Sunkwan Properties Group Limited
上坤地產集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6900)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS HIGHLIGHTS

- Revenue was approximately RMB8,340.1 million, representing an increase of approximately 1.8% as compared with the corresponding period in 2020. Gross profit for the year was approximately RMB1,172.2 million with a gross profit margin of approximately 14.1%.

- Profit for the year was approximately RMB583.5 million, representing a decrease of approximately 34.1% as compared with the corresponding period in 2020. Profit attributable to owners of the parent was approximately RMB250.1 million, representing a decrease of approximately 29.8% as compared with the corresponding period in 2020.

- Total assets as at 31 December 2021 were approximately RMB40,375.5 million, representing a year-on-year increase of approximately 32.3%.

- As at 31 December 2021, net gearing ratio was 85.9% (31 December 2020: 54.3%), and assets to liabilities ratio after excluding receipts in advance was 70.5% (31 December 2020: 72.1%), which remaining stable. As at 31 December 2021, the Group's cash and bank balances were approximately RMB4,483.1 million.

- The Group had contract liabilities of approximately RMB13,741.8 million as at 31 December 2021, representing an increase of approximately 71.7% compared to approximately RMB8,001.5 million as at 31 December 2020.

- The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: RMB2 cents per ordinary share, totaling RMB39,331,000).

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sunkwan Properties Group Limited ("**Sunkwan Properties**" or the "**Company**") is pleased to announce that the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Year**"), together with comparative figures for the preceding financial year are as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
REVENUE	*3*	**8,340,071**	8,190,576
Cost of sales		**(7,167,914)**	(6,396,196)
GROSS PROFIT		**1,172,157**	1,794,380
Finance income		**83,849**	17,313
Other income and gains	*3*	**96,891**	8,320
Selling and distribution expenses		**(267,339)**	(240,058)
Administrative expenses		**(323,303)**	(277,508)
Impairment (losses)/gains on financial assets		**(1,286)**	950
Other expenses		**(13,523)**	(7,181)
Fair value gains on investment properties		**48,448**	102,537
Fair value (losses)/gains on financial assets at fair value through profit or loss		**(74,220)**	368
Finance costs	*4*	**(322,520)**	(301,971)
Share of profits and losses of:			
Joint ventures		**34,465**	160,965
Associates		**(11,710)**	73,933
PROFIT BEFORE TAX	*5*	**421,909**	1,332,048
Income tax credit/(expense)	*6*	**161,597**	(446,886)
PROFIT FOR THE YEAR		**583,506**	885,162
Profit attributable to:			
Owners of the parent		**250,057**	356,064
Non-controlling interests		**333,449**	529,098
		583,506	885,162
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted earnings per share	*8*	**RMB0.12**	RMB0.23

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**137,837**	143,721
Right-of-use assets		**2,438**	1,777
Investment properties		**2,483,200**	3,245,600
Intangible assets		**1,321**	2,166
Investments in joint ventures		**612,502**	357,174
Investments in associates		**1,972,217**	1,584,016
Deferred tax assets		**616,919**	521,353
Total non-current assets		**5,826,434**	5,855,807
CURRENT ASSETS			
Properties under development	*9*	**19,739,521**	12,495,168
Completed properties held for sale		**784,269**	1,562,937
Trade receivables	*10*	**23,879**	25,913
Due from related companies		**4,909,111**	1,341,958
Contract cost assets		**174,931**	51,497
Prepayments, other receivables and other assets		**4,031,040**	3,474,502
Tax recoverable		**292,665**	267,134
Financial assets at fair value through profit or loss		**110,597**	113,209
Restricted cash		**1,471,491**	1,768,413
Pledged deposits		**64,828**	199,881
Cash and cash equivalents		**2,946,780**	3,365,194
Total current assets		**34,549,112**	24,665,806
CURRENT LIABILITIES			
Trade and bills payables	*11*	**2,101,183**	1,714,898
Other payables and accruals		**3,184,260**	2,571,598
Contract liabilities		**13,741,819**	8,001,562
Due to related companies		**695,846**	539,125
Interest-bearing bank and other borrowings		**3,147,335**	2,329,620
Provision for financial guarantee contracts		**35,303**	–
Senior notes		**2,633,520**	–
Tax payables		**1,297,608**	2,417,983
Lease liabilities		**30,014**	32,277
Total current liabilities		**26,866,888**	17,607,063
NET CURRENT ASSETS		**7,682,224**	7,058,743
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,508,658**	12,914,550

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**5,444,218**	6,415,748
Deferred tax liabilities	**187,165**	161,715
Lease liabilities	**25,169**	54,518
Total non-current liabilities	**5,656,552**	6,631,981
Net assets	**7,852,106**	6,282,569
EQUITY		
Equity attributable to owners of the parent		
Share capital	**14**	14
Reserves	**2,501,209**	2,279,483
	2,501,223	2,279,497
Non-controlling interests	**5,350,883**	4,003,072
Total equity	**7,852,106**	6,282,569

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 21 August 2018. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 November 2020. 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 subsidiaries now comprising the Group were involved in property development, property leasing and providing project management services in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is FULVA Holdings Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (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 financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going Concern Basis

As at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings, and senior notes amounted to RMB5,780,855,000 while the balance of cash and cash equivalents is amounted to RMB2,946,780,000. The Group anticipates that the market condition in the real estate sector remains under pressure in 2022, and therefore, in the absence of a sharp recovery in the market and a resurge of various financing options, the Group remains cautious about its liquidity in the near term. The above conditions indicated the existence of material uncertainties which may cast significant doubt on 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) Subsequent to 31 December 2021, the Company successfully completed exchange offer and consent solicitation with respect to senior notes amounted to RMB1,021,000,000, which effectively extended the maturity date after January 2023, alleviating its cashflow pressure and improving the liquidity of the Group.

b) The Group continues to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.

c) the Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost.

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

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

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of 31 December 2021. 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 believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 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 Group 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 consolidated financial information.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform- Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had no interest-bearing bank and other borrowings and senior notes denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 31 December 2021. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the covid-19 pandemic for the year ended 31 December 2021.

The Company has changed its accounting policy for the classification of the interest paid in the current year's condensed consolidated statement of cash flows. In prior periods, interest paid was classified as cash flows from operating activities, whereas interest paid is now classified as cash flows from financing activities (the "**Policy Change**"). In the opinion of the directors of the Company, it is more appropriate to classify all cash flows in respect of the Group's borrowings, as cash flows from financing activities in the consolidated statement of cash flows to reflect the nature of the cash flows associated with the Group's borrowings, including the interest paid as a cost of financing, and will provide more relevant information about the cash flows associated with the borrowings. The directors are also of the opinion that such classification and presentation will provide greater comparability with other industry peers of the Group. The comparative amounts have been restated accordingly.

