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## **Redsun Properties Group Limited**

### **弘陽地產集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1996)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

### **FINANCIAL HIGHLIGHTS OF THE 2019 ANNUAL RESULTS ANNOUNCEMENT**

- Contracted sales reached RMB65.15 billion, representing a significant year-on-year increase of 37.6%. Contracted sales area increased to 4.905 million sq.m. in 2019 from 3.528 million sq.m. in 2018, representing a significant year-on-year increase of 39.0%;
- Revenue amounted to RMB15,169.5 million, representing an increase of 64.2% as compared with 2018. Revenue from commercial operations and hotel operations increased by 14.0% to RMB451.1 million (2018: RMB395.7 million);
- Gross profit and gross profit margin were RMB3,813.3 million and 25.1%, respectively;
- Net profit amounted to RMB1,635.9 million, representing an increase of 23.6% as compared with 2018. Net profit margin reached 10.8%;
- Core net profit reached RMB1,415.2 million, representing an increase of 25.8% as compared with 2018 (2018: RMB1,124.6 million);
- Net profit attributable to owners of the parent reached RMB1,467.6 million, representing an increase of 3.9% as compared with 2018 (2018: RMB1,412.3 million);
- As at 31 December 2019, net gearing ratio stood at a stable level of 70.4%. The Group had sufficient cash on hand of RMB16.84 billion, increasing by 35.2% as compared with the end of 2018.
- The Board recommended the payment of a final dividend of RMB11.1 cents (equivalent to HK12.4 cents) per share.

*Note 1: Core net profit excluded non-recurring profits or loss items and their related tax effects, comprising fair value gain on investment properties and exchange differences, etc.*

## STATEMENTS AND NOTES

The board (the “**Board**”) of directors (the “**Directors**”) of Redsun Properties Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 (the “**Reporting Period**”), together with the comparative figures for the corresponding period of the previous year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2019*

		<b>2019</b>	<b>2018</b>
	Notes	<b>RMB'000</b>	<b>RMB'000</b>
<b>REVENUE</b>	4	15,169,506	9,238,741
Cost of sales		<u>(11,356,243)</u>	<u>(6,351,656)</u>
<b>Gross profit</b>		3,813,263	2,887,085
Other income and gains	4	331,217	235,973
Selling and distribution expenses		(651,982)	(341,771)
Administrative expenses		(1,089,711)	(686,271)
Fair value gains on investment properties		310,456	260,803
Other expenses		(36,560)	(48,159)
Finance costs	5	(634,309)	(499,297)
Share of profits/(losses) of:			
Joint ventures		97,724	387,008
Associates		<u>595,285</u>	<u>(19,993)</u>
<b>PROFIT BEFORE TAX</b>	6	2,735,383	2,175,378
Income tax expense	7	<u>(1,099,523)</u>	<u>(852,253)</u>
<b>PROFIT FOR THE YEAR</b>		<u>1,635,860</u>	<u>1,323,125</u>
Attributable to:			
Owners of the parent		1,467,555	1,412,264
Non-controlling interests		<u>168,305</u>	<u>(89,139)</u>
		<u>1,635,860</u>	<u>1,323,125</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)**

*For the year ended 31 December 2019*

	Note	2019	2018
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic		<u>RMB0.44</u>	<u>RMB0.66</u>
Diluted		<u>RMB0.44</u>	<u>RMB0.66</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>PROFIT FOR THE YEAR</b>	1,635,860	1,323,125
<b>OTHER COMPREHENSIVE INCOME</b>		
Gains on property revaluation:		
Change in use from an owner-occupied property to an investment property carried at fair value	27,896	—
Income tax effect	<u>(6,974)</u>	<u>—</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u>20,922</u>	<u>—</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>1,656,782</u></u>	<u><u>1,323,125</u></u>
Attributable to:		
Owners of the parent	1,488,477	1,412,264
Non-controlling interests	<u>168,305</u>	<u>(89,139)</u>
	<u><u>1,656,782</u></u>	<u><u>1,323,125</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		807,938	988,556
Investment properties		11,572,037	9,397,000
Right-of-use assets		157,721	—
Prepaid land lease payments		—	28,903
Other intangible assets		12,426	11,998
Investments in joint ventures		2,236,978	1,026,466
Investments in associates		5,584,394	1,712,839
Deferred tax assets		727,598	443,060
		<u>21,099,092</u>	<u>13,608,822</u>
Total non-current assets			
<b>CURRENT ASSETS</b>			
Inventories		12,613	4,054
Properties under development		36,280,854	29,702,386
Completed properties held for sale		3,327,897	1,162,901
Trade receivables	10	6,767	23,728
Prepayments, other receivables and other assets		7,705,396	2,643,862
Due from related companies		8,454,905	6,949,865
Financial assets at fair value through profit or loss		1,148,390	1,130,607
Tax recoverable		516,753	239,800
Restricted cash	11	2,304,586	2,644,723
Pledged deposits	11	5,848,309	3,578,720
Cash and cash equivalents	11	8,691,522	6,232,596
		<u>74,297,992</u>	<u>54,313,242</u>
Total current assets			

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December 2019*

	Note	2019 RMB'000	2018 RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	4,845,588	2,885,646
Other payables and accruals		32,015,529	20,391,991
Interest-bearing bank and other borrowings		10,516,391	8,233,697
Senior notes		1,894,998	2,592,868
Lease liabilities		46,809	—
Due to related companies		5,387,256	4,941,489
Tax payable		2,169,259	1,603,664
		<u>56,875,830</u>	<u>40,649,355</u>
<b>Total current liabilities</b>		<u>56,875,830</u>	<u>40,649,355</u>
<b>NET CURRENT ASSETS</b>		<u>17,422,162</u>	<u>13,663,887</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>38,521,254</u>	<u>27,272,709</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		9,755,355	11,092,804
Senior notes		7,379,644	—
Lease liabilities		911,477	—
Deferred tax liabilities		2,428,329	2,330,160
		<u>20,474,805</u>	<u>13,422,964</u>
<b>Total non-current liabilities</b>		<u>20,474,805</u>	<u>13,422,964</u>
<b>NET ASSETS</b>		<u>18,046,449</u>	<u>13,849,745</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 31 December 2019*

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	28,254	28,254
Share premium	2,628,301	2,931,914
Other reserves	<u>11,231,190</u>	<u>9,734,737</u>
	13,887,745	12,694,905
<b>Non-controlling interests</b>	<u>4,158,704</u>	<u>1,154,840</u>
<b>TOTAL EQUITY</b>	<u><u>18,046,449</u></u>	<u><u>13,849,745</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

### 1. CORPORATE AND GROUP INFORMATION

Redsun Properties Group Limited was incorporated as an exempted company with limited liability in the Cayman Islands. The registered office of the Company is located at Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 12 July 2018.

During the year, the Group was involved in the following principal activities:

- Property development
- Commercial property investment and operations
- Hotel operations

In the opinion of the directors, the holding company of the Company is Redsun Properties Group (Holdings) Limited, which is incorporated in the British Virgin Islands.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.



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

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

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

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

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to IFRSs 2015–2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

- (a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

#### ***New definition of a lease***

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### ***As a lessee — Leases previously classified as operating leases***

##### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

##### *Impact on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. No lease assets recognised under finance lease previously.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to RMB763,200,000 were measured at fair value at 1 January 2019, and have been accounted for and classified as investment properties applying IAS 40 from that date.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

***Financial impact at 1 January 2019***

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	<b>Increase/ (decrease) RMB'000</b>
<b>Assets</b>	
Increase in right-of-use assets	171,086
Increase in investment properties	763,200
Decrease in property, plant and equipment	(20,397)
Decrease in prepaid land lease payments	(28,903)
Decrease in prepayments, other receivables and other assets	<u>(17,023)</u>
Increase in total assets	<u><u>867,963</u></u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>867,963</u>
Increase in total liabilities	<u><u>867,963</u></u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	<b>RMB'000</b>
Operating lease commitments as at 31 December 2018	1,323,942
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(476)
Commitments relating to leases of low-value assets	(43)
	<hr/>
	1,323,423
Weighted average incremental borrowing rate as at 1 January 2019	4.93%
	<hr/>
Discounted operating lease commitments as at 1 January 2019	867,963
	<hr/>
Lease liabilities as at 1 January 2019	<u>867,963</u>

- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Property development;
- (b) Commercial property investment and operations;
- (c) Hotel operations.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that bank interest income, fair value gains on financial assets at fair value through profit or loss, equity-settled share option payment, net foreign exchange gains, investment income, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The Group's operations are mainly conducted in Mainland China. Management considered that there is no reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

Segment revenue, segment results and other segment information for the year 2019, and segment assets and liabilities as at 31 December 2019 are presented below:

<b>Year ended 31 December 2019</b>	<b>Property development RMB'000</b>	<b>Commercial property investment and operations RMB'000</b>	<b>Hotel operations RMB'000</b>	<b>Total RMB'000</b>
Segment revenue:				
Sales to external customers	<u>14,718,381</u>	<u>411,368</u>	<u>39,757</u>	<u>15,169,506</u>
Revenue				<u><u>15,169,506</u></u>
<b>Segment results</b>	3,025,253	151,158	(3,582)	3,172,829
<i>Reconciliation:</i>				
Bank interest income				60,197
Fair value gain on financial assets at fair value through profit or loss				13,648
Equity-settled share option payment				(31,329)
Net foreign exchange gains				1,431
Investment income				120,939
Finance costs (other than interest on lease liabilities)				(584,704)
Corporate and other unallocated expenses				<u>(17,628)</u>
Profit before tax				<u><u>2,735,383</u></u>
<b>Segment assets</b>	82,162,018	12,099,989	338,383	94,600,390
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>796,694</u>
Total assets				<u><u>95,397,084</u></u>

