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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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS OF THE 2020 INTERIM RESULTS

- Contracted sales reached RMB31.57 billion, representing an increase of 4.4%. Contracted average selling price increased from RMB12,889 per sq.m. in the corresponding period of 2019 to RMB14,642 per sq.m. in the first half of 2020, representing an increase of 13.6%.
- Revenue increased by 146.3% to RMB9,623.8 million as compared to the corresponding period of 2019. Revenue from commercial operations and hotel operations increased by 10.4% to RMB225.6 million (1H of 2019: RMB204.3 million).
- Gross profit and gross profit margin were RMB2,434.4 million and 25.3%, respectively.
- Net profit increased by 23.5% to RMB895.1 million, as compared to the corresponding period of 2019. Net profit margin reached 9.3%.
- Core net profit increased by 80.7% to RMB874.2 million as compared to the corresponding period of 2019 (1H of 2019: RMB483.7 million).
- Core net profit attributable to owners of the parent increased by 30.7% to RMB656.6 million as compared to the corresponding period of 2019 (1H of 2019: RMB502.3 million).
- As at 30 June 2020, net gearing ratio stood at a sound level at 68.7%, representing a decrease of 1.7 percentage points as compared to that of 70.4% as at 31 December 2019. The Group had sufficient cash on hand of approximately RMB18.28 billion.

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.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Redsun Properties Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**reporting period**”), together with the comparative figures for the corresponding period of the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	5	9,623,812	3,907,501
Cost of sales		<u>(7,189,382)</u>	<u>(2,775,162)</u>
Gross profit		2,434,430	1,132,339
Other income and gains	5	179,188	243,959
Selling and distribution expenses		(319,716)	(263,333)
Administrative expenses		(543,059)	(361,312)
Other expenses		(50,488)	(20,379)
Fair value gains on investment properties		57,302	284,576
Finance costs	7	(425,186)	(183,826)
Share of profits and losses of:			
Joint ventures		(26,237)	20,318
Associates		259,141	190,861
PROFIT BEFORE TAX	6	1,565,375	1,043,203
Income tax expense	8	(670,307)	(318,670)
PROFIT FOR THE PERIOD		895,068	724,533
Attributable to:			
Owners of the parent		677,418	743,053
Non-controlling interests		217,650	(18,520)
		895,068	724,533
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic — for profit for the period		RMB0.20	RMB0.22
Diluted — for profit for the period		RMB0.20	RMB0.22

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<u>895,068</u>	<u>724,533</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>895,068</u>	<u>724,533</u>
Attributable to:		
Owners of the parent	677,418	743,053
Non-controlling interests	<u>217,650</u>	<u>(18,520)</u>
	<u>895,068</u>	<u>724,533</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		777,462	807,938
Investment properties		12,506,681	11,572,037
Right-of-use assets		117,954	157,721
Other intangible assets		9,680	12,426
Investments in joint ventures		2,595,798	2,236,978
Investments in associates		6,010,735	5,584,394
Deferred tax assets		838,938	727,598
		<u>22,857,248</u>	<u>21,099,092</u>
CURRENT ASSETS			
Inventories		33,328	12,613
Properties under development		37,960,692	36,280,854
Completed properties held for sale		3,394,386	3,327,897
Trade receivables	11	23,759	6,767
Prepayments, other receivables and other assets		8,395,834	7,705,396
Due from related companies		8,341,478	8,454,905
Financial assets at fair value through profit or loss		1,824,008	1,148,390
Tax recoverable		581,716	516,753
Cash and bank balances		18,283,397	16,844,417
		<u>78,838,598</u>	<u>74,297,992</u>
Total current assets		<u>78,838,598</u>	<u>74,297,992</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2020

		30 June	31 December
		2020	2019
	Note	RMB'000	RMB'000
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade and bills payables	12	4,996,650	4,845,588
Other payables and accruals		5,066,359	7,040,888
Contract liabilities		23,597,317	24,974,641
Interest-bearing bank and other borrowings		7,842,623	10,516,391
Senior notes		3,997,465	1,894,998
Lease liabilities		56,380	46,809
Due to related companies		9,129,139	5,387,256
Tax payable		2,387,399	2,169,259
		<u>57,073,332</u>	<u>56,875,830</u>
		<u>21,765,266</u>	<u>17,422,162</u>
NET CURRENT ASSETS			
		<u>44,622,514</u>	<u>38,521,254</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		12,728,133	9,755,355
Senior notes		7,565,090	7,379,644
Lease liabilities		1,713,724	911,477
Deferred tax liabilities		2,458,833	2,428,329
		<u>24,465,780</u>	<u>20,474,805</u>
Total non-current liabilities		<u>24,465,780</u>	<u>20,474,805</u>
Net assets		<u>20,156,734</u>	<u>18,046,449</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2020

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
EQUITY		
Equity attributable to owners of the parent		
Share capital	28,254	28,254
Share premium	2,251,641	2,628,301
Other reserves	11,926,697	11,231,190
	14,206,592	13,887,745
Non-controlling interests	5,950,142	4,158,704
Total equity	20,156,734	18,046,449

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is 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.

The Company is an investment holding company. During the six months ended 30 June 2020, the Group is principally engaged in property development, commercial property investment and operations, and hotel operations.

In the opinion of the directors of the Company, the immediate holding company of the Company is Redsun Properties Group (Holdings) Limited.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

- a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers,

investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information.
- d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into the following reportable operating segments:

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

The Group's operations are mainly conducted in Mainland China. Management considered 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.

