group recorded share of profits of joint ventures in 2021 in relation to the profits from joint venture projects operated by joint ventures in Nanjing, Huzhou and other cities. The Group recorded share of losses of joint ventures in 2022 in relation to the losses from joint venture projects operated by joint ventures in Anqing, Zhuji and other cities.

### **Share of profits and losses of associates**

The Group recorded share of profits of associates of approximately RMB95.6 million in 2021 and share of profits of associates of approximately RMB49.8 million in 2022, which was mainly due to the profits from joint venture projects operated by associated entities in Ningbo and other cities.

### **Loss/profit before tax**

As a result of the foregoing, the Group's loss before tax was approximately RMB3,257.1 million in 2022, compared to its profit before tax of approximately RMB1,639.9 million in 2021.

### **Income tax expense**

The Group's income tax expense decreased from approximately RMB1,159.2 million in 2021 to approximately RMB669.5 million in 2022, which was primarily due to the decrease in taxable profit before tax.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

The Group operates in a capital-intensive industry and property development requires substantial capital investments for land acquisition and property construction. As at the date of this announcement, the Group has funded its operations, working capital, capital expenditure and other capital requirements primarily from cash generated from its operations, mainly including proceeds from the pre-sales and sales of properties, receipt of property lease income from its investment properties, management consulting service fees, and property management service fees, as well as bank and other borrowings, asset-backed securities and senior notes. The financing methods of the Group vary from project to project, and are subject to limitations imposed by PRC regulations and monetary policies.

### **Cash position**

The Group's cash and bank balances, comprising cash and cash equivalents, restricted cash, time deposits and pledged deposits, amounted to approximately RMB4,645.2 million in total as at 31 December 2022, of which RMB4,644.9 million, RMB0.2 million and RMB0.1 million were denominated in RMB, HKD and USD, respectively (31 December 2021: approximately RMB8,448.1 million), representing a decrease of approximately 45% as compared with 31 December 2021.

## Borrowings

As at 31 December 2022, the Group's total borrowings, comprising interest-bearing bank and other borrowings, corporate bonds and senior notes, amounted to approximately RMB28,583.7 million (31 December 2021: RMB34,386.4 million), representing a decrease of approximately 16.9% as compared with 31 December 2021.

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

	As at 31 December	
	2022	2021
	(RMB'000)	(RMB'000)
Repayable within one year	26,369,793	17,247,884
Repayable in the second year	2,172,198	8,634,377
Repayable within two to five years	41,660	8,504,175
Repayable over five years	—	—
<b>Total</b>	<b>28,583,651</b>	<b>34,386,436</b>

### US\$200,000,000 10.50% Senior Notes Due June 2022

Reference is made to the 10.5% senior notes due 2022 (the “**June 2022 Notes**”) issued by the Company on 8 June 2021 in an aggregate principal amount of US\$200,000,000, and the ISIN and Common Code of which are XS2347497906 and 234749790, respectively.

Pursuant to the terms of the June 2022 Notes, all outstanding principal amount on the June 2022 Notes together with the accrued interest thereon were due and payable on the maturity date of 7 June 2022. The Company had not made payment of principal and interest on the remaining outstanding principal amount of the June 2022 Notes of US\$200,000,000 on 7 June 2022. The June 2022 Notes were delisted from the Stock Exchange on 7 June 2022 upon its maturity.

As of the date of this announcement, the principal and interests of the aforementioned existing notes remain outstanding.

### Net current assets

As at 31 December 2022, the Group's net current assets amounted to approximately RMB11,483.8 million (31 December 2021: RMB27,063.6 million). Specifically, the Group's total current assets decreased by approximately 20.2% from approximately RMB138,469.9 million as at 31 December 2021 to approximately RMB110,446.7 million as at 31 December 2022. The Group's total current liabilities decreased by approximately 11.2% from approximately RMB111,406.2 million as at 31 December 2021 to approximately RMB98,982.9 million as at 31 December 2022. The decrease in the net current assets of the Group was mainly attributable to (i) the decrease of approximately RMB3,380.7

million in currency funds, primarily due to the repayment of borrowings and the payment of construction costs; (ii) the decrease of approximately RMB19,003.0 million in properties under development and completed properties held for sale, primarily due to the decrease in the number of newly acquired projects during the year; and (iii) the decrease of approximately RMB10,822.0 million in contract liabilities, primarily due to the impact of the epidemic and the downturn in the market which had led to the decrease in actual amount of property sales proceeds received.

