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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 2021**

INTERIM FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB1,522.6 million, representing a decrease of approximately 22.1% as compared with the corresponding period in 2020. Gross profit for the Period was approximately RMB340.0 million with a gross profit margin of approximately 22.3%.
- Profit for the Period was approximately RMB262.1 million, representing an increase of approximately 19.3% as compared with the corresponding period in 2020. Profit attributable to owners of the parent was approximately RMB53.9 million, representing an increase of approximately 104.1% as compared with the corresponding period in 2020.
- Total assets increased by approximately 38.5% to RMB42,265.3 million as at 30 June 2021 from RMB30,521.6 million as at 31 December 2020.
- Cash and bank balances increased by approximately 37.0% to RMB7,307.9 million as at 30 June 2021 from RMB5,333.5 million as at 31 December 2020.
- Net gearing ratio increased to approximately 66.7% as at 30 June 2021.
- The unrestricted cash to current borrowings ratio decreased to approximately 1.3 times as at 30 June 2021.
- Assets to liabilities ratio after excluding receipts in advance increased to approximately 75.4% as at 30 June 2021.

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 consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (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 2021

	Notes	2021 RMB’000 (Unaudited)	2020 RMB’000 (Unaudited)
REVENUE	3	1,522,574	1,955,208
Cost of sales		<u>(1,182,599)</u>	<u>(1,035,707)</u>
GROSS PROFIT		339,975	919,501
Finance income		27,409	9,218
Other income and gains	3	33,050	6,017
Selling and distribution expenses		(119,256)	(95,618)
Administrative expenses		(154,972)	(121,309)
Impairment losses on financial assets		(1,162)	341
Other expenses		(631)	(482)
Fair value gains on investment properties		8,330	16,443
Fair value gains on financial assets at fair value through profit or loss		4,875	304
Finance costs	4	(129,775)	(126,486)
Share of profits and losses of:			
Joint ventures		(41,622)	3,779
Associates		<u>(4,256)</u>	<u>(1,842)</u>
(LOSS)/PROFIT BEFORE TAX	5	(38,035)	609,866
Income tax credit/(expense)	6	<u>300,136</u>	<u>(390,158)</u>
PROFIT FOR THE PERIOD		<u>262,101</u>	<u>219,708</u>
Profit attributable to:			
Owners of the parent		53,861	26,388
Non-controlling interests		<u>208,240</u>	<u>193,320</u>
		<u>262,101</u>	<u>219,708</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted earnings per share	8	<u>RMB0.03</u>	<u>RMB0.02</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		140,200	143,721
Right-of-use assets		4,168	1,777
Investment properties		3,320,700	3,245,600
Intangible assets		1,665	2,166
Investments in joint ventures		315,181	357,174
Investments in associates		2,837,826	1,584,016
Deferred tax assets		368,255	521,353
Total non-current assets		6,987,995	5,855,807
CURRENT ASSETS			
Properties under development		20,247,524	12,495,168
Completed properties held for sale		602,942	1,562,937
Trade receivables	9	25,807	25,913
Due from related companies		2,667,952	1,341,958
Contract cost assets		70,652	51,497
Prepayments, other receivables and other assets		3,862,541	3,474,502
Tax recoverable		300,827	267,134
Financial assets at fair value through profit or loss		191,249	113,209
Restricted cash		2,711,162	1,768,413
Pledged deposits		335,361	199,881
Cash and cash equivalents		4,261,333	3,365,194
Total current assets		35,277,350	24,665,806
CURRENT LIABILITIES			
Trade and bills payables	10	1,864,948	1,714,898
Other payables and accruals		5,966,324	2,571,598
Contract liabilities		11,743,074	8,001,562
Due to related companies		1,258,514	539,125
Interest-bearing bank and other borrowings		2,229,867	2,329,620
Senior notes		1,237,164	—
Tax payables		1,380,957	2,417,983
Lease liabilities		30,802	32,277
Total current liabilities		25,711,650	17,607,063
NET CURRENT ASSETS		9,565,700	7,058,743
TOTAL ASSETS LESS CURRENT LIABILITIES		16,553,695	12,914,550

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

As at 30 June 2021

	30 June 2021	31 December 2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	8,848,701	6,415,748
Deferred tax liabilities	159,194	161,715
Lease liabilities	35,184	54,518
	<hr/>	<hr/>
Total non-current liabilities	9,043,079	6,631,981
	<hr/>	<hr/>
Net assets	7,510,616	6,282,569
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	14	14
Reserves	2,297,347	2,279,483
	<hr/>	<hr/>
	2,297,361	2,279,497
	<hr/>	<hr/>
Non-controlling interests	5,213,255	4,003,072
	<hr/>	<hr/>
Total equity	7,510,616	6,282,569
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 21 August 2018. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 November 2020. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the 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**").

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

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 2020, 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, *Interest Rate Benchmark Reform – Phase 2*

IFRS 7, IFRS 4 and IFRS 16

Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

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

The Group had no interest-bearing bank and other borrowings and senior notes denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 30 June 2021. The amendment did not have any impact on the financial position and performance of the Group.

- (b) Amendment to IFRS 16 issued in March 2021 allows to extend the period for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for such accounting treatment are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the COVID-19 pandemic for the period ended 30 June 2021.

