

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2024

INTERIM RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 amounted to approximately RMB917.9 million, representing a decrease of approximately 53.8% as compared to the six months ended 30 June 2023.
- Gross profit for the six months ended 30 June 2024 was approximately RMB26.1 million with a gross profit margin of approximately 2.8%.
- Loss for the six months ended 30 June 2024 was approximately RMB54.3 million, as compared to a loss of approximately RMB121.9 million for the six months ended 30 June 2023. Loss attributable to owners of the parent was approximately RMB48.1 million, representing a decrease of approximately 78.8% as compared to the six months ended 30 June 2023.
- Total assets as at 30 June 2024 were approximately RMB10,323.5 million, representing a decrease of approximately 7.5% as compared to 31 December 2023.
- Contracted sales amount of the Group together with its associate for the six months ended 30 June 2024 amounted to approximately RMB199.2 million, representing a period-over-period decrease of 62.6%; contracted GFA sold was approximately 30,122 sq.m. for the six months ended 30 June 2024, representing a period-over-period decrease of 59.3%.
- Cash and bank balances were approximately RMB248.9 million as at 30 June 2024.
- Net gearing ratio was 31.6% as at 30 June 2024.

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 2024 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2023, as follows:

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

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	5	917,946	1,985,187
Cost of sales		<u>(891,843)</u>	<u>(1,841,035)</u>
GROSS PROFIT		26,103	144,152
Other income and gains	5	461	3,518
Selling and distribution expenses		(14,405)	(49,282)
Administrative expenses		(27,535)	(29,087)
Other expenses		(675)	(57,859)
Fair value loss on investment properties		–	(5,200)
Finance costs	7	(39,542)	(18,229)
Share of losses of:			
Associates		<u>4,880</u>	<u>(418)</u>
(LOSS)/PROFIT BEFORE TAX		(50,713)	(12,405)
Income tax expense	8	<u>(3,538)</u>	<u>(109,518)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(54,251)</u>	<u>(121,923)</u>
Attributable to:			
Owners of the parent		(48,103)	(226,430)
Non-controlling interests		<u>(6,148)</u>	<u>104,507</u>
		<u>(54,251)</u>	<u>(121,923)</u>

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(54,251)</u>	<u>(121,923)</u>
Attributable to:			
Owners of the parent		(48,103)	(226,430)
Non-controlling interests		<u>(6,148)</u>	<u>104,507</u>
		<u>(54,251)</u>	<u>(121,923)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	<i>10</i>	<u>RMB(0.07)</u>	<u>RMB(0.34)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024	31 December 2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,393	2,796
Investment properties		72,300	72,300
Right-of-use assets		–	833
Investments in associates		52,220	47,341
Deferred tax assets		161,293	152,571
		<hr/>	<hr/>
Total non-current assets		288,206	275,841
CURRENT ASSETS			
Properties under development		4,708,232	5,231,337
Completed properties held for sale		2,708,091	2,850,019
Trade receivables	<i>11</i>	17,684	17,296
Due from related parties		82,096	76,598
Prepayments, other receivables and other assets	<i>12</i>	1,913,012	1,948,505
Tax recoverable		273,193	286,604
Restricted cash		153,544	263,864
Pledged deposits		84,083	80,868
Cash and cash equivalents		26,011	46,707
Contract cost assets		69,341	80,722
		<hr/>	<hr/>
Total current assets		10,035,287	10,882,520
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	1,213,467	1,323,200
Other payables and accruals		1,113,302	1,142,450
Contract liabilities		4,565,710	5,201,646
Due to related parties		54,416	31,222
Interest-bearing bank and other borrowings		694,606	667,620
Lease liabilities		–	833
Tax payable		447,501	466,554
		<hr/>	<hr/>
Total current liabilities		8,089,002	8,833,525

		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NET CURRENT ASSETS		<u>1,946,285</u>	<u>2,048,995</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,234,491</u>	<u>2,324,836</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		197,410	234,190
Lease liabilities		–	–
Deferred tax liabilities		<u>2,988</u>	<u>2,303</u>
Total non-current liabilities		<u>200,398</u>	<u>236,493</u>
NET ASSETS		<u>2,034,093</u>	<u>2,088,343</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>14</i>	6	6
Reserves		<u>1,088,749</u>	<u>1,136,351</u>
		1,088,755	1,136,357
Non-controlling interests		<u>945,338</u>	<u>951,986</u>
TOTAL EQUITY		<u>2,034,093</u>	<u>2,088,343</u>

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 2024, 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 2024 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 2023.