### **Pledge of assets**

As at 31 December 2022, the Group's borrowings were secured by the Group's assets of approximately RMB32,024.5 million which include property, plant and equipment, properties under development and pledged deposits (31 December 2021: approximately RMB38,964.8 million). The decrease in pledged assets was primarily due to the decrease in the amount of the Group's loans.

### **Financial risks**

The main risks arising from the Group's activities are: interest rate risk, credit risk, foreign currency risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

#### ***Interest rate risk***

The Group's exposure to risk for changes in market interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge interest rate risks. The Group manages its interest costs using variable rate bank borrowings and other borrowings.

#### ***Liquidity risk***

The Group aims to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet its operation needs and commitments in respect of property projects. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. The Group reviews its liquidity position on an ongoing basis, including review of the expected cash inflows and outflows, pre-sales/sales results, maturity of its borrowings and the progress of the property projects in order to monitor its liquidity requirements in the short and long terms.

The Board reviews its risk management policy on a on-going basis and would take appropriate actions to contain its risk exposure.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 31 December 2022, the Group has no plan for any material investments or capital assets.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

### **Disposal of 23.8095% equity interest in Zhejiang Sunflower Health Industry Development Co., Ltd.**

On 7 January 2022, Shinsun Hong Kong Limited (“**Shinsun HK**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Zhuji Tiancheng Hongwei Property Co., Ltd. (“**Zhuji Tiancheng**”), under which Zhuji Tiancheng agreed to acquire and Shinsun HK agreed to sell, 23.8095% equity interest in Zhejiang Sunflower Health Industry Development Co., Ltd. (a company principally engaged in the business of elderly care services, health and sports related consulting services (excluding diagnosis and treatment services), hospital management, property management, hotel management, park management services) at a consideration of RMB336,990,471.75 (equivalent to approximately HK\$410,963,989.939) in cash.

For further details, please refer to the announcement of the Company dated 7 January 2022.

### **Disposal of 51% equity interest in Hangzhou Bintuo Enterprise Management Co., Ltd**

On 17 January 2022, Hangzhou Binwang Enterprise Management Consulting Co., Ltd. (“**Hangzhou Binwang**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Zhelvzhanjing Real Estate Co., Ltd. (“**Zhelvzhanjing Real Estate**”), under which Zhelvzhanjing Real Estate agreed to acquire and Hangzhou Binwang agreed to sell, 51% equity interest in Hangzhou Bintuo Enterprise Management Co., Ltd. (a company principally engaged in the business of enterprise management consulting, marketing planning, and related services) at a consideration of RMB487,036,040.11 in cash.

For further details, please refer to the announcement of the Company dated 17 January 2022.

### **Acquisition of 7.3258% equity interest in Hangzhou Didang Investment Management Partnership (Limited Partnership)**

On 17 January 2022, Hangzhou Dongyu Enterprise Management Co., Ltd. (“**Hangzhou Dongyu**”), an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with Zhelvzhanjing Real Estate, under which Hangzhou Dongyu agreed to acquire and Zhelvzhanjing Real Estate agreed to sell, 7.3258% of the interest in Hangzhou Didang Investment Management Partnership (Limited Partnership) (a partnership principally engaged in the business of equity investment) at the consideration of RMB160,000,000 in cash and the debt owed by the Shaoxing Xiangsheng Hongsheng Real Estate Development Co., Ltd. to Zhelvzhanjing Real Estate in the principal amount of RMB398,868,517.15 at the consideration of RMB398,868,517.15.

For further details, please refer to the announcement of the Company dated 17 January 2022.