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

Set out below are the amounts by which each financial statement line item was affected for the six months ended 30 June 2021 and 2020 as a result of the Policy Change:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	Increase/	Increase/
	(decrease)	(decrease)
	RMB’000	RMB’000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	<u>555,993</u>	<u>365,184</u>
Increase in cash flows related to operating activities	<u><u>555,993</u></u>	<u><u>365,184</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	<u>(555,993)</u>	<u>(365,184)</u>
Decrease in cash flows related to financing activities	<u><u>(555,993)</u></u>	<u><u>(365,184)</u></u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u><u>-</u></u>	<u><u>-</u></u>

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

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	1,494,740	1,934,849
Revenue from other sources		
Gross rental income from investment property operating leases	27,834	20,359
	1,522,574	1,955,208

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services:		
Sale of properties	1,448,214	1,918,571
Project management services	46,526	16,278
Total revenue from contracts with customers	1,494,740	1,934,849
Timing of revenue recognition:		
Properties transferred at a point in time	1,448,214	1,918,571
Services transferred over time	46,526	16,278
Total revenue from contracts with customers	1,494,740	1,934,849

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and gains		
Gain on disposal of subsidiaries	27,157	—
Forfeiture of deposits	934	1,971
Government grants	1,693	3,606
Exchange gains	2,640	—
Others	626	440
	33,050	6,017

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	671,354	352,309
Interest on lease liabilities	1,254	1,768
Interest expense arising from revenue contracts	154,743	140,074
	<hr/>	<hr/>
Total interest expense on financial liabilities	827,351	494,151
not at fair value through profit or loss	(697,576)	(367,665)
Less: Interest capitalised	<hr/>	<hr/>
	129,775	126,486
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	1,145,759	1,015,568
Impairment losses recognised for properties under development	20,791	4,652
Impairment losses recognised/(reversed) for financial assets	1,162	(341)
Depreciation of property, plant and equipment	4,264	3,831
Depreciation of right-of-use assets	1,706	2,270
Lease payments not included in the measurement of lease liabilities	1,143	712
Auditor's remuneration	1,800	1,400
Amortisation of intangible assets	501	537
Employee benefit expense		
(including directors' and chief executive's remuneration):		
Wages and salaries	79,170	69,517
Pension scheme contributions and social welfare	16,402	10,165
Employee share-based compensation expense	3,334	—

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong for the six months ended 30 June 2021 and 2020.

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Corporate income tax	89,890	71,809
LAT*	(540,603)	173,648
Deferred tax	150,577	144,701
Total tax (credit)/charge for the period	(300,136)	390,158

* The significant decrease of the LAT amount was mainly due to the final clearance of LAT for three projects, which have been approved by the relevant tax authority. Such final clearances of LAT were approved by relevant local tax authority based on its consideration and judgement of the development and operation of these projects. The approved LAT amounts are lower than the provision estimated. Therefore, such differences were deducted from the LAT in current period.

7. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared and paid – RMB2 cent (2020: Nil) per ordinary share	39,331	–

The proposed 2020 final dividend of HK\$0.024 (equivalent to approximately RMB2 cents) per share, totaling HK\$49,750,560 (equivalent to approximately RMB39,331,000), was approved by the Group's shareholders at the annual general meeting on 28 May 2021. The above-mentioned declared dividend was paid on 18 June 2021.

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

The calculation of the basic earnings per share amounts 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 (2020: 1,500,000,000) 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 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	53,861	26,388
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period	2,072,940,000	1,500,000,000

9. TRADE RECEIVABLES

An aging 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
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Less than 1 year	24,705	25,655
Over 1 year	1,102	258
	25,807	25,913

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:

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Less than 1 year	1,839,945	1,691,174
Over 1 year	25,003	23,724
	1,864,948	1,714,898

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW AND OUTLOOK

Review of the First Half of 2021

In the first half of 2021, despite the sophisticated domestic and international environment, China's economy saw growth in stability with increasing drivers by continuously strengthening the achievements in pandemic prevention and control as well as economic and social development. In the first half of 2021, the gross domestic product (GDP) reached RMB53,216.7 billion, representing a year-on-year increase of 12.7%. Although the growth of 7.9% of macro economy in the second quarter was relatively slower as compared with the first quarter due to the impact of higher base, the two-year compound average growth in the second quarter was 5.5%, faster than that of the first quarter, representing a stronger resilience of the economy as a whole.

The overall situation in the real estate market was unchanged since the COVID-19 pandemic, and the national sales of commodity houses amounted to RMB6.5 trillion in the first half of the year, contributing around 9.2% to the economy. As the land premium of residential properties and premium rate were higher than that of last year, and the overall land market showed an upward trend, the deposits for land auction in 22 cities accounted for 48% of the total deposits for land auction of the PRC.

Meanwhile, the policy keynote of “stabilising housing price, land premium and expectation” remained unchanged. The financial environment was tightened on a continuing basis, “Three Red Lines” and “Two Red Lines” were held firmly to deleverage and control financing, off-balance-sheet business was controlled by regulating commercial bills and demands were damped by increasing the interest rate and suspending loans for pre-owned houses. The growth of real estate sector is expected to slow down.

Facing opportunities and challenges as well as the changing market and policies, the Group continued to dig into the three core economic circles and acquired high-quality land bank through diversified land acquisition methods and prudent investment strategies. In the first half of 2021, our land bank increased by 3.078 million sq.m., of which 48.5% was in the Yangtze River Delta, which further expanded our advantage in regional layout.

The Group has been gaining market recognition since its debut in the capital market in November last year. In March 2021, the Group's ranking was lifted to TOP 78 of Top 100 real estate companies in China in 2021 and TOP 8 of real estate developers in China in 2021 in comprehensive strength. In May 2021, the Group was successfully admitted as a constituent of MSCI China Small Cap Index. During the Period, the Group achieved high-quality growth by leveraging on its strategic investment capability, quality and complete product capability, efficient and synergetic operation capability as well as repeatedly upgraded talent organisation.

Outlook for the Second Half of 2021

Looking forward to the second half of the year, under the general trend of the global liquidity contraction, facing the emergence of centralised land supply, the regulatory of the “Three Red Lines”, and the instability of the capital market, the external environment presents squeezing and shocking in multiple dimensions. “Housing without speculation” and “steady development of the real estate market” will remain as the general principle of government policies. Deep penetrating and robust housing enterprises will have more development opportunities.

In the second half of the year, the Group expects that financing channels will be further tightened, the centralised land supply policy will be further optimised, the differentiation and integration of the industry will be further intensified, and the real estate industry will fully enter a competition stage of integrated competence.

