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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 2023**

### **INTERIM RESULTS HIGHLIGHTS**

- Revenue was approximately RMB912.5 million, representing an increase of approximately 271.7% as compared with the corresponding period in 2022. Gross profit for the Period was approximately RMB36.0 million.
- Loss for the Period was approximately RMB416.2 million, representing a decrease of approximately 48.4% compared to loss for the corresponding period in 2022 of approximately RMB813.6 million. Loss attributable to owners of the parent was approximately RMB353.8 million for the Period.
- Total assets decreased by approximately 0.7% from approximately RMB33,108.7 million as at 31 December 2022 to approximately RMB32,861.2 million as at 30 June 2023.
- The Group had contract liabilities of approximately RMB12,222.1 million as at 30 June 2023, representing an increase of approximately 0.1% compared to approximately RMB12,215.8 million as at 31 December 2022.
- The Board does not recommend the payment of interim dividend for the Period (for the six months ended 30 June 2022: Nil).

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sunkwan Properties Group Limited (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 2023 (the “**Period**”), together with the comparative figures for the corresponding period in the previous year as follows:

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

For the six months ended 30 June 2023

	<i>Notes</i>	<b>2023</b> <b>RMB’000</b> <b>(Unaudited)</b>	2022 <i>RMB’000</i> <i>(Unaudited)</i>
<b>REVENUE</b>	3	<b>912,462</b>	245,520
Cost of sales		<u>(876,448)</u>	<u>(345,172)</u>
<b>GROSS PROFIT/(LOSS)</b>		<b>36,014</b>	(99,652)
Finance income		<b>3,487</b>	6,899
Other income and (losses)/gains	3	<b>(34,642)</b>	23,042
Selling and distribution expenses		<b>(45,305)</b>	(95,585)
Administrative expenses		<b>(29,516)</b>	(113,262)
Impairment losses on financial assets		<b>(378)</b>	(38,912)
Other expenses		<b>(103,682)</b>	(117,379)
Fair value gains/(losses) on investment properties		<b>400</b>	(21,558)
Fair value losses on financial assets at fair value through profit or loss		–	(2,303)
Finance costs	4	<b>(164,739)</b>	(171,202)
Share of losses of:			
Joint ventures		<b>(26,555)</b>	(147,865)
Associates		<b>(9,764)</b>	(3,135)
<b>LOSS BEFORE TAX</b>	5	<b>(374,680)</b>	(780,912)
Income tax expenses	6	<u>(41,534)</u>	<u>(32,709)</u>
<b>LOSS FOR THE PERIOD</b>		<u><b>(416,214)</b></u>	<u>(813,621)</u>
Loss attributable to:			
Owners of the parent		<b>(353,764)</b>	(563,691)
Non-controlling interests		<u>(62,450)</u>	<u>(249,930)</u>
		<u><b>(416,214)</b></u>	<u>(813,621)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted loss per share	8	<u><b>RMB(0.17)</b></u>	<u>RMB(0.27)</u>

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*As at 30 June 2023*

	<i>Notes</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		123,959	130,747
Right-of-use assets		327	329
Investment properties		2,149,000	2,148,600
Intangible assets		619	789
Investments in joint ventures		206,257	210,400
Investments in associates		1,969,315	1,972,202
Deferred tax assets		391,075	377,512
		<hr/>	<hr/>
Total non-current assets		4,840,552	4,840,579
<b>CURRENT ASSETS</b>			
Properties under development		19,251,350	19,051,139
Completed properties held for sale		608,358	497,271
Trade receivables	9	48,053	33,631
Due from related companies		3,436,248	3,401,340
Contract assets		271,161	261,730
Prepayments, other receivables and other assets		3,405,914	3,385,078
Tax recoverable		231,233	226,468
Financial assets at fair value through profit or loss		20,865	20,865
Restricted cash		550,955	1,148,500
Pledged deposits		15,759	21,000
Cash and cash equivalents		180,771	221,134
		<hr/>	<hr/>
Total current assets		28,020,667	28,268,156
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	2,184,637	1,778,221
Other payables and accruals		2,683,854	2,896,954
Contract liabilities		12,222,060	12,215,815
Due to related companies		600,585	664,223
Interest-bearing bank and other borrowings		5,601,644	5,247,374
Provision for financial guarantee contracts		66,732	57,232
Senior notes		2,928,954	2,643,363
Tax payables		909,433	877,636
Lease liabilities		50,943	51,609
		<hr/>	<hr/>
Total current liabilities		27,248,842	26,432,427
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		771,825	1,835,729
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,612,377	6,676,308
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)***As at 30 June 2023*

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>1,816,937</b>	2,513,234
Deferred tax liabilities	<b>141,651</b>	141,551
	<hr/>	<hr/>
Total non-current liabilities	<b>1,958,588</b>	2,654,785
	<hr/>	<hr/>
<b>Net assets</b>	<b>3,653,789</b>	4,021,523
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>14</b>	14
Reserves	<b>157,923</b>	511,687
	<hr/>	<hr/>
	<b>157,937</b>	511,701
Non-controlling interests	<b>3,495,852</b>	3,509,822
	<hr/>	<hr/>
<b>Total equity</b>	<b>3,653,789</b>	4,021,523
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# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 1. CORPORATE INFORMATION

Sunkwan Properties Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability 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 address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is 40th Floor, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong.

