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)

(1) FURTHER ANNOUNCEMENT ON THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022; (2) RESUMPTION OF TRADING

Reference is made to (i) the announcement of Sunkwan Properties Group Limited (the "**Company**", "**we**", "**our**" or "**us**", together with its subsidiaries, collectively, the "**Group**") dated 30 March 2023 in relation to among others the unaudited annual results of the Company for the year ended 31 December 2022 (the "**Unaudited Annual Results Announcement**"); (ii) the announcement of the Company dated 31 March 2023 in relation to the delay in publication of the audited final results for the year ended 31 December 2022; and (iii) the announcement of the Company dated 3 April 2023 in relation to the trading suspension (collectively, the "**Announcements**"). Unless otherwise required, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

AUDITED ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") hereby announces that the audited consolidated results of the Group for the year ended 31 December 2022 (the "**Year**"), together with comparative figures for the preceding financial year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
REVENUE	*3*	**3,034,126**	8,340,071
Cost of sales		**(3,614,816)**	(7,167,914)
GROSS (LOSS)/PROFIT		**(580,690)**	1,172,157
Finance income		**11,400**	83,849
Other income and gains	*3*	**7,868**	96,891
Selling and distribution expenses		**(193,481)**	(267,339)
Administrative expenses		**(185,270)**	(323,303)
Impairment losses on financial assets		**(117,784)**	(1,286)
Other expenses		**(370,572)**	(13,523)
Fair value (losses)/gains on investment properties		**(76,584)**	48,448
Fair value losses on financial assets at fair value through profit or loss		**(2,446)**	(74,220)
Finance costs	*4*	**(385,981)**	(322,520)
Share of profits and losses of:			
Joint ventures		**(130,527)**	34,465
Associates		**(8,398)**	(11,710)
(LOSS)/PROFIT BEFORE TAX	*5*	**(2,032,465)**	421,909
Income tax (expense)/credit	*6*	**(210,913)**	161,597
(LOSS)/PROFIT FOR THE YEAR		**(2,243,378)**	583,506
(Loss)/profit attributable to:			
Owners of the parent		**(1,937,003)**	250,057
Non-controlling interests		**(306,375)**	333,449
		(2,243,378)	583,506
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (loss)/earnings per share	*8*	**RMB(0.93)**	RMB0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**130,747**	137,837
Right-of-use assets		**329**	2,438
Investment properties		**2,148,600**	2,483,200
Intangible assets		**789**	1,321
Investments in joint ventures		**210,400**	612,502
Investments in associates		**1,972,202**	1,972,217
Deferred tax assets		**377,512**	616,919
Total non-current assets		**4,840,579**	5,826,434
CURRENT ASSETS			
Properties under development	*9*	**19,051,139**	19,739,521
Completed properties held for sale		**497,271**	784,269
Trade receivables	*10*	**33,631**	23,879
Due from related companies		**3,401,340**	4,909,111
Contract cost assets		**261,730**	174,931
Prepayments, other receivables and other assets		**3,385,078**	4,031,040
Tax recoverable		**226,468**	292,665
Financial assets at fair value through profit or loss		**20,865**	110,597
Restricted cash		**1,148,500**	1,471,491
Pledged deposits		**21,000**	64,828
Cash and cash equivalents		**221,134**	2,946,780
Total current assets		**28,268,156**	34,549,112
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,778,221**	2,101,183
Other payables and accruals		**2,896,954**	3,184,260
Contract liabilities		**12,215,815**	13,741,819
Due to related companies		**664,223**	695,846
Interest-bearing bank and other borrowings		**5,247,374**	3,147,335
Provision for financial guarantee contracts		**57,232**	35,303
Senior notes		**2,643,363**	2,633,520
Tax payables		**877,636**	1,297,608
Lease liabilities		**51,609**	30,014
Total current liabilities		**26,432,427**	26,866,888
NET CURRENT ASSETS		**1,835,729**	7,682,224
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,676,308**	13,508,658