Six months ended 30 June 2020	Property development RMB'000 (Unaudited)	Commercial property investment and operations RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers	<u>9,398,208</u>	<u>212,839</u>	<u>12,765</u>	<u>9,623,812</u>
Revenue				<u><u>9,623,812</u></u>
Segment results	1,789,507	125,883	(5,266)	1,910,124
<i>Reconciliation:</i>				
Bank interest income				40,620
Fair value gain on financial assets at fair value through profit or loss				35,332
Net foreign exchange loss				(22,663)
Investment income				3,584
Finance costs (other than interest on lease liabilities)				(388,699)
Corporate and other unallocated expenses				<u>(12,923)</u>
Profit before tax				<u><u>1,565,375</u></u>

Six months ended 30 June 2019	Property development RMB'000 (Unaudited)	Commercial property investment and operations RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers	<u>3,703,189</u>	<u>186,413</u>	<u>17,899</u>	<u>3,907,501</u>
Revenue				<u><u>3,907,501</u></u>
Segment results	746,571	370,351	(7,222)	1,109,700
<i><u>Reconciliation:</u></i>				
Bank interest income				23,669
Fair value gain on financial assets at fair value through profit or loss				40,338
Net foreign exchange gain				13,079
Investment income				25,206
Finance costs (other than interest on lease liabilities)				(159,830)
Corporate and other unallocated expenses				<u>(8,959)</u>
Profit before tax				<u><u>1,043,203</u></u>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

	Property development RMB'000 (Unaudited)	Commercial property investment and operations RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets				
30 June 2020	87,136,803	13,061,546	332,770	100,531,119
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>1,164,727</u>
Total assets				<u><u>101,695,846</u></u>
Segment liabilities				
30 June 2020	79,137,341	1,969,472	25,615	81,132,428
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>406,684</u>
Total liabilities				<u><u>81,539,112</u></u>
	Property development RMB'000 (Audited)	Commercial property investment and operations RMB'000 (Audited)	Hotel operations RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets				
31 December 2019	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>
Segment liabilities				
31 December 2019	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>

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue during the six months ended 30 June 2020 and 30 June 2019.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from contracts with customers	9,431,157	3,755,598
Revenue from other sources		
Gross rental income	192,655	151,903
	<u>9,623,812</u>	<u>3,907,501</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

<u>Segments</u>	Property development RMB'000 (Unaudited)	Commercial property investment and operations RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Sale of properties	9,084,598	—	—	9,084,598
Hotel operations	—	—	12,765	12,765
Project management services	313,610	—	—	313,610
Others	—	20,184	—	20,184
	<u>9,398,208</u>	<u>20,184</u>	<u>12,765</u>	<u>9,431,157</u>
Timing of revenue recognition				
Sale of properties transferred at a point in time	9,084,598	—	—	9,084,598
Services transferred over time	313,610	20,184	12,765	346,559
	<u>9,398,208</u>	<u>20,184</u>	<u>12,765</u>	<u>9,431,157</u>
Total revenue from contracts with customers	<u>9,398,208</u>	<u>20,184</u>	<u>12,765</u>	<u>9,431,157</u>

For the six months ended 30 June 2019

<u>Segments</u>	Property development RMB'000 (Unaudited)	Commercial property investment and operations RMB'000 (Unaudited)	Hotel operations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Sale of properties	3,703,189	—	—	3,703,189
Hotel operations	—	—	17,899	17,899
Others	—	34,510	—	34,510
Total revenue from contracts with customers	<u>3,703,189</u>	<u>34,510</u>	<u>17,899</u>	<u>3,755,598</u>
Timing of revenue recognition				
Sale of properties transferred at a point in time	3,703,189	—	—	3,703,189
Services transferred over time	—	34,510	17,899	52,409
Total revenue from contracts with customers	<u>3,703,189</u>	<u>34,510</u>	<u>17,899</u>	<u>3,755,598</u>

An analysis of the Group's other income and gains is as follows:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Bank interest income	40,620	23,669
Interest income from joint ventures and associates	15,207	65,764
Investment income	3,584	25,206
Management consulting service fees charged to joint ventures and associates	—	61,295
Forfeiture of deposit	5,350	1,883
Government grants	3,286	104
Fair value gain on financial assets at fair value through profit or loss	35,332	40,338
Gain on disposal of subsidiaries	29,649	—
Gain on disposal of an associate	9,188	—
Others	36,972	25,700
	<u>179,188</u>	<u>243,959</u>

6. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	7,123,481	2,885,034
Cost of services provided	62,080	53,768
Impairment losses write-off for properties completed held for sale	(18,423)	(168,040)
Impairment losses of financial assets	8,297	9,698
Depreciation of items of property, plant and equipment	36,836	30,619
Depreciation of right-of-use assets	19,111	20,112
Amortisation of other intangible assets	3,020	3,180
Fair value gains on investment properties	(57,302)	(284,576)
Fair value gains on financial assets at fair value through profit or loss	(35,332)	(40,338)
Loss/(gain) on disposal of items of property, plant and equipment	3,410	(592)
Gain on disposal of subsidiaries	(29,649)	—
Gain on disposal of an associate	(9,188)	—
Foreign exchange differences, net	22,663	(13,079)
Share of profits and losses of:		
Joint ventures	26,237	(20,318)
Associates	(259,141)	(190,861)
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	286,036	279,361
Equity-settled compensation expense	34,822	16,929
Pension scheme contributions and social welfare	39,531	29,299
Less: Amount capitalised	(93,331)	(60,835)
	<u>267,058</u>	<u>264,754</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans, other borrowings and senior notes	1,487,827	1,153,058
Interest on lease liabilities	36,487	23,996
Interest expense arising from revenue contracts	523,774	473,521
	<hr/>	<hr/>
Total interest expense	2,048,088	1,650,575
Less: Interest capitalized	(1,622,902)	(1,466,749)
	<hr/>	<hr/>
	425,186	183,826
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8. 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 income currently arising in Hong Kong for the six months ended 30 June 2020.

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

Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Corporate income tax	475,405	367,092
LAT	275,740	142,774
Deferred tax	(80,838)	(191,196)
	<hr/>	<hr/>
Total tax charge for the period	670,307	318,670
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11. TRADE RECEIVABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 month	20,377	1,989
1 to 3 months	1,747	2,653
3 to 6 months	1,515	1,668
6 to 12 months	120	447
Over 12 months	—	10
	<u>23,759</u>	<u>6,767</u>

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bill payables based on the invoice date is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	4,370,153	4,224,180
Over 1 year	626,497	621,408
	<u>4,996,650</u>	<u>4,845,588</u>

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

OVERVIEW AND OUTLOOK

Review for the First Half of 2020

In the first half of 2020, in order to hedge against the negative impacts of the new coronavirus epidemic on the economy, both monetary and fiscal policies have maintained marginal looseness, helping the macro economy to get out of recession in the second quarter. The GDP growth rate in the second quarter was 3.2%, laying a solid foundation for further recovery in the second half of the year. The government work report during the two sessions has not set a clear target for GDP growth rate in 2020, leaving room for flexible responses to the pace and path of economic recovery in the second half of the year. The real estate market was frozen in the first quarter and quickly recovered in the second quarter. Some cities even showed signs of slight overheating. According to the National Bureau of Statistics, in the first half of the year, the sales area of commodity housing across the country was 694.04 million square meters, representing a year-on-year decrease of 8.4%. In the second quarter, the sales area was 474.26 million square meters, representing a year-on-year increase of 3.2%.