The Company is an investment holding company. During the Period, its subsidiaries are principally engaged in properties development, properties leasing and providing project management services in the People’s Republic of China (the “**PRC**”).

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”). 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 2022.

### Going concern basis

During the six months ended 30 June 2023, the Group recorded a net loss of RMB416,214,000. As at 30 June 2023, the Group’s current portion of interest-bearing bank and other borrowings and senior notes amounted to RMB8,530,598,000 in total while the balance of cash and cash equivalents only amounted to RMB180,771,000. The Group anticipates the market condition in the real estate sector will remain under pressure in the second half of 2023, 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) The Group continues to implement measures to accelerate the pre-sale and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds.
- (b) The Group is actively negotiating with several financial institutions to obtain new loans at a reasonable cost.
- (c) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operation.
- (d) The Group continues to take action to tighten cost controls over various operating expenses.

The directors of the Company have reviewed the Group’s cash flow forecast covering a period of twelve months from the end of the 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 2023 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’ 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 the recoverable amounts, to provide for any further liabilities that might arise, and 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 interim condensed consolidated financial statements.

## 2.2 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 2022, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)
IAS 8	Definition of Accounting Estimates (amendments)
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules (amendments)
IFRS 17	Insurance Contracts (new standard)
IFRS 17	Amendments to IFRS 17
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information

None of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim condensed consolidated financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3. REVENUE AND OTHER INCOME AND GAINS/(LOSSES)

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	891,139	219,182
Revenue from other sources		
Gross rental income from investment property operating leases	<u>21,323</u>	<u>26,338</u>
	<u><b>912,462</b></u>	<u><b>245,520</b></u>

#### Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Types of goods or services:</b>		
Sale of properties	886,267	208,410
Project management services	<u>4,872</u>	<u>10,772</u>
Total revenue from contracts with customers	<u><b>891,139</b></u>	<u><b>219,182</b></u>
<b>Timing of revenue recognition:</b>		
Properties transferred at a point in time	886,267	208,410
Services transferred over time	<u>4,872</u>	<u>10,772</u>
Total revenue from contracts with customers	<u><b>891,139</b></u>	<u><b>219,182</b></u>

An analysis of other income and gains/(losses) is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other income and gains/(losses):</b>		
(Loss)/gain on disposal of subsidiaries	(26,284)	3,397
Gain on disposal of items of property, plant and equipment	–	250
Forfeiture of deposits	465	1,933
Government grants	599	662
Exchange gains	–	1,129
Changes in provision for financial guarantee contracts	(9,500)	14,636
Others	78	1,035
	<u>78</u>	<u>1,035</u>
	<b><u>(34,642)</u></b>	<b><u>23,042</u></b>

#### 4. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on interest-bearing bank and other borrowings and loans from non-controlling shareholders of subsidiaries	560,373	563,094
Interest on lease liabilities	1,107	1,338
Interest expense arising from revenue contracts	186,770	270,308
	<u>186,770</u>	<u>270,308</u>
Total interest expense on financial liabilities not at fair value through profit or loss	748,250	834,740
Less: Interest capitalised	(583,511)	(663,538)
	<u>(583,511)</u>	<u>(663,538)</u>
	<b><u>164,739</u></b>	<b><u>171,202</u></b>



## 5. LOSS BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Cost of properties sold	<b>832,840</b>	208,087
Impairment losses recognised for properties under development	<b>35,411</b>	133,299
Impairment losses recognised for financial assets	<b>378</b>	38,912
Changes in provision for financial guarantee contracts	<b>9,500</b>	(14,636)
Depreciation of property, plant and equipment	<b>6,806</b>	3,746
Depreciation of right-of-use assets	<b>2</b>	1,335
Lease payments not included in the measurement of lease liabilities	<b>1,217</b>	2,376
Amortisation of intangible assets	<b>170</b>	294
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	<b>57,643</b>	75,580
Pension scheme contributions and social welfare	<b>9,990</b>	16,405
Employee share-based compensation expense	<b>–</b>	8,401

## 6. INCOME TAX EXPENSES

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 2023 and 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.

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.