Year ended 31 December 2019	Property development RMB'000	Commercial property investment and operations RMB'000	Hotel operations RMB'000	Total RMB'000
<b>Segment liabilities</b>	75,355,728	1,942,628	28,602	77,326,958
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>23,677</u>
Total liabilities				<u><u>77,350,635</u></u>
<b>Other segment information</b>				
Share of profits and losses of:				
Joint ventures	97,724	—	—	97,724
Associates	595,285	—	—	595,285
Impairment losses recognised	27,589	—	—	27,589
Impairment losses written off	(205,807)	—	—	(205,807)
Fair value gains on investment properties	—	310,456	—	310,456
Depreciation and amortisation	74,115	27,535	26,785	128,435
Investments in associates	5,584,394	—	—	5,584,394
Investments in joint ventures	2,236,978	—	—	2,236,978

Segment revenue, segment results and other segment information for the year 2018, and segment assets and liabilities as at 31 December 2018 are presented below:

<b>Year ended 31 December 2018</b>	<b>Property development RMB'000</b>	<b>Commercial property investment and operations RMB'000</b>	<b>Hotel operations RMB'000</b>	<b>Total RMB'000</b>
Segment revenue:				
Sales to external customers	<u>8,843,003</u>	<u>359,026</u>	<u>36,712</u>	<u>9,238,741</u>
Revenue				<u><u>9,238,741</u></u>
<b>Segment results</b>	2,503,292	167,592	(5,348)	2,665,536
<i>Reconciliation:</i>				
Bank interest income				9,124
Fair value gain on financial assets at fair value through profit or loss				8,233
Equity-settled share option expense				(24,326)
Net foreign exchange gains				19,941
Investment income				2,121
Finance costs (other than interest on lease liabilities)				(499,297)
Corporate and other unallocated expenses				<u>(5,954)</u>
Profit before tax				<u><u>2,175,378</u></u>
<b>Segment assets</b>	56,313,799	9,911,499	356,294	66,581,592
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>1,340,472</u>
Total assets				<u><u>67,922,064</u></u>
<b>Segment liabilities</b>	53,784,844	105,570	8,047	53,898,461
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>173,858</u>
Total liabilities				<u><u>54,072,319</u></u>



Year ended 31 December 2018	Property development RMB'000	Commercial property investment and operations RMB'000	Hotel operations RMB'000	Total RMB'000
<b>Other segment information</b>				
Share of profits and losses of:				
Joint ventures	387,008	—	—	387,008
Associates	(19,993)	—	—	(19,993)
Impairment losses recognised	116,782	—	—	116,782
Impairment losses reversed	(37,380)	—	—	(37,380)
Impairment losses written off	(68,726)	—	—	(68,726)
Fair value gains on investment properties	—	260,803	—	260,803
Depreciation and amortisation	21,178	38,352	20,975	80,505
Investments in associates	1,712,839	—	—	1,712,839
Investments in joint ventures	1,026,466	—	—	1,026,466

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	14,781,828	8,949,385
Revenue from other sources		
Gross rental income from investment property operating leases	387,678	289,356
	<u>15,169,506</u>	<u>9,238,741</u>

**Revenue from contracts with customers**

**(a) Disaggregated revenue information**

**For the year ended 31 December 2019**

<b>Segments</b>	<b>Property development RMB'000</b>	<b>Commercial property investment and operations RMB'000</b>	<b>Hotel operations RMB'000</b>	<b>Total RMB'000</b>
<b>Type of goods or services</b>				
Sale of properties	14,305,799	—	—	14,305,799
Hotel operations	—	—	39,757	39,757
Project management services	412,582	—	—	412,582
Others	—	23,690	—	23,690
	<u>14,718,381</u>	<u>23,690</u>	<u>39,757</u>	<u>14,781,828</u>
Total revenue from contracts with customers	<u>14,718,381</u>	<u>23,690</u>	<u>39,757</u>	<u>14,781,828</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	14,305,799	—	—	14,305,799
Services transferred over time	412,582	23,690	39,757	476,029
	<u>14,718,381</u>	<u>23,690</u>	<u>39,757</u>	<u>14,781,828</u>
Total revenue from contracts with customers	<u>14,718,381</u>	<u>23,690</u>	<u>39,757</u>	<u>14,781,828</u>

For the year ended 31 December 2018

Segments	Property development RMB'000	Commercial property investment and operations RMB'000	Hotel operations RMB'000	Total RMB'000
<b>Type of goods or services</b>				
Sale of properties	8,843,003	—	—	8,843,003
Hotel operations	—	—	36,712	36,712
Others	—	69,670	—	69,670
	<u>8,843,003</u>	<u>69,670</u>	<u>36,712</u>	<u>8,949,385</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	8,843,003	—	—	8,843,003
Services transferred over time	—	69,670	36,712	106,382
	<u>8,843,003</u>	<u>69,670</u>	<u>36,712</u>	<u>8,949,385</u>
Total revenue from contracts with customers	<u>8,843,003</u>	<u>69,670</u>	<u>36,712</u>	<u>8,949,385</u>

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

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	<u>8,335,079</u>	<u>6,987,240</u>

**(b) Performance obligations**

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

*Sale of properties*

The performance obligation is satisfied upon delivery of the completed properties.

### *Hotel operations*

The performance obligation is satisfied when services are rendered. Short-term advance are sometimes required before rendering the service.

### *Property management services*

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the service. Property management service contracts are for periods of one year or less, or are billed based on the time incurred.

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other income and gains</b>		
Bank interest income	60,197	9,124
Interest income from associates and joint ventures	94,698	96,530
Investment income	120,939	2,121
Forfeiture of deposits	2,716	1,547
Government grants	3,714	1,353
Fair value gain on financial assets at fair value through profit or loss	13,648	8,233
Project management services provided to joint ventures and associates	—	63,771
Net foreign exchange gains	1,431	19,941
Others	33,874	33,353
	<u>331,217</u>	<u>235,973</u>

## **5. FINANCE COSTS**

An analysis of finance costs from continuing operations is as follows:

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank loans, other loans and senior notes	2,447,882	1,548,159
Interest on pre-sales deposits	885,836	320,757
Interest on lease liabilities	49,605	—
	<u>3,383,323</u>	<u>1,868,916</u>
Total interest expense	3,383,323	1,868,916
Less: Interest capitalised	<u>(2,749,014)</u>	<u>(1,369,619)</u>
	<u>634,309</u>	<u>499,297</u>

## 6. PROFIT BEFORE TAX

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

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of inventories sold	11,344,897	6,204,908
Cost of services provided	127,144	89,663
Impairment losses written off for properties completed held for sale	(205,807)	(68,726)
Impairment losses recognised for properties under development and completed properties held for sale	27,589	116,782
Impairment losses reversed for properties under development	—	(37,380)
Depreciation of items of property, plant and equipment	78,861	74,925
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	42,399	793
Amortisation of other intangible assets	7,175	4,787
Fair value gains on investment properties	(310,456)	(260,803)
Losses/(gains) on disposal of items of property, plant and equipment	8,716	(210)
Gains on disposal of a subsidiary	(14,874)	—
Foreign exchange differences, net	(1,431)	(19,941)
Share of (gains)/losses of:		
Joint ventures	(97,724)	(387,008)
Associates	(595,285)	19,993
Auditor's remuneration	4,900	2,880
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	951,563	522,179
Equity-settled share option expense	31,329	24,326
Pension scheme contributions and social welfare	75,843	44,901
Less: Amount capitalised	(156,003)	(159,093)
	<u>902,732</u>	<u>432,313</u>

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2019.

Subsidiaries of the Group operating in Mainland China are subject to PRC corporate income tax at a rate of 25% for the year.

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>2019</b>	<b>2018</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Current tax:		
Corporate income tax	736,140	638,948
LAT	564,843	441,357
Deferred tax	<u>(201,460)</u>	<u>(228,052)</u>
Total tax charge for the year	<u><u>1,099,523</u></u>	<u><u>852,253</u></u>

## 8. DIVIDENDS

	<b>2019</b>	<b>2018</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Proposed final — RMB11.1 cents (2018: RMB9.1 cents) per ordinary share	<u><u>369,488</u></u>	<u><u>303,613</u></u>

The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,320,000,000 (2018: 2,129,501,370) shares in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>1,467,555</u>	<u>1,412,264</u>
<b>Number of shares</b>		
	<b>2019</b>	<b>2018</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,320,000,000	2,129,501,370
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>32,230,641</u>	<u>22,211,762</u>
	<u>3,352,230,641</u>	<u>2,151,713,132</u>

## 10. TRADE RECEIVABLES

The Group's trade receivables arise from the leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

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

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 1 month	1,989	4,371
1 to 3 months	2,653	245
3 to 6 months	1,668	506
6 to 12 months	447	18,098
Over 12 months	10	508
	<u>6,767</u>	<u>23,728</u>

#### 11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	<b>2019</b>	<b>2018</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Cash and bank balances		10,534,146	8,879,893
Time deposits		<u>6,310,271</u>	<u>3,576,146</u>
		16,844,417	12,456,039
Less: Pledged deposits	(1)	5,848,309	3,578,720
Restricted cash	(2)	<u>2,304,586</u>	<u>2,644,723</u>
Cash and cash equivalents		<u>8,691,522</u>	<u>6,232,596</u>

(1) As at 31 December 2019, bank deposits of RMB5,723,187,000 (2018: RMB3,526,146,000) were pledged as security for bank and other borrowings. As at 31 December 2019, bank deposits of RMB125,122,000 (2018: RMB52,574,000) were pledged as security for purchasers' mortgage loans or construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes.