Adhering to its core values of “professionalism and building credibility for the long term”, the Group has maintained the dual-driven synergic development in property development and commercial real estate. Its principal business includes 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 sales of our developed residential properties and supporting retail stores, rental income from commercial properties investment and operations, and service fee income from our hotel operations.

During the reporting period, with a nationwide layout, further development in core areas, stable sales performance and quality growth, the Group achieved contracted sales of RMB31.57 billion, representing an increase of 4.4% as compared to the same period last year. The total contracted sales area amounted to 2,156,312 sq.m., with an average contracted selling price of RMB14,642 per sq.m. During the reporting period, with a solid financial position and enhanced credibility, revenue of the Group reached RMB9,623.8 million, representing an increase of approximately 146.3% as compared to the same period last year. Core net profit attributable to owners of the parent was approximately RMB656.6 million, representing an increase of approximately 30.7% as compared to the same period last year.

1. *Property Development*

During the reporting period, the Group implemented the investment strategy of “penetrating the Greater Jiangsu Region, strengthening foothold in major metropolitan areas and expanding into core cities”. On one hand, we continued to promote and consolidate the nationwide layout by penetrating into additional cities such as Anqing, Huai’an, Suqian, Xianyang and Wuhu, thereby expanding the strategic market penetration; on the other hand, we strengthened regional foothold, focused on key areas such as the Yangtze River Delta, the Greater Bay Area, and the Chengdu-Chongqing region, to keep up with the market cycle, and seize the investment window period in the first half of the year to replenish the land bank in preparation of the development in the second half of the year and 2021.

During the reporting period, the Group’s income from its property business was RMB9,398.2 million. As at 30 June 2020, the Group’s aggregate gross floor area of land bank was approximately 18,374,029 sq.m. (gross floor area of land bank attributable to the Group was approximately 9,677,837 sq.m.), representing an increase of 8.5% as compared to that of 16,931,996 sq.m. as of 31 December 2019, which provides sufficient support for our future development.

2. *Commercial Operations*

During the reporting period, the Group’s income from commercial operations amounted to approximately RMB212.8 million.

During the reporting period, the Group has operated three Hong Yang Plazas, which are located in Nanjing in Jiangsu, Changzhou in Jiangsu and Yantai 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, Fenghuangdong in Changzhou and Anqing, thereby continuously promoting the “Hong Yang Plaza” brand.

3. *Hotel Operations*

During the reporting period, the Group’s income from hotel operations amounted to approximately RMB12.8 million.

During the reporting period, the Group has two hotels, namely Nanjing Hong Yang Hotel and Wuxi Hong Yang Lakefort Hotel, and operates the Ibis Hotel under entrusted management model.

Outlook for the Second Half of 2020

In the second half of 2020, with the normalized epidemic prevention work, the domestic macro economy is expected to recover further, but the uncertainty of the international environment has increased. Under such a domestic and international environment, it is expected that the macro policy will maintain a quite positive keynote, in which the prudent currency policy will remain flexible, appropriate and precisely focused, and the fiscal policy will be more proactive and focused on practical effectiveness. The real estate policy is expected to remain stable as a whole, and become marginally loose under the prerequisite that “houses are for living, not for speculation” while may be tightened for some cities with signs of overheating. The ultimate goal of the real estate policy is to maintain the stability of housing prices. The implementation of novel urbanization strategy will continue to foster steadily, and urban agglomerations represented by the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region, and the Chengdu-Chongqing region will enjoy more development opportunities.

It is expected that the overall commodity housing sales market in the second half of 2020 will remain its heat as in the second quarter, but the market in cities with a rapid recovery and an obvious trend of price rise in the second quarter may cool down slightly under the influence of new policies. It is expected that the overall transaction volume for the whole year will basically remain at the same level as last year and the prices will remain stable.

The commercial real estate industry has suffered from the epidemic to a greater extent. Although most shopping malls across the country have resumed operations, there has been no retaliatory rebound in customer flow and sales, but a slow recovery trend. The difficult market environment is expected to continue throughout the year. On one hand, the commercial real estate industry needs to help merchants tide over difficulties through policies such as rent concessions and delayed rental payment; on the other hand, it also needs to foster innovation, turn difficulties and challenges into driving forces to improve service standards, and create new core competitiveness.

In the second half of 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. We are to maintain the balance between scale and profit, realizing the sustainable quality growth. In terms of real estate development, with the strategy of “penetrating the Greater Jiangsu Region, strengthening foothold in major metropolitan areas and expanding into core cities”, we will continue to implement the nationwide strategic layout. In particular, comprehensive layout will be implemented in Jiangsu Province to realize the economies of scale. Foothold will be strengthened in the metropolitan areas such as the Yangtze River Delta, the Greater Bay Area, the Chengdu-Chongqing region, the middle reaches of Yangtze River and the Shandong Peninsula, which are currently more mature with greater potential. In other regions of the

country, the focus will be on the provincial capitals or cities with a great economy and key hub cities. Regarding operation, the Group persists in being operation-oriented and customer-oriented, along with the philosophy that cash is king and profit is the base, thereby striving to build up a series of integrated standard systems such as investment and financial research management system, product development and construction system, standardized supply chain system, as well as a project operation and development platform with strong operating capability, the comprehensive project marketing flow with strong marketing capability and project service standard system, so as to improve the operational efficiency. For commercial real estate, the Group will stress the importance of both expansion of scale and enhancement of operational efficiency. With respect to investment portfolio expansion, the Group will adhere to the strategy of attaching importance to both light and heavy assets, with the light assets as the focus and the heavy assets as the supplement. The Group will explore quality projects through various models such as entrusted management, leases and ownership, striving to stand out in the potential areas so as to realize the strategic plan of “running fast by taking small steps”. With respect to operation, the Group will also constantly 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.