The Group will continue to focus on steady operation, constantly improve their product capabilities, and actively adapt to the new policy and market environment. The Group will continue to make targeted investments, closely follow the market changes, adhere to the regional penetration strategy, and fully explore investment opportunities through diversified ways. The Group will continue to promote a stable and safe financial supervision system, optimise the financial structure and continue to improve financing capacity so as to reduce financing costs and build a sustainable competitive advantage. Meanwhile, with the deepening of “policies according to different city conditions” and the intensification of market differentiation in different locations, the Group will continue to optimise marketing strategies, actively supply products and launch precisely and improve turnover efficiency to achieve high-quality growth.

PERFORMANCE HIGHLIGHTS

	For the six months ended 30 June	
	2021	2020
Contracted sales ⁽¹⁾ attributable to the Group (in RMB million)	10,536	8,119
Contracted gross floor area (GFA) sold attributable to the Group (sq.m.)	796,076	340,370
Contracted average selling price (ASP) attributable to the Group (RMB/sq.m.)	13,235	23,853
Revenue (in RMB million)	1,523	1,955
Gross profit (in RMB million)	340	920
Profit for the period		
– Including non-controlling interests (in RMB million)	262	220
– Attributable to owner of the parent (in RMB million)	54	26
Core net profit ⁽²⁾		
– Including non-controlling interests (in RMB million)	252	207
– Attributable to owner of the parent (in RMB million)	46	17
Gross profit margin (%) ⁽³⁾	22.3	47.0
Net profit margin (%)	17.2	11.2
	As at 30 June 2021	As at 31 December 2020
Current ratio (times) ⁽⁴⁾	1.4	1.4
Net gearing ratio (%) ⁽⁵⁾	66.7	54.3
The unrestricted cash to current borrowings ratio (times) ⁽⁶⁾	1.3	1.5
Assets to liabilities ratio after excluding receipts in advance (%) ⁽⁷⁾	75.4	72.1

Notes:

- (1) Contracted sales data is unaudited and is prepared based on internal information of the Group. In view of various uncertainties during the collection of such sales information, such contracted sales data is provided for investors' reference only.
- (2) Equal to the profit for the 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 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 unrestricted cash (cash and cash balances less restricted cash) 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

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

For the Period, the contracted sales attributable to the Group were approximately RMB10,536 million, representing an increase of approximately 29.8% as compared with the corresponding period in 2020. Such increase was mainly due to the fact that the Group, together with its joint ventures and associates, has been intensively penetrating into regional development, resulting in an increase of its accumulated saleable GFA.

For the Period, the contracted GFA sold attributable to the Group of approximately 796,076 sq.m., representing an increase of approximately 133.9% as compared with the corresponding period in 2020 and the contracted ASP attributable to the Group of approximately RMB13,235 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	8,306	78.8	563,520	14,739
Pearl River Delta Economic Zone	794	7.6	58,834	13,496
Mid-China Core Economic Region	1,436	13.6	173,722	8,266
Total	10,536	100.0	796,076	13,235

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>
Hangzhou	2,125	20.2	91,927	23,116
Wuhu	1,534	14.6	134,084	11,441
Ningbo	878	8.3	57,098	15,377
Hefei	856	8.1	57,032	15,009
Jinhua	838	8.0	43,106	19,440
Foshan	776	7.4	56,976	13,620
Suzhou	761	7.2	60,129	12,656
Wuhan	591	5.6	57,644	10,253
Shangqiu	510	4.8	76,450	6,671
Nanjing	368	3.5	13,311	27,646
Shangrao	335	3.2	39,628	8,454
Fuyang	389	3.7	64,159	6,063
Lishui	168	1.6	13,139	12,786
Zhuji	159	1.5	7,983	19,917
Suzhou	140	1.3	16,317	8,580
Others	108	1.0	7,093	15,226
Total	10,536	100.0	796,076	13,235

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 62.0% from approximately RMB12,495.2 million as at 31 December 2020 to approximately RMB20,247.5 million as at 30 June 2021. The increase was mainly due to the increased number of properties under development projects held as at 30 June 2021.

Completed Properties Held for Sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net 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 61.4% from approximately RMB1,562.9 million as at 31 December 2020 to approximately RMB602.9 million as at 30 June 2021. The decrease was mainly due to part of those properties were sold and delivered to the customers for the Period.

Investment Properties

While the Group focused on residential property development as the Group's core business, the Group's business gradually expanded to the development of all types of commercial and mixed-use properties. Currently, the Group holds certain commercial spaces (primarily include retail spaces adjacent to the Group's residential properties, commercial district shopping plazas and office buildings) as investment properties, for example, Shanghai • Sunkwan Center, a joint venture project of the Group, is a large multi-purpose commercial complex with office buildings, shopping plazas and hotel facility. As at 30 June 2021, the Group had investment interests in a commercial property portfolio of eight projects under various stages of development, including six projects developed by the Group's subsidiaries and two projects developed by its joint venture, and seven of which were located in Shanghai. These projects included three completed office buildings, two completed commercial district shopping plazas, one completed mixed-use commercial complex, and two mixed-use commercial property projects under development or held for future development with a total GFA attributable to the Group of 282,916 sq.m. The Group intends to leverage its existing human and capital resources to increase its commercial property holdings and gradually expand its commercial property investments in the future.

Land Bank

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

As at 30 June 2021, the planned gross floor area of land bank of the Group, together with its joint ventures and associates, was approximately 7,770,794 sq.m., and the equity area was approximately 5,971,482 sq.m..