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,513,234**	5,444,218
Deferred tax liabilities	**141,551**	187,165
Lease liabilities	**–**	25,169
Total non-current liabilities	**2,654,785**	5,656,552
Net assets	**4,021,523**	7,852,106
EQUITY		
Equity attributable to owners of the parent		
Share capital	**14**	14
Reserves	**511,687**	2,501,209
	511,701	2,501,223
Non-controlling interests	**3,509,822**	5,350,883
Total equity	**4,021,523**	7,852,106

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

The Group recorded a net loss of RMB2,243,378,000 for the year ended 31 December 2022. As at 31 December 2022, i) the Group's total bank and other borrowings and senior notes amounted to RMB10,403,971,000, out of which RMB7,890,737,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB221,134,000; ii) the Group had not repaid the principal and interest of certain senior notes with an aggregate amount of RMB90,804,000, triggering events of default for certain senior notes amounted to RMB2,552,559,000; iii) interest-bearing bank and other borrowings with an aggregate amount of RMB1,258,026,000 had not been repaid according to their scheduled repayment dates, triggering interest-bearing bank and other borrowings of RMB1,286,885,000 becoming repayable on demand.

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

(i) The Group has been actively negotiating with the Group's existing lenders to seek renewal or extension for repayment of the Group's senior notes and bank and other borrowings.

(ii) The Group will continue to actively communicate with banks on a timely basis to secure relevant project development loans for qualified project development.

(iii) The Group will continue to seek other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

(iv) The Group has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties.

(v) The Group has implemented measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and

(vi) The Group will continue to seek suitable opportunities to dispose of its equity interests in certain project development companies in order to generate additional cash inflows.

The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the following twelve months from 31 December 2022. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to implement the aforementioned plans and measures. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) successfully negotiating with the Group's existing lenders for the renewal or extension for repayment of the Group's senior notes and bank and other borrowings;

(ii) successfully securing project development loans for qualified project development on a timely basis;

(iii) successfully obtaining additional new sources of financing as and when needed;

(iv) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties;

(v) successfully implementing measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and

(vi) successfully disposing of the Group's equity interests in project development companies when suitable.

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

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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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

The nature and impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 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 (the "Conceptual Framework") issued in June 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 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 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. The Group has applied the amendment prospectively from 1 January 2022. The amendment did not have significant impact on the financial position or performance of the Group.

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 10 IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

Notes:

1. Effective for annual periods beginning on or after 1 January 2023
2. Effective for annual periods beginning on or after 1 January 2024
3. No mandatory effective date yet determined but available for adoption
4. As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.
5. As a consequence of the amendments to IFRS 17 issued in October 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
6. An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17.

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

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 December 2015 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 IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment,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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in IAS 12 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 (provided that sufficient taxable profit is available) 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.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,981,655**	8,279,845
Revenue from other sources		
Gross rental income from investment property operating leases	**52,471**	60,226
	3,034,126	8,340,071

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of goods or services:		
Sale of properties	**2,966,236**	8,158,783
Project management services	**15,419**	121,062
Total revenue from contracts with customers	**2,981,655**	8,279,845
Timing of revenue recognition:		
Properties transferred at a point in time	**2,966,236**	8,158,783
Services transferred over time	**15,419**	121,062
Total revenue from contracts with customers	**2,981,655**	8,279,845

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sale of properties	**2,596,516**	5,688,892

(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 the 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:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**7,007,857**	7,657,472
After one year	**5,076,677**	8,177,546
	12,084,534	15,835,018

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:

	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Exchange gains	**–**	39,175
Gain on disposal of subsidiaries	**–**	27,157
Gain on disposal of a joint venture	**3,170**	–
Gain on disposal of items of property, plant and equipment	**253**	–
Remeasurement gain on an investment in a joint venture held before business combination	**–**	23,907
Government grants	**692**	3,402
Forfeiture of deposits	**2,450**	1,939
Others	**1,303**	1,311
	7,868	96,891