Set out below are the amounts by which each financial statement line item was affected for the years ended 31 December 2021 and 2020 as a result of the Policy Change:

	For the year ended 31 December	
	2021	2020
	Increase /(decrease)	Increase /(decrease)
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	**1,170,467**	785,364
Increase in cash flows related to operating activities	**1,170,467**	785,364
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(1,170,467)**	(785,364)
Decrease in cash flows related to financing activities	**(1,170,467)**	(785,364)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**–**	–

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss and other comprehensive income, financial position and changes in equity.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IAS 1, International Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

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

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**8,279,845**	8,143,888
Revenue from other sources		
Gross rental income from investment property operating leases	**60,226**	46,688
	8,340,071	8,190,576

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of goods or services:		
Sale of properties	**8,158,783**	8,038,124
Project management services	**121,062**	105,764
Total revenue from contracts with customers	**8,279,845**	8,143,888
Timing of revenue recognition:		
Properties transferred at a point in time	**8,158,783**	8,038,124
Services transferred over time	**121,062**	105,764
Total revenue from contracts with customers	**8,279,845**	8,143,888

The following table shows the amounts of revenue recognised in the reporting period that were included in the contract liabilities at the beginning of respective periods and recognised from performance obligations satisfied in previous periods:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sale of properties	**5,688,892**	5,758,920

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sales of properties

The performance obligation is satisfied when the purchaser obtains the physical possession or the legal title of the completed property and the Group has right to payment and collection of the consideration if probable.

Project management services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to the sales of properties as at the end of the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**7,657,472**	7,059,528
After one year	**8,177,546**	1,260,309
	15,835,018	8,319,837

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2021	2020
	RMB'000	*RMB'000*
Other income and gains		
Exchange gains	**39,175**	–
Gain on disposal of subsidiaries	**27,157**	–
Remeasurement gain on an investment in a joint venture held before business combination	**23,907**	–
Government grants	**3,402**	4,238
Forfeiture of deposits	**1,939**	3,303
Others	**1,311**	779
	96,891	8,320

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on interest-bearing bank and other borrowings	**1,324,321**	772,356
Interest on lease liabilities	**2,649**	3,537
Interest expense arising from revenue contracts	**394,903**	314,072
Total interest expense on financial liabilities not at fair value through profit or loss	**1,721,873**	1,089,965
Less: Interest capitalised	**(1,399,353)**	(787,994)
	322,520	301,971

5. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Cost of properties sold	**6,999,276**	6,259,087
Impairment losses recognised for properties under development	**126,998**	80,289
Impairment losses recognised/(reversed) for financial assets	**1,286**	(950)
Depreciation of property, plant and equipment	**7,611**	7,450
Depreciation of right-of-use assets	**3,437**	4,429
Lease payments not included in the measurement of lease liabilities	**5,903**	1,787
Auditor's remuneration	**5,250**	2,800
Amortisation of intangible assets	**845**	1,004
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**180,931**	173,481
Pension scheme contributions and social welfare	**41,846**	23,248
Employee share-based compensation expense	**11,000**	–

6. 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, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the year ended 31 December 2021.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the reporting period.

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 LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
Corporate income tax	**318,463**	200,542
LAT	**(428,596)**	(28,955)
Deferred tax	**(51,464)**	275,299
Total tax (credit)/charge for	**(161,597)**	446,886

7. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed final – Nil (2020: RMB2 cents per ordinary share)	**–**	39,331

The Board does not recommend the payment of final dividend for the year ended December 31, 2021 (2020: RMB39,331,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,072,940,000 (2020: 1,565,859,781) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 December 2021 and 2020 was based on 1,500,000,000 shares of the Company as at 1 January 2020. On 17 November 2020, the Company issued 500,000,000 new ordinary shares. On 10 December 2020, the over-allotment option has been partially exercised and the Company allotted and issued 72,940,000 additional shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**250,057**	356,064

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year	**2,072,940,000**	1,565,859,781
Earnings per share		
Basic and diluted	**RMB0.12**	RMB0.23

9. PROPERTIES UNDER DEVELOPMENT

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**12,495,168**	10,859,280
Additions	**13,541,849**	7,976,048
Acquisition of subsidiaries	**2,373,586**	565,495
Disposal of subsidiaries	**(2,617,737)**	–
Transferred from investment properties	**1,281,200**	–
Transferred to completed properties held for sale	**(7,179,525)**	(6,806,647)
Transferred to investment properties	**(160,143)**	(47,202)
Impairment losses recognised	**(126,998)**	(80,289)
Impairment losses transferred to completed properties held for sale	**132,121**	28,483
At the end of the year	**19,739,521**	12,495,168

The Group's properties under development are situated on leasehold land in Mainland China.

Certain of the Group's properties under development with an aggregate carrying amounts of approximately RMB11,672,587,000 (2020: RMB7,400,552,000) as at 31 December 2021 have been pledged to secure bank and other borrowings granted to the Group.

10. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**24,481**	26,488
Less: Impairment	**(602)**	(575)
	23,879	25,913

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**24,118**	26,402
Over 1 year	**363**	86
	24,481	26,488

11. TRADE AND BILLS PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**2,059,070**	1,691,174
Over 1 year	**42,113**	23,724
	2,101,183	1,714,898

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

The fair values of trade and bills payables as at the end of the year approximated to their corresponding carrying amounts due to their relatively short maturity terms.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND OUTLOOK

2021 Review

In 2021, we witnessed the repeated outbreak of the epidemic and the ups and downs of the real estate industry. With the continuous pressure of regulatory policies and the severe and complicated financing environment, the real estate industry is undergoing profound adjustment.

In 2021, the gross domestic product (GDP) reached RMB110 trillion, representing a year-on-year increase of 8.1%. The scale of new home sales and development and investment in the real estate industry both hit record highs, up by 1.9% and 4.4% respectively, although the sales performance showed a trend of eventual decline following its initial growth for the year. Various development activities declined significantly, with new construction and land acquisition down by 31% and 33% year-on-year. Especially in the second half of the year, under the background of the impacts of the epidemic and the tightening of policy regulation, the real estate industry encountered many challenges such as weakening market confidence and insufficient liquidity. The impacts of the epidemic and industry changes have pushed real estate companies to reset and upgrade their strategic thinking.

Despite the challenges, the Group continued to maintain a stable operation, and continued to dig into the three core economic circles. In 2021, our land bank increased by 3,078,137 sq.m., of which 48.5% was in the Yangtze River Delta, which further expanded our advantage in regional layout. The Group also continued to promote a stable and safe financial control system, and optimise the financial structure. This year, the Group issued its first batch of USD bonds and USD green bonds in an aggregate amount of US$395 million.

Adhering to our mission of "coming for livable", the Group continued to implement the philosophy of long-term and high-quality development. With excellent product strength and service capabilities, in 2021, the Group has been granted several awards, such as "Top 100 Real Estate Developers in China" (ranked 78th), "2021 Top 8 Real Estate Developers in China by Business Performance", "2021 China's Top 100 Listed Real Estate Companies in Comprehensive Strength" and "2021 Leading Real Estate Enterprises in China's Customer Service System". The Group has also fulfilled its corporate social responsibilities through the participation in "Carbon Sink Forest" public welfare project for four consecutive years, the marine protection and beach cleanup activities, and the public welfare education assistance project for poor children.

OUTLOOK FOR 2022

Looking forward to 2022, as the government persists in its long-term goal of reducing risks in the real estate industry, the overall financing environment is not expected to improve significantly, and the industry will continue to face high debt repayment risks. In such an environment, we must not only maintain a clear understanding, but also make adequate preparations. We must identify the key points of "stability", find the entry point of "advance", and continue to stimulate new impetus for development in the "uncertainties".

In 2022, the Group will focus on the following aspects: Firstly, it will continue to refine its coping experience against adversity and summarize management experience from victories under the guidance of its Third Five-Year Strategy, so as to continuously improve its management and control system and organizational capabilities that match "strategies and operations". Secondly, it will further enhance its efficient and coordinated operation capabilities, maintain sustainable and stable "fundamentals" of operations, realize a "restrained" and precise investment layout, and strengthen its awareness of risk management and control and its response capabilities, so as to form a sustainable competitive advantage. Thirdly, while keeping innovative and keeping reforming against uncertainties, it will continue to improve its product capabilities and develop new and diversified businesses to fully satisfy customers' imagination of home and a better life. Fourthly, it will always advocate a culture of struggle, with "professionalization" as the lead and "executive power" as the core, so as to "go forward in the same way with those who share the same values".

