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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

INTERIM RESULTS HIGHLIGHTS

- Revenue was approximately RMB245.5 million, representing a decrease of approximately 83.9% as compared with the corresponding period in 2021. Gross loss for the Period was approximately RMB99.7 million.
- Loss for the Period was approximately RMB813.6 million, profit for the corresponding period was approximately RMB262.1 million in 2021. Loss attributable to owners of the parent was approximately RMB563.7 million for the Period.
- Total assets increased by approximately 2.8% to RMB41,522.5 million as at 30 June 2022 from RMB40,375.5 million as at 31 December 2021.
- The Group had contract liabilities of approximately RMB17,063.1 million as at 30 June 2022, representing an increase of approximately 24.2% compared to approximately RMB13,741.8 million as at 31 December 2021.
- The Board does not recommend the payment of interim dividend for the Period (for the six months ended 30 June 2021: Nil).

INTERIM 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 unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

	Notes	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
REVENUE	4	245,520	1,522,574
Cost of sales		<u>(345,172)</u>	<u>(1,182,599)</u>
GROSS (LOSS)/PROFIT		(99,652)	339,975
Finance income		6,899	27,409
Other income and gains	4	23,042	33,050
Selling and distribution expenses		(95,585)	(119,256)
Administrative expenses		(113,262)	(154,972)
Impairment losses on financial assets		(38,912)	(1,162)
Other expenses		(117,379)	(631)
Fair value (losses)/gains on investment properties		(21,558)	8,330
Fair value (losses)/gains on financial assets at fair value through profit or loss		(2,303)	4,875
Finance costs	5	(171,202)	(129,775)
Share of profits and losses of:			
Joint ventures		(147,865)	(41,622)
Associates		(3,135)	(4,256)
LOSS BEFORE TAX	6	(780,912)	(38,035)
Income tax (expense)/credit	7	<u>(32,709)</u>	<u>300,136</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(813,621)</u>	<u>262,101</u>
(Loss)/profit attributable to:			
Owners of the parent		(563,691)	53,861
Non-controlling interests		<u>(249,930)</u>	<u>208,240</u>
		<u>(813,621)</u>	<u>262,101</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted earnings per share	9	<u>RMB(0.27)</u>	<u>RMB0.03</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		134,598	137,837
Right-of-use assets		1,103	2,438
Investment properties		2,485,950	2,483,200
Intangible assets		1,027	1,321
Investments in joint ventures		442,462	612,502
Investments in associates		1,969,083	1,972,217
Deferred tax assets		631,261	616,919
		<hr/>	<hr/>
Total non-current assets		5,665,484	5,826,434
CURRENT ASSETS			
Properties under development		21,569,351	19,739,521
Completed properties held for sale		479,542	784,269
Trade receivables	10	31,035	23,879
Due from related companies		6,064,964	4,909,111
Contract cost assets		246,961	174,931
Prepayments, other receivables and other assets		4,535,233	4,031,040
Tax recoverable		307,397	292,665
Financial assets at fair value through profit or loss		79,294	110,597
Restricted cash		1,221,543	1,471,491
Pledged deposits		125,918	64,828
Cash and cash equivalents		1,195,748	2,946,780
		<hr/>	<hr/>
Total current assets		35,856,986	34,549,112
CURRENT LIABILITIES			
Trade and bills payables	11	1,750,148	2,101,183
Other payables and accruals		3,426,613	3,184,260
Contract liabilities		17,063,073	13,741,819
Due to related companies		246,402	695,846
Interest-bearing bank and other borrowings		4,066,759	3,147,335
Provision for financial guarantee contracts		20,667	35,303
Senior notes		2,619,594	2,633,520
Tax payables		1,034,341	1,297,608
Lease liabilities		55,309	30,014
		<hr/>	<hr/>
Total current liabilities		30,282,906	26,866,888
NET CURRENT ASSETS		<hr/> 5,574,080	<hr/> 7,682,224
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 11,239,564	<hr/> 13,508,658

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONTINUED)**

As at 30 June 2022

	30 June 2022	31 December 2021
<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	4,340,812	5,444,218
Deferred tax liabilities	179,558	187,165
Lease liabilities	–	25,169
	<hr/>	<hr/>
Total non-current liabilities	4,520,370	5,656,552
	<hr/>	<hr/>
Net assets	6,719,194	7,852,106
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	14	14
Reserves	1,942,050	2,501,209
	<hr/>	<hr/>
	1,942,064	2,501,223
	<hr/>	<hr/>
Non-controlling interests	4,777,130	5,350,883
	<hr/>	<hr/>
Total equity	6,719,194	7,852,106
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 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 Period, 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").