(2) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in the designated bank accounts for a specified use. As at 31 December 2019, the restricted cash amounted to RMB2,304,586,000 (2018: RMB2,644,723,000).

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cash and cash equivalents		
Denominated in RMB	7,113,024	6,040,006
Denominated in HK\$	29,868	733
Denominated in US\$	<u>1,548,630</u>	<u>191,857</u>
	<u>8,691,522</u>	<u>6,232,596</u>



The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

As at 31 December 2019, the internal credit ratings of restricted cash, pledged deposits and cash and cash equivalents were performing. The Group has assessed that the credit risk of the restricted cash, pledged deposits and cash and cash equivalents has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses, and has assessed that the expected credit losses are immaterial.

## 12. TRADE AND BILLS PAYABLES

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

	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within one year	4,224,180	2,380,523
Over one year	<u>621,408</u>	<u>505,123</u>
	<u><u>4,845,588</u></u>	<u><u>2,885,646</u></u>

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

## CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to present to you the annual results of the Group for the year ended 31 December 2019.

During the Reporting Period, the aggregated contracted sales of the Group was RMB65.15 billion, representing a substantial year-on-year growth of 37.6%. The aggregated sales area was 4.905 million sq.m., which considerably increased by 39.0% year-on-year. Recognised sales revenue was RMB15.170 billion, representing a substantial year-on-year increase of 64.2%.

During the Reporting Period, the net profit for the year of the Group was RMB1.636 billion, representing a year-on-year increase of 23.6%. The core net profit attributable to owners of the parent was RMB1.247 billion. Core net profit per share was RMB0.37. The Board recommended the payment of a final dividend of RMB11.1 cents (equivalent to HK12.4 cents) per share.

In 2019, the macro-economy was exposed to constant pressure. Under the “city-specific policies” which point to the adoption of differentiated austerity measures for different cities in China, the policy keynote of “houses are for living, not for speculation” remained and was precisely put to practice. In this connection, the real estate industry remained generally stable, with total sales volume and selling prices staying fairly flat compared with 2018.

The Group is a comprehensive property enterprise with established presence in the Yangtze River Delta region and keen on national expansion. During the Reporting Period, we continued to foster the layout strategy of “penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas” (做透大江蘇、深耕長三角、佈局都市圈). In 2019, we expanded to a number of metropolitan core cities of China, while at the same time we continued to intensify our efforts in key regions, further extending the breadth and depth of our strategies and attaining the holistic change from a regional real estate company to a nationwide real estate company.

With the Group's ongoing enhanced efforts in investment expansion, optimization of its diversified investment portfolio, improvement of channel capability and enlarged proportion of merger and acquisition, the commercial land acquisition model has proven to be effective. The additions to the Group's land bank were of a good mix, with reasonable proportion of projects and product mix, which will be conducive to the future profit growth of the Group.

Regarding business development, we adhered to the model consisting of both asset-light and asset-heavy elements in our development. During the year, we managed to develop a number of leasing projects and projects under entrusted management. Among others, Tengzhou Hong Yang Plaza, as a project under entrusted management, achieved contract signing and business opening in the same year, which further boosted the influence of the Hong Yang brand. Regarding commercial operations, three of our shopping centre projects, namely Pavilion C Nanjing Hong Yang Plaza, Yantai Zhifu Hong Yang Plaza and Tengzhou Hong Yang Plaza were grandly opened during the Reporting Period, which was astoundingly magnificent.

For business growth, we geared up our human resources efforts by building a talent training and development system in 2019, with the launch of our online academy and the enhancement of a talents review system, to foster the formation of a key talent team. Ongoing efforts were made to optimize our organization appraisal mechanism, to refine our all-round talent incentive system and provide precise and targeted incentives. The Group also continued to solidify its cultural identity and culture-led affairs, strengthen brand building as an employer, and uplift its attractiveness to talents. Efforts were also made to foster a flat and highly-efficient organization, with steady rise in employees' respect for their own missions as well as organizational efficacy.

The Group adopts a sound financial policy, with stable debt level and balanced growth in scale and profits. As at 31 December 2019, the Group's net gearing ratio was 70.4%, and the balance of available cash on hand increased by 35.2% to RMB16.84 billion. There was sufficient working capital and the financial position was sound.

During the Reporting Period, Fitch Ratings, an international rating agency, upgraded the Group's corporate rating from "B" to "B+", with a stable outlook; and Moody's Investors Service, an international rating agency, assigned a "B2" corporate rating to the Group for the first time, with positive outlook. The ratings from the two agencies reflected their respective recognition of our high-quality land bank and prudent financial strategies.

For a few times during the year under review, the Group successfully issued senior notes, which were subscribed for by renowned international long-term funds, securing adequate funding for the future development of the Group. In January 2020, the Group successfully issued senior notes at a coupon rate of 9.7% for a term of 3.25 years with an aggregate principal amount of US\$300 million. The issue was highly oversubscribed, and the financing interest rate for US\$-denominated senior notes was further reduced. In the same month, the Group, for the first time, entered into a commercial bank club loan amounting to US\$70 million, further winning wide recognition from overseas capital market.

During the Reporting Period, we continued to adhere to the core values of “professionalism and building credibility for the long term” and fully implemented the “talent-, fighter- and contributor-oriented” culture, rooting a simple, down-to-earth, aggressive and sunshine culture. Charitable branding events including “Ten Schools in Ten Provinces, Hundred Books for Hundred Villages” and “Sunflower Scheme” were launched, while the 2nd “Four Counties in Hexi” charitable walk for geeks was successfully organized, enshrining Redsun’s spirit of “Health, Hard Work and Benevolence”, with a long-term focus on sponsoring education in the localities.

The Group launched its head office in Shanghai in 2019 to form a dual headquarters operation in Shanghai and Nanjing, putting us physically side-by-side with industry peers. Looking ahead, we will continue to foster the “Property + Commercial” dual-driven strategy, while “Quality and Efficacy Enhancement” will become the main theme of our operation in year 2020. For property development, the Group will adhere to a nationwide strategic layout and further solidify its efforts in selected regions in Jiangsu and Yangtze River Delta, along with uplifting the quality of products and services. For commercial real estate, the Company will stress both expansion of scale and enhancement of operation quality. While exploring high-quality projects through diversified models such as entrusted management, leasing and self-holding, the Company will also continuously optimize and upgrade its business portfolio and foster innovation as well as enhance consumer experience, so as to create benchmark commercial property projects, thereby creating better return on assets of its commercial real estate business.

Finally, on behalf of the Board again, I would like to extend my wholehearted gratitude to all shareholders, employees, bondholders, partners and customers for their unfailing support to the Group in year 2019.

**Redsun Properties Group Limited**  
**Zeng Huansha**  
*Chairman*

Hong Kong, 25 March 2020

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW FOR 2019

In 2019, the macro-economy was exposed to constant pressure. Under the “city-specific policies” which point to the adoption of differentiated austerity measures for different cities in the PRC, the policy keynote of “houses are for living, not for speculation” remained and was precisely put to practice. In this connection, the real estate industry remained generally stable, with total sales volume staying fairly flat compared to the previous year.

The Group continued to adhere to the core values of “professionalism and building credibility for the long term.” Our principal businesses consist of three segments, including property development and sales, commercial property investment and operations and hotel operations, of which property development and sales is our core business. Our revenue is generated from the sale of our developed residential properties and supporting retail properties, rental income from the investment in and operation of commercial properties, and service fee income from our hotel operations.

During the Reporting Period, the aggregated contracted sales of the Group was RMB65.15 billion, representing a year-on-year growth of 37.6%. The aggregated contracted sales area was 4,904,531 sq.m., and average selling price was RMB13,283 per sq.m. During the Reporting Period, the turnover of the Group was RMB15.170 billion, representing a year-on-year increase of approximately 64.2%; the net profit attributable to owners of the parent was approximately RMB1,467.6 million, representing an increase of approximately 3.9% compared to the corresponding period of the previous year.

#### **1. *Property Business***

During the Reporting Period, the Group strictly implemented the nationwide layout strategy of “penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas”, focused on the existing regions and expanded to dynamic hub cities. In 2019, we entered 17 cities including Jinan, Qingdao, Xi’an, Changsha, Wenzhou and Zhengzhou, while at the same time we geared up our strategic cooperation in acquiring land, with proven efficacy in commercial land acquisition, coupled with the dual-driven strategy, commercial/residential linkage, and improved quality and efficacy enhancement in operation. We have currently established our presence in the Yangtze River Delta, Southwest China, South China, Central China and Northwest China regions, realized our nationwide expansion basically and changed from a regional real estate company into a nationwide real estate company.