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

The following table sets forth the breakdown of land bank of the Group together with its joint ventures and associates as at 30 June 2021:

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale ⁽¹⁾ in sq.m	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group ⁽²⁾⁽³⁾ in sq.m.	% of Total Land Bank Attributable to the Group %
Property Projects Developed by our Subsidiaries								
Residential Property Projects								
<i>Yangtze River Delta Economic Region</i>								
Shanghai • Flourish Neighbourhood (上海•樾裡)	Shanghai	50.0	–	–	11,254	–	11,254	0.2
Hangzhou • Sunkwan Majestic Seasons (杭州•上坤山語四季)	Hangzhou	100.0	166,964	–	–	–	166,964	2.8
Hangzhou • Mindcloud Imperial Garden (杭州•雲棲宸園)	Hangzhou	52.0	–	–	163,813	–	163,813	2.7
Ningbo • Cixi Cloud Mansion (寧波•慈溪雲邸華府)	Ningbo	33.3	7,770	–	–	–	7,770	0.1
Ningbo • Cixi Phoenix Mansion (寧波•慈溪鳳鳴梧桐府)	Ningbo	30.0	2,932	–	–	–	2,932	0.0
Ningbo • Cixi Gracious Mansion (寧波•慈溪慈瀾府)	Ningbo	25.0	–	–	63,883	–	63,883	1.1
Jinhua • Dongyang Metropolis (金華•東陽大都會)	Jinhua	51.0	249	–	–	–	249	0.0

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale ⁽¹⁾ in sq.m	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group ⁽²⁾⁽³⁾ in sq.m.	% of Total Land Bank Attributable to the Group %
Jinhua • Dongyang Metropolis Seasons (金華•東陽都會四季)	Jinhua	38.3	76,928	–	–	–	76,928	1.3
Suzhou • Lakeview Seasons (蘇州•望湖四季)	Suzhou	35.0	–	–	125,152	–	125,152	2.1
Changzhou • Mindcloud Peakview (常州•雲峯)	Changzhou	40.0	–	–	199,902	–	199,902	3.3
Nantong • Hai'an Changhong Waterfront City (南通•海安 長宏水岸名城)	Nantong	49.9	–	–	79,883	–	79,883	1.3
Fuyang • Baolong Stone Art Town (阜陽•抱龍石藝小鎮)	Fuyang	50.0	–	–	82,799	–	82,799	1.4
Fuyang • Majestic Mansion (阜陽•政務壹號)	Fuyang	51.0	–	–	204,848	–	204,848	3.4
Wuhu • Joy Seasons (蕪湖•銘悅四季)	Wuhu	49.0	–	–	185,255	–	185,255	3.1
Jinhua • Dongyang Mindcloud Mansion (金華•東陽雲棲風華)	Jinhua	51.0	–	–	98,621	–	98,621	1.7
Ningbo • Cixi Crystal Seasons (寧波•慈溪晶萃四季)	Ningbo	53.6	–	–	96,728	–	96,728	1.6
Nanjing • Mindcloud Garden (南京•雲棲風華環園)	Nanjing	100.0	–	–	51,802	–	51,802	0.9
Hefei • Mindcloud Mountainview (合肥•雲棲麓)	Hefei	51.0	–	–	107,549	–	107,549	1.8
Shaoxing • Majestic Mansion (紹興•山語雲邸)	Shaoxing	51.0	–	–	72,726	–	72,726	1.2
Suzhou • Mindcloud Garden (宿州•雲棲園)	Suzhou	51.0	–	–	130,465	–	130,465	2.2
Suzhou • Kunshan Metropolis Seasons (蘇州•昆山都薈四季)	Suzhou	70.0	–	–	171,315	–	171,315	2.9
Jiaxing • Meili New Garden (嘉興•梅裡新嘉苑)	Jiaxing	51.0	11,481	–	–	–	11,481	0.2
Block B4, Wuzhen (烏鎮B4地塊)	Jiaxing	30.0	–	–	113,494	–	113,494	1.9
Wenzhou • Leqing Yunqi Fenghua (溫州•樂清雲棲風華)	Wenzhou	50.0	–	–	71,745	–	71,745	1.2
Hefei • Crystal Seasons (合肥•晶萃四季)	Hefei	51.0	–	–	108,460	–	108,460	1.8
Jinhua • Lanxi Mindcloud Garden (金華•蘭溪雲錦桃源)	Jinhua	45.9	–	–	131,778	–	131,778	2.2
Wenzhou • Leqing Mindcloud Mountainview (溫州•樂清雲棲麓)	Wenzhou	50.0	–	–	–	118,010	118,010	2.0
Sub-total			266,324	–	2,271,472	118,010	2,655,806	44.5

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale ⁽¹⁾ in sq.m	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group ⁽²⁾⁽³⁾ in sq.m.	% of Total Land Bank Attributable to the Group %
Mid-China Core Economic Region								
Shangrao • Sunkwan Riverside Seasons (上饒•上坤濱江四季)	Shangrao	100.0	–	–	271,815	–	271,815	4.6
Shangrao • Metropolis Seasons (上饒•都會四季)	Shangrao	65.0	–	–	152,683	–	152,683	2.6
Tianmen • Sunkwan Northlake Seasons (天門•上坤北湖四季)	Tianmen	100.0	29,411	–	–	–	29,411	0.5
Wuhan • Metropolis (武漢•大都會)	Wuhan	100.0	–	–	558,674	–	558,674	9.4
Wuhan • Yunqi Metropolis (武漢•雲啟都會)	Wuhan	51.0	–	–	58,458	–	58,458	1.0
Xinyang • Tianyue (信陽•天悅)	Xinyang	38.5	–	–	254,720	–	254,720	4.3
Xinyang • Tianjing (信陽•天境)	Xinyang	38.5	–	–	103,822	–	103,822	1.7
Xinyang • Tianxi (信陽•天璽)	Xinyang	38.5	–	–	154,889	–	154,889	2.6
	Sub-total		29,411	–	1,555,061	–	1,584,472	26.7
Pearl River Delta Economic Zone								
Dongguan • Champagne Garden (東莞•香檳花園)	Dongguan	25.0	14,558	–	–	–	14,558	0.2
Foshan • Sunkwan Lakeview Seasons (佛山•上坤瀚湖四季)	Foshan	100.0	13,717	–	–	–	13,717	0.2
Foshan • Mindcloud Mansion (佛山•雲棲公館)	Foshan	100.0	–	–	43,880	–	43,880	0.7
Foshan • Sunkwan Mindcloud Peakview (佛山•上坤雲峯壹號)	Foshan	100.0	–	–	133,288	–	133,288	2.2
Guangzhou • Yunjing Fenghua (廣州•雲境風華)	Guangzhou	51.0	–	–	72,665	–	72,665	1.2
	Sub-total		28,275	–	249,833	–	278,108	4.5