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

Going concern basis

During the six months ended 30 June 2022, the Group recorded a net loss of RMB563,691,000. As at 30 June 2022, the Group's current portion of interest-bearing bank and other borrowings, and senior notes amounted to RMB6,686,353,000 while the balance of cash and cash equivalents amounted to RMB1,195,748,000. The Group anticipates that the market condition in the real estate sector will remain under pressure in the second half of 2022, and therefore, in the absence of a sharp recovery in the market and a resurgence 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 30 June 2022, the Company successfully completed exchange offers and consent solicitation with respect to senior notes amounting to RMB1,492,378,000, which effectively extended the maturity date after July 2023, alleviating its cash flow 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 operation.
- e) The Group continues to take action to tighten cost controls over various operating expenses.

The Directors of the Group have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account 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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 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 the 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 their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2022</i> (early adopted)

The nature and impact of the revised IFRSs 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* 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-Int 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-Int 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 contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, 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, 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 while making property, plant and equipment available for use on or after 1 January 2021, 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 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 to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- 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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	219,182	1,494,740
Revenue from other sources		
Gross rental income from investment property operating leases	26,338	27,834
	245,520	1,522,574

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services:		
Sale of properties	208,410	1,448,214
Project management services	10,772	46,526
Total revenue from contracts with customers	219,182	1,494,740
Timing of revenue recognition:		
Properties transferred at a point in time	208,410	1,448,214
Services transferred over time	10,772	46,526
Total revenue from contracts with customers	219,182	1,494,740

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and gains		
Gain on disposal of subsidiaries	3,397	27,157
Gain on disposal of items of property, plant and equipment	250	–
Forfeiture of deposits	1,933	934
Government grants	662	1,693
Exchange gains	1,129	2,640
Changes in provision for financial guarantee contracts	14,636	–
Others	1,035	626
	<u>23,042</u>	<u>33,050</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings and loans from non-controlling shareholders of subsidiaries	563,094	671,354
Interest on lease liabilities	1,338	1,254
Interest expense arising from revenue contracts	270,308	154,743
	<u>834,740</u>	<u>827,351</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>834,740</u>	<u>827,351</u>
Less: Interest capitalised	<u>(663,538)</u>	<u>(697,576)</u>
	<u>171,202</u>	<u>129,775</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	208,087	1,145,759
Impairment losses recognised for properties under development	133,299	20,791
Impairment losses recognized for financial assets	38,912	1,162
Depreciation of property, plant and equipment	3,746	4,264
Depreciation of right-of-use assets	1,335	1,706
Lease payments not included in the measurement of lease liabilities	2,376	1,143
Amortisation of intangible assets	294	501
Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	75,580	79,170
Pension scheme contributions and social welfare	16,405	16,402
Employee share-based compensation expense	8,401	3,334

7. 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 six months ended 30 June 2022 and 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.

Land appreciation tax ("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.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Corporate income tax	49,318	89,890
LAT	5,340	(540,603)
Deferred tax	(21,949)	150,577
Total tax charge/(credit) for the period	<u>32,709</u>	<u>(300,136)</u>

8. DIVIDENDS

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. (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 profit for the period 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 period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	<u>(563,691)</u>	<u>53,861</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period	<u>2,072,940,000</u>	<u>2,072,940,000</u>

10. TRADE RECEIVABLES

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

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Less than 1 year	30,253	23,606
Over 1 year	<u>782</u>	<u>263</u>
	<u>31,035</u>	<u>23,879</u>

11. TRADE AND BILLS PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Less than 1 year	1,716,358	2,059,070
Over 1 year	33,790	42,113
	<u>1,750,148</u>	<u>2,101,183</u>

As at 30 June 2022, approximately RMB6,554,000 commercial acceptance bills issued by the Group's subsidiaries were overdue and unpaid.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW AND OUTLOOK

Review of the First Half of 2022

Heading into 2022, China's real estate market went through a downward spiral before it stabilized and began to revive, with the impact of the COVID-19 pandemic (the "**Pandemic**") and policies on the entire industry lingering on. According to the National Bureau of Statistics, in the first half of 2022, the total investment in China's real estate development sector amounted to RMB6,831.4 billion, with 689.23 million square metres (the "**sq.m.**") of commercial properties sold, and a sales revenue of RMB6,607.2 billion, representing a decrease of 5.4%, 22.2% and 28.9%, respectively, as compared with the corresponding period of last year.

Against such a backdrop, most of the real estate companies rendered a much worse operational performance in the first half of 2022 as compared with the same period of last year. The cumulative sales of the top 100 real estate companies decreased by 52.3% for the five months from January to May 2022 despite an increase of 61.2% in June 2022, for which a significant period-to-period decrease was recorded for the Period. In terms of investment in land, the trading volume for the first half of the year dropped by more than 50% as compared with the same period of last year; in terms of financing and credit facility, the shrinking financing scale has been worsening, with the total financing scale of the 100 typical real estate companies amounting to RMB383.7 billion during the first half of the year, representing a period-to-period decrease of 53%.