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax	<b>55,642</b>	54,658
Deferred tax	<b>(14,108)</b>	(21,949)
Total tax charge for the period	<b>41,534</b>	32,709

## 7. DIVIDENDS

The board of directors has resolved not to pay an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,072,940,000 (2022: 2,072,940,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

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

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent	<u><b>(353,764)</b></u>	<u><b>(563,691)</b></u>
	<b>Number of shares</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<u><b>2,072,940,000</b></u>	<u><b>2,072,940,000</b></u>

## 9. TRADE RECEIVABLES

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

	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Less than 1 year	<b>47,182</b>	<b>32,801</b>
Over 1 year	<u><b>871</b></u>	<u><b>830</b></u>
	<u><b>48,053</b></u>	<u><b>33,631</b></u>

## 10. 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:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Less than 1 year	<b>1,728,118</b>	1,703,735
Over 1 year	<b>456,519</b>	74,486
	<b><u>2,184,637</u></b>	<u>1,778,221</u>

As at 30 June 2023, approximately RMB80,255,000 commercial acceptance bills issued by the Group's subsidiaries were overdue and unpaid (31 December 2022: RMB60,077,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW AND OUTLOOK

#### Review of the First Half of 2023

Stepping into 2023, the current situation of the society, the economy, population and industry are brewing changes, and the real estate sector is at the starting point of a new industry cycle. China's real estate market has gone through a journey of steepening decline to stabilizing to revival, but the impact of the Covid-19 pandemic and policies on the entire industry still persists.

In the first half of 2023, the overall performance of the real estate market opened on a firm note before heading downward. During the first quarter, driven by factors such as the release of accumulated demand and the earlier policy taking effect, market activity increased. In particular, in February and March 2023, there was a brief rally in the property market in hot cities, but with the backlog demand basically satisfied, homebuyers' sentiment declined rapidly in the second quarter. The policy in supporting the real estate sector is not as strong as expected, and the market recovery has failed to sustain. In June this year, the five-year loan prime rate was lowered by 10 basis points, which had a certain positive effect on market sentiment, but the adjustment pressure in the real estate market across the country was still large.

In the face of multiple challenges, the Company uses a long-term "certainty" strategy to address the issue of short-term "uncertainty", as in an era of comprehensive transformation, only professionalism can create value.

In response to the government's call for "guaranteeing delivery" and ensure the final victory of the "delivery campaign", the Group has formulated higher delivery standards. We launched the "construction craftsmanship campaign", drawing expertise from the four departments of engineering, design, marketing and customer service to satisfy our customers in areas of their most concern with the three core components of the Sunkwan quality control system, namely process specification, establishment of standards and technology upgrade. At the same time, the Group continues to improve its product planning capabilities from the customer's perspective and emphasizing on product innovation, and is committed to creating more good products that meet customer needs and living trends. Through the research and development of every product according to local conditions, from the dimensions of symbiosis, aesthetics, wisdom, humanity and ecology, the Group aims to build better houses and better homes for interaction of people and nature, people and architecture, and among people themselves.

With the application of online marketing, the Group fully utilizes the intelligent marketing capabilities to attract public interest to our projects, and achieves customer acquisition both online and offline. By combining scenario planning with data intelligent marketing, product value is enhanced with the diverse scenes created which can attract more customers through data intelligent marketing. Such full-dimensional new media platform operation has maximized the channeling of public interest to the Group's projects.

In the present ever-changing environment, the Group has not forgotten the mission of “coming for livable”, it continuously improves professional capabilities, strengthens its brand image, and lays an important foundation for the sound development of the real estate business in the second half of the year.

### **Outlook for the Second Half of 2023**

The housing market definitely recovered in the first half of the year. With the landing of previous policy measures, the darkest era of the real estate sector has passed and the path of recovery will be in sight. In the second half of the year, the real estate policy will remain moderately positive. The Political Bureau meeting in July this year set the tone of “adapting to the new situation of major changes in the supply and demand relationship of China’s real estate market, with timely adjustment and optimization of real estate policies”, and the basic direction of supporting policies is to continue to improve housing sales and stimulate demand.

Overall, the real estate market will continue to be fragmented until a new pattern is formed. Against this background, it is expected that more housing enterprises will change their business strategies, focus on safety in the short term and seek better balance in the long term to achieve steady development.

In the era of real estate market reconstruction and business model restructuring, only the fittest can survive. At present, the Group has formed a two-wheel driven development model of “real estate development + co-construction management”, adhering to development in both direction to further enhance the competitive strength of the Company.

Real estate is still one of the pillars of China’s economic development, playing an important role in economic development, job creation, social stability and so on. Therefore, the Group will firmly cultivate the real estate market, and continue to consolidate professional capabilities, refine basic skills, and build innovative core forces to meet the needs of the future real estate industry.

## PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June	
	2023	2022
Contracted sales <sup>(1)</sup> attributable to the Group (in RMB million)	<b>1,189</b>	3,536
Contracted gross floor area (“GFA”) sold attributable to the Group (sq.m.)	<b>108,746</b>	318,948
Contracted average selling price (“ASP”) attributable to the Group (RMB/sq.m.)	<b>10,942</b>	11,087
Revenue (in RMB million)	<b>912</b>	246
Gross profit/(loss) (in RMB million)	<b>36</b>	(100)
Loss for the period		
– Including non-controlling interests (in RMB million)	<b>(416)</b>	(814)
– Attributable to owner of the parent (in RMB million)	<b>(354)</b>	(564)
Gross profit/(loss) margin (%) <sup>(2)</sup>	<b>4.0</b>	(40.6)
Net loss margin (%)	<b>(45.6)</b>	(331.4)
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
Current ratio (times) <sup>(3)</sup>	<b>1.0</b>	1.1
Net gearing ratio (%) <sup>(4)</sup>	<b>262.7</b>	224.1
The cash and bank balances to current borrowings ratio (times) <sup>(5)</sup>	<b>0.1</b>	0.2
Assets to liabilities ratio after excluding receipts in advance (%) <sup>(6)</sup>	<b>82.3</b>	80.8

*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 gross profit/(loss) for the Period divided by revenue and multiplied by 100.
- (3) Equal to total current assets divided by total current liabilities as at the respective dates.
- (4) 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.
- (5) Equal to cash and bank balances divided by current portion of interest-bearing bank loans, other borrowings and senior notes.
- (6) 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**

For the Period, the contracted sales attributable to the Group were approximately RMB1,189 million, representing a decrease of approximately 66.4% as compared with the corresponding period in 2022. The contracted GFA sold attributable to the Group of approximately 108,746 sq.m., representing a decrease of approximately 65.9% as compared with the corresponding period in 2022 and the contracted ASP attributable to the Group of approximately RMB10,942 per sq.m..

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

<b>Economic Regions</b>	<b>Contracted sales attributable to the Group <i>in RMB million</i></b>	<b>Percentage of contracted sales attributable to the Group <i>%</i></b>	<b>Contracted GFA sold attributable to the Group <i>sq.m.</i></b>	<b>Contracted ASP attributable to the Group <i>RMB/sq.m.</i></b>
Yangtze River Delta Economic Region	819	68.8	57,218	14,314
Pearl River Delta Economic Zone	54	4.6	4,893	11,136
Mid-China Core Economic Region	316	26.6	46,635	6,784
<b>Total</b>	<b>1,189</b>	<b>100.0</b>	<b>108,746</b>	<b>10,942</b>

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>
Suzhou	183	15.4	12,697	14,415
Xinyang	250	21.0	35,641	7,026
Shangrao	55	4.6	8,116	6,733
Jinhua	13	1.1	968	13,675
Foshan	36	3.0	2,813	12,791
Hefei	31	2.6	2,752	11,435
Zhuji	43	3.6	2,466	17,520
Shanghai	266	22.4	6,781	39,161
Nanjing	33	2.8	1,453	22,460
Suzhou	60	5.1	6,809	8,841
Fuyang	50	4.2	8,641	5,838
Shantou	19	1.6	2,080	8,898
Bengbu	42	3.5	5,217	8,096
Lishui	19	1.6	1,317	14,481
Zhengzhou	46	3.9	7,423	6,252
Others	43	3.6	3,572	11,999
<b>Total</b>	<b>1,189</b>	<b>100.0</b>	<b>108,746</b>	<b>10,942</b>

*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 1.1% from approximately RMB19,051.1 million as at 31 December 2022 to approximately RMB19,251.4 million as at 30 June 2023. The increase was primarily resulted from the increased constructions of properties under development projects during the Period, partly offset by the increase in delivery of completed properties.

## **Completed Properties Held for Sale**

Completed properties held for sale are stated in the condensed consolidated statement 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 realisable 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 increased by approximately 22.3% from approximately RMB497.3 million as at 31 December 2022 to approximately RMB608.4 million as at 30 June 2023. The increase was mainly due to the increase of property projects completed yet to be delivered to the customers as at 30 June 2023.

## **Investment Properties**

As at 30 June 2023, the Group had 8 investment properties (primarily include retail spaces adjacent to the Group's residential properties, commercial district shopping plazas and office buildings) with a total GFA of approximately 197,860 sq.m..

## **Land Bank**

As at 30 June 2023, the planned GFA of land bank of the Group, together with its joint ventures and associates, was approximately 4,134,624 sq.m., and the equity GFA was approximately 3,267,654 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 2023:

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale <sup>(1)</sup> in sq.m.	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group <sup>(2)(3)</sup> in sq.m.	% of Total Land Bank Attributable to the Group %
<b>Property Projects Developed by our Subsidiaries</b>								
<b>Residential Property Projects</b>								
<b>Yangtze River Delta Economic Region</b>								
1	Shanghai • Flourish Neighbourhood (上海•樾裡)	51.0	4,551	-	-	-	4,551	0.1
2	Shanghai • Mindcloud Mountainview (上海•雲棲麓)	100.0	10,162	8,814	-	-	18,976	0.6
3	Jinhua • Dongyang Mindcloud Mansion (金華•東陽雲棲風華)	30.6	23,423	-	-	-	23,423	0.7
4	Jinhua • Lanxi Mindcloud Garden (金華•蘭溪雲錦桃源)	38.3	-	-	-	131,778	131,778	4.0
5	Hangzhou • Sunkwan Majestic Seasons (杭州•上坤山語四季)	100.0	-	2,449	-	-	2,449	0.1
6	Shaoxing • Majestic Mansion (紹興•山語雲邸)	100.0	-	-	77,992	-	77,992	2.4
7	Block B4, Wuzhen (烏鎮 B4 地塊)	30.0	-	-	-	131,669	131,669	4.0
8	Wenzhou • Yueqing Yunqi Fenghua (溫州•樂清雲棲風華)	50.0	-	-	71,745	-	71,745	2.2
9	Nanjing • Mindcloud Garden (南京•雲棲風華環園)	100.0	-	-	51,969	-	51,969	1.6
10	Suzhou • Lakeview Seasons (蘇州•望湖四季)	35.0	-	-	123,622	-	123,622	3.8
11	Suzhou • Kunshan Metropolis Seasons (蘇州•昆山都薈四季)	49.0	-	-	166,483	-	166,483	5.1
12	Changzhou • Mindcloud Peakview (常州•雲峯)	40.0	27,177	-	-	-	27,177	0.8
13	Hefei • Mindcloud Mountainview (合肥•雲棲麓)	100.0	-	-	110,481	-	110,481	3.4
14	Hefei • Crystal Seasons (合肥•晶萃四季)	51.0	-	-	110,947	-	110,947	3.4
15	Wuhu • Joy Seasons (蕪湖•銘悅四季)	49.0	-	-	185,939	-	185,939	5.7
16	Fuyang • Majestic Mansion (阜陽•政務壹號)	43.4	-	-	110,814	-	110,814	3.4
17	Suzhou • Mindcloud Garden (宿州•雲棲園)	51.0	-	-	131,211	-	131,211	4.0
18	Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	100.0	-	-	81,628	-	81,628	2.4
	<b>Sub-total</b>		<b>65,313</b>	<b>11,263</b>	<b>1,222,831</b>	<b>263,447</b>	<b>1,562,854</b>	<b>47.7</b>

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale <sup>(1)</sup> in sq.m.	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group <sup>(2)(3)</sup> in sq.m.	% of Total Land Bank Attributable to the Group %	
<i>Mid-China Core Economic Region</i>									
19	Shangrao • Metropolis Seasons (上饒•都會四季)	Shangrao	100.0	-	-	155,287	-	155,287	4.8
20	Tianmen • Sunkwan Northlake Seasons (天門•上坤北湖四季)	Tianmen	100.0	6,153	-	-	6,153	0.2	
21	Wuhan • Yunqi Metropolis (武漢•雲啟都會)	Wuhan	51.0	-	-	56,708	-	56,708	1.7
22	Xinyang • Tianyue (信陽•天悅)	Xinyang	67.0	-	-	254,720	-	254,720	7.8
23	Xinyang • Tianjing (信陽•天境)	Xinyang	67.0	-	-	103,822	-	103,822	3.2
24	Xinyang • Tianxi (信陽•天璽)	Xinyang	67.0	-	-	154,889	-	154,889	4.6
	<b>Sub-total</b>		<b>6,153</b>	<b>-</b>	<b>725,426</b>	<b>-</b>	<b>731,579</b>	<b>22.3</b>	
<i>Pearl River Delta Economic Zone</i>									
25	Foshan • Sunkwan Mindcloud Peakview (佛山•上坤雲峯壹號)	Foshan	100.0	-	-	133,288	-	133,288	4.1
	<b>Sub-total</b>		<b>-</b>	<b>-</b>	<b>133,288</b>	<b>-</b>	<b>133,288</b>	<b>4.1</b>	
<i>Commercial Property Projects</i>									
26	Shanghai • Sunkwan Upper Commercial Plaza (上海•上坤上街)	Shanghai	100.0	3,183	13,386	-	-	16,568	0.5
27	Shanghai • Flourish projects 08-06/08 (上海•樾山項目08-06/08)	Shanghai	51.0	-	-	109,923	-	109,923	3.4
28	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	0.1
29	Shanghai • Sunkwan International Plaza T3 (上海•上坤國際廣場 T3)	Shanghai	100.0	-	14,727	-	-	14,727	0.5
30	Shanghai • Sunkwan International Plaza T4 (上海•上坤國際廣場 T4)	Shanghai	100.0	-	14,805	-	-	14,805	0.5
31	Shanghai • Sunkwan International Plaza T5 (上海•上坤國際廣場 T5)	Shanghai	100.0	-	11,484	-	-	11,484	0.4
	<b>Sub-total</b>		<b>3,183</b>	<b>56,127</b>	<b>109,923</b>	<b>-</b>	<b>169,232</b>	<b>5.4</b>	