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on interest-bearing bank and other borrowings	**1,370,985**	1,324,321
Interest on lease liabilities	**2,795**	2,649
Interest expense arising from revenue contracts	**427,094**	394,903
Total interest expense on financial liabilities not at fair value through profit or loss	**1,800,874**	1,721,873
Less: Interest capitalised	**(1,414,893)**	(1,399,353)
	385,981	322,520

5. (LOSS)/PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of properties sold	**2,531,438**	6,999,276
Impairment losses recognised for properties under development and completed properties held for sales	**1,074,615**	126,998
Impairment losses recognised for financial assets	**117,784**	1,286
Depreciation of property, plant and equipment	**7,221**	7,611
Depreciation of right-of-use assets	**2,109**	3,437
Losses/(gains) on disposal of subsidiaries, net	**105,632**	(27,157)
Lease payments not included in the measurement of lease liabilities	**1,868**	5,903
Foreign exchange difference, net	**242,430**	(35,425)
Changes in provision for financial guarantee contracts	**21,929**	–
Auditor's remuneration	**4,500**	5,250
Amortisation of intangible assets	**532**	845
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**140,771**	180,931
Pension scheme contributions and social welfare	**17,985**	41,846
Employee share-based compensation expense	**18,250**	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 2022.

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.

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
Corporate income tax	**86,031**	318,463
LAT	**34,617**	(428,596)
Deferred tax	**90,265**	(51,464)
Total tax charge/(credit) for the year	**210,913**	(161,597)

7. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the (loss)/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 (2021: 2,072,940,000) in issue during the year.

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

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

	2022	2021
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(1,937,003)**	250,057

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year	**2,072,940,000**	2,072,940,000
(Loss)/earnings per share		
Basic and diluted	**RMB (0.93)**	RMB0.12

9. PROPERTIES UNDER DEVELOPMENT

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	**19,739,521**	12,495,168
Additions	**6,440,496**	13,541,849
Acquisition of subsidiaries	**–**	2,373,586
Disposal of subsidiaries	**(3,684,302)**	(2,617,737)
Transferred from investment properties	**–**	1,281,200
Transferred to completed properties held for sale	**(2,430,668)**	(7,179,525)
Transferred to investment properties	**–**	(160,143)
Impairment losses recognised	**(1,044,865)**	(126,998)
Impairment losses transferred to completed properties held for sale	**30,957**	132,121
At the end of the year	**19,051,139**	19,739,521

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 amount of approximately RMB12,490,671,000 (2021: RMB11,672,587,000) as at 31 December 2022 have been pledged to secure bank and other borrowings granted to the Group.

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**34,684**	24,481
Less: Impairment	**(1,053)**	(602)
	33,631	23,879

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:

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**33,854**	24,118
Over 1 year	**830**	363
	34,684	24,481

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:

	2022	2021
	RMB'000	*RMB'000*
Less than 1 year	**1,703,735**	2,059,070
Over 1 year	**74,486**	42,113
	1,778,221	2,101,183

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction. As at 31 December 2022, approximately RMB60,077,000 commercial acceptance bills issued by the Group's subsidiaries were overdue and unpaid.

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.

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2022 had not been completed as at the date of publication of Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement upon the completion of audit, shareholders and potential investors of the Company are advised to pay attention to certain differences between the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement. Set forth below are principal details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Disclosure in this announcement As at 31 December 2022 *RMB'000*	Disclosure in the Unaudited Annual Results Announcement As at 31 December 2022 *RMB'000*	Difference *RMB'000*	Note
CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	**5,247,374**	4,547,374	700,000	(1)
Total current liabilities	**26,432,427**	25,732,427	700,000	
NET CURRENT LIABILITIES	**1,835,729**	2,535,729	(700,000)	
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,676,308**	7,376,308	(700,000)	
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	**2,513,234**	3,213,234	(700,000)	(1)
Total non-current liabilities	**2,654,785**	3,354,785	(700,000)	

Note:

(1) The Company found that there were loans with cross-default clauses which had been triggered during the detailed review against the loan contracts. Accordingly, RMB700 million of the long-term interest-bearing liabilities for bank and other borrowings were presented as short-term interest-bearing liabilities for bank and other borrowings.