### **Disposal of 58.5% equity interest in Linhai Ziyuan Yintong Real Estate Co., Ltd**

On 18 March 2022, Shinsun Property Group Co., Ltd. (“**Shinsun Property**”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Zhuji Guoyue Enterprise Management Consulting Co., Ltd. (“**Zhuji Guoyue**”), under which Zhuji Guoyue agreed to acquire and Shinsun Property agreed to sell, 58.5% equity interest in Linhai Ziyuan Yintong Real Estate Co., Ltd. (a company principally engaged in the business of properties development) at a consideration of RMB272,000,000 in cash.

For further details, please refer to the announcement of the Company dated 18 March 2022.

### **Disposal of 50% equity interest in and debt assignment to Huzhou Jiaotou Xiangsheng Real Estate Development Co., Ltd.**

On 3 June 2022, Shinsun Property, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Zhejiang Jiaotou Holding Group Co., Ltd., under which Zhejiang Jiaotou Holding Group Co., Ltd. agreed to acquire and Shinsun Property agreed to sell, 50% equity interests in Huzhou Jiaotou Xiangsheng Real Estate Development Co., Ltd. (“**Huzhou Jiaotou**”) at a cash consideration of RMB92,500,000. Simultaneously to entering of the equity transfer agreement, Shinsun Property, Huzhou Wuxing Jiaotou Xiangsheng Real Estate Co., Ltd. and Huzhou Jiaotou entered into a debt assignment agreement, pursuant to which, Shinsun Property assigned its debt of RMB24,750,000 owed to Huzhou Wuxing Jiaotou Xiangsheng Real Estate Co., Ltd. to Huzhou Jiaotou to offset the same amount of debt owed by Huzhou Jiaotou to Shinsun Property.

For further details, please refer to the announcement of the Company dated 5 June 2022.

### **Disposal of 100% equity interest in Shaoxing Shinsun Hongxing Real Estate Development Co., Ltd.**

On 12 July 2022, Hangzhou Yaoyang Enterprise Management Co., Ltd. (“**Hangzhou Yaoyang**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (“**Hangzhou Yuhang Agile Real Estate**”), under which Hangzhou Yuhang Agile Real Estate agreed to acquire and Hangzhou Yaoyang agreed to sell, the sale shares, representing 100% of the registered capital of Shaoxing Shinsun Hongxing Real Estate Development Co., Ltd. (“**Shaoxing Shinsun**”) at a cash consideration of RMB339,734,559.85 (equivalent to approximately HK\$397,490,000).

For further details, please refer to the announcement of the Company dated 12 July 2022.

**Disposal of 50% equity interest in Anji Sante Tianye Pastoral Tourism Development Co., Ltd. and accounts receivables and related interests**

On 17 November 2022, Zhejiang Xiangjing Tourism Development Co., Ltd.\* (浙江祥景旅遊產業發展有限公司) (“**Xiangjing Tourism**”), an indirect wholly-owned subsidiary of the Company, and Hangzhou Jinglu Enterprise Management Partnership (Limited Partnership)\* (杭州景陸企業管理合夥企業(有限合夥)) (“**Hangzhou Jinglu**”) entered into (i) an equity transfer agreement to dispose 50% of the equity interests in Anji Sante Tianye Pastoral Tourism Development Co., Ltd.\* (安吉三特田野牧歌旅遊開發有限公司) (“**Anji**”) at the consideration of RMB22,963,110.45; and (ii) a transfer agreement to dispose the accounts receivable and related interests of Xiangjing Tourism against Anji with a book value of RMB78,198,700 as at 30 June 2022 at a consideration of RMB69,486,283.54.

For further details, please refer to the announcement of the Company dated 17 November 2022.