In terms of organization, under the framework of mechanism and culture, the Group persists in being driven by strategies and has established a team of talents with high efficiency, thereby creating a highly efficient operating system that enables the empowerment by delegating authority for an energized organization to make timely responses, 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 also 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. Sales of Properties

For the six months ended 30 June 2020, the Group achieved contracted sales of approximately RMB31.57 billion, representing an increase of 4.4% as compared to RMB30.25 billion in the same period last year. The average contracted selling price of the Group amounted to RMB14,642 per sq.m., representing an increase of 13.6% as compared to that of RMB12,889 per sq.m. in the same period last year.

Details of the contracted sales of the Group for the six months ended 30 June 2020 are set out as below:

Region	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB'000)	Average Contracted Selling Price (RMB/sq.m.)
Changzhou	215,475	3,472,361	16,115
Nanjing	211,190	4,197,930	19,878
Nantong	165,098	2,842,905	17,219
Xuzhou	160,671	2,143,736	13,342
Wuxi	142,886	1,519,611	10,635
Suzhou	101,633	1,867,655	18,376
Foshan	84,455	1,514,643	17,934
Yancheng	79,320	856,016	10,792
Chengdu	78,818	971,093	12,321
Hefei	64,703	760,326	11,751
Hangzhou	59,947	1,835,707	30,622
Bozhou	59,082	495,919	8,394
Huzhou	49,713	721,937	14,522
Chuzhou	45,239	429,026	9,484
Wenzhou	42,435	1,235,323	29,111
Zhenjiang	39,665	331,934	8,368
Chongqing	34,227	346,982	10,138
Anqing	33,251	272,980	8,210
Hengyang	29,552	202,151	6,841
Changsha	28,760	317,332	11,034
Nanchang	27,807	400,736	14,411
Yangzhou	27,407	279,804	10,209
Kaifeng	26,087	177,354	6,799
Xiangyang	26,055	237,138	9,101
Huai'an	24,473	202,041	8,256
Taizhou (台州)	19,056	452,326	23,737
Wuhan	12,362	133,272	10,781
Zhengzhou	11,507	95,000	8,256
Jiaxing	10,918	153,235	14,035
Fuyang	10,616	97,853	9,218
Shaoxing	9,720	185,165	19,050
Jiangmen	8,984	89,575	9,971
Xi'an	7,905	53,494	6,767
Bengbu	3,073	22,970	7,475
Ningbo	261	10,141	38,854
Others	203,961	2,647,140	12,979
Total	2,156,312	31,572,811	14,642

2. Land Bank

As at 30 June 2020, the Group's total gross floor area of land bank was approximately 18,374,029 sq.m. (gross floor area of land bank attributable to the Group was approximately 9,677,837 sq.m.), representing an increase of 8.5% from that of 16,931,996 sq.m. as at 31 December 2019. As at 30 June 2020, completed properties totaled 856,744 sq.m., rentable area held for investment totaled 734,520 sq.m. and properties under development totaled 16,782,765 sq.m.

Details of the land bank of the Group (including the land bank which is undergoing the acquisition process) as at 30 June 2020 are set out as below:

Region	Name of Project	Area of Land (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
Anqing	Anqing Hong Yang Upper City (安慶弘陽上城)	147,547	—	—	371,854	371,854	100%
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%
Changshu	Shang Jun Hua Court (尚雋華庭)	39,410	12,798	—	—	12,798	47%
Changshu	Changshu No. 005 (常熟005)	17,361	5,876	—	—	5,876	31%
Changshu	Hefeng Architecture in Xinhua Road (新華路和風名築)	45,742	—	—	103,229	103,229	40%
Changzhou	Shang Mao Yun Feng (商貿雲峯)	50,921	—	—	155,768	155,768	60%
Changzhou	Phoenix East Project (鳳凰東項目)	115,615	—	32,018	258,795	290,813	49%
Changzhou	Emperor Looks at the First Court (君望甲第)	67,225	32,273	—	—	32,273	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	25,709	88,778	57,800	172,287	70%
Changzhou	Sanmao Land Lot (三毛地塊)	108,486	—	—	238,588	238,588	33%
Changzhou	Hong Yang Upper City Phase I-III (弘陽上城一-三期)	111,700	8,538	—	1,194	9,732	100%
Changzhou	Xi Xia Shu Yun Xi (西夏墅雲禧)	36,712	—	—	78,631	78,631	35%
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	26%
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%
Chengdu	Tianfu Xinqu 42 mou (天府新區42畝)	28,432	—	—	78,698	78,698	34%
Chuzhou	Garden with Art Atmosphere (藝境花園)	60,189	36,040	—	22,131	58,171	33%
Chuzhou	New City Hong Yang Garden at Mingfa North (明發北 站新城弘陽苑)	8,782	6,633	—	—	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	26,554	—	—	26,554	39%
Chuzhou	Jingzi Road Times Magnificence (敬梓路時光風華)	55,719	—	—	123,845	123,845	49%
Danyang	Phoenix Terrace (鳳臺台)	88,498	8,166	—	96,917	105,083	20%
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	73,755	79,801	48%
Foshan	Lv Dao Hu (綠島湖)	51,240	—	—	165,193	165,193	33%
Foshan	Nanyou Park No. 1 (南油公園一號)	67,582	—	—	175,872	175,872	33%
Fuyang	Yingzhou Hong Yang Residence (潁州弘陽府)	38,297	—	—	83,224	83,224	95%
Haimen	Jianghai Road Zuo An Gong Yuan (江海路左岸公元)	75,028	—	—	123,497	123,497	34%
Haining	Longxing Road Project (隆興路項目)	42,030	—	—	83,500	83,500	33%
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	—	—	111,939	111,939	35%