During the Reporting Period, the Group's revenue from property sale amounted to RMB14.72 billion. As at the end of the Reporting Period, the Group's aggregate gross floor area of land bank was approximately 16,931,996 sq.m. (gross floor area of land bank attributable to the Group was approximately 9,254,340 sq.m.), an increase of 29.4% as compared to 13,084,376 sq.m. as at 31 December 2018. This provides sufficient support for our future development.

## **2. Commercial Property Investment and Operations**

Up to now, the Group has four Hong Yang Plazas opened, which are located in Nanjing in Jiangsu, Changzhou in Jiangsu, Yantai in Shandong and Tengzhou in Shandong respectively. We are now preparing the opening of eleven Hong Yang Plazas in Hefei, Hengyang, Yangzhou, Xuzhou, Yanjiao, Jining, Fushan in Yantai, Lekai in Yantai, Dacheng in Changzhou, Phoenix East in Changzhou and Anqing, signifying the ongoing promotion of the "Hong Yang Plaza" brand.

During the Reporting Period, the Group achieved sales revenue of approximately RMB411.4 million from commercial operations.

## **3. Hotel Operations**

During the Reporting Period, the Group achieved sales revenue of approximately RMB39.8 million from its hotel operations.

Up to now, the Group owns two hotels, namely Nanjing Hong Yang Hotel and Wuxi Hong Yang Lakefort Hotel, as well as an Ibis Hotel under entrusted management model.

# **BUSINESS REVIEW**

## **1. Sales of Properties**

For the year ended 31 December 2019, the Group achieved contracted sales of approximately RMB65.15 billion, representing an increase of 37.6% as compared to RMB47.34 billion in the corresponding period last year. The contracted sales in gross floor area of the Group was approximately 4.905 million sq.m., representing an increase of 39.0% as compared to 3.528 million sq.m. in the corresponding period last year. The increase was due to the fast expansion of the Group resulting in the gradual realization of sales from the projects acquired previously.

### *Projects under construction*

As at 31 December 2019, there were a total of 124 projects under construction with an aggregate planned gross floor area of 15,707,915 sq.m.

Details of the contracted sales of the Group as at 31 December 2019 are set out as below:

<b>Region</b>	<b>Contracted Sales in Total Gross Floor Area (sq.m.)</b>	<b>Contracted Sales Amount (RMB'000)</b>	<b>Average Contracted Sales Price (RMB/sq.m.)</b>
Wuxi	638,746	7,141,421	11,180
Suzhou	544,794	9,156,871	16,808
Changzhou	469,313	6,957,075	14,824
Nanjing	413,121	7,626,579	18,461
Nantong	340,759	4,737,562	13,903
Xuzhou	331,401	3,733,341	11,265
Chongqing	213,984	1,526,467	7,134
Yangzhou	173,186	1,598,711	9,231
Bozhou	143,457	1,316,676	9,178
Nanchang	137,242	2,070,087	15,083
Chengdu	135,007	1,349,396	9,995
Wuhan	104,486	1,844,259	17,651
Kaifeng	95,104	800,592	8,418
Hefei	85,419	1,034,327	12,109
Foshan	76,994	1,091,649	14,178
Xiangyang	74,690	715,467	9,579
Taizhou	66,752	558,966	8,374
Huzhou	66,631	897,689	13,473
Bengbu	66,447	510,450	7,682
Chuzhou	50,000	522,955	10,459
Yancheng	49,248	526,329	10,687
Zhenjiang	48,591	421,144	8,667
Hangzhou	35,858	940,374	26,225
Changsha	28,784	332,878	11,565
Xi'an	23,625	154,265	6,530
Ningbo	23,231	799,627	34,421
Others	467,661	6,782,122	14,502
<b>Total</b>	<b>4,904,531</b>	<b>65,147,279</b>	<b>13,283</b>

## 2. Land Bank

As at 31 December 2019, the Group had a land bank with an aggregate gross floor area of approximately 16,931,996 sq.m. (gross floor area attributable to the Group was approximately 9,254,340 sq.m.), representing an increase of 29.4% from 13,084,376 sq.m. as at 31 December 2018. As at 31 December 2019, completed properties totaled 521,579 sq.m., rentable area held for investment totaled 702,502 sq.m., and properties under development totaled 15,707,915 sq.m.

Details of the land bank of the Group (including acquired in process) as at 31 December 2019 are set out as below:

Region	Name of Project	Land Area (sq.m.)	Completed Total Gross Floor Area for Sale (sq.m.)	Rentable Area Held for Investment (sq.m.)	Total Gross Floor Area Under Development (sq.m.)	Total Area of Land Bank (sq.m.)	The Group's Interests
Bengbu	Bengbu Xin Hong (蚌埠新弘)	32,646	—	—	73,894	73,894	48%
Bozhou	Bozhou Land Lot No. 2017-217 (亳州2017-217號地塊)	201,216	—	—	423,305	423,305	40%
Changzhou	Commercial and Trading Peak (商貿云峰)	50,921	—	—	155,768	155,768	60%
Changzhou	Phoenix East Project (鳳凰東項目)	115,615	—	—	290,813	290,813	49%
Changzhou	Golden Seal and Heaven Shire (金鑿天郡)	88,719	65,322	—	—	65,322	50%
Changzhou	Emperor Looks at the First Court (君望甲第)	67,225	—	—	161,004	161,004	40%
Changzhou	Sang Ma Land Lot A (桑麻A地塊)	44,524	—	11,690	—	11,690	70%
Changzhou	The Bund No.1 Garden (外灘一號花園)	126,695	—	—	111,891	111,891	85%
Changzhou	Changzhou Hong Yang Plaza (常州弘陽廣場)	43,590	—	89,866	—	89,866	100%
Changzhou	Sang Ma Land Lot CD (桑麻CD地塊)	156,115	—	88,778	168,813	257,591	70%
Changzhou	Sanmao Land Lot (三毛地塊)	108,486	—	—	238,588	238,588	33%
Changzhou	Xi Xia Shu Yun Xi (西夏墅云禧)	36,712	—	—	78,546	78,546	37%
Changzhou	Hong Yang Upper City Phase I-III (弘陽上城一—三期)	111,700	10,894	—	—	10,894	100%
Chengdu	Dujiangyan DJY2017-09 (都江堰DJY2017-09)	26,393	—	—	57,682	57,682	95%
Chengdu	Dujiangyan DJY2017-10 (都江堰DJY2017-10)	39,064	—	—	83,393	83,393	95%
Chengdu	Central Road Project (中環路項目)	72,114	—	41,650	188,765	230,415	50%
Chengdu	Shuangliu Heyuan Project (雙流合園項目)	19,794	—	—	32,245	32,245	33%
Chengdu	Qionglai Chang'an Avenue Project (邛崃長安大道項目)	39,809	—	—	109,411	109,411	50%
Chuzhou	Garden with Art Atmosphere (藝境花園)	60,189	39,160	—	24,070	63,230	33%



Region	Name of Project	Completed Total		Rentable Area Held for Investment (sq.m.)	Total Gross Floor Area Under Development (sq.m.)	Total Area of Land Bank (sq.m.)	The Group's Interests
		Land Area (sq.m.)	Gross Floor Area for Sale (sq.m.)				
Chuzhou	New City Hong Yang Garden at Mingfa North (明發北站新城弘陽苑)	8,782	1,361	—	5,272	6,633	99%
Chuzhou	Glory Residence (正榮府)	80,867	—	—	139,240	139,240	30%
Chuzhou	Garden In Times (Chuzhou Times Billow) (時光里花園 (滁州時光瀾庭))	89,886	—	—	199,548	199,548	39%
Chuzhou	Jingzi Road Times Magnificence (敬梓路時光 風華)	55,719	—	—	123,845	123,845	50%
Foshan	Hongyang Shan Xin Garden (弘陽山馨花園)	63,132	—	—	175,779	175,779	78%
Foshan	Benevolence Lake Project (博愛湖項目)	44,156	—	6,046	73,491	79,537	95%
Fuyang	Yingzhou Hong Yang Residence (潁州弘陽府)	38,297	—	—	83,224	83,224	95%
Hangzhou	Yu Zheng Chu Chu [2018] No. 9 (余政儲出[2018] 9號)	50,888	—	—	66,496	66,496	33%
Hangzhou	Hangxing Road Project (杭行路項目)	18,703	—	—	44,619	44,619	30%
Hangzhou	Fuchun Bay Jichen Residence (富春灣濟宸府)	39,313	—	—	111,932	111,932	35%
Hefei	In Times (時光里)	42,621	28,788	—	—	28,788	100%
Hefei	Mountain View Yard (昕悅花園)	37,254	25,059	—	—	25,059	80%
Hefei	Sunrise Joy Garden (望麓別院)	139,536	—	—	98,823	98,823	25%
Hefei	Purple Breeze (紫氣東來)	28,081	—	—	68,318	68,318	51%
Hefei	Moon Bay Joy and Magnificence (月亮灣和悅風華)	26,380	—	—	58,877	58,877	40%
Hefei	Yaohai Prosper and Joy (瑤海豐樂)	59,233	—	—	131,807	131,807	34%
Hefei	Longzi Lake Times (龍子湖湖語時光)	68,461	—	—	141,621	141,621	30%
Hengyang	Yangliu Road Sunrise Joy Residence (楊柳路昕悅府)	36,912	—	—	120,919	120,919	100%
Huzhou	Green Jade Bay (玉翠灣)	46,488	—	—	95,792	95,792	35%
Huzhou	Huzhou 2018-43 (湖州2018-43)	48,652	—	—	65,009	65,009	94%
Huzhou	Huzhou Ren Huang No. 58# (湖州仁皇58#)	102,218	—	—	146,379	146,379	94%
Jinan	Jiqi Road Project (濟齊路項目)	34,290	—	—	93,599	93,599	45%
Jiaxing	Longxing Road Project (隆興路項目)	42,030	—	—	83,500	83,500	35%
Jiangmen	Liyue Project (禮樂項目)	30,231	—	—	81,968	81,968	33%
Kaifeng	Kaifeng Yan Lan Residence (開封燕瀾府)	63,533	—	—	194,758	194,758	94%
Lujiang	Lujiang Lakeside Shade Mountain (廬江湖畔樾山)	161,263	—	—	350,208	350,208	50%
Ma'anshan	Sunny Side of the Yangtze River Peacock City (長江熙岸孔雀城)	97,340	2,146	—	27,612	29,758	20%
Meishan	Renshou In Times (仁壽時光里)	68,107	—	—	167,162	167,162	100%