Going Concern Basis

As at 30 June 2024, the Group’s current portion of interest-bearing bank and other borrowings amounted to RMB694,606,000 while its cash and cash equivalents amounted to RMB26,011,000 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 has been negotiating with the Group’s existing lenders of the defaulted borrowings and reaching agreements with them for not taking any actions against the Group to exercise their right to demand immediate payment of the principals and interest of these borrowings;
- (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 will continue to seek opportunities to dispose of its assets, such as lands and equity interests in project development companies.

The Directors have reviewed the Group’s cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors 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 statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial statements.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendment to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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 2024 and 2023.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sale of properties	917,014	1,984,164
Rental income	932	1,023
	<u>917,946</u>	<u>1,985,187</u>
Represented by:		
Revenue from the sale of properties:		
Recognised at a point in time	<u>917,014</u>	<u>1,984,164</u>

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	334	1,433
Income from penalties and forfeitures	75	1,035
Foreign exchange gain	–	–
Gain on disposal of a subsidiary	–	412
Government grants	–	203
Others	3	435
	461	3,518

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	891,843	1,527,105
Impairment loss recognised for properties under development and completed properties held for sales	–	313,930
Depreciation of property, plant and equipment	404	1,321
Depreciation of right-of-use assets	–	503
Lease payments not included in the measurement of lease liabilities	–	240
Auditors' remuneration	–	–
Employee benefit expense (including directors' and chief executive's remuneration):		
Salaries and wages (including bonuses)	12,525	22,131
Pension scheme contributions and social welfare	2,074	2,005

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	8,179	52,747
Interest on lease liabilities	–	56
Interest expense arising from revenue contracts	438,904	147,432
	<u>447,083</u>	<u>200,235</u>
Total interest expense	447,083	200,235
Less: Interest capitalised	(407,541)	(182,006)
	<u>39,542</u>	<u>18,229</u>

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 2024.

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 2024.

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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC corporate income tax	3,697	59,550
PRC LAT	7,879	6,038
Deferred tax	(8,038)	43,930
	<u>3,538</u>	<u>109,518</u>
Total tax charge for the period	3,538	109,518

9. DIVIDENDS

No dividends have been declared or paid by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2023: 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 2024 and 2023 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 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Less than 1 year	<u>17,684</u>	<u>17,296</u>

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 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayments for acquisition of land use rights	15,758	37,160
Prepayments for construction cost	55,583	56,169
Other deposits	139,357	132,689
Prepaid other taxes	589,838	610,429
Due from non-controlling shareholders of the subsidiaries	1,067,670	1,062,869
Due from third parties	70,153	71,324
Proceeds from disposal of subsidiaries	1,410	1,410
Other receivables	20,488	20,519
Other prepayments	2,035	5,216
	1,962,292	1,997,785
Impairment allowance	(49,280)	(49,280)
	1,913,012	1,948,505

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Less than 1 year	1,161,140	1,270,872
Over 1 year	52,328	52,328
	<u>1,213,468</u>	<u>1,323,200</u>

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

14. SHARE CAPITAL

	30 June 2024 HK\$	31 December 2023 HK\$
Authorised:		
38,000,000,000 ordinary shares of HK\$0.00001 each	<u>380,000</u>	<u>380,000</u>
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Issued and fully paid:		
675,529,000 ordinary shares of HK\$0.00001	<u>6</u>	<u>6</u>

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 decreased from RMB1,985.2 million for the six months ended 30 June 2023 to RMB917.9 million for the six months ended 30 June 2024. The Group's loss decreased from RMB121.9 million for the six months ended 30 June 2023 to loss of RMB54.3 million for the six months ended 30 June 2024. For the six months ended 30 June 2024, including an associate, the Group recorded unaudited contracted sales of approximately RMB199.2 million, representing a period-over-period decrease of 62.6%.

By optimizing the debt structure, controlling debt growth and strengthening cash reserves, the Group continued to intensify its financial risk resistance. As at 30 June 2024, the Group's major debt indicators remained at an industry healthy level, including net gearing ratio of 31.6% (31 December 2023: 24.4%), cash-to-short term borrowing ratio of 0.36 times (31 December 2023: 0.59 times) and liabilities to asset ratio (excluding advanced sales proceeds) of 64.7% (31 December 2023: 64.9%).

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

In 2024, China's property market generally showed a downward trend, but the decline has been narrowed. The second-hand housing market is relatively active.