The era of extensive development in the real estate industry in the past will truly come to an end and a "soft landing" will be realized. Under the guidance of the policy that "housing is for living in, not for speculation", the Group will create a more friendly and personal living experience and a more diversified service model, so that the real estate industry will return to its basic function, i.e., providing dwelling place for people. Entering 2022, the 13th year of the Group's sustainable development, we must not only stabilize the "fundamentals" of operations, but also strengthen our core capabilities to cope with the uncertainties in the development of the industry. Moreover, we must take the initiative to gradually explore and develop "new models" to continuously create value for shareholders, customers and society. We must work together with our employees, overcome difficulties with the industry and keep pace with the times for a better future.

PERFORMANCE HIGHLIGHTS

	Year ended December 31,	
	2021	2020
Contracted sales[1] attributable to the Group (in RMB million)	**14,593**	12,660
Contracted gross floor area ("**GFA**") sold attributable to the Group (sq.m.)	**1,148,585**	778,311
Contracted average selling price ("**ASP**") attributable to the Group (RMB/sq.m.)	**12,714**	16,265
Revenue (in RMB million)	**8,340**	8,191
Gross profit (in RMB million)	**1,172**	1,794
Profit for the year		
– Including non-controlling interests (in RMB million)	**584**	885
– Attributable to owner of the parent (in RMB million)	**250**	356
Core net profit[2]		
– Including non-controlling interests (in RMB million)	**603**	808
– Attributable to owner of the parent (in RMB million)	**274**	311
Gross profit margin (%)[3]	**14.1**	21.9
Net profit margin (%)	**7.0**	10.8
Current ratio (times)[4]	**1.3**	1.4
Net gearing ratio (%)[5]	**85.9**	54.3
The cash and bank balances to current borrowings ratio (times)[6]	**0.8**	2.3
Assets to liabilities ratio after excluding receipts in advance (%)[7]	**70.5**	72.1

Notes:

(1) Contracted sales data is unaudited and is prepared based on internal information of the Group. In view of various uncertainties during the collection of such sales information, such contracted sales data is provided for investors' reference only.

(2) Equal to the profit for the year less fair value gains on investment properties and fair value gains on financial assets at fair value through profit or loss.

(3) Equal to gross profit for the year divided by revenue and multiplied by 100.

(4) Equal to total current assets divided by total current liabilities as at the respective dates.

(5) Equal to interest – bearing bank loans, other borrowings and senior notes less cash and bank balances divided by total equity at the end of the year and multiplied by 100.

(6) Equal to cash and bank balances divided by current portion of interest – bearing bank loans, other borrowings and senior notes.

(7) Equal to total liabilities less contract liabilities divided by total assets less contract liabilities and multiplied by 100.

BUSINESS REVIEW

For the year ended 31 December 2021, the principal business activity of the Group is property development.

Contracted Sales

The property development business of the Group originated from Shanghai and is deeply rooted in the Yangtze River Delta Economic Region, and gradually expanded to other first-, second- and strong third-tier cities in the Pearl River Delta Economic Zone and the Mid-China Core Economic Region.

For the year ended 31 December 2021, the contracted sales attributable to the Group were approximately RMB14,593 million, representing an increase of approximately 15.3% as compared with the corresponding period in 2020. Such increase was mainly due to the fact that the Group, together with its joint ventures and associates, has been intensively penetrating into regional development, resulting in an increase of its accumulated saleable GFA.

For the year ended 31 December 2021, the contracted GFA sold attributable to the Group of approximately 1,147,745 sq.m., representing an increase of approximately 47.5% as compared with the corresponding period in 2020 and the contracted ASP attributable to the Group of approximately RMB12,714 per sq.m..

The following table sets forth the summary of the contracted sales attributable to the Group by economic regions for the year ended 31 December 2021:

Economic Regions	**Contracted sales attributable to the Group**	**Percentage of contracted sales attributable to the Group**	**Contracted GFA sold attributable to the Group**	**Contracted ASP attributable to the Group**
	in RMB million	*%*	*sq.m.*	*RMB/sq.m.*
Yangtze River Delta Economic Region	11,504	78.8	850,192	13,531
Pearl River Delta Economic Zone	1,253	8.6	93,189	13,446
Mid-China Core Economic Region	1,836	12.6	204,364	8,984
Total	**14,593**	**100.0**	**1,147,745**	**12,714**

The following table sets forth the summary of the contracted sales attributable to the Group by cities for the year ended 31 December 2021:

City	**Contracted sales attributable to the Group** *in RMB million*	**Percentage of contracted sales attributable to the Group** *%*	**Contracted GFA sold attributable to the Group** *sq.m.*	**Contracted ASP attributable to the Group** *RMB/sq.m.*
Hangzhou	2,428	16.7	105,174	23,086
Wuhu	1,622	11.1	127,615	12,710
Suzhou	1,330	9.1	128,845	10,322
Hefei	1,294	8.9	107,641	12,021
Foshan	1,111	7.6	79,662	13,946
Jinhua	908	6.2	47,047	19,300
Ningbo	900	6.2	57,111	15,759
Wuhan	858	5.9	64,033	13,399
Shangqiu	679	4.7	101,692	6,677
Shaoxing	504	3.5	40,507	12,442
Fuyang	430	3.0	69,278	6,207
Nanjing	404	2.8	15,467	26,120
Shangrao	398	2.7	47,268	8,420
Suzhou	332	2.3	38,481	8,628
Shanghai	316	2.2	22,929	13,782
Xinyang	284	2.0	36,829	7,711
Lishui	168	1.2	13,139	12,786
Zhuji	159	1.1	7,983	19,917
Changzhou	131	0.9	7,243	18,086
Shantou	118	0.8	11,669	10,112
Others	219	1.5	18,132	12,078
Total	**14,593**	**100.0**	**1,147,745**	**12,714**

Note: Contracted sales data is unaudited and is prepared based on internal information of the Group. In view of various uncertainties during the collection of such sales information, such contracted sales data is provided for investors' reference only.

Properties under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realizable value. Properties under development are classified as current assets unless those will not be realized in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

The Group's properties under development increased by approximately 58.0% from approximately RMB12,495.2 million as at 31 December 2020 to approximately RMB19,739.5 million as at 31 December 2021. The increase was mainly due to the increased number of properties under development projects held as at 31 December 2021.

Completed Properties Held for Sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or estimates based on prevailing marketing conditions.

The Group's completed properties held for sale decreased by approximately 49.8% from approximately RMB1,562.9 million as at 31 December 2020 to approximately RMB784.3 million as at 31 December 2021. The decrease was mainly due to part of those properties were sold and delivered to the customers for the year ended 31 December 2021.

Investment Properties

As at 31 December 2021, the Group had 11 investment properties (primarily include retail spaces adjacent to the Group's residential properties, commercial district shopping plazas and office buildings) with a total and attributable GFA of approximately 197,860 sq.m. and 150,089 sq.m.

