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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 JUNE 30, 2018**

**HIGHLIGHTS OF THE 2018 INTERIM RESULTS**

- Contracted sales increased by 188.4% to RMB21,203,206,000 as compared with that of the six months ended June 30, 2017
- Recognized revenue decreased by 0.8% to RMB3,863,754,000 as compared with that of the six months ended June 30, 2017
- Gross profit decreased by 34.9% to RMB1,167,934,000 as compared with that of the six months ended June 30, 2017
- Net profit decreased by 6.2% to RMB628,690,000 as compared with that of the six months ended June 30, 2017
- Net profit attributable to shareholder decreased by 2.8% to RMB651,455,000 as compared with that of the six months ended June 30, 2017
- Core net profit attributable to shareholder decreased by 44.5% to RMB485,902,000 as compared with that of the six months ended June 30, 2017
- As of June 30, 2018, the net debt-to-equity ratio stood at a sound level of 80.8%, and the cash on hand was sufficient to reach RMB4,510,257,000

## 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 combined results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2018 (the “**reporting period**”), together with the comparative figures for the corresponding period of the previous year as follows:

### I. HISTORICAL FINANCIAL INFORMATION

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		June 30,	
	Notes	2018	2017
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>REVENUE</b>	5	3,863,754	3,893,928
Cost of sales		<u>(2,695,820)</u>	<u>(2,100,548)</u>
<b>GROSS PROFIT</b>		1,167,934	1,793,380
Other income and gains	5	110,534	49,360
Selling and distribution expenses		(145,298)	(73,035)
Administrative expenses		(252,821)	(113,384)
Other expenses		(46,686)	(3,738)
Fair value gains/(losses) on investment properties		220,738	(273,489)
Finance costs	6	(119,257)	(135,060)
Share of Gain/(losses) of:			
Joint Ventures		5,369	(15,312)
Associates		<u>80,173</u>	<u>(42,702)</u>
<b>PROFIT BEFORE TAX</b>	7	1,020,686	1,186,020
Income tax expense	8	<u>(391,996)</u>	<u>(516,019)</u>
<b>PROFIT FOR THE PERIOD</b>		<u>628,690</u>	<u>670,001</u>

	<b>For the six months ended</b>	
	<b>June 30,</b>	
Notes	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Attributable to:		
Owners of the parent	651,455	670,202
Non-controlling interests	<u>(22,765)</u>	<u>(201)</u>
	<u>628,690</u>	<u>670,001</u>
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO</b>		
<b>ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
Basic and diluted	<u>RMB0.66</u>	<u>N/A</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		June 30, 2018	December 31, 2017
	Notes	RMB'000 (Unaudited)	RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	970,547	746,991
Investment properties	10	9,228,800	8,722,859
Prepaid land lease payments		29,556	29,696
Other intangible assets		12,478	14,224
Investments in joint ventures		644,826	639,458
Investments in associates		1,413,479	805,871
Deferred tax assets		262,240	185,813
Other long term assets		14,800	14,800
		12,576,726	11,159,712
<b>CURRENT ASSETS</b>			
Properties under development		20,032,209	16,957,888
Completed properties held for sale		874,569	1,842,510
Trade receivables		13,579	1,514
Due from related companies		4,643,337	2,321,358
Prepayments, deposits and other receivables		3,016,492	2,546,849
Tax recoverable		227,708	244,358
Available-for-sale investment		—	2,006,659
Financial assets at fair value through profit or loss		594,933	—
Other current assets		—	32,027
Inventories		1,408	1,594
Restricted cash	11	1,204,773	741,573
Pledged deposits	11	1,053,045	991,238
Cash and cash equivalents	11	2,252,439	2,478,063
		33,914,492	30,165,631