According to the data in the first half of 2024, the investment in property development nationwide decreased by 10.2% year-on-year, of which residential investment fell by 10.6%. There was a decline in construction area of housing projects, area of new construction projects and area of completed projects, among which the decline in residential related indicators was more obvious. There was also a decline in sales area and sales volume of newly built commodity housing, especially the sales area and sales volume of residential housing. The area of commodity housing for sale increased year-on-year, with the growth of residential area for sale being particularly significant. The actual investment of property development enterprises fell by 21.3% year-on-year, showing the tightness of market funds. In addition, the climate index of property development was 92.22, showing the need for boosting market confidence and expectations.

However, some positive changes has shown in several aspects of the market. For example, the transaction volume of new housing in key cities increased by 33.93% month-on-month and 20.35% year-on-year in the 34th week of 2024, showing signs of recovery in market demand. In addition, the second-hand housing market also showed signs of activity, especially in some core cities, where the transaction volume of second-hand housing reached the highest monthly level in nearly a year, showing a gradual recovery of the market.

OUTLOOK

From a long-term trend perspective, the property market is facing adjustments and differentiation. With changes in population structure, the advancement of urbanization, and adjustments in financial policies, the property market is undergoing a transformation from incremental market to stock market. In the future, policy optimization, absorbing of existing housing stock by state-owned enterprises, and meeting the diverse housing needs of urban and rural residents will become key factors to promote the gradually stable and healthy development of market.

In conclusion, the property market generally showed a downward trend in 2024, but the decline has been narrowed while the second-hand housing market is relatively active. In the future, with the policy optimization and market adjustments, market expectations are expected to gradually improve.

Property Development Business

Contracted sales

For the six months ended 30 June 2024, the Group recorded unaudited contracted sales of approximately RMB199.2 million, representing a period-over-period decrease of 62.6%, and contracted gross floor area (“GFA”) sold of approximately 30,122 sq.m., representing a period-over-period decrease of 59.3%. The average selling price (“ASP”) of the Group’s contracted sales for the six months ended 30 June 2024 was approximately RMB6,612.6 per sq.m., representing a period-over-period decrease of approximately 8.1%.

As at 30 June 2024, the Group had contract liabilities of approximately RMB4,565.7 million, as compared to approximately RMB5,201.6 million as at 31 December 2023, representing a decrease of approximately 12.2%.

Sale of properties

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

Cities	Six months ended 30 June 2024			Six months ended 30 June 2023		
	GFA	Total	Recognised	GFA	Total	Recognised
	delivered	revenue	ASP	delivered	revenue	ASP
	sq.m.	RMB'000	(RMB/sq.m.)	sq.m.	RMB'000	(RMB/sq.m.)
		(unaudited)			(unaudited)	
Bozhou ⁽¹⁾	69,494	496,631	7,146	862	5,213	6,048
Nanjing	29,885	263,066	8,803	2,233	23,186	10,383
Jiangyin	14,986	96,111	6,413	–	–	–
Tai'an	3,605	19,148	5,312	1,866	10,752	5,762
Xuancheng	2,743	18,116	6,605	–	–	–
Guoyang	2,705	16,997	6,283	22,670	143,171	6,315
Mingguang	782	8,617	11,023	6,273	27,495	4,383
Fuyang	38	50	1,322	–	–	–
Suzhou	–	–	–	68,185	478,345	7,015
Lixin	–	–	–	64,293	397,267	6,179
Guangde	–	–	–	36,928	235,681	6,382
Hefei	–	–	–	35,096	478,570	13,648
Anqing	–	–	–	25,118	182,851	7,280
Chuzhou ⁽²⁾	–	–	–	333	1,633	4,903
Total	124,238	918,737	7,395	263,857	1,984,164	7,520

Notes:

- (1) Excludes Lixin.
- (2) Excludes Mingguang and Fengyang.

As at 30 June 2024, the Group had a diverse portfolio of 46 projects, 31 were completed projects, 14 were projects under development and 1 was project held for future development.

As at 30 June 2024, the Group had completed properties held for sale of RMB2,708.1 million, representing a 5.0% decrease from RMB2,850.0 million as at 31 December 2023. There is no big difference between the number of projects in these two years. With the gradual completion of projects, the number of properties held for sale decreased accordingly. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

As at 30 June 2024, as the Company took a more prudent approach in the construction of new projects during the Period, the Group had properties under development of RMB4,708.2 million, representing a 10.0% decrease from RMB5,231.3 million as at 31 December 2023.