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale <sup>(1)</sup> in sq.m.	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group <sup>(2)(3)</sup> in sq.m.	% of Total Land Bank Attributable to the Group %
<b>Property Projects Developed by Our Associates and Joint Ventures</b>								
<b>Residential Property Projects</b>								
<i>Yangtze River Delta Economic Region</i>								
32	Wenzhou • West Lakeside Seasons (溫州•西湖四季)	50.0	5,426	-	-	-	5,426	0.2
33	Wenzhou • Prosperous Seasons (溫州•潮啟四季)	50.0	5,433	-	-	-	5,433	0.2
33	Jinhua • Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	34.0	-	-	16,799	-	16,799	0.5
35	Suzhou • Mindcloud Timeview (蘇州•雲棲時光)	90.0	-	-	135,229	-	135,229	4.1
36	Shaoxing • Zhuji Mindcloud Mansion (紹興•諸暨雲錦東方)	20.0	-	-	31,875	-	31,875	1.0
37	Suzhou • TaicangMindcloud Mountainview (蘇州•太倉雲棲麓)	33.0	-	-	14,247	-	14,247	0.4
38	Block B5, Wuzhen (烏鎮 B5 地塊)	30.0	-	-	-	37,415	37,415	1.1
39	Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	25.0	-	-	23,450	-	23,450	0.7
40	Lishui • Chongwenli (麗水•崇文里)	30.0	-	-	27,526	-	27,526	0.8
	<b>Sub-total</b>		<b>10,859</b>	<b>-</b>	<b>249,126</b>	<b>37,415</b>	<b>297,400</b>	<b>9.0</b>
<i>Mid-China Core Economic Region</i>								
41	Zhengzhou • Seasons Fenghua (鄭州•四季風華)	49.0	-	-	44,982	-	44,982	1.4
42	Wuhan • Sunkwan Sumptuous Skyview (武漢•上坤博譯雲峰)	70.0	-	-	23,158	-	23,158	0.7
43	Wuhan • Metropolis (武漢•大都會)	51.0	-	-	274,720	-	274,720	8.4
	<b>Sub-total</b>		<b>-</b>	<b>-</b>	<b>342,860</b>	<b>-</b>	<b>342,860</b>	<b>10.5</b>

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale <sup>(1)</sup> in sq.m.	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group <sup>(2)(3)</sup> in sq.m.	% of Total Land Bank Attributable to the Group %
<i>Pearl River Delta Economic Zone</i>								
44	Foshan • Jinping Mountain No. 1 (佛山•錦屏山壹號)	49.0	5,763	-	-	-	5,763	0.2
45	Shantou • Tanyue Mansion (汕頭•檀悅府)	24.1	-	-	19,519	-	19,519	0.6
46	Guangzhou • Yunjing Fenghua (廣州•雲境風華)	20.0	-	-	2,907	-	2,907	0.1
	<b>Sub-total</b>		<b>5,763</b>	<b>-</b>	<b>22,426</b>	<b>-</b>	<b>28,189</b>	<b>0.9</b>
<i>Commercial Property Projects</i>								
47	Wuzhen No.B3 Land Parcel (烏鎮 B3 地塊)	6.9	-	-	-	2,252	2,252	0.1
	<b>Sub-total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,252</b>	<b>2,252</b>	<b>0.1</b>
<b>Land Reserves Attributable to the Group</b>			<b>91,271</b>	<b>67,390</b>	<b>2,805,880</b>	<b>303,114</b>	<b>3,267,654</b>	<b>100.0</b>
<b>Total Land Reserves</b>			<b>108,130</b>	<b>67,390</b>	<b>3,538,306</b>	<b>420,798</b>	<b>4,134,624</b>	

*Notes:*

- (1) Includes (i) completed GFA pre-sold but yet delivered, and (ii) completed GFA unsold and available for sale.
- (2) Total land bank attributable to the Group equals to the sum of (i) total GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development, and (iii) total GFA for properties held for future development.
- (3) For projects held by joint ventures or associates, total GFA attributable to the Group will be adjusted by the Group's equity interest in the respective project.

## 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 97.1% (2022: 84.9%) of the Group's revenue was derived from sales of properties and approximately 2.9% (2022: 15.1%) was derived from property lease income and project management services.

For the Period, the Group's revenue increased by approximately 271.7% to approximately RMB912.5 million as compared with the last corresponding period. The increase was mainly due to the increase 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			
	2023		2022	
	Revenue <i>in RMB</i> <i>million</i>	Percentage of total revenue %	Revenue <i>in RMB</i> <i>million</i>	Percentage of total revenue %
Sale of properties	886	97.1	208	84.9
Property lease income	21	2.3	27	10.7
Project management services	5	0.6	11	4.4
<b>Total</b>	<b>912</b>	<b>100.0</b>	<b>246</b>	<b>100.0</b>

#### *Revenue from sales of properties*

Revenue from sales of properties has constituted, and is expected to continue to constitute, a substantial portion of the Group's total revenue and approximately 97.1% 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 increased by approximately 325.3% from RMB208.4 million for the six months ended 30 June 2022 to RMB886.3 million for the Period, mainly due to the increase in properties that completed and delivered to the customers during the Period.