Despite a steady start at the beginning of the year, the Group's operating results were heavily affected by the cyclical fluctuations in the industry along with a number of other uncertainties. For the six months ended 30 June 2022, a loss for the Period of approximately RMB813.6 million was recorded, together with a loss attributable to owners of the parent company of approximately RMB563.7 million; the contracted sales and contracted gross floor area (the "**GFA**") attributable to owners of the parent company were RMB3,536 million and 318,948 sq.m. respectively, representing a significant drop compared with the same period of last year.

However, as opportunities always come with challenges, we must make breakthroughs to grow up. Adhering to our mission of "coming for livable", the Group has been striving to facilitate the implementation of its business. At the beginning of this year, in addition to successfully settling the USD senior notes of US\$185 million due in January 2022, the Group completed the exchange offer of USD senior notes of US\$210 million with a high support rate of 99.9% in July 2022. With these two bonds properly settled, the Group would have no other foreign debts due within this year.

Outlook for the Second Half of 2022

Looking ahead to the second half of 2022, it is expected that policies conducive to the stable and healthy development of the real estate industry will continue to be introduced, with which the real estate market will gradually stabilize and begin to recover. In terms of market development trend, in the short term, the domestic market is expected to stabilize and begin to recover in the third quarter, only the pace of recovery is dependent on the recovery of the macroeconomy, as well as the result of Pandemic prevention and control, and the efforts in policy optimization. The market size for the whole year is expected to drop significantly as compared with the same period of last year. With the accelerated pace of project completion and delivery in the second half of the year, the investment may improve. However, it will still depend on the recovery of the trading market and the financing difficulty faced by the enterprises, as such, the investment side may still face the pressure of adjustment.

Against such a backdrop, the Group will prepare itself in the second half of the year in two aspects, i.e. the “mood” and the “strategy”: firstly, it will be prepared mentally. Under the new normal of the industry, we must be prepared to face unexpectations and challenges anytime and anywhere. We should not only drop the halo on us and harbor the “mentality of starting fresh”, but also focus on our vision and goals, with a determination to build our projects as benchmarks of the industry. Secondly, we should adhere to our strategy known as “four guarantees and one breakthrough”, making relentless efforts to ensure timely delivery of our projects, continuously improving our core competencies including competitive teamwork, product quality and operational inflow, striving to achieve breakthroughs in the emerging business, and promoting our project management and agency sales services.

As we firmly believe, difficulties are but for the time being, and the real estate market will head unwaveringly towards the direction of healthy development in the future. In the face of the ongoing challenges in the second half of the year, the Group will strive to strengthen its management and consolidate the foundation of development, so as to promote its long-term development.

PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June	
	2022	2021
Contracted sales ⁽¹⁾ attributable to the Group (in RMB million)	3,536	10,536
Contracted gross floor area (“GFA”) sold attributable to the Group (sq.m.)	318,948	796,076
Contracted average selling price (“ASP”) attributable to the Group (RMB/sq.m.)	11,087	13,235
Revenue (in RMB million)	246	1,523
Gross (loss)/profit (in RMB million)	(100)	340
(Loss)/profit for the period		
– Including non-controlling interests (in RMB million)	(814)	262
– Attributable to owner of the parent (in RMB million)	(564)	54
Core net (loss)/profit ⁽²⁾		
– Including non-controlling interests (in RMB million)	(796)	252
– Attributable to owner of the parent (in RMB million)	(548)	46
Gross (loss)/profit margin (%) ⁽³⁾	(40.6)	22.3
Net (loss)/profit margin (%)	(331.4)	17.2
	As at	As at
	30 June	31 December
	2022	2021
Current ratio (times) ⁽⁴⁾	1.2	1.3
Net gearing ratio (%) ⁽⁵⁾	126.3	85.9
Cash and bank balances to current borrowings ratio (times) ⁽⁶⁾	0.4	0.8
Assets to liabilities ratio after excluding receipts in advance (%) ⁽⁷⁾	72.5	70.5

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 (loss)/profit for the period 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 (loss)/profit for the period 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 Period 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 Period, the principal business activity of the Group is property development.

Contracted Sales

Affected by the non-stop domestic Pandemic and the downturn in the real estate market, for the Period, the contracted sales attributable to the Group were approximately RMB3,536 million, representing a decrease of approximately 66.4% as compared with the corresponding period in 2021. The contracted GFA sold attributable to the Group of approximately 318,948 sq.m., representing a decrease of approximately 59.9% as compared with the corresponding period in 2021 and the contracted average selling price (the “ASP”) attributable to the Group of approximately RMB11,087 per sq.m..