Land Reserves

The following table sets forth the GFA breakdown of the Group's land reserves portfolio as at 30 June 2024 in terms of geographic locations:

	Numbers of Projects	Completed but unsold (in sq.m.)	Planned GFA Under Development (in sq.m.)	Estimated GFA for Future Development (in sq.m.)	Total Land Reserves (in sq.m.)	Percentage of Total Land Reserves (%)
<i>Subsidiaries</i>						
Anhui Province						
Bozhou	11	108,427	228,626	–	337,053	19.4%
Chuzhou	4	11,681	41,439	–	53,120	3.1%
Huainan	1	–	118,593	132,101	250,694	14.4%
Hefei	3	24,977	99,342	63,816	188,135	10.8%
Suzhou	2	2,015	20,849	99,436	122,299	7.0%
Xuancheng	1	2,062	–	–	2,062	0.1%
Bengbu	3	–	276,439	64,137	340,575	19.6%
Subtotal	25	149,162	785,288	359,490	1,293,940	74.4%
Jiangsu Province						
Nanjing	4	16,939	34,857	–	51,797	3.0%
Wuxi	4	28,741	230,421	–	259,163	14.9%
Changzhou	1	–	132,391	–	132,391	7.6%
Subtotal	9	45,680	397,670	–	443,350	25.5%
Subsidiaries, total	34	194,843	1,182,958	359,490	1,737,290	99.8%
<i>Associate</i>						
Hefei	1	202	2,533	–	2,735	0.2%
Associate, total	1	202	2,533	–	2,735	0.2%
Total Land Reserves	35	195,045	1,185,490	359,490	1,740,025	100%

FINANCIAL REVIEW

Revenue

The Group's revenue during the Period consisted of revenue derived from sales of properties and rental. Revenue of the Group decreased by 53.8% from approximately RMB1,985.2 million for the six months ended 30 June 2023 to approximately RMB917.9 million for the six months ended 30 June 2024, primarily due to the decrease of the aggregate GFA delivered for the six months ended 30 June 2024, driven by the unfavourable market environment. The aggregate GFA recognised decreased from 263,857 sq.m. for the six months ended 30 June 2023 to 124,238 sq.m. for the six months ended 30 June 2024, primarily due to the decrease in properties completed and delivered for the six months ended 30 June 2024.

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					
	2024			2023		
	GFA delivered	Recognised revenue	Recognised ASP	GFA delivered	Recognised revenue	Recognised ASP
	sq.m.	RMB'000	(RMB/sq.m.)	sq.m.	RMB'000	(RMB/sq.m.)
		(unaudited)			(unaudited)	
Residential	115,766	870,394	7,519	258,502	1,936,862	7,493
Commercial	3,597	40,843	11,355	3,861	44,065	11,413
Carparks and underground storage space ⁽¹⁾	4,875	7,500	3,193	1,494	3,237	2,167
Total	124,238	918,737	7,395	263,857	1,984,164	7,520

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 decreased by 51.6% from approximately RMB1,841.0 million for the six months ended 30 June 2023 to approximately RMB891.8 million for the six months ended 30 June 2024, which was mainly because of the decrease in construction of new properties.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by 81.9% from approximately RMB144.2 million for the six months ended 30 June 2023 to approximately RMB26.1 million for the six months ended 30 June 2024, primarily due to increase in provision for impairment of inventories.

The gross profit margin decreased to 2.8% for the six months ended 30 June 2024, as compared to 7.3% for the six months ended 30 June 2023 primarily because of the decline in sales price.

Other Income and Gains

The Group's other income and gains primarily consist of interest 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 86.9% from approximately RMB3.5 million for the six months ended 30 June 2023 to approximately RMB0.5 million for the six months ended 30 June 2024, as the Company has received a one-off listing incentives from the government during the period ended 30 June 2023.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of sales commissions, advertising, marketing and business development expenses, staff costs, depreciation and amortisation, office expenses, rent, travel and others.

Selling and distribution expenses of the Group decreased by 70.8% from approximately RMB49.3 million for the six months ended 30 June 2023 to approximately RMB14.4 million for the six months ended 30 June 2024, which was primarily due to the decline in sales of the Group.