#### *Revenue from property lease*

Rental income from the investment properties decreased by approximately 19.0% from RMB26.3 million for the six months ended 30 June 2022 to RMB21.3 million for the Period, primarily due to the decrease in occupancy rate during the Period.

#### *Revenue from project management services*

Revenue from the provision of project management services decreased by approximately 54.6% from RMB10.8 million for the six months ended 30 June 2022 to RMB4.9 million for the Period, mainly due to the decrease in the number of property projects that require project management services from us compared with the corresponding period in 2022.

### **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 increased by approximately 153.9% from RMB345.2 million for the six months ended 30 June 2022 to RMB876.4 million for the Period, mainly due to the increase in the GFA of the delivered property projects.

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

The gross profit of the Group increased from the gross loss of RMB99.7 million for the six months ended 30 June 2022 to the gross profit of RMB36.0 million for the Period.

The gross profit margin increased from the gross loss margin of approximately 40.6% for the six months ended 30 June 2022 to the gross profit margin of approximately 4.0% for the Period, primarily due to the decrease in impairment provision for properties under development during the Period. The gross profit margin for the Period after deducting impairment was 7.8%.

### **Finance Income**

Finance income mainly refers to the interest income of bank deposits. The finance income of the Group decreased by approximately 49.3% from RMB6.9 million for the six months ended 30 June 2022 to RMB3.5 million for the Period, mainly due to the decrease in the total bank deposits.

## **Other Income and Gains/(Losses)**

Other income and gains/(losses) of the Group decreased by approximately 250.4% from the net gains of RMB23.0 million for the six months ended 30 June 2022 to the net losses of RMB34.6 million for the Period, primarily attributable to the loss on disposal of a subsidiary and the increase in provision for financial guarantee contracts.

## **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 52.6% from RMB95.6 million for the six months ended 30 June 2022 to RMB45.3 million for the Period, mainly due to the decrease in the number of projects on sale and the reduction of marketing activities during the Period.

## **Administrative Expenses**

Administrative expenses primarily consist of staff costs, traveling and office expenses, professional fees, entertainment expenses, depreciation and amortisation, tax charges. The administrative expenses of the Group decreased by approximately 74.0% from RMB113.3 million for the six months ended 30 June 2022 to RMB29.5 million for the Period, mainly due to the decrease in staff costs and office expenses.

## **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 RMB0.4 million for the Period, and impairment losses of RMB38.9 million for the six months ended 30 June 2022.

## **Other Expenses**

Other expenses of the Group decreased from RMB117.4 million for the six months ended 30 June 2022 to RMB103.7 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 Gains/(Losses) on Investment Properties**

Fair value gains/(losses) 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 increased from the fair value losses of RMB21.6 million for the six months ended 30 June 2022 to the fair value gains of RMB0.4 million for the Period, mainly because the valuation of commercial properties slightly increased as at 30 June 2023.



## **Fair Value Losses on Financial Assets at Fair Value through Profit or Loss**

Fair value losses on financial assets at fair value through profit or loss of the Group decreased from RMB2.3 million for the six months ended 30 June 2022 to nil for the Period mainly due to no change 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 decreased by approximately 3.8% from RMB171.2 million for the six months ended 30 June 2022 to RMB164.7 million for the Period, mainly due to the decrease of interest expense arising from revenue contracts.

## **Share of Losses of Joint Ventures and Associates**

The Group recorded share of losses of joint ventures and associates of RMB36.3 million for the Period and share of losses of joint ventures and associates of RMB151.0 million for the six months ended 30 June 2022. Such change was mainly due to the decrease in inventory impairment loss of projects of joint ventures and associates during the Period.

## **Income Tax Expenses**

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 by approximately 26.9% from RMB32.7 million for the six months ended 30 June 2022 to RMB41.5 million for the Period, mainly due to the higher gross profit of the delivered property projects during the Period.

## **Loss for the Period**

Loss for the Period of the Group decreased by approximately 48.8% from RMB813.6 million for the six month ended 30 June 2022 to RMB416.2 million for the Period. The loss attributable to the owners of the parent decreased by approximately 37.2% from RMB563.7 million for the six months ended 30 June 2022 to RMB353.8 million for the Period.

## 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 2023, the Group's cash and bank balances (including restricted cash and pledged deposits and cash and cash equivalents) were approximately RMB747.5 million (31 December 2022: approximately RMB1,390.6 million). Cash and cash equivalents of the Group are denominated in RMB and others are denominated in the U.S. dollar and Hong Kong dollar.

### Indebtedness

As at 30 June 2023, the Group's total outstanding borrowings amounted to approximately RMB10,347.5 million (31 December 2022: approximately RMB10,404.0 million).