Land Bank

During the Year, the Group further defined the "3+X" regional layout system based on the guidance of the regional deep cultivation strategy of urban agglomeration in combination with the Company's development demands and industry trends. Relying on Shanghai, the Group continued to deepen its penetration into the Yangtze River Delta Economic Region, the Pearl River Delta Economic Zone and the Mid-China Core Economic Region, continuously improved the Group's market position and brand awareness in cities that the Group had entered into in selected areas and gradually expanded the new first-, second – and strong third-tier cities with high growth potential that the Group had not entered into so as to reasonably protect the sustainable development of the Group's land bank.

As at 31 December 2021, the planned gross floor area of land bank of the Group, together with its joint ventures and associates, was approximately 7,028,208 sq.m., and the equity area was approximately 5,148,795 sq.m..

During the Year, the Group, together with its joint ventures and associates, had added 24 new projects, with a planned gross floor area of approximately 3,078,137 sq.m., and an average acquisition cost (calculated according to the estimated total GFA) of RMB3,729 per sq.m., of which 13 projects were acquired through public tender, auction or listing-for-sale held by the government, and 11 projects were cooperated with third-party business partners through joint ventures and associates, or acquiring equity interests in companies that possess land use rights.

The following table sets forth the breakdown of land bank of the Group together with its joint ventures and associates as at 31 December 2021:

	Name of Projects	City	Interest Attributable to the Group	GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to the Group[2][3]	% of Total Land Bank Attributable to the Group
			%	in sq.m	in sq.m	in sq.m	in sq.m	in sq.m	%
	Property Projects Developed by our Subsidiaries								
	Residential Property Projects								
	Yangtze River Delta Economic Region								
1	Shanghai • Flourish Neighbourhood (上海•樾裡)	Shanghai	50.0	–	–	11,254	–	11,254	0.2
2	Shanghai • Mindcloud Mountainview (上海•雲棲麓)	Shanghai	100.0	–	–	71,931	–	71,931	1.4
3	Ningbo • Cixi Phoenix Mansion (寧波•慈溪鳳鳴梧桐府)	Ningbo	30.0	2,932	–	–	–	2,932	0.1
4	Ningbo • Cixi Cloud Mansion (寧波 • 慈溪雲邸華府)	Ningbo	33.3	5,457	–	–	–	5,457	0.1
5	Ningbo • Cixi Crystal Seasons (寧波•慈溪晶萃四季)	Ningbo	53.6	–	–	96,728	–	96,728	1.9
6	Jinhua • Dongyang Metropolis Seasons (金華•東陽都會四季)	Jinhua	38.3	72,575	–	–	–	72,575	1.4
7	Jinhua • Dongyang Mindcloud Mansion (金華•東陽雲棲風華)	Jinhua	30.6	–	–	98,621	–	98,621	1.9
8	Jinhua • Lanxi Mindcloud Garden (金華•蘭溪雲錦桃源)	Jinhua	45.9	–	–	131,778	–	131,778	2.6
9	Hangzhou • Sunkwan Majestic Seasons (杭州•上坤山語四季)	Hangzhou	100.0	–	2,449	–	–	2,449	0.0
10	Hangzhou • Mindcloud Imperial Garden (杭州•雲棲宸園)	Hangzhou	52.0	–	–	163,813	–	163,813	3.2
11	Shaoxing • Majestic Mansion (紹興•山語雲邸)	Shaoxing	51.0	–	–	72,726	–	72,726	1.4
12	Block B4, Wuzhen (烏鎮B4地塊)	Jiaxing	30.0	–	–	–	113,494	113,494	2.2
13	Wenzhou • Yueqing Yunqi Fenghua (溫州•樂清雲棲風華)	Wenzhou	50.0	–	–	71,745	–	71,745	1.4
14	Wenzhou • Yueqing Mindcloud Mountainview (溫州•樂清雲棲麓)	Wenzhou	30.0	–	–	118,010	–	118,010	2.3
15	Nanjing • Mindcloud Garden (南京•雲棲風華璟園)	Nanjing	100.0	–	–	51,802	–	51,802	1.0
16	Suzhou • Lakeview Seasons (蘇州•望湖四季)	Suzhou	35.0	–	–	125,152	–	125,152	2.4

Name of Projects	City	Interest Attributable to the Group	GFA Available for Sale(1)	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to the Group(2)(3)	% of Total Land Bank Attributable to the Group
		%	in sq.m	in sq.m	in sq.m	in sq.m	in sq.m	%
17 Suzhou • Kunshan Metropolis Seasons (蘇州•昆山都薈四季)	Suzhou	70.0	–	–	171,315	–	171,315	3.3
18 Changzhou • Mindcloud Peakview (常州•雲峰)	Changzhou	40.0	95,550	–	–	–	95,550	1.9
19 Nantong • Hai'an Changhong Waterfront City (南通•海安長宏水岸名城)	Nantong	49.9	–	–	79,883	–	79,883	1.6
20 Hefei • Mindcloud Mountainview (合肥•雲棲麓)	Hefei	51.0	–	–	107,549	–	107,549	2.1
21 Hefei • Crystal Seasons (合肥•晶萃四季)	Hefei	51.0	–	–	108,460	–	108,460	2.1
22 Wuhu • Joy Seasons (蕪湖•銘悦四季)	Wuhu	49.0	–	–	185,255	–	185,255	3.6
23 Fuyang • Majestic Mansion (阜陽•政務壹號)	Fuyang	51.0	–	–	204,848	–	204,848	4.0
24 Fuyang • Baolong Stone Art Town (阜陽•抱龍石藝小鎮)	Fuyang	50.0	–	–	82,799	–	82,799	1.6
25 Suzhou • Mindcloud Garden (宿州•雲棲園)	Suzhou	51.0	–	–	130,465	–	130,465	2.5
	Sub-total		**176,514**	**2,449**	**2,084,132**	**113,494**	**2,376,589**	**46.0**
Mid-China Core Economic Region								
26 Shangrao • Sunkwan Riverside Seasons (上饒•上坤濱江四季)	Shangrao	100.0	77,845	–	–	–	77,845	1.5
27 Shangrao • Metropolis Seasons (上饒•都會四季)	Shangrao	100.0	–	–	152,683	–	152,683	3.0
28 Tianmen • Sunkwan Northlake Seasons (天門•上坤北湖四季)	Tianmen	100.0	18,867	–	–	–	18,867	0.4
29 Wuhan • Yunqi Metropolis (武漢•雲啟都會)	Wuhan	51.0	–	–	58,458	–	58,458	1.1
30 Shangqiu • Sky Platinum (商丘•天鉑)	Shangqiu	60.0	172,814	–	–	–	172,814	3.4
31 Xinyang • Tianyue (信陽•天悦)	Xinyang	70.0	–	–	254,720	–	254,720	5.0
32 Xinyang • Tianjing (信陽•天境)	Xinyang	70.0	–	–	103,822	–	103,822	2.0
33 Xinyang • Tianxi (信陽•天璽)	Xinyang	70.0	–	–	154,889	–	154,889	3.0
	Sub-total		**269,526**	**–**	**724,572**	**–**	**994,098**	**19.4**