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 5.3% from approximately RMB29.1 million for the six months ended 30 June 2023 to approximately RMB27.5 million for the six months ended 30 June 2024, 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 decreased by 98.8% from approximately RMB57.9 million for the six months ended 30 June 2023 to approximately RMB0.7 million for the six months ended 30 June 2024, primarily because the Group revoked the contract signed with the government for acquisition of the land in Bengbu in the first half of the previous year to enhance the liquidity and lost part of the advances amounting to RMB49.6 million in the first half of the previous 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 116.9% from approximately RMB18.2 million for the six months ended 30 June 2023 to approximately RMB39.5 million for the six months ended 30 June 2024, primarily due to the decrease in interest capitalised in the first half of 2024.

Income Tax Expenses

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

Income tax expenses of the Group decreased by 96.8% from approximately RMB109.5 million for the six months ended 30 June 2023 to approximately RMB3.5 million for the six months ended 30 June 2024, primarily due to the decrease in profit during the Period.

Loss/Profit for the Six Months ended 30 June 2024

As a result of the foregoing, the Group recorded a loss for the period of approximately RMB54.3 million for the six months ended 30 June 2024, as compared to a loss of approximately RMB121.9 million for the six months ended 30 June 2023.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

The Group intends to continue to monitor its development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with existing and planned external financing opportunities, including but not limited to the issuance of corporate bonds or other debt offerings and property sales proceeds.

Cash Position

As at 30 June 2024, the Group had cash and bank deposits of approximately RMB248.9 million (31 December 2023: RMB391.4 million), which primarily consisted of restricted cash, pledged deposit and cash and cash equivalents.

Indebtedness

As at 30 June 2024, the Group had total indebtedness, including bank loans and other borrowings, amounted to approximately RMB892.0 million (31 December 2023: approximately RMB901.8 million).

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Current Borrowings		
Bank loans – secured	20,000	33,877
Other loans – secured ⁽¹⁾	545,773	572,743
Other loans – unsecured ⁽¹⁾	83,770	61,000
Total Current Borrowings	649,543	667,620
Non-Current Borrowings		
Bank loans – secured	207,673	199,390
Other loans – secured ⁽¹⁾	34,800	34,800
Total Non-Current Borrowings	242,473	234,190
Total	892,016	901,810

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 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Repayable within one year	649,543	667,620
Repayable in the second year	242,473	84,800
Repayable in the third year	–	149,390
Total	892,016	901,810

Gearing Ratio

The net gearing ratio which was calculated by dividing the net of interest-bearing liabilities minus cash and bank balances (including restricted cash, pledged deposits and cash and cash equivalents) was 31.6% as at 30 June 2024 (31 December 2023: 24.4%).

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. As at 30 June 2024, 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 2024, the Group's certain bank and other borrowings are secured by the pledges of the Group's assets with carrying values of approximately RMB1,758.9 million (31 December 2023: approximately RMB1,982.9 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 2024 RMB'000	31 December 2023 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	<u>5,310,298</u>	<u>5,310,298</u>
Total	<u>5,310,298</u>	<u>5,310,298</u>

Capital Commitment

As at 30 June 2024, the Group's capital commitment it had contracted but not provided for was RMB1,571.9 million, compared to RMB1,827.5 million as at 31 December 2023.

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 2024. 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 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had 99 employees (31 December 2023: 223). 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 2024.

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 (including sales of treasury shares) during the six months ended 30 June 2024 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 2024.

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 C1 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 2024, 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 C3 to the Listing Rules as its own code of conduct for securities transactions conducted by relevant Directors and employees. After making specific enquires to all the Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2024.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules with written terms of reference. On 10 July 2024, Mr. Chen Sheng resigned as an independent non-executive Director and ceased to be a member of the Audit Committee.

Since 10 July 2024, Mr. Gao Bo has been appointed as an independent non-executive Director and a member of the Audit Committee. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Wang Ye, Mr. Gao Bo and Mr. Tong Yu. Mr. Wang Ye 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 2024. The Audit Committee is of the view that the unaudited interim condensed consolidated financial information is in compliance with the applicable accounting standards.

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 2024 containing all the information required by the Listing Rules will be published on the above-mentioned websites and despatched (if requested) to the shareholders of the Company in due course.

By order of the Board
Sanxun Holdings Group Limited
Qian Kun
Chairman

Hong Kong, 30 August 2024

As at the date of this announcement, the Board consists of Mr. Qian Kun, Ms. An Juan, Mr. Tao Qingchen and Mr. Zhang Xiaohui, being the executive Directors, and Mr. Gao Bo, Mr. Tong Yu and Mr. Wang Ye, being the independent non-executive Directors.