The following table sets forth the summary of the contracted sales attributable to the Group by economic regions for the Period:

Economic Regions	Contracted sales attributable to the Group <i>in RMB million</i>	Percentage of contracted sales attributable to the Group <i>%</i>	Contracted GFA sold attributable to the Group <i>sq.m.</i>	Contracted ASP attributable to the Group <i>RMB/sq.m.</i>
Yangtze River Delta Economic Region	2,062	58.3	145,192	14,199
Pearl River Delta Economic Zone	479	13.5	44,382	10,789
Mid-China Core Economic Region	996	28.2	129,375	7,698
Total	3,536	100.0	318,948	11,087

The following table sets forth the summary of the contracted sales attributable to the Group by cities for the Period:

City	Contracted sales attributable to the Group <i>in RMB million</i>	Percentage of contracted sales attributable to the Group <i>%</i>	Contracted GFA sold attributable to the Group <i>sq.m.</i>	Contracted ASP attributable to the Group <i>RMB/sq.m.</i>
Xinyang	601	17.0	66,401	9,053
Suzhou	350	9.9	23,393	14,942
Shangrao	315	8.9	49,679	6,347
Jinhua	298	8.4	22,423	13,301
Shanghai	257	7.3	5,225	49,214
Foshan	241	6.8	18,284	13,176
Zhuji	238	6.7	12,767	18,656
Hefei	202	5.7	23,111	8,748
Suzhou	130	3.7	15,572	8,346
Jiaxing	121	3.4	7,110	16,971
Shaoxing	112	3.2	9,233	12,105
Shantou	107	3.0	10,525	10,161
Fuyang	97	2.8	17,000	5,733
Nanjing	95	2.7	4,056	23,360
Wuxi	86	2.4	5,046	16,988
Wenzhou	85	2.4	4,276	19,789
Others	202	5.7	24,848	8,121
Total	3,536	100.0	318,948	11,087

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 realisable value. Properties under development are classified as current assets unless those will not be realised 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 9.3% from approximately RMB19,739.5 million as at 31 December 2021 to approximately RMB21,569.4 million as at 30 June 2022. The increase was mainly due to the increased process of properties under development projects during the Period.

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 realisable 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 38.9% from approximately RMB784.3 million as at 31 December 2021 to approximately RMB479.5 million as at 30 June 2022. The decrease was mainly due to part of those properties were sold and delivered to the customers for the Period.

Investment Properties

As at 30 June 2022, 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

As at 30 June 2022, the planned gross floor area of land bank of the Group, together with its joint ventures and associates, was approximately 6,541,734 sq.m., and the equity area was approximately 4,778,250 sq.m..

The following table sets forth the breakdown of land bank of the Group together with its joint ventures and associates as at 30 June 2022:

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total	% of Total	
							Land Bank Attributable to the Group in sq.m	Land Bank Attributable to the Group %	
Property Projects Developed by our Subsidiaries									
Residential Property Projects									
Yangtze River Delta Economic Region									
1	Shanghai • Flourish Neighbourhood (上海•懋裡)	Shanghai	51.0	-	-	11,254	-	11,254	0.2
2	Shanghai • Mindcloud Mountainview (上海•雲棲麓)	Shanghai	100.0	-	-	71,931	-	71,931	1.5
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	25.0	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	2.0
6	Jinhua • Dongyang Metropolis Seasons (金華•東陽都會四季)	Jinhua	38.3	72,575	-	-	-	72,575	1.5
7	Jinhua • Dongyang Mindcloud Mansion (金華•東陽雲棲風華)	Jinhua	30.6	-	-	98,621	-	98,621	2.1
8	Jinhua • Lanxi Mindcloud Garden (金華•蘭溪雲錦桃源)	Jinhua	35.8	-	-	131,778	-	131,778	2.8
9	Hangzhou • Sunkwan Majestic Seasons (杭州•上坤山語四季)	Hangzhou	100.0	-	2,449	-	-	2,449	0.1
10	Hangzhou • Mindcloud Imperial Garden (杭州•雲棲宸園)	Hangzhou	52.0	-	-	163,813	-	163,813	3.4
11	Shaoxing • Majestic Mansion (紹興•山語雲邸)	Shaoxing	51.0	-	-	72,726	-	72,726	1.5
12	Block B4, Wuzhen (烏鎮 B4 地塊)	Jiaying	30.0	-	-	-	113,494	113,494	2.4
13	Wenzhou • Yueqing Yunqi Fenghua (溫州•樂清雲棲風華)	Wenzhou	50.0	-	-	71,745	-	71,745	1.5
14	Wenzhou • Yueqing Mindcloud Mountainview (溫州•樂清雲棲麓)	Wenzhou	30.0	-	-	118,010	-	118,010	2.5
15	Nanjing • Mindcloud Garden (南京•雲棲風華環園)	Nanjing	51.0	-	-	51,802	-	51,802	1.1
16	Suzhou • Lakeview Seasons (蘇州•望湖四季)	Suzhou	35.0	-	-	125,152	-	125,152	2.6
17	Suzhou • Kunshan Metropolis Seasons (蘇州•昆山都薈四季)	Suzhou	49.0	-	-	171,315	-	171,315	3.6
18	Changzhou • Mindcloud Peakview (常州•雲峯)	Changzhou	40.0	95,550	-	-	-	95,550	2.0