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale[1] in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total Land Bank Attributable to the Group[2][3] in sq.m	% of Total Land Bank Attributable to the Group %
Pearl River Delta Economic Zone								
34 Foshan • Mindcloud Mansion (佛山•雲樓公館)	Foshan	100.0	17,243	–	43,880	–	61,124	1.2
35 Foshan • Sunkwan Mindcloud Peakview (佛山 • 上坤雲峯壹號)	Foshan	100.0	–	–	133,288	–	133,288	2.6
	Sub-total		**17,243**	**–**	**177,168**	**–**	**194,411**	**3.8**
Commercial Property Projects								
36 Shanghai • Sunkwan Red Commercial Plaza (上海•上坤紅街)	Shanghai	100.0	–	5,952	–	–	5,952	0.1
37 Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街)	Shanghai	100.0	3,561	21,932	–	–	25,493	0.5
38 Shanghai • Flourish projects 08-06/08 (上海•樾山項目08-06/08)	Shanghai	50.0	–	–	158,060	–	158,060	3.1
39 Shanghai • Sunkwan Flourish Peninsula (Basement Clubhouse) (上海•上坤樾山半島地下部分)	Shanghai	50.0	–	1,725	–	–	1,725	0.0
40 Shanghai • Sunkwan International Plaza T3 (上海•上坤國際廣場T3)	Shanghai	100.0	–	14,727	–	–	14,727	0.3
41 Shanghai • Sunkwan International Plaza T4 (上海•上坤國際廣場T4)	Shanghai	100.0	–	14,805	–	–	14,805	0.3
42 Shanghai • Sunkwan International Plaza T5 (上海•上坤國際廣場T5)	Shanghai	100.0	–	11,484	–	–	11,484	0.2
	Sub-total		**3,561**	**70,625**	**158,060**	**–**	**232,246**	**4.5**

Name of Projects	City	Interest Attributable to the Group	GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to the Group[2][3]	% of Total Land Bank Attributable to the Group
		%	*in sq.m*	*in sq.m*	*in sq.m*	*in sq.m*	*in sq.m*	*%*
Property Projects Developed by Our Associates and Joint Ventures								
Residential Property Projects								
Yangtze River Delta Economic Region								
43 Wenzhou • West Lakeside Seasons (溫州•西湖四季)	Wenzhou	50.0	–	–	42,105	–	42,105	0.8
44 Wenzhou • Prosperous Seasons (溫州•潮啟四季)	Wenzhou	50.0	–	–	49,850	–	49,850	1.0
45 Jiaxing • Mindcloud Garden (嘉興•雲尚璟苑)	Jiaxing	50.0	–	–	40,980	–	40,980	0.8
46 Jinhua • Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	Jinhua	34.0	–	–	23,262	–	23,262	0.5
47 Suzhou • Mindcloud Timeview (蘇州•雲棲時光)	Suzhou	90.0	–	–	148,796	–	148,796	2.9
48 Wuxi • Mindcloud Mansion (無錫•雲錦東方)	Wuxi	15.0	–	–	23,450	–	23,450	0.5
49 Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	Bengbu	51.0	–	–	40,858	–	40,858	0.8
50 Shaoxing • Zhuji Mindcloud Mansion (紹興•諸暨雲錦東方)	Shaoxing	49.0	–	–	30,437	–	30,437	0.6
51 Suzhou • TaicangMindcloud Mountainview (蘇州•太倉雲棲麓)	Suzhou	33.0	–	–	15,812	–	15,812	0.3
52 Nantong • Chenxing Garden (南通•宸星雅苑)	Nantong	15.6	–	–	14,261	–	14,261	0.3
53 Hangzhou • Yuezhen Mansion (杭州•樾臻府)	Hangzhou	24.9	–	–	21,895	–	21,895	0.4
54 Block B5, Wuzhen (烏鎮B5地塊)	Jiaxing	30.0	–	–	–	38,253	38,253	0.7
55 Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	Jinhua	25.0	–	–	35,153	–	35,153	0.7
56 Lishui • Chongwenli (麗水•崇文里)	Lishui	30.0	–	–	64,256	–	64,256	1.2
57 Suzhou • Jade Seasons (蘇州•翡翠四季)	Suzhou	24.5	1,355	–	–	–	1,355	0.0
	Sub-total		**1,355**	**–**	**551,114**	**38,253**	**590,722**	**11.5**

Name of Projects	City	Interest Attributable to the Group	GFA Available for Sale[1]	Leasable GFA	GFA Under Development	Estimated GFA for Future Development	Total Land Bank Attributable to the Group[2][3]	% of Total Land Bank Attributable to the Group
		%	in sq.m	in sq.m	in sq.m	in sq.m	in sq.m	%
Mid-China Core Economic Region								
58 Zhengzhou • Seasons Fenghua (鄭州•四季風華)	Zhengzhou	49.0	–	–	99,594	–	99,594	1.9
59 Wuhan • Sunkwan Sumptuous Skyview (武漢•上坤博譯雲峰)	Wuhan	70.0	–	–	24,912	–	24,912	0.5
60 Wuhan Yangluo P (2020) Lot 186 (武漢陽邏P(2020)186號地塊)	Wuhan	51.0	–	–	152,051	–	152,051	3.0
61 Wuhan • Yuehu Peninsula (武漢•樾湖半島)	Wuhan	36.3	–	–	15,483	–	15,483	0.3
62 Wuhan • Metropolis (武漢•大都會)	Wuhan	51.0	–	–	284,924	–	284,924	5.5
	Sub-total		**–**	**–**	**576,963**	**–**	**576,963**	**11.2**
Pearl River Delta Economic Zone								
63 Foshan • Jinping Mountain No. 1 (佛山•錦屏山壹號)	Foshan	49.0	–	–	37,570	–	37,570	0.7
64 Shantou • Tanyue Mansion (汕頭•檀悅府)	Shantou	24.1	–	–	80,993	–	80,993	1.6
65 Guangzhou • Yunjing Fenghua (廣州•雲境風華)	Guangzhou	20.0	–	–	14,533	–	14,533	0.3
	Sub-total		**–**	**–**	**133,096**	**–**	**133,096**	**2.6**
Commercial Property Projects								
66 Shanghai • Sunkwan Center (上海•上坤中心)	Shanghai	50.0	–	49,162	–	–	49,162	1.0
67 Wuzhen No.B3 Land Parcel (烏鎮B3地塊)	Jiaxing	6.9	–	–	–	1,508	1,508	0.0
	Sub-total		**–**	**49,162**	**–**	**1,508**	**50,670**	**1.0**
Land Reserves Attributable to the Group			**468,198**	**122,236**	**4,405,105**	**153,255**	**5,148,795**	**100.0**
Total Land Reserves			**472,373**	**171,398**	**6,121,454**	**262,982**	**7,028,208**	

The following table sets forth the details of additional property projects of the Group together with its joint ventures and associates for the year:

City	Project/Land Parcel	Project Type	Interest Attributable to *%*	Land Parcels Area *in sq.m*	Estimated GFA *in sq.m*	Average Acquisition Cost (Based on Estimated GFA) *RMB/sq.m.*
Yangtze River Delta Economic Region						
Lishui	Lishui • Chongwenli (麗水•崇文里)	Residential/ Commercial	30.0	54,837	128,513	2,665
Nantong	Nantong • Chenxing Garden (南通•宸星雅苑)	Residential/ Commercial	15.6	31,017	91,416	5,524
Hangzhou	Hangzhou • Yuezhen Mansion (杭州•樾臻府)	Residential/ Commercial	24.9	25,998	87,933	2,697
Jiaxing	Block B3, Wuzhen (烏鎮B3地塊)	Commercial	6.9	36,630	21,978	4,018
Jiaxing	Block B4, Wuzhen (烏鎮B4地塊)	Residential/ Commercial	30.0	32,652	113,494	3,035
Jiaxing	Block B5, Wuzhen (烏鎮B5地塊)	Residential/ Commercial	30.0	36,455	127,510	2,686
Wuxi	Wuxi • Mindcloud Mansion (無錫•雲錦東方)	Residential/ Commercial	15.0	53,937	156,330	6,580
Bengbu	Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	Residential/ Commercial	51.0	35,708	80,114	3,458
Jinhua	Jinhua•Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	Residential	34.0	16,169	68,418	4,429
Wenzhou	Wenzhou • Yueqing Yunqi Fenghua (溫州•樂清雲棲風華)	Residential/ Commercial	50.0	21,570	71,745	2,899
Suzhou	Suzhou • TaicangMindcloud Mountainview (蘇州•太倉雲棲麓)	Residential	33.0	16,999	47,915	6,307
Hefei	Hefei • Jingcui Four Seasons (合肥•晶萃四季)	Residential/ Commercial	51.0	46,487	108,460	5,272
Jinhua	Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	Residential/ Commercial	25.0	38,951	140,613	6,258
Jinhua	Jinhua •Lanxi Yunqitaoyuan (金華•蘭溪雲棲桃源)	Residential	45.9	46,690	131,778	5,446
Wenzhou	Wenzhou • Yueqing Mindcloud Mountainview (溫州•樂清雲棲麓)	Residential	30.0	35,882	118,010	3,288
Pearl River Delta Economic Zone						
Shantou	Shantou • Joy Mansion (汕頭•檀悦府)	Residential/ Commercial	24.1	62,413	336,768	3,062
Guangzhou	Guangzhou • Yunjing Fenghua (廣州•雲境風華)	Residential/ Commercial	20.0	17,258	72,665	10,613
Mid-China Core Economic Region						
Xinyang	Xinyang • Tianyue (信陽•天悅)	Residential/ Commercial	70.0	84,176	254,720	2,403
Xinyang	Xinyang • Tianjing (信陽•天境)	Residential/ Commercial	70.0	40,839	103,822	2,590

City	Project/Land Parcel	Project Type	Interest Attributable to	Land Parcels Area	Estimated GFA	Average Acquisition Cost (Based on Estimated GFA)
			%	*in sq.m*	*in sq.m*	*RMB/sq.m.*
Xinyang	Xinyang • Tianxi (信陽•天璽)	Residential/ Commercial	70.0	60,433	154,889	2,572
Wuhan	Wuhan • Yunqi Metropolis (武漢•雲啟都會)	Residential/ Commercial	51.0	13,155	58,458	4,297
Wuhan	Wuhan Yangluo P (2020) No. 186 Land Parcel (武漢陽邏P(2020)186號地塊)	Residential/ Commercial	51.0	104,832	298,139	2,131
Zhengzhou	Zhengzhou • Seasons Fenghua (鄭州•四季風華)	Residential	49.0	60,690	203,252	2,696
Wuhan	Wuhan • Yuehu Peninsula (武漢•樾湖半島)	Residential	36.3	39,197	101,197	4,201
Total				**1,012,975**	**3,078,137**	**3,729**

FINANCIAL REVIEW

Revenue

The revenue of the Group consists of revenue derived from: (i) sales of properties; (ii) property lease income; and (iii) project management services. For the year ended 31 December 2021, approximately 97.8% (2020: 98.1%) of the Group's revenue was derived from sales of properties and approximately 2.2% (2020: 1.9%) was derived from property lease income and project management services.

The Group's revenue increased by approximately 1.8% from approximately RMB8,190.6 million for the year ended 31 December 2020 to approximately RMB8,340.1 million for the year ended 31 December 2021. The increase was mainly due to the increase in the revenue recognised from sales of properties.

The table below sets forth a summary of the recognized revenue by business for the years indicated:

	Year ended December 31,			
	2021		2020	
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue
	in RMB million	***%***	*in RMB million*	*%*
Sale of properties	**8,159**	**97.8**	8,038	98.1
Property lease income	**60**	**0.7**	47	0.6
Project management services	**121**	**1.5**	106	1.3
Total	**8,340**	**100.0**	8,191	100.0

Revenue from sales of properties

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial portion of the Group's total revenue and approximately 97.8% of the total revenue during the Year.

The Group's operating results for any given period depend on the GFA and selling price of the properties delivered by the Group in the relevant period and the market demand for such properties. According to industry practice, the Group typically enters into purchase contracts with customers when the properties are still under development but have already satisfied the conditions for pre-sale in accordance with the PRC laws and regulations. In general, it takes it at least one year from commencement of the pre-sale of the properties under development to the construction completion of such properties. The Group does not recognize revenue from any pre-sold properties until the construction completion of such properties and the ownership of the properties having been transferred to the customers.

Revenue from sales of properties increased by approximately 1.5% from approximately RMB8,038.1 million for the year ended 31 December 2020 to approximately RMB8,158.8 million for the year ended 31 December 2021, mainly due to the higher ASP of the completed.

Revenue from property lease

Rental income from the investment properties increased by approximately 29.0% from RMB46.7 million for the year ended 31 December 2020 to RMB60.2 million for the year ended 31 December 2021, mainly due to the easing of the novel coronavirus epidemic in the first half and normalized in the second half.

Revenue from project management services

Revenue from the provision of project management services increased by approximately 14.5% from RMB105.8 million for the year ended 31 December 2020 to RMB121.1 million for the year ended 31 December 2021, mainly due to an increase in the number of property projects that require project management services from us compared with the corresponding period in 2020.

Cost of Sales

The Group's cost of sales primarily represents the costs the Group incurs directly for the property development activities as well as property lease and project management services. The principal components of cost of sales for the Group's property development include cost of properties sold, which represents land use right costs, direct construction costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales increased by approximately 12.1% from RMB6,396.2 million for the year ended 31 December 2020 to RMB7,167.9 million for the year ended 31 December 2021, mainly due to an increase of average land acquisition cost per sq.m. of the delivered property projects.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 34.7% from RMB1,794.4 million for the year ended 31 December 2020 to RMB1,172.2 million for the year ended 31 December 2021.

The gross profit margin decreased from approximately 21.9% for the year ended 31 December 2020 to approximately 14.1% for the year ended 31 December 2021, primarily due to the geographical difference and higher gross profit margin of the delivered properties in the previous year.

Finance Income

Finance income mainly refers to the interest income of bank deposits. The finance income of the Group increased by approximately 384.4% from RMB17.3 million for the year ended 31 December 2020 to RMB83.8 million for the year ended 31 December 2021, mainly due to an increase in the average balance of bank deposits.

Other Income and Gains

Other income and gains of the Group increased from RMB8.3 million for the year ended 31 December 2020 to RMB96.9 million for the year ended 31 December 2021, mainly due to increase in (1) the exchange gains due to exchange rate changes; (2) the gain on the disposal of subsidiaries; (3) the remeasurement gain on an investment in a joint venture held before business combination.

Selling and Distribution Expenses

The selling and distribution expenses primarily consist of (i) sales commissions; (ii) advertising and marketing expenses, (iii) staff costs; (iv) property management fees; and (v) office expenses. The Group's selling and distribution expenses increased by approximately 11.3% from RMB240.1 million for the year ended 31 December 2020 to RMB267.3 million for the year ended 31 December 2021, mainly due to an increase in the number of projects on sale incurring additional sales commissions and advertising activities.

Administrative Expenses

Administrative expenses primarily consist of staff costs, traveling and office expenses, professional fees, entertainment expenses, depreciation and amortization, tax charges. The administrative expenses of the Group increased by approximately 16.5% from RMB277.5 million for the year ended 31 December 2020 to RMB323.3 million for the year ended 31 December 2021, mainly due to increase in staff costs and office expenses as the Group further scaled up and accelerated its expansion.