**Disposal of 55% equity interest in Hangzhou Chunyuan Health Elderly Care Co., Ltd. and accounts receivables and related interests**

On 17 November 2022, (i) Hangzhou Langjun Enterprise Management Consulting Co., Ltd.\* (杭州朗駿企業管理諮詢有限公司) (“**Hangzhou Langjun**”), an indirect wholly-owned subsidiary of the Company, entered into the transfer agreement with Hangzhou Jinglu, pursuant to which Hangzhou Langjun agreed to sell and Hangzhou Jinglu agreed to acquire 55% equity interests in Hangzhou Chunyuan Health Elderly Care Co., Ltd.\* (杭州春園健康養老服務有限公司) (“**Chunyuan**”) at the consideration of RMB13,432,224.02; and (ii) Hangzhou Langjun and Shinsun Property, each an indirect wholly-owned subsidiary of the Company, entered into the transfer agreement with Hangzhou Jinglu pursuant to which Hangzhou Langjun and Shinsun Property agreed to dispose of and Hangzhou Jinglu agreed to acquire the accounts receivable and related interests of Hangzhou Langjun and Shinsun Property against Chunyuan with an aggregate book value of RMB122,800,000 as at 30 June 2022 at the consideration of RMB109,118,382.00.

For further details, please refer to the announcement of the Company dated 17 November 2022.

Save as disclosed above, the Group had no significant investments or material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

## **CONTINGENT LIABILITIES**

### **Mortgage guarantees**

In line with market practice in the PRC, the Group has arrangements with various banks for the provision of mortgage financing and where required, provide its customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the issuance of the real estate ownership certificate upon the completion of guarantee registration or satisfaction of mortgage loan by the purchaser. As a guarantor, if the purchaser defaults in payment, the Group is obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan and have the right to claim such amount from the defaulting purchaser.

The total outstanding mortgage guarantee amounts provided by the Group to banks amounted to approximately RMB17,767.1 million as at 31 December 2022 (31 December 2021: approximately RMB22,250.9 million).

The Group did not incur any material losses during the year ended 31 December 2022 in respect of the guarantees provided for mortgage facilities granted to purchasers of its completed properties held for sale.

### **Financial guarantees**

As at 31 December 2022, the Group guaranteed certain of the bank and other borrowings made to its related companies up to approximately RMB320.98 million (as at 31 December 2021, the Group guaranteed certain of the bank and other borrowings made to its related companies up to approximately RMB1,287.5 million).

### **Legal contingents**

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. Save as disclosed in this announcement, the Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on its business, financial condition or operating results.

## **COMMITMENTS**

As at 31 December 2022, the Group had capital commitment of approximately RMB21,699.1 million in relation to the signing of a construction contract or land contract that is being or will be performed (31 December 2021: approximately RMB29,611.2 million).

## KEY FINANCIAL RATIOS

### Current Ratio

As at 31 December 2022, the current ratio of the Group was approximately 1.1 times (31 December 2021: approximately 1.2 times). The Group's current ratio was relatively stable and the decrease was mainly due to the decrease in current assets.

Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective dates and multiplied by 100%.

### Gearing Ratio

As at 31 December 2022, the gearing ratio of the Group was approximately 93.8% (2021: approximately 88.4%), mainly due to the decrease in net assets as a result of losses incurred during the Relevant Year. This ratio is calculated as total debts divided by total assets as shown in the consolidated balance sheet.

### Net gearing ratio

As at 31 December 2022, the Group's net gearing ratio increased to 3.3 as compared with the net gearing ratio of 1.5 as at 31 December 2021 (which was calculated based on total bank and other borrowings, asset-backed securities, corporate bonds and senior notes less cash and bank balances divided by total equity as of the respective dates), which was primarily due to the decrease in net assets as a result of losses incurred during the Relevant Year.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, the Group has not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties and related parties. The Group does not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to the Group.

## NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 November 2020 (the "Listing"). The net proceeds from the Listing (including the full exercise of the over-allotment option), after deducting the underwriting commission and other estimated expenses in connection with the Listing which the Company received amounted to approximately HK\$3,514.0 million. The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Further details on the utilisation of the net proceeds for the year ended 31 December 2022 will be disclosed in the annual report of the Company for the year ended 31 December 2022.



## **EMPLOYEE, REMUNERATION POLICY AND TRAINING**

As at 31 December 2022, the Group employed a total of 1,256 full-time employees (31 December 2021: 2,966). For the year ended 31 December 2022, the staff cost recognised as expenses of the Group amounted to approximately RMB356 million (31 December 2021: approximately RMB840 million).