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

	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Current</b>		
Other loans – secured	<b>1,310,114</b>	1,363,136
Current portion of long-term bank loans – secured	<b>2,434,770</b>	2,130,446
Current portion of long-term other loans – secured	<b>1,856,760</b>	1,753,792
Senior notes	<b>2,928,954</b>	2,643,363
<b>Total current</b>	<b>8,530,598</b>	7,890,737
<b>Non-current</b>		
Bank loans – secured	<b>1,435,845</b>	1,894,374
Other loans – secured	<b>381,092</b>	618,860
<b>Total non-current</b>	<b>1,816,937</b>	2,513,234
<b>Total</b>	<b>10,347,535</b>	10,403,971

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b><i>Bank loans repayable:</i></b>		
Within one year	2,434,770	2,130,446
In the second year	673,875	854,374
In the third to the fifth year, inclusive	<u>761,970</u>	<u>1,040,000</u>
	<u><b>3,870,615</b></u>	<u>4,024,820</u>
<b><i>Other loans repayable:</i></b>		
Within one year	3,166,874	3,116,928
In the second year	<u>381,092</u>	<u>618,860</u>
	<u><b>3,547,966</b></u>	<u>3,735,788</u>
<b><i>Senior notes:</i></b>		
Within one year	<u>2,928,954</u>	<u>2,643,363</u>
<b>Total</b>	<u><b>10,347,535</b></u>	<u><b>10,403,971</b></u>

### **Pledge of Assets**

As at 30 June 2023, the Group's borrowings were secured by the Group's assets of RMB14,220.4 million (2022: RMB14,614.1 million), including (i) property, plant and equipment; (ii) investment properties; (iii) properties under development; (iv) completed properties held for sale; and (v) pledged deposits.

### **Net Gearing Ratio**

The net gearing ratio of the Group increased from 224.1% as at 31 December 2022 to 262.7% as at 30 June 2023. Net gearing ratio is calculated by dividing total borrowings less cash and cash equivalents, restricted cash and pledged deposits by total equity.

## **Financial Risk**

The Group's businesses exposed it to various financial risks, including interest rate risk, foreign exchange risk, credit risk and liquidity risk. In order to 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. As at 30 June 2023, RMB1.8 million of the Group's cash and bank balances were denominated in Hong Kong dollar and the U.S. dollar, and both of them were subject to exchange rate fluctuation. The Group has no foreign currency hedging policy. However, the Group will closely monitor its exchange rate risk in an effort to maintain the Group's cash value.

### *Credit risk*

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

### *Liquidity risk*

The Group aims to maintain sufficient cash through internally generated sales proceeds and an adequate amount of committed credit facilities to meet the Group's operation needs and commitments in respect of property projects. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing bank and other borrowings.

## 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 relies 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 following table sets forth the Group's total guarantees as at the dates indicated:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to the purchasers of the Group's properties	<b>4,048,497</b>	6,102,099
Guarantees given to banks and other institutions in connection with facilities granted to the Group's related companies and third parties	<b>3,710,498</b>	5,663,415
	<b><u>7,758,995</u></b>	<b><u>11,765,514</u></b>

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

## LEGAL CONTINGENTS

The Group is involved in lawsuits that are not material and other proceedings in the ordinary course of business. The Group has assessed the claims and believes 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 2023, the Group's capital commitments for property development activities and capital contribution for investments in joint ventures and associates amounted to RMB3,172.0 million (31 December 2022: RMB3,173.5 million).

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

Except for the contingent liabilities disclosed above, as at 30 June 2023, 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 other immediate plans for material investments and capital assets as at 30 June 2023.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2023, the Group has a total of 525 employees (31 December 2022: 727) and staff cost of approximately RMB67.6 million for the Period (the six months ended 30 June 2022: approximately RMB100.4 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”. Further details will be disclosed in the Company’s interim report for the six months ended 30 June 2023.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events that might affect the Group after 30 June 2023.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the Period (for the six months ended 30 June 2022: 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.

Employees of the Company who may have inside information about the Company have also complied with the Model Code. The Company was not aware of any incidents of non-compliance by employees with the Model Code during the six months ended 30 June 2023.

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

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, 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](http://www.hkexnews.hk)) and the website of the Company ([www.sunkwan.com.cn](http://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 two members, namely Mr. Au Yeung Po Fung (Chairman) and Mr. Guo Shaomu, who are all independent non-executive Directors.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been reviewed by the Group's auditor, Prism Hong Kong and Shanghai Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and the Audit Committee. The Audit Committee has also considered and reviewed 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 financial statements 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](http://www.hkexnews.hk)) and the website of the Company ([www.sunkwan.com.cn](http://www.sunkwan.com.cn)). The Company's 2023 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, 31 August 2023

*As at the date of this announcement, the Board comprises Ms. Zhu Jing and Ms. Sheng Jianjing as executive Directors; Mr. Lin Jinfeng and Ms. Lin Zhaohong as non-executive Directors; and Mr. Guo Shaomu and Mr. Au Yeung Po Fung as independent non-executive Directors.*