Impairment Losses on Financial Assets

Impairment losses on financial assets presents that the Group made prudent general provisions for losses arising from potential bad debts in respect of the financial assets. The Group reversed impairment losses of RMB1.0 million for the year ended 31 December 2020, and recognised impairment losses of RMB1.3 million for the year ended 31 December 2021.

Other Expenses

Other expenses of the Group increased from RMB7.2 million for the year ended 31 December 2020 to RMB13.5 million for the year ended 31 December 2021.

Fair Value Gains on Investment Properties

Fair value gains on investment properties represent the changes in the fair value of investment properties of certain commercial areas developed and held by the Group for the purpose of earning rental income or capital appreciation. Fair value gains on investment properties of the Group decreased by approximately 52.8% from RMB102.5 million for the year ended 31 December 2020 to RMB48.4 million for the year ended 31 December 2021, mainly due to a decrease of GFA of investment properties for the year ended 31 December 2021.

Fair Value (Losses)/Gains on Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss of the Group changed from the gain of RMB0.4 million for the year ended 31 December 2020 to the loss of RMB74.2 million for the year ended 31 December 2021, mainly due to the purchase of an additional financial product during the Year and the subsequent decrease in its fair value.

Finance Costs

Finance costs primarily consist of (i) interest expenses for bank and other borrowings net of capitalized interest relating to properties under development; and (ii) interest expenses arising from contract liabilities, which is related to the pre-sale proceeds of the Group's properties received from customers. Finance costs of the Group increased by approximately 6.8% from RMB302.0 million for the year ended 31 December 2020 to RMB322.5 million for the year ended 31 December 2021, mainly due to an increase in the scale of interest-bearing debt.

Share of Profits and Losses of Joint Ventures and Associates

Share of profits and losses of joint ventures and associates of the Group decreased from RMB234.9 million for the year ended 31 December 2020 to RMB22.8 million for the year ended 31 December 2021, mainly due to the absence of the delivery of property projects held by the Group's joint ventures and associates during the year.

Income Tax Credit/(Expense)

The income tax expense of the Group mainly includes provisions for PRC corporate income tax and land appreciation tax ("**LAT**"), net of deferred tax. The income tax expense of the Group decreased from RMB446.9 million for the year ended 31 December 2020 to the income tax credit of RMB161.6 million for the year ended 31 December 2021, mainly due to (i) the lower gross profit of the delivered property projects during the Year; and (ii) the final clearance of LAT for three projects, which were lower than the provision estimated and deducted from the LAT in current year.

Profit for the Year

Profit for the year of the Group decreased by approximately 34.1% from RMB885.2 million for the year ended 31 December 2020 to RMB583.5 million for the year ended 31 December 2021. The profit attributable to the owners of the parent was RMB250.1 million, with a year-on-year decrease of approximately 29.8% from RMB356.1 million in 2020 mainly due to the lower gross profit of the delivered property projects for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group operates in a capital-intensive industry and has financed its working capital, capital expenditure and other capital requirements primarily through (i) internally generated cash flows including proceeds from the pre-sales and sales of its properties and (ii) external financings, such as borrowings from commercial banks, asset management, trust financing, and other financing arrangements. The Group may also look for additional financing opportunities, such as the issuance of corporate bonds, asset-backed securities programs and other debt offerings when needed, to fund the Group property development operations.

Cash Position

As at 31 December 2021, the Group's cash and bank balances (including restricted cash and pledged deposits) were approximately RMB4,483.1 million (31 December 2020: approximately RMB5,333.5 million). Cash and cash equivalents of the Group are denominated in RMB and others are denominated in the U.S. dollar and Hong Kong dollar.

Indebtedness

As at 31 December 2021, the Group's total outstanding borrowings amounted to approximately RMB11,225.1 million (31 December 2020: approximately RMB8,745.4 million). The Group's total secured borrowings are secured by the pledges of one or more of the following categories: properties under development, completed properties held for sale, investment properties, property, plant and equipment, interests in subsidiaries of the Group, pledged deposits and/or guarantees provided by subsidiaries of the Group as collateral or security.

The following table sets forth the Group's total borrowings as of the dates indicated:

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Current		
Bank loans – secured	**200,000**	–
Other loans – secured	**1,234,085**	1,568,525
Other loans – unsecured	**–**	43,400
Current portion of long-term bank loans – secured	**1,118,750**	202,000
Current portion of long-term other loans – secured	**594,500**	515,695
Senior notes	**2,633,520**	–
Total current	**5,780,855**	2,329,620
Non-current		
Bank loans – secured	**3,521,458**	2,386,000
Other loans – secured	**1,922,760**	4,029,748
Total non-current	**5,444,218**	6,415,748
Total	**11,225,073**	8,745,368

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

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Bank loans repayable:		
Within one year	**1,318,750**	202,000
In the second year	**1,680,867**	295,000
In the third to the fifth year, inclusive	**1,840,591**	1,420,000
Beyond five years	**–**	671,000
	4,840,208	2,588,000
Other loans repayable:		
Within one year	**1,828,585**	2,127,620
In the second year	**1,554,548**	2,313,511
In the third to the fifth year, inclusive	**368,212**	1,716,237
	3,751,345	6,157,368
Senior notes:		
Within one year	**2,633,520**	–
Total	**11,225,073**	8,745,368

Pledge of Assets

As at 31 December 2021, the Group's borrowings were secured by the Group's assets of RMB13,956.6 million (2020: RMB9,508.0 million), including (i) property, plant and equipment; (ii) investment properties; (iii) properties under development; (iv) completed properties held for sale; and (v) pledged deposits.

Net Gearing Ratio

The net gearing ratio of the Group increased from 54.3% as at 31 December 2020 to 85.9% as at 31 December 2021. Net gearing ratio is calculated by dividing total borrowings less cash and cash equivalents, restricted cash and pledged deposits by total equity.

Financial Risk

The Group's businesses exposed it to various financial risks, including interest rate risk, foreign exchange risk, credit risk and liquidity risk. In order to minimize such risk exposures of the Group, which do not use any derivatives and other instruments for hedging. The Group does not hold or issue financial derivatives for trading purpose.

Interest rate risk

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

Foreign currency risk

The Group operates its business primarily in China and the majority of its revenues and expenses are denominated in RMB, while the net proceeds from the listing are paid in Hong Kong dollar. As at 31 December 2021, RMB60.2 million of the Group's cash and bank balances were denominated in Hong Kong dollar and the U.S. dollar, and both of them were subject to exchange rate fluctuation. The Group has no foreign currency hedging policy. However, the Group will closely monitor its exchange rate risk in an effort to maintain the Group's cash value.

Credit risk

The Group classifies financial instruments based on common credit risk characteristics (such as instrument type and credit risk level) to identify significant increase in credit risk and to measure impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management will perform ongoing credit evaluations of counterparties. The credit terms granted to customers is generally three to six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Group aims to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet the Group's 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 lease liabilities and interest-bearing bank and other borrowings.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that as at 31 December 2021, the Group's current portion of interest-bearing bank and other borrowings and senior notes amounted to RMB5,780,855,000 while its cash and cash equivalents amounted to RMB2,946,780,000. This condition, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

GOING CONCERN AND MITIGATION MEASURES

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) Subsequent to 31 December 2021, the Company successfully completed exchange offer and consent solicitation with respect to senior notes amounted to RMB1,021,000,000, which effectively extended the maturity date after January 2023, alleviating its cashflow pressure and improving the liquidity of the Group.

b) The Group continues to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.

c) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost.