Region	Name of Project	Area of Land (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
Hefei	In Times (時光里)	42,621	2,664	—	6,617	9,281	100%
Hefei	Mountain View Yard (昕悅花園)	37,254	571	—	—	571	80%
Hefei	Sunrise Joy Garden (望麓別院)	139,536	765	—	21,762	22,527	25%
Hefei	Purple Breeze (紫氣東來)	28,081	5,104	—	2,116	7,220	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%
Hefei	Luijiang Lakeside Shade Mountain (蘆江湖畔樾山)	161,263	—	—	350,208	350,208	50%
Hengyang	Yangliu Road Sunrise Joy Residence (楊柳路昕悅府)	36,912	—	—	120,919	120,919	95%
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	50%
Huzhou	Huzhou Ren Huang No. 58# (湖州仁皇58#)	102,218	75,524	—	70,855	146,379	96%
Huai'an	Heyi Road Yunhe Fenghua (合意路運河風華)	68,362	—	—	167,564	167,564	25%
Jinan	Jiqi Road Project (濟齊路項目)	34,290	—	—	93,599	93,599	45%
Jiaxing	Youchegang Tihong Yueli (油車港題紅繡里)	37,064	—	—	101,995	101,995	45%
Jiangmen	Liyue Project (禮樂項目)	30,231	—	—	81,968	81,968	33%
Jiangyin	Sunrise Joy Residence (昕悅府)	138,902	8,943	—	173,485	182,428	100%
Jiangyin	Jing Garden of Superior Class (上品瓊苑)	203,609	—	—	346,045	346,045	20%
Jiangyin	Yunting Primary School Project (雲亭小學項目)	92,953	—	—	196,728	196,728	48%
Jintan	Golden Seal and Heaven Shire (金鑿天郡)	88,719	22,394	—	9,744	32,138	50%
Jurong	Land Lot No. 2018-J1-06 (2018-J1-06號地塊)	72,609	—	—	139,083	139,083	30%
Jurong	Jurong Land Lot No. B (句容B地塊)	38,731	—	—	73,206	73,206	17%
Kaifeng	Kaifeng Yan Lan Residence (開封燕瀾府)	63,533	—	—	194,758	194,758	94%
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	94%
Nanchang	New Power Hong Yang Residence (新力弘陽府)	43,410	—	—	105,572	105,572	45%
Nanchang	Yao Lake Times Sky Shade (瑤湖時光天樾)	102,269	—	—	224,453	224,453	66%
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	Solaris Loving City Creation Wings Garden (旭日愛上城創翼園)	82,693	941	—	—	941	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	Loving Garden (愛上花園)	77,367	86	—	3,029	3,115	99%
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	5,783	—	—	5,783	100%
Nanjing	Garden of Joy and Elegance (昕悅雅苑)	32,246	449	—	6,628	7,077	49%
Nanjing	Golden Space and Watery Court (金城瀾庭)	66,267	—	—	8,544	8,544	8%
Nanjing	Residence of Bamboo and Water (竹水居)	52,763	—	—	6,278	6,278	51%
Nanjing	Garden in the East (領東苑)	67,810	92,612	—	102,799	195,411	33%
Nanjing	Sea Joy Garden (海悅花園)	57,503	5,657	—	10,827	16,484	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	—	—	13,340	13,340	49%
Nanjing	Nanjing Land Lot No. 2017G27 (南京·2017G27地塊)	68,644	112,414	—	41,062	153,476	20%
Nanjing	Mountain and Lake View Garden in Times (時光山湖花園)	14,338	—	—	3,626	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%
Nanjing	Gaochun Land Lot No. 02-03 (高淳02-03地塊)	102,787	—	—	173,104	173,104	12%
Nanjing	Solaris Jingcheng Store (旭日景城商鋪)	1,371	—	4,450	—	4,450	100%

Region	Name of Project	Area of Land (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
Nanjing	Solaris Loving City Section 6 Store (旭日愛上城六區商鋪)	989	—	7,301	—	7,301	100%
Nanjing	Nanjing Hong Yang Plaza (南京弘陽廣場)	230,871	—	452,721	—	452,721	99%
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	69%
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	—	—	1,925	1,925	99%
Nanjing	Lishui Sunrise Joy Shangchen (溧水昕悅尚宸)	41,931	—	—	98,955	98,955	50%
Nanjing	Qiaolin Shiguang Boyueyuan (橋林時光泊月園)	28,188	—	—	39,185	39,185	50%
Nantong	Esteeming Virtues Garden (尚德苑)	37,348	2,985	—	19,485	22,470	33%
Nantong	Oriental Cloud Garden (東方雲苑)	86,652	39,395	—	116,737	156,132	17%
Nantong	Upper Joy Garden (上悅花園)	82,741	44,171	—	60,417	104,588	25%
Nantong	New Metropolis Garden (新都花園)	109,890	601	—	152,369	152,970	12%
Nantong	Center Creation Metropolis Garden (中創都市花苑)	47,963	11,436	—	37,741	49,177	23%
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	44%
Nantong	Xitong Times Billow (錫通時光樾瀾庭)	38,920	—	—	71,199	71,199	48%
Nantong	Pingchao Gaotie Xincheng (平潮高鐵新城)	84,022	—	—	182,203	182,203	51%
Ningbo	Ningbo Yinzhou Land Lot No. L5 (寧波鄞州L5地塊)	11,368	—	—	25,946	25,946	48%
Ningbo	Chen Po Du (陳婆渡)	40,148	—	—	78,958	78,958	33%
Qingdao	Jinshatan Project (金沙灘項目)	14,077	—	—	107,139	107,139	30%
Rugao	Wan Shou Road Project (萬壽路項目)	89,669	—	—	235,149	235,149	28%
Suzhou	Runyuan Masterpiece Garden (潤元名著花園)	80,669	21,846	—	14,545	36,391	49%
Suzhou	Upper Sunny Masterpiece Garden (上熙名苑)	44,701	38,189	—	7,884	46,073	99%
Suzhou	Luyuan Architecture (南源名築)	60,961	1,560	—	11,813	13,373	99%
Suzhou	Shangshui Garden of Elegance (上水雅苑)	69,325	—	—	3,092	3,092	99%
Suzhou	Fuyuan Road Project (富元路項目)	154,101	—	—	425,770	425,770	24%
Taizhou(台州)	Wenling Shidai Jiuzhu (溫嶺時代玖著)	14,338	—	—	37,785	37,785	48%
Taicang	Wutang River Project (吳塘河項目)	33,325	—	—	56,841	56,841	34%
Taizhou(泰州)	Wave of Swallow Garden (燕瀾花園)	56,230	7,746	—	8,250	15,996	99%
Tongxiang	Wuzhen Longxiang Avenue Project (烏鎮龍翔大道項目)	42,811	—	—	82,706	82,706	55%
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%
Wenzhou	Guanghuaqiao Jiangbin ONE (廣化橋江濱ONE)	21,191	—	—	40,826	40,826	49%
Wuxi	Wuxi Sanwan Qing (無錫三萬頃)	800,000	9,803	—	17,200	27,003	100%
Wuxi	Sunrise Joy Court (昕悅棠)	85,122	1,441	—	137,546	138,987	100%
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	38%
Wuxi	Huishan Chengtie Zhan (惠山城鐵站)	15,017	—	—	41,346	41,346	49%
Wuhu	Mengxi Road Shiguang Lane (夢溪路時光里)	74,135	—	—	135,750	135,750	40%
Wuhan	Yin Yue Residence (印月府)	106,207	—	—	461,039	461,039	90%
Xi'an	Yan Liang Sunrise Joy Residence (閩良昕悅府)	24,649	—	—	70,299	70,299	48%
Xianyang	Zhonghua West Road Yulong Fu (中華西路鈺龍府)	39,136	—	—	146,957	146,957	47%
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%
Xiangyang	Taiziwan Lu Yun Ting (檀子灣路雲庭)	29,569	—	—	64,209	64,209	80%
Suqian	Wutaishan Heyue Garden (五臺山和樾花園)	139,947	—	—	373,023	373,023	20%
Xuzhou	Xuzhou Landscape of the Peach Garden (徐州山水桃花源)	104,284	25,451	—	28,518	53,969	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	—	—	185,871	185,871	20%