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total	% of Total
							Land Bank Attributable to the Group in sq.m	Land Bank Attributable to the Group %
19 Nantong • Hai'an Changhong Waterfront City (南通•海安長宏水岸名城)	Nantong	49.9	-	-	79,883	-	79,883	1.7
20 Hefei • Mindcloud Mountainview (合肥•雲棲麓)	Hefei	100.0	-	-	107,549	-	107,549	2.3
21 Hefei • Crystal Seasons (合肥•晶萃四季)	Hefei	51.0	-	-	108,460	-	108,460	2.3
22 Wuhu • Joy Seasons (蕪湖•銘悅四季)	Wuhu	49.0	-	-	185,255	-	185,255	3.9
23 Fuyang • Majestic Mansion (阜陽•政務壹號)	Fuyang	43.4	-	-	204,848	-	204,848	4.3
24 Fuyang • Baolong Stone Art Town (阜陽•抱龍石藝小鎮)	Fuyang	50.0	-	-	82,799	-	82,799	1.7
25 Suzhou • Mindcloud Garden (宿州•雲棲園)	Suzhou	51.0	-	-	130,465	-	130,465	2.7
	Sub-total		176,514	2,449	2,084,132	113,494	2,376,589	49.9
<i>Mid-China Core Economic Region</i>								
26 Shangrao • Sunkwan Riverside Seasons (上饒•上坤濱江四季)	Shangrao	100.0	77,845	-	-	-	77,845	1.6
27 Shangrao • Metropolis Seasons (上饒•都會四季)	Shangrao	100.0	-	-	152,683	-	152,683	3.2
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	1.2
30 Xinyang • Tianyue (信陽•天悅)	Xinyang	70.0	-	-	254,720	-	254,720	5.3
31 Xinyang • Tianjing (信陽•天境)	Xinyang	70.0	-	-	103,822	-	103,822	2.2
32 Xinyang • Tianxi (信陽•天璽)	Xinyang	70.0	-	-	154,889	-	154,889	3.2
	Sub-total		96,712	-	724,572	-	821,284	17.1
<i>Pearl River Delta Economic Zone</i>								
33 Foshan • Mindcloud Mansion (佛山•雲棲公館)	Foshan	100.0	17,243	-	43,880	-	61,123	1.3
34 Foshan • Sunkwan Mindcloud Peakview (佛山•上坤雲峯壹號)	Foshan	100.0	-	-	133,288	-	133,288	2.8
	Sub-total		17,243	-	177,168	-	194,411	4.1

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale 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	% of Total Land Bank	
							Attributable to the Group in sq.m	Attributable to the Group %	
Commercial Property Projects									
35	Shanghai • Sunkwan Red Commercial Plaza (上海•上坤紅街)	Shanghai	100.0	–	5,952	–	–	5,952	0.1
36	Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街)	Shanghai	100.0	3,561	21,932	–	–	25,493	0.5
37	Shanghai • Flourish projects 08-06/08 (上海•樾山項目08-06/08)	Shanghai	51.0	–	–	158,060	–	158,060	3.3
38	Shanghai • Sunkwan Flourish Peninsula (Basement Clubhouse) (上海•上坤樾山半島地下部分)	Shanghai	51.0	–	1,725	–	–	1,725	0.0
39	Shanghai • Sunkwan International Plaza T3 (上海•上坤國際廣場 T3)	Shanghai	100.0	–	14,727	–	–	14,727	0.3
40	Shanghai • Sunkwan International Plaza T4 (上海•上坤國際廣場 T4)	Shanghai	100.0	–	14,805	–	–	14,805	0.3
41	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	4.6
Property Projects Developed by Our Associates and Joint Ventures									
Residential Property Projects									
<i>Yangtze River Delta Economic Region</i>									
42	Wenzhou • West Lakeside Seasons (溫州•西湖四季)	Wenzhou	50.0	–	–	42,105	–	42,105	0.9
43	Wenzhou • Prosperous Seasons (溫州•潮啟四季)	Wenzhou	50.0	–	–	49,850	–	49,850	1.0
44	Jiaxing • Mindcloud Garden (嘉興•雲尚環苑)	Jiaxing	30.0	–	–	24,588	–	24,588	0.5
45	Jinhua • Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	Jinhua	34.0	–	–	23,262	–	23,262	0.5
46	Suzhou • Mindcloud Timeview (蘇州•雲棲時光)	Suzhou	90.0	–	–	148,796	–	148,796	3.1
47	Wuxi • Mindcloud Mansion (無錫•雲錦東方)	Wuxi	15.0	–	–	23,450	–	23,450	0.5
48	Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	Bengbu	51.0	–	–	40,858	–	40,858	0.9
49	Shaoxing • Zhuji Mindcloud Mansion (紹興•諸暨雲錦東方)	Shaoxing	39.0	–	–	24,225	–	24,225	0.5
50	Suzhou • Taicang Mindcloud Mountainview (蘇州•太倉雲棲麓)	Suzhou	33.0	–	–	15,812	–	15,812	0.3
51	Nantong • Chenxing Garden (南通•宸星雅苑)	Nantong	15.6	–	–	14,261	–	14,261	0.3
52	Hangzhou • Yuezhen Mansion (杭州•樾臻府)	Hangzhou	24.9	–	–	21,895	–	21,895	0.5