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale ⁽¹⁾ in sq.m	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group ⁽²⁾⁽³⁾ in sq.m.	% of Total Land Bank Attributable to the Group %
Commercial Property Projects								
Shanghai • Sunkwan Red Commercial Plaza (上海• 上坤紅街)	Shanghai	100.0	–	5,952	–	–	5,952	0.1
Shanghai • Sunkwan Upper Commercial Plaza (上海• 上坤上街)	Shanghai	100.0	3,561	21,932	–	–	25,493	0.4
Shanghai • Flourish projects 08-06/08(上海• 樾山項目08-06/08)	Shanghai	50.0	–	–	158,060	–	158,060	2.6
Shanghai • Sunkwan Flourish Peninsula (Basement Clubhouse) (上海• 上坤樾山半島地下部分)	Shanghai	50.0	–	1,725	–	–	1,725	0.0
Shanghai • Sunkwan International Plaza T3(上海• 上坤國際廣場T3)	Shanghai	100.0	–	14,727	–	–	14,727	0.3
Shanghai • Sunkwan International Plaza T4(上海• 上坤國際廣場T4)	Shanghai	100.0	–	14,805	–	–	14,805	0.3
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	3.9

Property Projects Developed by Our Associates and Joint Ventures

Residential Property Projects

Yangtze River Delta Economic Region

Shanghai • Mindcloud Mountainview (上海• 雲棲麓)	Shanghai	35.0	–	–	25,176	–	25,176	0.4
Wenzhou • Prosperous Seasons (溫州• 潮啟四季)	Wenzhou	50.0	–	–	49,850	–	49,850	0.8
Wenzhou • West Lakeside Seasons (溫州• 西湖四季)	Wenzhou	50.0	–	–	42,105	–	42,105	0.7
Suzhou • Mindcloud Timeview (蘇州• 雲棲時光)	Suzhou	70.0	–	–	115,730	–	115,730	1.9
Suzhou • Jade Seasons (蘇州• 翡翠四季)	Suzhou	24.5	1,355	–	–	–	1,355	0.0
Jiaxing • Red Star Fashion Plaza (嘉興• 紅星時尚廣場)	Jiaxing	3.5	–	–	4,068	–	4,068	0.1
Jiaxing • Mindcloud Garden (嘉興• 雲尚環苑)	Jiaxing	50.0	–	–	40,980	–	40,980	0.7
Shaoxing • Zhuji Mindcloud Mansion (紹興• 諸暨雲錦東方)	Shaoxing	49.0	–	–	30,437	–	30,437	0.5
Block B5, Wuzhen (烏鎮B5地塊)	Jiaxing	30.0	–	–	38,253	–	38,253	0.6
Lishui • Chongwenli (麗水• 崇文裡)	Lishui	50.0	–	–	64,256	–	64,256	1.1
Nantong • Chenxing Garden (南通• 宸星雅苑)	Nantong	15.6	–	–	14,261	–	14,261	0.2
Hangzhou • Yuezen Mansion (杭州• 樾臻府)	Hangzhou	24.9	–	–	21,895	–	21,895	0.4

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale ⁽¹⁾ in sq.m	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group ⁽²⁾⁽³⁾ in sq.m.	% of Total Land Bank Attributable to the Group %
Suzhou • Taicang Mindcloud Mountainview (蘇州•太倉雲棲麓)	Suzhou	33.0	–	–	15,812	–	15,812	0.3
Plot XDG-2020-77, Huishan District, Wuxi(無錫惠山區XDG-2020-77號地塊)	Wuxi	15.0	–	–	31,266	–	31,266	0.5
Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	Jinhua	49.0	–	–	–	68,901	68,901	1.2
Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	Bengbu	51.0	–	–	40,850	–	40,850	0.7
Jinhua • Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	Jinhua	34.0	–	–	23,262	–	23,262	0.4
Sub-total			1,355	–	558,201	68,901	628,457	10.5
Mid-China Core Economic Region								
Wuhan Yangluo P (2020) Lot 186 (武漢陽邏P (2020) 186號地塊)	Wuhan	51.0	–	–	152,051	–	152,051	2.6
Wuhan • Sunkwan Sumptuous Skyview (武漢•上坤博譯雲峯)	Wuhan	70.0	–	–	24,912	–	24,912	0.4
Jiangxia Project (江夏項目)	Wuhan	30.0	–	–	30,359	–	30,359	0.5
Shangqiu • Sky Platinum (商丘•天鉅)	Shangqiu	50.0	–	–	116,244	–	116,244	1.9
91-acres Project in Longhu Town, Zhengzhou City (鄭州市龍湖鎮91畝項目)	Zhengzhou	49.0	–	–	99,594	–	99,594	1.7
Sub-total			–	–	423,160	–	423,160	7.1
Pearl River Delta Economic Zone								
Foshan • Jinping Mountain No. 1 (佛山•錦屏山壹號)	Foshan	49.0	–	–	37,570	–	37,570	0.6
Shantou • Tanyue Mansion (汕頭•檀悅府)	Shantou	24.1	–	–	80,993	–	80,993	1.4
Sub-total			–	–	118,563	–	118,563	2.0

Name of Projects	City	Interest Attributable to the Group %	GFA Available for Sale ⁽¹⁾ in sq.m	Leasable GFA in sq.m.	GFA Under Development in sq.m.	Estimated GFA for Future Development in sq.m.	Total Land Bank Attributable to the Group ⁽²⁾⁽³⁾ in sq.m.	% of Total Land Bank Attributable to the Group %
Commercial Property Projects								
Shanghai • Sunkwan Center (上海•上坤中心)	Shanghai	50.0	–	–	49,162	–	49,162	0.8
Wuzhen No.B3 Land Parcel (烏鎮B3地塊)	Jiaxing	6.9	–	–	–	1,508	1,508	0.0
	Sub-total		–	–	49,162	1,508	50,670	0.8
Land Reserves Attributable to the Group			328,926	70,625	5,383,512	188,419	5,971,482	100.0
Total Land Reserves			333,100	70,625	7,086,468	280,601	7,770,794	

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.