Region	Name of Project	Land Area (sq.m.)	Completed Total	Rentable Area	Total Gross	Total Area of Land Bank (sq.m.)	The Group's Interests
			Gross Floor Area for Sale (sq.m.)	Held for Investment (sq.m.)	Floor Area Under Development (sq.m.)		
Nanchang	New Power Hong Yang Residence (新力弘陽府)	43,410	—	—	101,653	101,653	44%
Nanchang	Yao Lake Times Sky Shade (瑤湖時光天樑)	102,269	—	—	220,534	220,534	46%
Nanchang	Qing Yun Pu (青雲譜)	29,452	—	—	98,232	98,232	49%
Nanchang	Wanli (灣里)	13,717	—	—	30,011	30,011	95%
Nanjing	Hong Yang Solaris Loving City Section 6 (弘陽旭日愛上城 六區)	75,237	2,766	—	—	2,766	100%
Nanjing	Hong Yang Solaris Loving City Section 7 (弘陽旭日愛上城 七區)	12,999	40	—	—	40	100%
Nanjing	Solaris Loving City Creation Wings Garden (旭日愛上城 創翼園)	82,693	941	—	—	941	100%
Nanjing	Solaris Upper City Section 1 (旭日上城一區)	198,497	357	—	—	357	100%
Nanjing	Solaris Upper City Section 2 (旭日上城二區)	163,341	496	—	—	496	100%
Nanjing	Solaris Upper City Section 3 (旭日上城三區)	189,012	907	—	—	907	100%
Nanjing	Solaris Institution (旭日學府)	38,976	1,863	—	—	1,863	100%
Nanjing	Solaris Elegant Architecture (旭日雅筑)	15,524	40	—	—	40	100%
Nanjing	Loving Garden (愛上花園)	77,367	3,115	—	—	3,115	100%
Nanjing	Great Times at Joy Peak West District (悅峰時光里西區)	73,065	8,330	—	—	8,330	50%
Nanjing	Solaris Loving City Section 8 (旭日愛上城八區)	40,552	14,540	—	—	14,540	100%
Nanjing	Garden of Joy and Elegance (昕悅雅苑)	32,246	26,581	—	—	26,581	49%
Nanjing	Golden Space and Watery Court (金域瀾庭)	66,267	8,543	—	2,586	11,129	9%
Nanjing	Residence of Bamboo and Water (竹水居)	52,763	6,629	—	—	6,629	50%
Nanjing	Garden in the East (領東苑)	67,810	—	—	195,411	195,411	33%
Nanjing	Sea Joy Garden (海悅花園)	57,503	29,943	—	—	29,943	49%
Nanjing	New No.1 Commercial Plaza (新壹商業廣場)	23,810	—	—	3,484	3,484	33%
Nanjing	Wave of Swallow New Garden (燕瀾新苑)	61,145	14,191	—	—	14,191	50%
Nanjing	Nanjing Land Lot No. 2017G27 (南京·2017G27地塊)	68,644	—	—	153,476	153,476	20%
Nanjing	Mountain and Lake View Garden in Times (時光山湖花園)	14,338	3,235	—	391	3,626	25%
Nanjing	Nanjing Land Lot No. 2017G36 (南京·2017G36地塊)	54,173	—	—	187,737	187,737	20%
Nanjing	Land Lot No. 2017G57 (2017G57地塊)	58,024	—	—	82,536	82,536	100%
Nanjing	Nanjing No. 2018G01 (南京2018G01)	7,025	—	—	20,656	20,656	30%

Region	Name of Project	Land Area (sq.m.)	Completed Total	Rentable Area	Total Gross	Total Area of Land Bank (sq.m.)	The Group's Interests
			Gross Floor Area for Sale (sq.m.)	Held for Investment (sq.m.)	Floor Area Under Development (sq.m.)		
Nanjing	Gaochun Land Lot No. 02-03 (高淳02-03地塊)	102,787	—	—	173,104	173,104	13%
Nanjing	Yizheng No. 38 (儀徵38)	69,788	—	—	152,166	152,166	50%
Nanjing	Yizheng No. 39 (儀徵39)	66,358	—	—	137,890	137,890	50%
Nanjing	Solaris Jingcheng Store (旭日景城商舖)	1,371	—	4,450	—	4,450	100%
Nanjing	Solaris Loving City Section 6 Store (旭日愛上城六區商舖)	989	—	7,301	—	7,301	100%
Nanjing	Nanjing Hong Yang Plaza (南京弘陽廣場)	230,871	—	452,721	—	452,721	100%
Nanjing	Shiqiu Project (石湫項目)	131,964	—	—	274,406	274,406	48%
Nanjing	Lukou Project (祿口項目)	73,686	—	—	113,289	113,289	49%
Nanjing	Puzhu North Road Project (浦珠北路項目)	7,232	—	—	19,516	19,516	70%
Nanjing	Lishui Sunrise Joy Shangchen (溧水昕悅尚宸)	41,931	—	—	98,955	98,955	50%
Nanjing	Hong Yang Upper Yard (弘陽上院)	66,805	905	—	—	905	100%
Nanjing	Spring on West River (春上西江)	27,962	2,005	—	—	2,005	100%
Nanjing	Qiaolin Shiqihe Project (橋林石磧河項目)	28,188	—	—	39,185	39,185	50%
Nantong	Left Bank Residence in Jianghai Road (江海路左岸公元)	75,028	—	—	123,497	123,497	34%
Nantong	Wan Shou Road Project (萬壽路項目)	89,669	—	—	232,847	232,847	30%
Nantong	Esteeming Virtues Garden (尚德苑)	37,348	—	—	47,417	47,417	33%
Nantong	Oriental Cloud Garden (東方云苑)	86,652	—	—	204,524	204,524	17%
Nantong	Upper Joy Garden (上悅花園)	82,741	—	—	170,158	170,158	25%
Nantong	New Metropolis Garden (新都花園)	109,890	144	—	152,826	152,970	13%
Nantong	Center Creation Metropolis Garden (中創都市花苑)	47,963	245	—	48,933	49,178	24%
Nantong	Sutong (蘇通)	47,405	—	—	80,807	80,807	36%
Nantong	Zisheng Road Junlan Tianyue (資生路君蘭天悅)	40,689	—	—	84,646	84,646	45%
Nantong	Xitong Times Billow (錫通時光樾瀾庭)	38,920	—	—	70,807	70,807	51%
Ningbo	Ningbo Yinzhou Land Lot No. L5 (寧波鄞州L5地塊)	11,368	—	—	25,826	25,826	50%
Qingdao	Jinshatan Project (金沙灘項目)	8,770	—	—	69,795	69,795	30%
Qingdao	Jinshatan Project (金沙灘項目)	5,307	—	—	37,345	37,345	30%
Suzhou	Runyuan Masterpiece Garden (潤元名著花園)	80,669	61,557	—	99,010	160,567	49%
Suzhou	Upper Sunny Masterpiece Garden (上熙名苑)	44,701	83,829	—	—	83,829	99%
Suzhou	Luyuan Architecture (甬源名筑)	60,961	4,395	—	8,977	13,372	99%
Suzhou	The River City Origin (江城源著)	69,982	—	—	89,586	89,586	13%