Save as disclosed in this announcement and the corresponding adjustments in comparative figures related to the above difference, all other information contained in the Unaudited Annual Results Announcement remain unchanged.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report issued by the Group's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young") on the consolidated financial statements of the Group for the year ended 31 December 2022:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group recorded a net loss of RMB2,243,378,000 for the year ended 31 December 2022. As at 31 December 2022, i) the Group's total bank and other borrowings and senior notes amounted to RMB10,403,971,000, out of which RMB7,890,737,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB221,134,000; ii) the Group had not repaid the principal and interests of certain senior notes with an aggregate amount of RMB90,804,000, triggering events of default for certain senior notes amounted to RMB2,552,559,000; iii) interest-bearing bank and other borrowings with an aggregate amount of RMB1,258,026,000 had not been repaid according to their scheduled repayment dates, triggering interest-bearing bank and other borrowings of RMB1,286,885,000 becoming repayable on demand. These conditions, together with other matters set out in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including whether the Company can

(i) successfully negotiate with the Group's existing lenders for the renewal or extension for repayment of the Group's senior notes and bank and other borrowings;

(ii) successfully secure project development loans for qualified project development on a timely basis;

(iii) successfully obtain additional new sources of financing as and when needed;

(iv) successfully carry out the Group's business strategy plan including the acceleration of the sales of properties;

(v) successfully implement measures to speed up the collection of outstanding sales proceeds and effectively control costs and expenses; and

(vi) successfully dispose of the Group's equity interests in project development companies when suitable.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

REVIEW OF AUDITED ANNUAL RESULTS BY AUDIT COMMITTEE

The primary duties of the Audit Committee (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 reviewed and discussed the annual results for the year ended 31 December 2022.

SCOPE OF AUDITOR'S WORK ON ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on this announcement.

REASONS FOR THE DELAY OF PUBLICATION OF THE AUDITED ANNUAL RESULTS

During the year of 2022, the operation of the Group has been adversely affected by the downturn of the macroeconomic in the PRC, the resurgence of the COVID-19 pandemic and the combined effect of the dynamic changes in market circumstances in the real estate industry. Thus certain staff of the Group has considered to resign and leave the real estate industry. Despite the effort made by the Group to recruit 19 new staff to fill in the vacancy, the number of staff of financial department of the Company has decreased approximately 42% from 116 as at the 1 January 2022 to 67 as at 31 March 2023. Due to the lack of manpower, the response to fulfill the requests of the auditor for the audit procedure has been significantly slowed down. Especially those newly recruited staff are still in the process of getting familiar with the internal management procedure and financial management policy of the Group and will take longer time to response to the request of the auditor. As a results, certain supporting documents were not able to be provided to the auditor by 31 March 2023 which resulted in the delay of publication of audited annual results for the year ended 31 December 2022. The Company will make every effort to avoid recurrence of such event and will publish its audited annual results according to the requirements of the Listing Rules in the future.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2023 AGM**") will be convened and held on 30 May 2023. A notice of the 2023 AGM will be published and dispatched 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 2023 AGM, the register of members of the Company will be closed from 24 May 2023 to 30 May 2023 (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 2023 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 23 May 2023.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023, pending the publication of audited financial results of the Company for the year ended 31 December 2022. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 20 April 2023.

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

Hong Kong, 19 April 2023

As at the date of this announcement, the Board comprises two executive Directors, namely, Ms. Zhu Jing and Ms. Sheng Jianjing, 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.