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

City	Project/Land Parcel	Project Type	Interest Attributable to %	Land Parcels Area in sq.m	Estimated GFA in sq.m	Average Acquisition Cost (Based on Estimated GFA) RMB/sq.m.
Yangtze River Delta Economic Region						
Lishui	Lishui • Chongwenli (麗水•崇文里)	Residential/ Commercial	50.0	54,837	128,513	2,665
Nantong	Nantong • Chenxing Garden (南通•宸星雅苑)	Residential/ Commercial	15.6	31,017	91,416	5,524
Hangzhou	Hangzhou • Yuezheng Mansion (杭州•樾臻府)	Residential/ Commercial	24.9	25,998	87,933	2,697
Jiaxing	Block B3, Wuzhen (烏鎮B3地塊)	Commercial	6.9	36,630	21,978	4,018
Jiaxing	Block B4, Wuzhen (烏鎮B4地塊)	Residential/ Commercial	30.0	32,652	113,494	3,035
Jiaxing	Block B5, Wuzhen (烏鎮B5地塊)	Residential/ Commercial	30.0	36,455	127,510	2,686

City	Project/Land Parcel	Project Type	Interest Attributable to %	Land Parcels Area in sq.m	Estimated GFA in sq.m	Average Acquisition Cost (Based on Estimated GFA) RMB/sq.m.
Wuxi	Plot XDG-2020-77, Huishan District, Wuxi (無錫惠山區 XDG-2020-77號地塊)	Residential/ Commercial	15.0	53,937	156,330	6,580
Bengbu	Bengbu • Yunqi Metropolis (蚌埠•雲啟都會)	Residential/ Commercial	51.0	35,708	80,114	3,458
Jinhua	Jinhua • Dongyang Yunzhuxiyu (金華•東陽雲築溪語)	Residential	34.0	16,169	68,418	4,429
Wenzhou	Wenzhou • Leqing Yunqi Fenghua (溫州•樂清雲棲風華)	Residential/ Commercial	50.0	21,570	71,745	2,899
Suzhou	Wenzhou • Taicang Mindcloud Mountainview (溫州•太倉雲棲麓)	Residential	33.0	16,999	47,915	6,307
Hefei	Hefei • Jingcui Four Seasons (合肥•晶萃四季)	Residential/ Commercial	51.0	46,487	108,460	5,272
Jinhua	Jinhua • Yiwu Yunqifengjing (金華•義烏雲起峰境)	Residential/ Commercial	49.0	38,951	140,613	6,258
Jinhua	Jinhua • Lanxi Yunqitaoyuan (金華•蘭溪雲棲桃源)	Residential	45.9	46,690	131,778	5,446
Wenzhou	Wenzhou • Leqing Mindcloud Mountainview (溫州•樂清雲棲麓)	Residential	50.0	35,882	118,010	3,288
Pearl River Delta Economic Zone						
Shantou	Shantou • Joy Mansion (汕頭•檀悅府)	Residential/ Commercial	24.1	62,413	336,768	3,062
Guangzhou	Guangzhou • Yunjing Fenghua (廣州•雲境風華)	Residential/ Commercial	51.0	17,258	72,665	10,613
Mid-China Core Economic Region						
Xinyang	Xinyang • Tianyue (信陽•天悅)	Residential/ Commercial	38.5	84,176	254,720	2,403
Xinyang	Xinyang • Tianjing (信陽•天境)	Residential/ Commercial	38.5	40,839	103,822	2,590
Xinyang	Xinyang • Tianxi (信陽•天璽)	Residential/ Commercial	38.5	60,433	154,889	2,572
Wuhan	Wuhan • Yunqi Metropolis (武漢•雲啟都會)	Residential/ Commercial	51.0	13,155	58,458	4,297
Wuhan	Wuhan Yangluo P (2020) No. 186 Land Parcel (武漢陽邏P(2020)186號地塊)	Residential/ Commercial	51.0	104,832	298,139	2,131
Zhengzhou	91-acres Project in Longhu Town, Zhengzhou City (鄭州市龍湖鎮91畝項目)	Residential	49.0	60,690	203,252	2,696
Wuhan	Jiangxia Project (江夏項目)	Residential	30.0	39,197	101,197	4,201
Total				1,012,975	3,078,137	3,729

FINANCIAL REVIEW

Revenue

The revenue of the Group consists of revenue derived from: (i) sales of properties; (ii) property lease income; and (iii) project management services. For the Period, approximately 95.1% (2020: 98.1%) of the Group's revenue was derived from sales of properties and approximately 4.9% (2020: 1.9%) was derived from property lease income and project management services.

For the Period, The Group's revenue decreased by approximately 22.1% to approximately RMB1,522.6 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		2020	
	Revenue	Percentage	Revenue	Percentage
	<i>in RMB</i>	<i>of total</i>	<i>in RMB</i>	<i>of total</i>
	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>
		<i>%</i>		<i>%</i>
Sale of properties	1,448	95.1	1,919	98.1
Property lease income	28	1.8	20	1.0
Project management services	47	3.1	16	0.9
Total	1,523	100.0	1,955	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 95.1% 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 purchase contracts with customers when the properties are still under development but have already satisfied the conditions for pre-sale in accordance with the PRC laws and regulations. In general, it takes it at least one year from commencement of the pre-sale of the properties under development to the construction completion of such properties. The Group does not 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 24.5% from approximately RMB1,918.6 million for the six months ended 30 June 2020 to approximately RMB1,448.2 million for the Period, mainly due to the lower ASP of the completed and delivered properties in Tianmen and Foshan as compared with the corresponding period in 2020.