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

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

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of 31 December 2021. 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 believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

CONTINGENT LIABILITIES

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provide to its customers for their purchases of properties in order to secure the repayment obligations of such customers. The mortgage guarantees to banks in respect of mortgage loans to the Group's customers are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant property ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. 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 Group also provides guarantees to banks and other institutions in connection with financial facilities granted to the related companies. The Directors consider that no provision is needed in respect of the guarantees, since the fair value is not significant.

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

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to the purchasers of the Group's properties	**7,855,867**	6,325,012
Guarantees given to banks and other institutions in connection with facilities granted to the Group's related companies	**4,952,850**	3,698,325
	12,808,717	10,023,337

The Group did not incur any material losses for the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Directors considered that in the case of default on payments, the net realizable value of the related properties would be sufficient for repaying the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

LEGAL CONTINGENTS

The Group is involved in lawsuits and other proceedings in the ordinary course of business. The Group has assessed the claims and believe that no liabilities resulting from these proceedings will have a material adverse effect on its business, financial condition or operating results.

COMMITMENTS

As of 31 December 2021, the Group's capital commitments for property development activities, acquisition of land use rights, and capital contribution for investments in joint ventures and associates amounted to RMB4,395.8 million (31 December 2020: RMB2,795.1 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of 31 December 2021, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

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

During the year ended 31 December 2021, the Company has no other significant investments or material acquisitions or disposals of subsidiaries, joint ventures and associates.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to focus on the current business of property development, and purchase quality land parcels in China. Save as disclosed in this announcement, the Group did not have any other immediate plans for material investments and capital assets as at 31 December 2021.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on November 17, 2020. The net proceeds raised from the global offering of the Company and the partial exercise of the over-allotment option in connection therewith, after the deduction of underwriting commission and related expenditures, were approximately HK$1,254 million.

As disclosed in the prospectus of the Company dated October 31, 2020, (i) HK$753 million (representing 60% of the total net proceeds raised) were allocated for projects expenditure; (ii) HK$376 million (representing 30% of the total net proceeds raised) were allocated for loan repayment; and (iii) HK$125 million (representing 10% of the total net proceeds raised) were allocated for general working capital. As at 31 December 2021, all such net proceeds have been used up according to the purposes stated above.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group has a total of 1,083 employees (2020: 974). For the year ended 31 December 2021, the Group confirmed staff cost of approximately RMB407 million (2020: approximately RMB241 million). The remuneration package of employees of the Group includes salary and bonuses. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group also reviews and adjusts its remuneration package by referring to the relevant salary survey in real estate industry published by renowned consulting firms. The Group believes the salaries and benefits that its employees receive are competitive with market standards in each geographic location where the Group conducts business. The Group also pays medical insurance, endowment insurance, maternity insurance, unemployment insurance, work-related injury insurance and housing provident funds as well as related premiums for employees of the Group. In terms of employee training, the Group provides continuous and systematic training to employees according to their positions and expertise, so as to enhance their professional knowledge about the real estate industry and related fields.

To motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, the Group also adopted restricted share unit (RSU) scheme. The main provisions of the scheme were approved by the Board on October 27, 2020, and on January 27, 2021, the Board approved the resolution on "Granting Restricted Share Units to Part of Specific Objects". Further details will be disclosed in the Company's annual report for the year ended 31 December 2021.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Issuance of US$160.2 Million 13.5% Senior Notes due 2023

On January 3, 2022, January 21, 2022 and January 24, 2022, the Company issued the senior notes listed on the Stock Exchange with an aggregate principal amount of US$160.2 million due 2023, which bear interest at a rate of 13.5% per annum, payable in arrears on July 3, 2022 and January 2, 2023. For more details, please refer to the announcements of the Company dated December 29, 2021, January 3, 2022, January 4, 2022, January 20, 2022, January 21, 2022 and January 24, 2022.

Save as disclosed above, the Group has no other significant events after 31 December 2021.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company had adopted, applied and complied with the provisions of the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited. The Company's corporate governance practices comply with the Corporate Governance Code, except for deviation from the then applicable Code Provision A.2.1 of the Corporate Governance Code states that the roles of chairwoman of the Board and chief executive should be separate and should not be performed by the same individual. Ms. Zhu Jing ("**Ms. Zhu**") is the chairwoman of the Board and chief executive officer of the Company. As Ms. Zhu has been responsible for the day-to-day operations and management of the Group since its establishment, the Board considers that it is in the best interests of the Group to have Ms. Zhu taking up both roles of chairwoman of the Board and chief executive officer for effective management and business development. The Board therefore considers it is appropriate to deviate from the then applicable Code Provision A.2.1 of the Corporate Governance Code in such circumstances. Notwithstanding the foregoing, the Board considers that the management structure is effective for the operation of the Group and those adequate checks and balances have been put in place.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as a guideline on securities transactions of the Company for the Directors. In response to the specific enquiry of the Company, all Directors have confirmed that they have complied with the provisions set out in the Model Code during the year ended 31 December 2021.

Employees of the Company who may have inside information about the Company have also complied with the Model Code. The Company was not aware of any incidents of non-compliance by employees with the Model Code during the year ended 31 December 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2022 AGM**") will be convened and held on May 30, 2022. A notice of the 2022 AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the shareholders of the Company (the "**Shareholders**") to attend, speak and vote at the 2022 AGM, the register of members of the Company will be closed from May 25, 2022 to May 30, 2022 (both days inclusive), during which period no transfer of the shares of the Company will be registered. In order to qualify for attending and voting at the 2022 AGM, all transfer of share documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May 24, 2022.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), with written scope of responsibilities in compliance with the Corporate Governance Code. The scope of responsibilities of the Audit Committee has been uploaded to the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sunkwan.com.cn).

The primary duties of the Audit Committee are to review, supervise and approve the financial reporting process and internal control system of the Company and to provide advice and comments to the Board. The Audit Committee consists of three members, namely Mr. Au Yeung Po Fung (Chairman), Mr. Guo Shaomu and Mr. Zhou Zheren, who are all independent non-executive Directors.

The Audit Committee has considered and reviewed the Group's annual results for the year ended 31 December 2021 and the accounting principles and practices adopted by the Company and the Group, and discussed internal controls and financial reports with management. The Audit Committee considers that the annual results for the year ended 31 December 2021 are in accordance with relevant accounting standards, rules and regulations and have been duly disclosed.

The Audit Committee has reviewed the consolidated financial statements, including the Group's accounting policies for the year ended 31 December 2021.

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 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, Certified Public Accountants of Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement 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 expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sunkwan.com.cn). The Company's annual report for the year ended 31 December 2021 will be despatched to the Shareholders and published on the above-mentioned websites in due course.

By Order of the Board
Sunkwan Properties Group Limited
Chairwoman
Zhu Jing

Hong Kong, March 31, 2022

As at the date of this announcement, the Board comprises three executive Directors, namely, Ms. Zhu Jing, Ms. Sheng Jianjing and Mr. Yang Zhandong, two non-executive Directors, namely, Mr. Lin Jinfeng and Ms. Lin Zhaohong and three independent non-executive Directors, namely, Mr. Guo Shaomu, Mr. Au Yeung Po Fung and Mr. Zhou Zheren.