The remuneration policy of the Group is to provide remuneration packages, including salary, bonus and other cash subsidies. The Company has also conditionally adopted a share option scheme on 20 October 2020 to recognise and reward the eligible employees for their contributions to the business and development of the Group. In general, the Group determines employee salaries based on each employee's qualification, position and seniority. The Group has designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raises, bonuses and promotions. As required by PRC regulations, the Group makes contributions to mandatory housing funds and social insurance funds.

The Group has also incorporated mentorship, assessment, feedback and evaluation processes into its various training programs, which the Group believes will facilitate its employees to better learn and grow. The Group believes that its training programs, combined with on-the-job learning, facilitate advancement of its employees.

The Group has a labor union which represents the interests of its employees and works closely with its management on labor-related issues. As at 31 December 2022, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on the Group's operations.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the holders (the "**Shareholders**") of the shares of the Company (the "**Shares**") and to enhance corporate value and accountability.

The Company has adopted and applied the corporate governance code (the "**Corporate Governance Code**") contained in Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code on corporate governance and, to the best knowledge of the Directors, the Company had complied with the then applicable code provisions under Part 2 of the Corporate Governance Code in force during the year ended 31 December 2022. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2022.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 (which has been renumbered to Appendix C3 with effect from 31 December 2023) to the Listing Rules (the “**Model Code**”) as the guidelines for the Directors’ dealings in the securities of the Company since the Listing. Following specific enquiries to each of the Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code for the year ended 31 December 2022.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

### **US\$300,000,000 12.50% Senior Notes Due 2022**

Reference is made to the 12.50% senior notes due 23 January 2022 (the “**January 2022 Notes**”) issued by Xiang Sheng Holding Limited (祥生控股有限公司) on 23 January 2020 in an aggregate principal amount of US\$300,000,000. The ISIN and Common Code for the 2022 Notes are XS2069303811 and 206930381, respectively.

On 18 January 2022, all conditions precedent to Xiang Sheng Overseas Limited’s and the Company’s offer to exchange any and all of the outstanding January 2022 Notes (the “**Exchange Offer**”) have been fulfilled, and the Exchange Offer has been completed. US\$134,472,500 Series A New Notes due January 2023 (“**January 2023 Notes A**”, the ISIN and Common Code of which are XS2434191073 and 243419107, respectively) and US\$86,200,000 Series B New Notes due January 2023 (“**January 2023 Notes B**”, the ISIN and Common Code of which are XS2434191156 and 243419115, respectively) were issued. As a result, the January 2022 Notes validly tendered for exchange and accepted pursuant to the Exchange Offer have been cancelled. The remaining aggregate principal amount of US\$19,470,000 of the January 2022 Notes remains outstanding.

Save as disclosed, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022 and up to the date of this announcement.

## **SIGNIFICANT EVENTS AFTER THE RELEVANT YEAR**

### **Dismissal of Winding-up Petition**

References are made to the announcements of the Company dated 23 September 2022, 20 October 2022, 7 February 2023 and 25 April 2023 in relation to the winding-up petition dated 16 September 2022 against the Company (the “**Petition**”). On 21 April 2023, the Grand Court of the Cayman Islands ordered, inter alia, the dismissal of the Petition.

## **Delisting of the August 2023 Notes**

References are made to the announcements of the Company dated 13 August 2021, 18 August 2021, 19 August 2021, 21 March 2022, 4 April 2022, 20 February 2023 and 18 August 2023 in relation to the 12% senior notes due 2023 in the principal amount of US\$200,000,000 issued by the Company (the “**August 2023 Notes**”). The ISIN and Common Code for the August 2023 Notes are XS2369849745 and 236984974, respectively.

The principal amount of the August 2023 Notes of US\$200,000,000 and its accrued and unpaid interest thereon became due and payable in April 2022. The August 2023 Notes were delisted from the Stock Exchange on 18 August 2023 upon its maturity.