Revenue from property lease

Rental income from the investment properties increased by approximately 36.7% from RMB20.4 million for the six months ended 30 June 2020 to RMB27.8 million for the Period, mainly due to the easing of the novel coronavirus epidemic in China.

Revenue from project management services

Revenue from the provision of project management services increased by approximately 185.8% from RMB16.3 million for the six months ended 30 June 2020 to RMB46.5 million for the Period, mainly due to an increase in the number of property projects that require project management services from us compared with the corresponding period in 2020.

Cost of Sales

The Group's cost of sales primarily represents the costs the Group incurs directly for the property development activities as well as property lease and project management services. The principal components of cost of sales for the Group's property development include cost of properties sold, which represents land use right costs, direct construction costs and 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 14.2% from RMB1,035.7 million for the six months ended 30 June 2020 to RMB1,182.6 million for the Period, mainly due to an increase in the GFA of the delivered property projects.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately 63.0% from RMB919.5 million for the six months ended 30 June 2020 to RMB340.0 million for the Period.

The gross profit margin decreased from approximately 47.0% for the six months ended 30 June 2020 to approximately 22.3% for the Period, primarily due to the geographical difference and higher gross profit margin of the delivered properties in the previous period.

Finance Income

Finance income mainly refers to the interest income of bank deposits. The finance income of the Group increased by approximately 197.3% from RMB9.2 million for the six months ended 30 June 2020 to RMB27.4 million for the Period, mainly due to an increase in the total bank deposits.

Other Income and Gains

Other income and gains of the Group increased from RMB6.0 million for the six months ended 30 June 2020 to RMB33.1 million for the Period, mainly due to the gain on the disposal of subsidiaries.

Selling and Distribution Expenses

The selling and distribution expenses primarily consist of (i) sales commissions; (ii) advertising and marketing expenses, (iii) staff costs; (iv) property management fees; and (v) office expenses. The Group's selling and distribution expenses increased by approximately 24.7% from RMB95.6 million for the six months ended 30 June 2020 to RMB119.3 million for the Period mainly due to an increase in the number of projects on sale incurring additional sales commissions and advertising activities.

Administrative Expenses

Administrative expenses primarily consist of staff costs, traveling and office expenses, professional fees, entertainment expenses, depreciation and amortization, tax charges. The administrative expenses of the Group increased by approximately 27.7% from RMB121.3 million for the six months ended 30 June 2020 to RMB155.0 million for the Period, mainly due to increase in staff costs and office expenses as the Group further scaled up and accelerated its expansion.

Impairment Losses on Financial Assets

Impairment losses on financial assets presents that the Group made prudent general provisions for losses arising from potential bad debts in respect of the financial assets. The Group recognised impairment losses of RMB1.2 million for the Period, and reversed impairment losses of RMB0.34 million for the six months ended 30 June 2020.

Other Expenses

Other expenses of the Group increased from RMB0.5 million for the six months ended 30 June 2020 to RMB0.6 million for the Period.

Fair Value Gains on Investment Properties

Fair value gains on investment properties represent the changes in the fair value of investment properties of certain commercial areas developed and held by the Group for the purpose of earning rental income or capital appreciation. Fair value gains on investment properties of the Group decreased by approximately 49.3% from RMB16.4 million for the six months ended 30 June 2020 to RMB8.3 million for the Period, mainly because the valuation of commercial properties have tend to be steady.

Fair Value 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 increased from RMB0.3 million for the six months ended 30 June 2020 to RMB4.9 million for the Period, mainly due to the purchase of an additional financial product during the Period and the subsequent increase in its fair value.

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 2.6% from RMB126.5 million for the six month ended 30 June 2020 to RMB129.8 million for the Period, mainly due to an increase in the scale of interest-bearing debt.

Share of Profits and Losses of Joint Ventures and Associates

The Group recorded share of losses of joint ventures and associates of RMB45.9 million for the Period and share of profits of joint ventures and associates of RMB1.9 million the corresponding period in 2020. Such change was mainly due to the absence of the delivery of property projects held by the Group's joint ventures and associates during the Period.

Income Tax Credit/(Expense)

The income tax expense of the Group mainly includes provisions for PRC corporate income tax and land appreciation tax ("LAT"), net of deferred tax. The income tax expense of the Group decreased from RMB390.2 million for the six months ended 30 June 2020 to income tax credit of RMB300.1 million for the Period, mainly due to (i) the lower gross profit of the delivered property projects during the Period; and (ii) the final clearance of LAT for three projects, which were lower than the provision estimated and deducted from the LAT in current period.

Profit for the Period

Profit for the Period of the Group increased by approximately 19.3% from RMB219.7 million for six month ended 30 June 2020 to RMB262.1 million for the Period. The profit attributable to the owners of the parent was RMB53.9 million, with an increase of approximately 104.1% from RMB26.4 million compared with 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 2021, the Group's cash and bank balances (including restricted cash and pledged deposits and cash and cash equivalents) were approximately RMB7,307.9 million (31 December 2020: approximately RMB5,333.5 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.

Interest-bearing bank and other borrowings

As at 30 June 2021, the Group's interest-bearing bank and other borrowings amounted to approximately RMB11,078.6 million (31 December 2020: approximately RMB8,745.4 million). The Group's total secured borrowings are secured by the pledges of one or more of the following categories: properties under development, completed properties held for sale, investment properties, property, plant and equipment, interests in subsidiaries of the Group, pledged deposits and/or guarantees provided by subsidiaries of the Group as collateral or security.

Senior notes

On 22 January 2021, the Group issued the 2022 Notes at a coupon rate of 12.75% due within 2022 with an aggregate principal amount of US\$185,000,000. The Group raised net proceeds of US\$181,612,000 (after deduction of underwriting commissions and other expenses). At any time prior to 21 January 2022, the Group may redeem the 2022 Notes at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum. The 2022 Notes are guaranteed by certain of the Group's existing subsidiaries.

Total Indebtedness

As at 30 June 2021, the Group's total outstanding borrowings (including interest-bearing bank and other borrowings and senior notes) amounted to approximately RMB12,315.7 million (31 December 2020: approximately RMB8,745.4 million).