Region	Name of Project	Area of Land (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
Xuzhou	Metropolitan City in Xinyuan Avenue (新元大道大都會)	90,236	—	—	224,420	224,420	55%
Xuzhou	Phoenix Hill Puyue Residence (鳳凰山璞樾門第)	59,770	—	—	86,369	86,369	81%
Xuzhou	Dawu Park Avenue (大吳公園大道)	213,207	—	—	630,089	630,089	100%
Xuzhou	Dawu Shugang Road Project (大吳疏港大道項目)	65,828	—	—	181,218	181,218	100%
Yancheng	Begonia View Residence in Yanzhen Road (鹽枕路觀榮府)	69,049	—	—	164,580	164,580	33%
Yancheng	Dongjin Road Sunrise Joy Residence (東進路昕悅府)	103,847	—	—	241,025	241,025	32%
Yangzhou	Begonia Court (榮苑)	72,660	1,661	—	29,750	31,411	19%
Yizheng	Yizheng 38 (儀徵38)	69,788	—	—	152,166	152,166	50%
Yizheng	Yizheng 39 (儀徵39)	66,358	—	—	137,890	137,890	50%
Yizheng	Yizheng Yuelong Bay (儀徵悅瀾灣)	27,589	—	—	73,240	73,240	50%
Zhangjiagang	The River City Origin (江城源著)	69,982	2,368	—	87,219	89,587	13%
Zhangjiagang	Star Great Tang Masterpiece Residence (星盛唐名邸)	36,829	1,721	—	3,468	5,189	50%
Zhangjiagang	Sunrise Joy Masterpiece Residence (昕悅名邸)	47,706	2,092	—	3,834	5,926	69%
Zhangjiagang	Beautiful in Ten (十里錦繡)	98,783	15,156	—	4,223	19,379	16%
Zhangjiagang	Tang Qiao Fumin Road Project (塘橋富民路項目)	40,317	70,271	—	—	70,271	47%
Changsha	Deyi In Times (德一時光里)	12,956	—	—	63,654	63,654	67%
Changsha	Black Stone Project (黑石項目)	32,684	—	—	119,978	119,978	48%
Changsha	Wanhou Road (萬侯路)	21,967	—	—	38,514	38,514	100%
Zhenjiang	Zhoujiazhuang Project (周家莊項目)	16,168	—	—	42,713	42,713	44%
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	—	—	78,525	78,525	33%
Zhengzhou	Zhongmou Hong Yang Residence (中牟弘陽府)	119,924	—	—	318,454	318,454	46%
Chongqing	Cypress View • Seattle (柏景•西雅圖)	89,273	54,915	—	185,794	240,709	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	46%
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	Beibei Project (北碚項目)	109,540	—	—	188,157	188,157	49%
Chongqing	Central Park (中央公園)	39,636	—	—	67,944	67,944	100%
Chongqing	Babin Road Project (巴濱路項目)	66,926	—	—	148,767	148,767	51%
Zhuji	Zhuji Land Lot No. 2018-11 (諸暨2018-11地塊)	49,492	—	—	56,061	56,061	47%
Total		11,482,789	856,744	734,520	16,782,765	18,374,029	

3. Commercial Operations

The Group's income from commercial operations for the six months ended 30 June 2020 was approximately RMB212.8 million, representing an increase of 14.2% as compared to the same period in 2019. The increase was mainly due to the additional contributions from Pavilion C2 and C3 Nanjing Hong Yang Plaza grandly opened in August 2019.

4. Hotel Operations

The Group's income from hotel operations for the six months ended 30 June 2020 was approximately RMB12.8 million, representing a decrease of 28.7% as compared to the same period last year. The decrease was mainly due to the decrease in occupancy rate in the hotel industry as affected by the novel coronavirus epidemic.

FINANCIAL REVIEW

1. Revenue

The Group's revenue for the six months ended 30 June 2020 amounted to approximately RMB9,623.8 million, representing an increase of 146.3% from approximately RMB3,907.5 million for the same period last year. The revenue mainly included income generated from property sales, commercial operations and hotel operations, of which income generated from: (i) property sales increased by 153.8% to approximately RMB9,398.2 million as compared to the same period last year, accounting for 97.7% of the total recognized revenue; (ii) commercial operations increased by 14.2% to approximately RMB212.8 million as compared to the same period last year; and (iii) hotel operations decreased by 28.7% to approximately RMB12.8 million as compared to the same period last year.