Region	Name of Project	Land Area (sq.m.)	Completed Total	Rentable Area	Total Gross	Total Area of Land Bank (sq.m.)	The Group's Interests
			Gross Floor Area for Sale (sq.m.)	Held for Investment (sq.m.)	Floor Area Under Development (sq.m.)		
Suzhou	Star Great Tang Masterpiece Residence (星盛唐名邸)	36,829	—	—	88,860	88,860	50%
Suzhou	Sunrise Joy Masterpiece Residence (昕悅名邸)	47,706	36,595	—	—	36,595	69%
Suzhou	Beautiful in Ten (十里錦繡)	98,783	—	—	130,016	130,016	16%
Suzhou	Shang Jun Hua Court (尚雋華庭)	39,410	—	—	76,066	76,066	50%
Suzhou	Changshu No. 005 (常熟005)	17,361	—	—	39,109	39,109	33%
Suzhou	Hefeng Architecture in Xinhua Road (新華路和風名筑)	45,742	—	—	103,229	103,229	45%
Suzhou	Tang Qiao Fumin Road Project (塘橋富民路項目)	40,317	—	—	70,271	70,271	47%
Suzhou	Shangshui Garden of Elegance (上水雅苑)	69,325	3,092	—	—	3,092	99%
Taizhou (台州)	Wenling Shidai Jiuzhu (溫嶺時代玖著)	14,338	—	—	37,606	37,606	50%
Taizhou (泰州)	Wave of Swallow Garden (燕瀾花園)	56,230	17,434	—	16,462	33,896	99%
Tongxiang	Wuzhen Longxiang Avenue Project (烏鎮龍翔大道項目)	42,811	—	—	82,325	82,325	60%
Wenzhou	Huichang River B03 Project (會昌河B03項目)	25,721	—	—	65,203	65,203	50%
Wenzhou	Huichang River B07 Project (會昌河B07項目)	19,967	—	—	52,565	52,565	50%
Wuxi	Wuxi Sanwan Qing (無錫三萬頃)	800,000	9,402	—	58,161	67,563	100%
Wuxi	Sunrise Joy Court (昕悅棠)	85,122	—	—	232,739	232,739	100%
Wuxi	Sunrise Joy Residence (昕悅府)	138,902	—	—	312,688	312,688	100%
Wuxi	Jing Garden of Superior Class (上品璟苑)	203,609	—	—	346,045	346,045	20%
Wuxi	Liyuan Project (利源項目)	39,021	—	—	84,872	84,872	30%
Wuxi	Yangjian Project (羊尖項目)	63,050	—	—	109,319	109,319	40%
Wuxi	Yunting Primary School Project (云亭小學項目)	92,953	—	—	196,728	196,728	50%
Wuhan	Yin Yue Residence (印月府)	106,207	—	—	461,039	461,039	90%
Xi'an	Yan Liang Sunrise Joy Residence (閻良昕悅府)	24,649	—	—	70,134	70,134	48%
Xiangyang	Prime Watery Court (襄御瀾庭)	45,761	—	—	120,611	120,611	30%
Xiangyang	Xiangzhou Park 1873 (襄州公園1873)	93,846	—	—	259,363	259,363	50%
Xuzhou	Xuzhou Landscape of the Peach Garden (徐州山水桃花源)	104,284	6,729	—	99,534	106,263	75%
Xuzhou	Nine Pleasures Splendid Residence (九悅華府)	181,244	—	—	333,843	333,843	33%
Xuzhou	Joyful Beautiful Scenery Harmonious Residence (欣欣麗景和府)	26,646	—	—	56,081	56,081	33%
Xuzhou	East Lake Joy Residence in Pengzu Avenue (彭祖大道東湖悅府)	70,905	—	—	180,681	180,681	20%
Xuzhou	Metropolitan City in Xinyuan Avenue (新元大道大都會)	90,236	—	—	224,115	224,115	55%

Region	Name of Project	Completed Total		Rentable Area Held for Investment (sq.m.)	Total Gross Floor Area Under Development (sq.m.)	Total Area of Land Bank (sq.m.)	The Group's Interests
		Land Area (sq.m.)	Gross Floor Area for Sale (sq.m.)				
Xuzhou	Phoenix Hill Puyue Residence (鳳凰山璞樾門第)	59,770	—	—	86,369	86,369	85%
Xuzhou	Dawu Park Avenue (大吳公園大道)	213,207	—	—	630,089	630,089	100%
Yancheng	Begonia View Residence in Yanzhen Road (鹽枕路觀棠府)	69,049	—	—	160,545	160,545	33%
Yangzhou	Begonia Court (棠苑)	72,660	—	—	111,153	111,153	19%
Yangzhou	Yizheng Yuelong Bay (儀徵悅龍灣)	27,589	—	—	68,310	68,310	50%
Changsha	Deyi In Times (德一時光里)	12,956	—	—	63,559	63,559	67%
Changsha	Black Stone Project (黑石項目)	32,684	—	—	118,160	118,160	51%
Zhenjiang	Phoenix Terrace (鳳熹台)	88,498	—	—	232,293	232,293	20%
Zhenjiang	Land Lot No. 2018-J1-06 (2018-J1-06號地塊)	72,609	—	—	139,083	139,083	33%
Zhenjiang	Jurong Land Lot No. B (句容B地塊)	38,731	—	—	73,206	73,206	19%
Zhenjiang	Zhoujiazhuang Project (周家莊項目)	16,168	—	—	42,713	42,713	51%
Zhenjiang	Xiaoni Hill No. 1 Four Seasons Magnificence (小牛山一號四季風華)	28,920	—	—	31,254	31,254	33%
Zhenjiang	Xiaoni Hill No. 2 Four Seasons Magnificence (小牛山二號四季風華)	20,536	—	—	78,480	78,480	33%
Zhengzhou	Zhongmou Hong Yang Residence (中牟弘陽府)	119,924	—	—	318,308	318,308	51%
Chongqing	Cypress View. Seattle (柏景·西雅圖)	89,273	—	—	293,120	293,120	100%
Chongqing	Shapingba District Dayangshi Group Subregion C No. C11-1/03 (沙坪壩區大楊石 組團C分區C11-1/03號)	8,749	—	—	22,822	22,822	95%
Chongqing	Bishan 295 (璧山295)	106,259	—	—	239,488	239,488	95%
Chongqing	Guan Yin Tang (觀音塘)	14,785	—	—	46,875	46,875	49%
Chongqing	Beipei Project (北碚項目)	109,540	—	—	188,157	188,157	49%
Zhuji	Zhuji Land Lot No. 2018-11 (諸暨2018-11地塊)	49,492	—	—	56,061	56,061	50%
Total		<u>10,544,128</u>	<u>521,579</u>	<u>702,502</u>	<u>15,707,915</u>	<u>16,931,996</u>	

### **3. *Commercial Property Investment and Operations***

For the year ended 31 December 2019, the Group achieved rental income of approximately RMB411.4 million, representing an increase of 14.6% as compared to the corresponding period last year. The increase was mainly due to the grand opening of Pavilion C2 and C3 Nanjing Hong Yang Plaza in August 2019, the increase in contribution made by Changzhou Hong Yang Plaza as a result of an improvement of its performance and the additional contribution from Yantai Hong Yang Plaza and Tengzhou Hong Yang Plaza as a result of their openings.

### **4. *Hotel Operations***

For the year ended 31 December 2019, the Group achieved sales revenue of approximately RMB39.8 million from its hotel operations, representing an increase of 8.3% as compared to the corresponding period last year. The increase was mainly due to an increase in contribution made by Nanjing Hong Yang Hotel and Wuxi Hong Yang Lakefort Hotel as a result of an improvement of their performance.

## **FINANCIAL REVIEW**

### **1. *Revenue***

For the year ended 31 December 2019, the Group's revenue amounted to approximately RMB15,169.5 million, representing an increase of 64.2% from approximately RMB9,238.7 million for the corresponding period last year. The revenue mainly included income generated from property sales, commercial property investment and operations and hotel operations. In particular, revenue from (i) property sales amounted to approximately RMB14,718.4 million, representing an increase of 66.4% as compared with the corresponding period last year, and contributed 97.0% of the total revenue recognized; (ii) commercial property investment and operations amounted to approximately RMB411.4 million, representing an increase of 14.6% as compared with the corresponding period last year; and (iii) hotel operations amounted to approximately RMB39.8 million, representing an increase of 8.3% as compared with the corresponding period last year.

Breakdown of revenue recognized for the year ended 31 December 2019

	2019		2018		Year-on-year change (%)
	Revenue recognized (RMB'000)	Percentage of total revenue recognized (%)	Revenue recognized (RMB'000)	Percentage of total revenue recognized (%)	
Sale of properties	14,718,381	97.0	8,843,003	95.7	66.4
Commercial property investment and operations	411,368	2.7	359,026	3.9	14.6
Hotel operations	<u>39,757</u>	<u>0.3</u>	<u>36,712</u>	<u>0.4</u>	<u>8.3</u>
Total	<u>15,169,506</u>	<u>100.0</u>	<u>9,238,741</u>	<u>100.0</u>	<u>64.2</u>

**2. Cost of Sales**

For the year ended 31 December 2019, the Group's cost of sales amounted to approximately RMB11,356.2 million. The increase was mainly due to the increased number of projects delivered during the year.

**3. Gross Profit and Gross Profit Margin**

For the year ended 31 December 2019, the Group's gross profit was approximately RMB3,813.3 million, representing an increase of 32.1% from approximately RMB2,887.1 million for the corresponding period of 2018. Such increase was primarily attributable to the increased number of projects delivered during the year. For the year ended 31 December 2019, the gross profit margin was 25.1%, representing a decrease from 31.2% for the corresponding period of 2018. Such decrease was mainly due to the decrease in the percentage of revenue recognized for products with higher gross profit margin as compared with 2018.

#### **4. *Changes in Fair Value of Investment Properties***

For the year ended 31 December 2019, the Group recognized fair value gains on investment properties of approximately RMB310.5 million, representing an increase of 19.0% from approximately RMB260.8 million for the corresponding period last year. Such fair value gains on investment properties recorded were primarily attributable to an appreciation of the overall capital value and/or rental value.

#### **5. *Selling and Distribution Expenses***

For the year ended 31 December 2019, the Group's selling and distribution expenses amounted to approximately RMB652.0 million, representing an increase of 90.8% from approximately RMB341.8 million for the corresponding period last year. Such increase was due to the launch of new property projects of the Group for presale in 2019.