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current		
Other loans – secured	1,587,512	1,568,525
Other loans – unsecured	44,410	43,400
Current portion of long-term bank loans – secured	405,145	202,000
Current portion of long-term other loans – secured	192,800	515,695
Senior notes	1,237,164	-
Total current	3,467,031	2,329,620
Non-current		
Bank loans – secured	4,874,604	2,386,000
Other loans – secured	3,974,097	4,029,748
Total non-current	8,848,701	6,415,748
Total	12,315,732	8,745,368

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<i>Bank loans repayable:</i>		
Within one year	405,145	202,000
In the second year	2,173,255	295,000
In the third to the fifth year, inclusive	2,082,350	1,420,000
Beyond five years	618,999	671,000
	5,279,749	2,588,000
<i>Other loans repayable:</i>		
Within one year	1,824,722	2,127,620
In the second year	2,767,885	2,313,511
In the third to the fifth year, inclusive	1,206,212	1,716,237
	5,798,819	6,157,368
<i>Senior notes:</i>		
Within one year	1,237,164	—
Total	12,315,732	8,745,368

Pledge of Assets

As at 30 June 2021, the Group's borrowings were secured by the Group's assets of RMB15,368.9 million (2020: RMB9,508.0 million), including (i) property, plant and equipment; (ii) investment properties; (iii) properties under development; (iv) completed properties held for sale; and (v) pledged deposits.

Net Gearing Ratio

The net gearing ratio of the Group increased from 54.3% as at 31 December 2020 to 66.7% as at 30 June 2021.

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 net proceeds from the listing are paid in Hong Kong dollar. As at 30 June 2021, RMB9.9 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 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to the Group's customers	10,039,671	6,325,012
Guarantees given to banks and other institutions in connection with facilities granted to the Group's related companies	3,385,085	3,698,325
	<u>13,424,756</u>	<u>10,023,337</u>

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 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 2021, the Group's capital commitments for property development activities, acquisition of land use rights, and capital contribution for investments in joint ventures and associates amounted to RMB3,872.2 million (31 December 2020: RMB2,795.1 million).

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as at 30 June 2021, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

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

The Company has no other significant investments or significant 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 during the Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 November 2020 (the “**Listing Date**”). The net proceeds obtained from the Global Offering and the partial exercise of the over-allotment option in connection with the Global Offering, after the deduction of underwriting commission and related expenditures, are approximately HK\$1,254 million. As at 30 June 2021, all those net proceeds have been used according to the section headed “Future Plans and Use of Proceeds” stated in the Prospectus. The Company has applied the difference of approximately HK\$2.77 million to each business strategy in the same proportion as the original capital that were set out in the Prospectus.

Use	Percentage of Total %	As at 30 June 2021			Expected timeline
		Net Proceeds HK\$ million	Amount Used HK\$ million	Amount Unused HK\$ million	
Projects expenditure	60	753	451	302	fully utilised within 2021
Loan repayment	30	376	376	–	NA
General working capital	10	125	125	–	NA
Total	100	1,254	952	302	

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the Group has a total of 1,201 employees (31 December 2020: 974) and staff cost of approximately RMB164 million for the Period (31 December 2020: approximately RMB241 million). The remuneration package of employees of the Group includes salary and bonuses. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its determinations on salary raises, bonuses and promotion. The Group also reviews and adjusts its remuneration package by referring to the relevant salary survey in real estate industry published by renowned consulting firms. The Group believes the salaries and benefits that its employees receive are competitive with market standards in each geographic location where the Group conducts business. The Group also pays medical insurance, endowment insurance, maternity insurance, unemployment insurance, work-related injury insurance and housing provident funds as well as related premiums for employees of the Group. In terms of employee training, the Group provides continuous and systematic training to employees according to their positions and expertise, so as to enhance their professional knowledge about the real estate industry and related fields.

To motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, the Group also adopted restricted share unit (RSU) scheme. The main provisions of the scheme were approved by the Board on October 27, 2020, and on 27 January 2021, the Board approved the resolution on "Granting Restricted Share Units to Part of Specific Objects". More details have been disclosed in the section "RESTRICTED STOCK UNIT SCHEME" in the Director's report of the Company's annual report 2020.

SIGNIFICANT EVENTS AFTER THE PERIOD

Issuance of US\$210 Million 12.25% Green Senior Notes due 2022

On 22 July 2021, the Company issued the green senior notes listed on the Stock Exchange with an aggregate principal amount of US\$210 million due 2022, which bear interest at a rate of 12.25% per annum, payable in arrears on 22 January 2022 and 21 July 2022. For more details, please refer to the announcements of the Company dated 19 July 2021, 20 July 2021, 22 July 2021 and 23 July 2021.

On 20 August 2021, Shanghai Dongjiang Real Estates Co., Ltd (上海東匠置業有限公司) (the "**Purchaser**", an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with certain sellers (the "**Sellers**"), pursuant to which the Sellers agreed to sell, and the Purchaser agreed to purchase, the 65% equity interests in Hangzhou Xiangjing Asset Management Co., Ltd (杭州祥璟資產管理有限公司) ("**Hangzhou Xiangjing**") at a total consideration of RMB260,000,000, among which, approximately RMB87 million shall be payable in cash by the Purchaser and the remaining balance of approximately RMB173 million shall be settled by the Purchaser assuming the existing debts owed by the respective Sellers to Hangzhou Xiangjing on a dollar-to-dollar basis. Upon completion of the acquisition, Hangzhou Xiangjing will become a wholly-owned subsidiary of the Group. The details of the transaction are disclosed in the relevant announcement of the Group dated 20 August 2021.

Save as disclosed above, the Group has no other significant events after 30 June 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 (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.

Ernst & Young, the independent auditor of the Company, has reviewed the unaudited interim financial information for the Period, 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 HKICPA.

PUBLICATION OF INTERIM RESULTS

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 interim report 2021 which 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, 27 August 2021

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.