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale in sq.m	Leasable GFA in sq.m	GFA Under Development in sq.m	Estimated GFA for Future Development in sq.m	Total	% of Total
							Land Bank Attributable to the Group in sq.m	Land Bank Attributable to the Group %
53 Block B5, Wuzhen (烏鎮B5地塊)	Jiaying	30.0	-	-	-	38,253	38,253	0.8
54 Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	Jinhua	19.6	-	-	27,560	-	27,560	0.6
55 Lishui • Chongwenli (麗水•崇文裡)	Lishui	30.0	-	-	64,256	-	64,256	1.3
56 Suzhou • Jade Seasons (蘇州•翡翠四季)	Suzhou	24.5	1,355	-	-	-	1,355	0.0
	Sub-total		1,355	-	520,918	38,253	560,525	11.7
<i>Mid-China Core Economic Region</i>								
57 Zhengzhou • Seasons Fenghua (鄭州•四季風華)	Zhengzhou	49.0	-	-	99,594	-	99,594	2.1
58 Wuhan • Sunkwan Sumptuous Skyview (武漢•上坤博譯雲峯)	Wuhan	70.0	-	-	24,912	-	24,912	0.5
59 Wuhan • Metropolis (武漢•大都會)	Wuhan	51.0	-	-	284,924	-	284,924	6.0
	Sub-total		-	-	409,429	-	409,429	8.6
<i>Pearl River Delta Economic Zone</i>								
60 Foshan • Jinping Mountain No. 1 (佛山•錦屏山壹號)	Foshan	49.0	-	-	37,570	-	37,570	0.8
61 Shantou • Tanyue Mansion (汕頭•檀悅府)	Shantou	24.1	-	-	80,993	-	80,993	1.7
62 Guangzhou • Yunjing Fenghua (廣州•雲境風華)	Guangzhou	20.0	-	-	14,533	-	14,533	0.3
	Sub-total		-	-	133,096	-	133,096	2.8
Commercial Property Projects								
63 Shanghai • Sunkwan Center (上海•上坤中心)	Shanghai	50.0	-	49,162	-	-	49,162	1.0
64 Wuzhen No.B3 Land Parcel (烏鎮B3地塊)	Jiaying	6.9	-	-	-	1,508	1,508	0.0
	Sub-total		-	49,162	-	1,508	50,670	1.0
Land Reserves Attributable to the Group			295,385	122,236	4,207,374	153,255	4,778,250	100.0
Total Land Reserves			299,559	171,398	5,807,794	262,982	6,541,734	

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 Period, approximately 84.9% (2021: 95.1%) of the Group's revenue was derived from sales of properties and approximately 15.1% (2021: 4.9%) was derived from property lease income and project management services.

For the Period, the Group's revenue decreased by approximately 83.9% to approximately RMB245.5 million as compared with the last corresponding period. The decrease was mainly due to the reduction in revenue from sales of properties during the Period.

The table below sets forth a summary of the recognised revenue by business for the periods indicated:

	For the six months ended 30 June		2021	
	2022	Percentage	Revenue	Percentage
	Revenue	of total	in RMB	of total
	<i>in RMB</i>	revenue	<i>in RMB</i>	revenue
	<i>million</i>	%	<i>million</i>	%
Sale of properties	208	84.9	1,448	95.1
Property lease income	27	10.7	28	1.8
Project management services	11	4.4	47	3.1
Total	246	100.0	1,523	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 84.9% of the total revenue during the Period.

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 pre-sale 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 recognise 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 decreased by approximately 85.6% from approximately RMB1,448.2 million for the six months ended 30 June 2021 to approximately RMB208.4 million for the Period, as only the pre-sold properties in the past have been delivered during the Period and no new properties are completed and delivered to the clients during the Period.

Revenue from property lease

Rental income from the investment properties decreased by approximately 5.4% from RMB27.8 million for the six months ended 30 June 2021 to RMB26.3 million for the Period.