Details of recognized revenue are set out as follows:

	Six months ended 30 June 2020		Six months ended 30 June 2019		
	Recognized Revenue (RMB'000)	Percentage of Total Recognized Revenue (%)	Recognized Revenue (RMB'000)	Percentage of Total Recognized Revenue (%)	Year-on- year change (%)
Property sales	9,398,208	97.7	3,703,189	94.8	153.8
Commercial operations	212,839	2.2	186,413	4.7	14.2
Hotel operations	12,765	0.1	17,899	0.5	(28.7)
Total	<u>9,623,812</u>	<u>100.0</u>	<u>3,907,501</u>	<u>100.0</u>	<u>146.3</u>

2. Cost of sales

The cost of sales of the Group for the six months ended 30 June 2020 was approximately RMB7,189.4 million, representing an increase of 159.1% as compared to that of approximately RMB2,775.2 million for the same period last year. The increase was primarily due to the increased number of projects delivered during the period. Several projects delivered during the period included Changzhou Tian Xia Jin (天下錦) project, Chuzhou Times Billow (時光瀾庭) project and Wuxi Sunrise Joy Court (昕悦棠) project.

3. Gross profit and gross profit margin

For the six months ended 30 June 2020, the Group's gross profit was approximately RMB2,434.4 million, representing an increase of 115.0% from approximately RMB1,132.3 million for the same period last year. Such increase was primarily attributable to the increased number of projects delivered during the period. For the six months ended 30 June 2020, the gross profit margin was 25.3%, a decrease from 29.0% for the same period of 2019. This was mainly due to the decrease in the percentage of revenue recognized for products with higher gross profit margin as compared with the same period of 2019.

4. Fair value gains on investment properties

For the six months ended 30 June 2020, the Group recognized fair value gains on investment properties of approximately RMB57.3 million. The fair value gains on investment properties recorded were primarily due to an appreciation of the overall capital value.

5. Selling and distribution expenses

For the six months ended 30 June 2020, the Group's selling and distribution expenses amounted to approximately RMB319.7 million, representing an increase of 21.4% from approximately RMB263.3 million for the same period last year. The increase was due to the launch of new property projects of the Group available for pre-sale in 2020.

6. Administrative expenses

For the six months ended 30 June 2020, the Group's administrative expenses amounted to approximately RMB543.1 million, representing an increase of 50.3% from approximately RMB361.3 million for the same period last year. The increase was mainly due to the business expansion of the Group.

7. *Share of profits and losses of joint ventures and associates*

For the six months ended 30 June 2020, the Group's share of profits and losses of joint ventures and associates was approximately RMB232.9 million, representing an increase of 10.3% from approximately RMB211.2 million for the same period last year. The increase was due to recognition of profit carried forward in respect of several cooperation projects such as Nantong Upper Joy Garden, Changzhou Emperor Looks at the First Court and Changshu Shang Jun Hua Court.

8. *Finance costs*

The finance costs of the Group during the six months ended 30 June 2020 were approximately RMB425.2 million, representing an increase of 131.3% as compared to that of approximately RMB183.8 million during the same period last year. The change in finance costs was mainly due to the increase in borrowings as a result of the Group's land acquisitions and expansion of property development for the Group during the reporting period.

9. *Income tax expense*

For the six months ended 30 June 2020, the income tax expense of the Group amounted to approximately RMB670.3 million, representing an increase of 110.3% from approximately RMB318.7 million for the same period last year. The Group's income tax expense included the payment and provision for corporate income tax and land appreciation tax net of deferred tax during the period.

During the six months ended 30 June 2020, the provision made for land appreciation tax by the Group was approximately RMB275.7 million, while that in the same period last year was approximately RMB142.8 million.

10. *Profit for the reporting period*

As a result of the factors described above, the Group's profit for the reporting period increased by 23.5% from approximately RMB724.5 million for the same period last year to approximately RMB895.1 million for the six months ended 30 June 2020.

For the six months ended 30 June 2020, core net profit attributable to owners of the parent increased by 30.7%, from approximately RMB502.3 million for the same period last year to approximately RMB656.6 million for the six months ended 30 June 2020.

LIQUIDITY, FINANCE AND CAPITAL

1. Cash position

As at 30 June 2020, the Group's cash and bank balances were approximately RMB18.28 billion (as at 31 December 2019: approximately RMB16.84 billion).

2. Borrowings and pledged assets

As at 30 June 2020, the Group's total borrowings (including interest-bearing bank and other borrowings and senior notes) amounted to approximately RMB32.13 billion (as at 31 December 2019: approximately RMB29.54 billion), of which, interest-bearing bank and other borrowings were approximately RMB20.57 billion (as at 31 December 2019: approximately RMB20.27 billion) and senior notes were approximately RMB11.56 billion (as at 31 December 2019: approximately RMB9.27 billion).

The Group's total borrowings were repayable as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Interest-bearing bank and other borrowings:		
Repayable within one year	7,842,623	10,516,391
Repayable in the second year	5,983,060	5,673,456
Repayable within two to five years	5,904,440	2,967,633
Repayable after five years	840,633	1,114,266
	<u>20,570,756</u>	<u>20,271,746</u>
Senior notes:		
Repayable within one year	3,997,465	1,894,998
Repayable in the second year	1,038,757	2,679,301
Repayable within two to five years	6,526,333	4,700,343
	<u>11,562,555</u>	<u>9,274,642</u>
Total borrowings	<u>32,133,311</u>	<u>29,546,388</u>

As at 30 June 2020, except for the borrowings in the amount of US\$1,739.4 million (as at 31 December 2019: US\$1,371.2 million) denominated in USD, the remaining borrowings of the Group were denominated in RMB.

As at 30 June 2020, except for certain bank and other borrowings of RMB10,408,047,000 (as at 31 December 2019: RMB11,656,841,000) with fixed interest rates, all of the Group's bank and other borrowings bear interest at floating interest rates.

As at 30 June 2020, assets with an aggregate value of approximately RMB30,406.5 million (as at 31 December 2019: approximately RMB33,669.9 million) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group and its joint ventures and associates.

3. *Financing activities*

On 14 January 2020, the Group issued US\$300 million 9.7% 3.25-year senior notes. Please refer to the Company's announcement dated 14 January 2020 for further details.

In view of the steady operating and financial performance, the Group maintained its ratings assigned by various credit rating agencies. Moody's assigned the Group a long-term "B2" credit rating with positive outlook. Standard & Poor's maintained the Group's long-term corporate credit rating as "B" with stable outlook. Fitch Ratings maintained the Group's long-term corporate credit rating as "B+" with stable outlook. Lianhe Ratings Global Limited maintained the Group's global scale long-term issuer credit rating as "BB-" with stable outlook. In addition, China Chengxin Securities Rating Co., Ltd. and United Credit Ratings Co., Ltd. maintained the long-term issuer credit rating of Redsun Properties (Group) Co., Ltd., a wholly-owned subsidiary of the Company, as "AA+" with stable outlook.