As of the date of this announcement, the aforementioned principal and interests of the August 2023 Notes remain outstanding.

## **Proposed Offshore Restructuring**

Over the past year, the Company has faced challenges from various factors, including the macroeconomy, the credit environment, the COVID-19 pandemic and the resulting tightened liquidity.

As stated in the Company’s announcement dated 20 February 2023 (the “**Announcement**”), to improve its financial stability and sustainability, the Group is launching the proposed restructuring of the Transaction Notes (as defined in the Announcement). The Company expects to commence the process of implementing the restructuring on the terms set forth in the creditor support agreement as soon as possible and will update the Shareholders and potential investors by way of announcement if there is any material development on this.

## **The Completion of the 2022 Notes Restructuring**

In March 2023, the Company and its subsidiary, Shinsun Property Group Co., Ltd, commenced the extension offer to the bonds with a principal amount of RMB500,000,000 (the “**2020 Bonds**”).

In April 2023, the Group has obtained approval from the bondholders of the 2020 Bonds for extension of the maturity date to March 2026 with additional land use right and property of the Group’s subsidiaries as collateral. Furthermore, the interest rate of 2020 Bonds has been adjusted to 5.5% per annum.

Save as disclosed above, as at the date of this announcement, the Group did not have any other significant event subsequent to 31 December 2022.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has been granted a waiver by the Stock Exchange pursuant to Rule 8.08(1) of the Listing Rules and the Stock Exchange has accepted the minimum public float of 20.8% of the total issued share capital of the Company. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the number of the Shares held by the public for the year ended 31 December 2022 and up to the date of this announcement has been in compliance with the minimum percentage of public float prescribed by the Stock Exchange.

## **FINAL DIVIDEND**

The Board recommended not to declare a final dividend for the year ended 31 December 2022 (2021: Nil).

## **AUDIT COMMITTEE**

The Board established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. The terms of reference of the Audit Committee has been uploaded to the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shinsunholdings.com](http://www.shinsunholdings.com)).

The primary duties of the Audit Committee are to review, supervise and approve the financial reporting process and internal control system and to provide advice and comments to the Board. As at the date of this announcement, the Audit Committee consists of three members, namely Mr. Ma Hongman, Mr. Hung Yuk Miu and Mr. Wang Guozhen, each of them is an independent non- executive Director. The chairman of the Audit Committee is Mr. Hung Yuk Miu, who possesses appropriate professional qualifications.

## **REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE**

The Audit Committee has discussed with the Company's management and independent auditor and has reviewed the annual results of the Group for the year ended 31 December 2022 together with the accounting standards and practices adopted by the Group. The Audit Committee has agreed with the management of the Company on the annual results of the Group for the year ended 31 December 2022. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's independent auditor, Prism Hong Kong and Shanghai Limited.

## **SCOPE OF WORK OF PRISM HONG KONG AND SHANGHAI LIMITED**

The figures in respect of the Group's consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by Prism Hong Kong and Shanghai Limited, the Company's independent auditor, to the amounts set out in the Group's audited consolidated financial statements for the Relevant Year. The work performed by Prism Hong Kong and Shanghai Limited in this respect did not constitute an audit engagement work in accordance with "Hong Kong Standards on Auditing", "Hong Kong Standards on Review Engagements" or "Hong Kong Standards on Assurance Engagements" issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been performed by Prism Hong Kong and Shanghai Limited on this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the website of the Company at <http://www.shinsunholdings.com>. The Company's 2022 annual report will be dispatched to Shareholders and published on the aforementioned websites in due course.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading of the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Monday, 3 April 2023 and will remain suspended until further notice.

**Shareholders and potential investors should exercise caution when dealing in the Shares.**

By order of the Board  
**Shinsun Holdings (Group) Co., Ltd.**  
**Chen Hongni**  
*Acting Chairman*

Hong Kong, 31 January 2024

*As at the date of this announcement, the Board comprises Mr. Chen Hongni as executive Director; and Mr. Ma Hongman, Mr. Hung Yuk Miu and Mr. Wang Guozhen as independent non-executive Directors.*