Revenue from project management services

Revenue from the provision of project management services decreased by approximately 76.8% from RMB46.5 million for the six months ended 30 June 2021 to RMB10.8 million for the Period, mainly due to a decrease in the number of property projects that require project management services from us compared with the corresponding period in 2021.

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 capitalised interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales decreased by approximately 70.8% from RMB1,182.6 million for the six months ended 30 June 2021 to RMB345.2 million for the Period, mainly due to a decrease in the GFA of the delivered property projects.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The gross profit of the Group decreased by approximately 129.3% from RMB340.0 million for the six months ended 30 June 2021 to the gross loss of RMB99.7 million for the Period.

The gross profit margin decreased from approximately 22.3% for the six months ended 30 June 2021 to the gross loss margin of approximately 40.6% for the Period, primarily due to the provision for inventory impairment of three projects affected by the economic downturn. The gross profit margin for the Period after deducting impairment was 14.5%.

Finance Income

Finance income mainly refers to the interest income of bank deposits. The finance income of the Group decreased by approximately 74.8% from RMB27.4 million for the six months ended 30 June 2021 to RMB6.9 million for the Period, mainly due to a decrease in the total bank deposits.

Other Income and Gains

Other income and gains of the Group decreased from RMB33.1 million for the six months ended 30 June 2021 to RMB23.0 million for the Period.

Selling and Distribution Expenses

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 decreased by approximately 19.8% from RMB119.3 million for the six months ended 30 June 2021 to RMB95.6 million for the Period mainly due to a decrease in the number of projects on sale and the reduction of marketing activities affected by the Pandemic.

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 decreased by approximately 26.9% from RMB155.0 million for the six months ended 30 June 2021 to RMB113.3 million for the Period, mainly due to decrease in staff costs and office expenses as the Group scaled down.

Impairment Losses on Financial Assets

Impairment losses on financial assets represent the Group made prudent general provisions for losses arising from potential bad debts in respect of the financial assets. The Group recognised impairment losses of RMB38.9 million for the Period, and impairment losses of RMB1.2 million for the six months ended 30 June 2021.

Other Expenses

Other expenses of the Group increased from RMB0.6 million for the six months ended 30 June 2021 to RMB117.4 million for the Period, mainly due to the exchange losses arising from debts denominated in the U.S. dollar as a result of the change of exchange rate between U.S. dollar and Renminbi.

Fair Value (Losses)/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 from RMB8.3 million for the six months ended 30 June 2021 to the fair value losses of RMB21.6 million for the Period, mainly because the valuation of commercial properties slightly decreased affected by the Pandemic.

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

Fair Value Gains on financial assets at fair value through profit or loss of the Group decreased from RMB4.9 million for the six months ended 30 June 2021 to the fair value losses of RMB2.3 million for the Period mainly due to the decrease in fair value of an existing financial product during the Period.

Finance Costs

Finance costs primarily consist of (i) interest expenses for bank and other borrowings net of capitalised 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 31.9% from RMB129.8 million for the six months ended 30 June 2021 to RMB171.2 million for the Period, mainly due to an increase in the scale of interest-bearing debt.

Share of Losses of Joint Ventures and Associates

The Group recorded share of losses of joint ventures and associates of RMB151.0 million for the Period and share of losses of joint ventures and associates of RMB45.9 million for the six months ended 30 June 2021. Such change was mainly due to an increase in inventory impairment loss of projects of joint ventures and associates during the Period under the unfavorable macro market environment.

Income Tax (Expense)/Credit

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 increased from income tax credit of RMB300.1 million for the six months ended 30 June 2021 to income tax expense of RMB32.7 million for the Period, mainly due to the lower revenue and gross loss of the delivered property projects during the Period, and the final clearance of LAT for three projects, which were lower than the provision estimated and deducted from the LAT for the six months ended 30 June 2021.

(Loss)/Profit for the Period

Profit for the Period of the Group decreased by approximately 410.4% from RMB262.1 million for six month ended 30 June 2021 to loss of RMB813.6 million for the Period. The loss attributable to the owners of the parent was RMB563.7 million, the profit attributable to the owners is RMB53.9 million during the corresponding period of last year.

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 30 June 2022, the Group's cash and bank balances (including restricted cash and pledged deposits and cash and cash equivalents) were approximately RMB2,543.2 million (31 December 2021: approximately RMB4,483.1 million). Restricted cash, pledged deposits and most of cash and cash equivalents are denominated in RMB, and part of cash and cash equivalents are denominated in the U.S. dollar and Hong Kong dollar.

Indebtedness

As at 30 June 2022, the Group's total outstanding borrowings (including interest-bearing bank and other borrowings and senior notes) amounted to approximately RMB11,027.2 million (31 December 2021: approximately RMB11,225.1 million).