#### **6. *Administrative Expenses***

For the year ended 31 December 2019, the Group's administrative expenses amounted to approximately RMB1,089.7 million, representing an increase of 58.8% from approximately RMB686.3 million for the corresponding period last year. Such increase was mainly due to the increased number of employees resulted from the Group's business expansion.

#### **7. *Share of Profits of Joint Ventures and Associates***

For the year ended 31 December 2019, the Group's share of profits of joint ventures and associates amounted to approximately RMB693.0 million, representing an increase of 88.8% from approximately RMB367.0 million for the corresponding period last year. Such increase was attributable to the recognition of profits carried forward in respect of several cooperation projects such as Violet Cloud Residence, New No.1 Commercial Plaza and Best Time Garden.

#### **8. *Finance Costs***

For the year ended 31 December 2019, the Group's finance costs expended amounted to approximately RMB634.3 million, representing an increase of 27.0% from approximately RMB499.3 million for the corresponding period last year. Such changes in finance costs was mainly due to the increase in borrowings resulted from the Group's land acquisitions and expansion of property development during the Reporting Period.



## **9. Income Tax Expense**

For the year ended 31 December 2019, the Group's income tax expense amounted to approximately RMB1,099.5 million, representing an increase of 29.0% from approximately RMB852.2 million for the corresponding period last year. The Group's income tax expense included the payment and provision for the corporate income tax and land appreciation tax net of deferred tax during the year.

During the year ended 31 December 2019, the provision made for land appreciation tax by the Group was approximately RMB564.8 million, as compared with approximately RMB441.4 million for the corresponding period last year.

## **10. Profit for the Reporting Period**

As a result of the aforementioned factors, the Group's profit before tax increased by 25.7% to approximately RMB2,735.4 million for the year ended 31 December 2019 from approximately RMB2,175.4 million for the corresponding period last year. The Group's net profit increased by 23.6% to approximately RMB1,635.9 million for the year ended 31 December 2019 from approximately RMB1,323.1 million for the corresponding period last year. Net profit attributable to owners of the parent increased by 3.9% to approximately RMB1,467.6 million for the year ended 31 December 2019 from approximately RMB1,412.3 million for the corresponding period last year. Such increase was mainly attributable to the increased number of projects delivered and the increase in the profit carried forward during the year.

## **LIQUIDITY, FINANCE AND CAPITAL**

### **1. Cash Position**

The Group's cash and bank balances were approximately RMB16.84 billion (as at 31 December 2018: approximately RMB12.46 billion), of which, restricted bank balances amounted to approximately RMB2.30 billion (as at 31 December 2018: RMB2.64 billion), and pledged deposits amounted to approximately RMB5.85 billion (as at 31 December 2018: RMB3.58 billion).

### **2. Borrowings and Pledged Assets**

As at 31 December 2019, the Group's total borrowings (including interest-bearing bank loans and other borrowings and senior notes) amounted to approximately RMB29.54 billion (as at 31 December 2018: approximately RMB21.92 billion), of which, interest-bearing bank loans and other borrowings amounted to approximately RMB20.27 billion (as at 31 December 2018: approximately RMB19.33 billion), and senior notes amounted to approximately RMB9.27 billion (as at 31 December 2018: approximately RMB2.59 billion).

The Group's total borrowings were repayable as follows:

	<b>31 December 2019 RMB'000</b>	<b>31 December 2018 RMB'000</b>
Interest-bearing bank loans and other borrowings:		
Repayable within one year	10,516,391	8,233,697
Repayable in the second year	5,673,456	4,259,278
Repayable within two to five years	2,967,633	5,752,917
Repayable beyond five years	<u>1,114,266</u>	<u>1,080,609</u>
Sub-total	<u>20,271,746</u>	<u>19,326,501</u>
Senior notes:		
Repayable within one year	1,894,998	2,592,868
Repayable in the second year	2,679,301	—
Repayable within two to five years	<u>4,700,343</u>	<u>—</u>
	<u>9,274,642</u>	<u>2,592,868</u>
Total borrowings	<u>29,546,388</u>	<u>21,919,369</u>

As at 31 December 2019, except for certain bank and other borrowings of RMB11,656,841,000 (as at 31 December 2018: RMB9,752,590,000) with fixed interest rates, all of the Group's bank and other borrowings bear interest at floating interest rates.

As at 31 December 2019, assets with an aggregate value of approximately RMB33,669.9 million (as at 31 December 2018: approximately RMB28,815.7 million) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group and its joint ventures.

### **3. *Financing Activities***

On 4 March 2019, the Group issued US\$300 million 11.5% 2-year senior notes. Please refer to the announcement dated 25 February 2019 for further details.

On 11 April 2019, the Group issued US\$300 million 9.95% 3-year senior notes. Please refer to the announcement dated 8 April 2019 for further details.

On 3 July 2019, the Group issued US\$250 million 10.5% 3.25-year senior notes. Please refer to the announcement dated 26 June 2019 for further details.

On 30 October 2019, the Group issued US\$100 million 13% 2-year senior notes. Please refer to the announcement dated 30 October 2019 for further details.

On 7 November 2019, additional to the US\$300 million 9.95% 3-year senior notes, the Group further issued US\$150 million of the same. Please refer to the announcement dated 7 November 2019 for further details.

In view of the steady operating and financial performance, the Group's ratings were revised by various credit rating agencies. On 6 November 2019, the Group was assigned a first-time "B2" corporate family rating with positive outlook by Moody's Investors Service; on 16 October 2019, the Group's issuer credit rating was upgraded from "B" to "B+" with stable outlook by Fitch Ratings; the Group's long-term corporate credit rating was maintained as "B" with stable outlook by Standard & Poor's. In April 2019, the Group was assigned a "BB-" global scale long-term issuer credit rating with stable outlook by Lianhe Ratings Global Limited. In addition, Nanjing Redsun Real Estate Development Co., Ltd. (renamed as "Redsun Properties (Group) Co., Ltd. (弘陽置地 (集團) 有限公司)" on 25 February 2020), a wholly-owned subsidiary of the Group, was assigned an "AA+" long-term issuer credit rating with stable outlook by China Chengxin Securities Rating Co., Ltd. and United Credit Ratings Co., Ltd. in June 2019.

### **4. *Gearing Ratio***

As at 31 December 2019, the Group's net gearing ratio (total borrowings less cash and bank balances divided by total equity) was approximately 70.4%, as compared with approximately 68.3% as at 31 December 2018. As at 31 December 2019, the Group's debt to asset ratio (total debts divided by total assets) was approximately 81.1%, as compared with approximately 79.6% as at 31 December 2018. As at 31 December 2019, the Group's current ratio (current assets divided by current liabilities) was approximately 1.31 times, as compared with approximately 1.34 times as at 31 December 2018.

As at 31 December 2019, cash to short-term debt ratio (cash and bank balances divided by short-term borrowings) was approximately 1.36 times, as compared with approximately 1.15 times as at 31 December 2018.

#### **5. *Capital and Property Development Expenditure Commitments***

As at 31 December 2019, the Group had capital and property development expenditure commitments contracted but not provided for of approximately RMB9.65 billion (as at 31 December 2018: approximately RMB5.96 billion).

#### **6. *Contingent Liabilities***

Pursuant to the mortgage contracts, the banks require the Group to provide guarantees to the purchasers in respect of their mortgage loans. Such mortgage guarantees provided to the purchasers are usually released when the title deeds of the respective properties are pledged to the banks as security to continue to support the mortgage loans, which generally takes place after the delivery of relevant properties to the purchasers. If the purchasers are in default on their mortgage loans, the Group shall be liable to the repayment of the outstanding mortgage principal amount together with the accrued interest and penalties owed by the defaulting purchasers to the banks and the Group shall be entitled to take over the legal title and possession of the related properties.

As at 31 December 2019, the Group provided guarantees of approximately RMB8.45 billion to certain banks in respect of the mortgage loans granted to certain purchasers of the Group's properties (as at 31 December 2018: approximately RMB5.80 billion).

As at 31 December 2019, the Group provided guarantees of approximately RMB3.65 billion to related companies (as at 31 December 2018: approximately RMB1.78 billion). Save as disclosed in this results announcement, the Group had no other material contingent liabilities as at 31 December 2019.

## CORPORATE GOVERNANCE/OTHER INFORMATION

### *1. Material Acquisitions and Disposals*

On 26 February 2019, Nanjing Redsun Real Estate Development Co., Ltd., a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Nanjing Tai Ya Department Store Management Co., Ltd. and Mingliu Properties Wuhan Co., Ltd., to proceed with the acquisition of 39.75% equity interest in Mingliu Properties Wuhan Co., Ltd., at a total consideration of RMB1,177,817,000. Please refer to the announcement dated 26 February 2019 for further details.

On 26 July 2019, Xuzhou Hongshuo Property Development Co., Ltd., an indirectly wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Xuzhou Xincheng Chuangyu Real Estate Co., Ltd., Nanjing Xincheng Wanjia Real Estate Co., Ltd., Nanjing Redsun Real Estate Development Co., Ltd. and Xuzhou Xincheng Yihui Property Development Co., Ltd., pursuant to which, Xuzhou Hongshuo Property Development Co., Ltd. acquired 100% equity interest in Xuzhou Xincheng Yihui Property Development Co., Ltd., at a consideration of RMB552,910,000. Xuzhou Hongyao Property Development Co., Ltd. entered into an equity transfer agreement with Xuzhou Xincheng Chuangyu Real Estate Co., Ltd., Xuzhou Honghou Property Development Co., Ltd., Nanjing Redsun Real Estate Development Co., Ltd. and Xuzhou Xincheng Hongyang Property Development Co., Ltd., pursuant to which, Xuzhou Hongyao Property Development Co., Ltd. acquired 60% equity interest in Xuzhou Xincheng Hongyang Property Development Co., Ltd., at a consideration of RMB1,157,750,000. Please refer to the announcement dated 26 July 2019 for further details.