4. *Gearing ratio*

As at 30 June 2020, the Group's net gearing ratio (total borrowings less cash and bank balances divided by total equity) was approximately 68.7%, as compared to approximately 70.4% as at 31 December 2019. The Group's debt to asset ratio (total debts divided by total assets) was approximately 80.2% as at 30 June 2020 (as at 31 December 2019: approximately 81.1%). The Group's current ratio (current assets divided by current liabilities) was approximately 1.38 times as at 30 June 2020, as compared with approximately 1.31 times as at 31 December 2019.

As at 30 June 2020, cash to short-term debt ratio (cash and bank balances divided by short-term borrowings) was approximately 1.54 times, as compared with approximately 1.36 times as at 31 December 2019.

5. *Capital and property development expenditure commitments*

As at 30 June 2020, the Group had capital and property development expenditure commitments contracted but not provided for of approximately RMB9.95 billion (as at 31 December 2019: approximately RMB9.65 billion).

6. *Contingent liabilities*

Pursuant to the mortgage contracts, the banks require the Group to provide guarantees to 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 repay 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 30 June 2020, the Group provided guarantees of approximately RMB13.55 billion to certain banks in respect of the mortgage loans granted to certain purchasers of the Group's properties (as at 31 December 2019: approximately RMB8.45 billion).

As at 30 June 2020, the Group provided guarantees of approximately RMB4.38 billion to related companies (as at 31 December 2019: approximately RMB3.65 billion). Save as disclosed in this results announcement, the Group had no other material contingent liabilities as at 30 June 2020.

Major Events

1. To streamline the management of future connected transactions in respect of the provision of management services by the Nanjing Hongyang Property Management Co., Ltd. ("**Nanjing Hongyang Property Management**", together with its subsidiaries, the "**Hongyang Property Management Group**") to the Group and 30%-controlled companies of the Company and taking into account the expected increase of the scope of management services (including services in relation to the planning and design of properties) which may be required from the Nanjing Hongyang Property Management Group, the Company decided to consolidate the existing commercial properties management services agreement, the existing framework pre-delivery property management services agreement and the existing property projects management services agreement dated 25 June 2018 (collectively, the "**Existing Property Management Services Framework Agreements**") into one master framework agreement. On 11 March 2020, the Company and Nanjing Hongyang Property Management entered into the property management services master framework agreement (the "**Property Management Services Master Framework Agreement**") for a term from 11 March 2020 to 31 December 2022, pursuant to which the Nanjing Hongyang Property Management Group agreed to provide a variety of property management services to the Group and 30%-controlled companies of the Company,

which shall cover, among other things, all the services contemplated under the Existing Property Management Services Framework Agreements. Upon the Property Management Services Master Framework Agreement taking effect, the Existing Property Management Services Framework Agreements were terminated and superseded in their entirety.

On the same date, the Company and Nanjing Hongyang Property Management entered into the parking space sales and leasing agency services framework agreement for a term from 11 March 2020 to 31 December 2022, pursuant to which the Nanjing Hongyang Property Management Group agreed to provide sales and leasing agency services to the Group and 30%-controlled companies of the Company in respect of the unsold parking spaces of the Group.

For further details, please refer to the announcement of the Company dated 11 March 2020.

2. On 2 April 2020, the Company adopted a share award scheme to, among other things, recognize the contributions made by, and to attract, motivate and retain, selected participants.

Award shares were granted under the scheme on 2 April 2020, and the Board resolved on the same day to grant a total of 12,844,000 award shares under the scheme to certain selected participants including the Directors, senior management and employees of the Group, for the purposes of recognizing the contributions made by the selected participants and retaining them to continue to contribute to the Group's ongoing operation and development. Among the award shares granted above, a total of 4,897,000 award shares were granted to three Directors.

For further details, please refer to the announcement of the Company dated 2 April 2020.

CORPORATE GOVERNANCE/OTHER INFORMATION

1. Material Acquisitions and Disposals

There was no material acquisition and disposal of subsidiaries, associated companies or joint ventures by the Group during the reporting period.

2. Employment and Remuneration Policies

As at 30 June 2020, the Group had 3,829 employees in total, of which 3,110 employees were engaged in the real estate development business, 577 employees were engaged in the commercial property operations and 142 employees were engaged in the hotel operations.

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. *Events after the Reporting Period*

On 17 July 2020, the Group further issued US\$155,000,000 9.70% senior notes due 2023 (consolidated and form a single class with the US\$300,000,000 9.70% senior notes due 2023 issued on 16 January 2020). Please refer to the announcement dated 17 July 2020 for further details.

There has been an outbreak of COVID-19 around the world. The management of the Company believe that, based on the information available as of the date of the condensed consolidated financial information, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or material impact on the financial position or financial performance of the Group. It is uncertain when and whether COVID-19 could be contained globally. The above analysis is made by the management of the Company based on the currently available information concerning COVID-19. The management of the Company cannot assure that the outbreak of COVID-19 will not further escalate or have a material adverse effect on the Group's results of operations.

Except as disclosed above, the Group had no material event after the reporting period.

4. *Interim Dividend*

The Board has resolved that the Company will not declare any interim dividend for the reporting period.

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

Neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period.

6. *Currency Risk*

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

7. Corporate Governance

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

To the knowledge of the Directors, the Company has complied with all applicable code provisions of the CG Code during the reporting period, and the Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

8. 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.

After specific enquiries made to all Directors, Directors have confirmed their compliance with the required standards set out in the Model Code throughout the reporting period.

9. Review of Interim 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 possesses appropriate professional qualifications.

Our audit committee has reviewed the Company’s unaudited condensed consolidated interim results for the six months ended 30 June 2020 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.

10. Publication of Interim Results and 2020 Interim Report on the Websites of The Stock Exchange of Hong Kong Limited and the Company

This announcement is published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.rsunproperty.hk>). The interim report of the Company for the six months ended 30 June 2020 will be despatched to the Company's shareholders and posted on the above websites in due course.

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

Hong Kong, 26 August 2020

As of 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.