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current		
Bank loans – secured	–	200,000
Other loans – secured	1,293,110	1,234,085
Current portion of long-term bank loans – secured	1,232,050	1,118,750
Current portion of long-term other loans – secured	1,541,599	594,500
Senior notes	2,619,594	2,633,520
Total current	6,686,353	5,780,855
Non-current		
Bank loans – secured	3,252,600	3,521,458
Other loans – secured	1,088,212	1,922,760
Total non-current	4,340,812	5,444,218
Total	11,027,165	11,225,073

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<i>Bank loans repayable:</i>		
Within one year	1,232,050	1,318,750
In the second year	1,240,032	1,680,867
In the third to the fifth year, inclusive	1,443,570	1,840,591
Beyond five years	568,998	—
	<u>4,484,650</u>	<u>4,840,208</u>
<i>Other loans repayable:</i>		
Within one year	2,834,709	1,828,585
In the second year	720,000	1,554,548
In the third to the fifth year, inclusive	368,212	368,212
	<u>3,922,921</u>	<u>3,751,345</u>
<i>Senior notes:</i>		
Within one year	2,619,594	2,633,520
Total	<u><u>11,027,165</u></u>	<u><u>11,225,073</u></u>

Pledge of Assets

As at 30 June 2022, the Group's borrowings were secured by the Group's assets of RMB13,545.7 million (2021: RMB13,956.6 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 (which equals to interest-bearing bank loans, other borrowings and senior notes less cash and bank balances divided by total equity at the end of the Period and multiplied by 100) of the Group increased from 85.9% as at 31 December 2021 to 126.3% as at 30 June 2022.

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 minimise such risk exposures of the Group, the Group 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 senior notes are paid in U.S. dollar. As at 30 June 2022, RMB1.7 million of the Group's cash and bank balances were denominated in Hong Kong dollar and the U.S. dollar, and both cash and bank balances and senior notes 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 and due from related companies 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.

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 at the dates indicated:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to the purchasers of the Group's properties	7,217,000	7,855,867
Guarantees given to banks and other institutions in connection with facilities granted to the Group's related companies	4,369,345	4,952,850
	<u>11,586,345</u>	<u>12,808,717</u>

LEGAL CONTINGENTS

The Group is involved in lawsuits that are not material 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 at 30 June 2022, 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 RMB4,665.6 million (31 December 2021: RMB4,395.8 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 30 June 2022, 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

The Group has no other significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

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 future plans for material investments and capital assets during the Period.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the Group has a total of 826 employees (31 December 2021: 1,083) and staff cost of approximately RMB113 million for the Period (for the six months ended 30 June 2021: approximately RMB164 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 scheme ("**RSU Scheme**"). The main provisions of the RSU Scheme were approved by the Board on 27 October 2020, and on 27 January 2021 and 30 August 2022, the Board approved the resolution on "Granting Restricted Share Units to Part of Specific Objects". More details will be disclosed in the section "**RESTRICTED STOCK UNIT SCHEME**" of the Company's 2022 interim report.

SIGNIFICANT EVENTS AFTER THE PERIOD

Issuance of US\$222,364,666 12.25% Senior Notes due 2023

On 17 July 2022, the Company issued the senior notes listed on the SGX-ST with an aggregate principal amount of US\$222,364,666 due 2023, which bear interest at a rate of 12.25% per annum, payable in arrears on 18 January 2023 and 17 July 2023. For more details, please refer to the announcements of the Company dated 8 July 2022, 15 July 2022, 19 July 2022 and 25 July 2022.

Save as disclosed above, the Group has no other significant events after 30 June 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (for the six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE

During the Period, the Company has adopted, applied and complied with the code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited, except for deviation from Code Provision C.2.1 of the Corporate Governance Code, which states that the roles of chairman of the Board and the 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 Code Provision C.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 Period.

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

On 3 January 2022, 21 January 2022 and 24 January 2022, the Company issued the senior notes (Stock Code: 4307) 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 3 July 2022 and 2 January 2023. For more details, please refer to the announcements of the Company dated 29 December 2021, 3 January 2022, 4 January 2022, 20 January 2022, 21 January 2022 and 24 January 2022.

On 20 January 2022, the Group repurchased and remitted of funds for repayment of 12.75% senior notes due 2022 (Stock Code: 40553) in an aggregate principal amount of US\$6,000,000. For more details, please refer to the announcement of the Company dated 20 January 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

REVIEW OF INTERIM RESULTS

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 the unaudited condensed consolidated interim results for the Period 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 unaudited condensed consolidated interim results for the Period are in accordance with relevant accounting standards, rules and regulations and have been duly disclosed.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 2022 interim report will be despatched to the shareholders of the Company and published on the above-mentioned websites in due course.

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

Hong Kong, 30 August 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.