On 11 September 2019, Anhui Honghan Real Estate Development Co., Ltd, an indirectly wholly-owned subsidiary of the Company, entered into a capital increase agreement with Xinli Real Estate Group Limited, Anhui Xinchuang Real Estate Development Co., Ltd., the target company, and Hefei Xincheng Yuehong Real Estate Development Co., Ltd., the project company, pursuant to which, Anhui Honghan Real Estate Development Co., Ltd. agreed to (i) subscribe for the increased registered capital of the target company of RMB200,000,000; and (ii) provide a shareholder's loan in the principal amount of RMB570,575,052.27 at an interest rate of 8% per annum with no fixed maturity date to the target company. The shareholder's loan shall be used for the partial repayment of the existing shareholder's loan provided by Xinli Real Estate Group Limited to the target company. Upon completion of the abovementioned proposed investment, each of

Anhui Honghan Real Estate Development Co., Ltd. and Xinli Real Estate Group Limited will hold 50% of the equity interest in the target company. Please refer to the announcement dated 11 September 2019 for further details.

On 20 December 2019, Xuzhou Hongyao Property Development Co., Ltd., Suzhou Lihe Property Development Co., Ltd., Xuzhou Honghou Property Development Co., Ltd. and Xuzhou Xincheng Hongyang Property Development Co., Ltd. entered into an equity transfer agreement, pursuant to which, Xuzhou Hongyao Property Development Co., Ltd. agreed to sell and Suzhou Lihe Property Development Co., Ltd. agreed to purchase the target equity interest, being 30% equity interest in the target company, and the rights attached thereto, at a total consideration of RMB585,620,000. Please refer to the announcement dated 20 December 2019 for further details.

Save as the aforesaid, there was no other material acquisition and disposal of subsidiaries, associates or joint ventures by the Group during the Reporting Period.

## **2. *Employment and Remuneration Policies***

As at 31 December 2019, the Group had a total of 3,802 employees, of which 3,066 employees were engaged in the real estate development business, 586 employees were engaged in the commercial property operation business and 150 employees were engaged in the hotel operation business.

The emolument of the employees of the Group is mainly determined based on the prevailing market level of remuneration and the individual performance and work experience of the employees. Bonuses are also distributed based on the performance of the employees. The Group provides employees with career development opportunities and considers if their remuneration should be raised or if they should be promoted with reference to their individual performance and potential. Other benefits provided by the Group include medical benefits and specialized training schemes.

## **3. *Use of Proceeds Raised from Initial Public Offering and Over-allotment Option***

The net proceeds from the Company's global offering were approximately HK\$2,055,279,000, including the net proceeds from the full exercise of the over-allotment option as set out in the prospectus of the Company dated 29 June 2018 (the "Prospectus"). As at the date of this announcement, the Company has fully applied the remaining proceeds raised from the global offering according to the purposes as disclosed in the Prospectus.

#### **4. *Events After the Reporting Period***

There has been an outbreak of the novel coronavirus that was first reported from Wuhan, China in December 2019. To prevent or control the epidemic, the Chinese government has adopted a series of measures nationwide, including among others, restrictions on enterprises from resuming work, traffic control and travel bans.

As of the date of this financial statements, the assessment is still in progress, the Group will continue to closely monitor the development of the novel coronavirus, assess and actively respond to its impact on the financial condition, operating results and other aspects of the Group.

On 14 January 2020, the Group issued senior notes due 16 April 2023 in an aggregate principal amount of US\$300,000,000. Please refer to the announcement dated 14 January 2020 for further details.

Save as disclosed above, the Group had no other significant event after the Reporting Period.

#### **5. *Payment of Dividends***

The Board recommended the payment of a final dividend of RMB11.1 cents (equivalent to HK12.4 cents) per share.

#### **6. *Purchase, Sale or Redemption of Any of the Company's Listed Securities***

During the Reporting Period, neither the Group nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

#### **7. *Currency Risk***

The Group primarily operates in the PRC and majority of the Group's transactions were denominated and settled in RMB.

#### **8. *Corporate Governance***

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Group and enhance the corporate value as well as the responsibility commitments. The Group has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its code of corporate governance.

The Group has always complied with all applicable code provisions of the CG Code. To the knowledge of the Directors, the Group has complied with all applicable code provisions of the CG Code for the year ended 31 December 2019, and the Directors will use their best endeavors to procure the Group to continue to comply with the CG Code.

#### **9. Annual General Meeting**

An annual general meeting (the “**Annual General Meeting**”) has been scheduled to be convened at 10 a.m. on 19 June 2020.

#### **10. Closure of Register of Members**

For the purpose of determining the rights to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 16 June 2020 to 19 June 2020, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on 15 June 2020.

Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on or about 24 July 2020. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 6 July 2020 to 8 July 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents of the Company accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on 3 July 2020.

#### **11. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors. The Directors have confirmed their compliance with the required standard set out in the Model Code for the year ended 31 December 2019.



## **12. Review of Annual Results by the Audit Committee**

The Board has established its audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the CG Code.

The primary duties of our audit committee are to review and monitor the Group's financial reporting process, risk management and internal control system, to oversee the audit process, to provide recommendation and advice to the Board, and to perform other duties and responsibilities as may be assigned by the Board. Our audit committee consists of four members, including Mr. Leung Yau Wan John, Mr. Jiang Daqiang, Mr. Lee Kwok Tung Louis and Mr. Au Yeung Po Fung. Our audit committee is chaired by Mr. Leung Yau Wan John, who has appropriate professional qualifications.

Our audit committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2019 and confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures. Our audit committee has also discussed the matters of audit and financial reporting.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this announcement.

### **Publication of Annual Results and Annual Report on the Websites of the Stock Exchange and the Company**

This annual results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.rsunproperty.hk>). The annual report will be dispatched to the shareholders of the Company in due course, and available for viewing on the websites of the Stock Exchange and the Company.

## OUTLOOK FOR 2020

Since the beginning of 2020, the outbreak and spread of the novel coronavirus has caused significant adverse impacts on the macro economy and the real estate industry. The weak consumption and sluggish transportation and catering industries caused by the epidemic has not only affected economic growth, but also severely and adversely hit the residential and commercial real estate sectors in the short term. Nevertheless, we consider that the impacts of the epidemic on the economy and the real estate market are merely of short-term and temporary nature, and the epidemic will not have significant impact on the economy and real estate market in China in the medium and long-term.

The year 2020 is a critical year for the successful establishment of a well-off society and implementation of the 13th Five-Year Plan. At the macro economy level, it is anticipated that fiscal policies will play greater roles in counter-cyclical adjustments and the overall monetary policies will remain stable. As for the real estate industry, the general direction of the policy that “houses are for living, not for speculation” will remain unchanged.

For commercial real estate sector, returning to “quality” operation in 2020 will be the main direction of commercial property business. In particular, the continuous consumption upgrade of many third- and fourth-tier cities will create both opportunities and challenges for commercial real estate operators. The integration of online and offline channels together with innovative consumer experience are all key aspects for improving the quality of business services.

In 2020, the Group will continue to foster the “dual-driven” business strategy, while “Quality and Efficacy Enhancement” will become the main theme of our operation in year 2020. For property development, under the guidance of the general direction of “penetrating the Greater Jiangsu Region, strengthening foothold in the Yangtze River Delta Region and expanding into major metropolitan areas”, we will adhere to a nationwide strategic layout and further solidify our efforts in selected regions in Jiangsu and Yangtze River Delta, along with uplifting the quality of products and services, and strengthening the profitability and the ability to withstand risks. For commercial real estate, the Company will stress both expansion of scale and enhancement of operation quality. While exploring high-quality projects through diversified models such as entrusted management, leasing and self-holding, the Company will also continuously optimize and upgrade its business portfolio and foster innovation as well as enhance consumer experience, so as to create benchmark commercial property projects, thereby creating better return on assets of its commercial real estate business.

Under the framework of mechanism and culture, the Group has established a team of talents with high efficiency, thereby creating a highly efficient operating system and improving the capital efficiency, so as to realize the strategic vision of “becoming a respected creator of a better life” (成為受人尊敬的美好生活創造者), earning the respect

of our customers, industry peers, employees and business partners as well as the community. The Group will continue with its business development by capitalizing on various financing channels such as bonds issuance, through the listing platform of Hong Kong, with an aim to creating return to each of our shareholders.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, investors, business partners and customers for their trust and support. Leveraging its sound corporate governance structure, prudent financial strategies and rational business deployment, the Group will continue to use its best endeavors to create the greatest value for its shareholders and investors.

On behalf of the Board  
**Redsun Properties Group Limited**  
**Zeng Huansha**  
*Chairman*

Hong Kong, 25 March 2020

*As at the date of this announcement, the executive Directors are Mr. Zeng Huansha, Mr. He Jie and Mr. Lui Wai Pang; the non-executive Directors are Mr. Jiang Daqiang and Mr. Zhang Liang; and the independent non-executive Directors are Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung.*