		<b>June 30,</b>	<b>December 31,</b>
		<b>2018</b>	<b>2017</b>
	Notes	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	2,039,758	2,080,717
Other payables, deposits received and accruals		2,785,146	3,127,388
Advances from customers		—	10,290,051
Contract liabilities		11,845,275	—
Due to related companies		3,560,330	2,835,539
Interest-bearing bank loans and other borrowings		3,824,074	4,636,517
Tax payable		1,143,844	981,573
Financial guarantee contracts		—	1,614
		<u>25,198,427</u>	<u>23,953,399</u>
<b>Total current liabilities</b>		<u>25,198,427</u>	<u>23,953,399</u>
<b>NET CURRENT ASSETS</b>		<u>8,716,065</u>	<u>6,212,232</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>21,292,791</u>	<u>17,371,944</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings		9,022,347	6,992,982
Deferred tax liabilities		1,959,074	1,911,027
Financial guarantee contracts		—	11,069
		<u>10,981,421</u>	<u>8,915,078</u>
<b>Total non-current liabilities</b>		<u>10,981,421</u>	<u>8,915,078</u>
<b>NET ASSETS</b>		<u>10,311,370</u>	<u>8,456,866</u>

	Notes	June 30, 2018 RMB'000 (Unaudited)	December 31, 2017 RMB'000
<b>EQUITY</b>			
Equity attributable to owners of the Parent			
Share capital		—	—
Reserves		10,151,964	8,298,147
		<u>10,151,964</u>	<u>8,298,147</u>
<b>Non-controlling interests</b>		<u>159,406</u>	<u>158,719</u>
<b>TOTAL EQUITY</b>		<u>10,311,370</u>	<u>8,456,866</u>

## II. NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on December 21, 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company is principally engaged in investment holding. The Group is principally engaged in the property development business in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on July 12, 2018.

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the Board on August 28, 2018.

The interim condensed consolidated financial information has not been audited.

### 2. BASIS OF PREPARATION

The interim financial information for the six months ended June 30, 2018 has been prepared in accordance with IAS 34 Interim Financial Reporting issued by International Accounting Standards Board (the "IASB").

The interim 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 as at December 31, 2017.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted the following revised International Financing Reporting Standards ("IFRSs") for the first time in the interim condensed consolidated financial information.

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>

Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
Annual improvements 2014-2016 Cycle	<i>Amendments to IFRS 1 and IAS 28</i>

#### **4. OPERATING SEGMENT INFORMATION**

Management monitors the operating results of the Group's business which includes property development, commercial property investment and operation, and hotel operation by project location for the purpose of making decisions about resource allocation and performance assessment, while no single location's revenue, net profit or total assets exceeds 10% of the Group's consolidated revenue, net profit or total assets. As all the locations have similar economic characteristics and are similar in the nature of property development and leasing and management, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, all locations were aggregated as one reportable operating segment.

##### **Geographical information**

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in the PRC and no non-current assets of the Group are located outside the PRC.

##### **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 June 30, 2018 and 2017.

#### **5. REVENUE, OTHER INCOME AND GAINS**

Revenue represents income from the sale of properties, commercial property investment and operation and hotel operations for the six months ended June 30, 2018.

An analysis of revenue and other income and gains is as follows:

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Sale of properties	3,694,202	3,782,802
Commercial property investment and operation	152,063	95,731
Hotel operations	17,489	15,395
	<u>3,863,754</u>	<u>3,893,928</u>

**Other income and gains**

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income	88,125	43,272
Forfeiture of deposit	604	253
Government grants	1,015	804
Financial guarantees contracts gain	12,683	2,634
Others	8,107	2,397
	<u>110,534</u>	<u>49,360</u>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	419,332	302,370
Interest expense from significant financing component of contract liabilities	238,910	—
Less: Interest capitalized	(538,985)	(167,310)
	<u>119,257</u>	<u>135,060</u>

## 7. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,559,583	2,042,645
Impairment losses write-off for properties completed held for sale	(37,593)	(58,094)
Impairment losses recognized for properties under development and completed properties held for sale	87,267	77,708
Financial guarantee contract losses/(gains) - net	(12,683)	(2,634)
Depreciation of items of property, plant and equipment	30,951	27,027
Amortization of prepaid land lease payments	140	202
Amortization of other intangible assets	2,832	2,065
Loss on disposal of items of property, plant and equipment	266	572
Share of (gains)/losses of:		
joint ventures	(5,369)	15,312
associates	(80,173)	42,702
Listing expenses	26,901	—
Employee benefit expense (including directors' and chief executive's remuneration):	5,189	3,237
Wages and salaries	123,021	54,080
Pension scheme contributions and social welfare	12,803	6,797

## 8. INCOME TAX

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax:		
Corporate income tax	244,339	414,938
LAT	176,037	231,841
Deferred tax	(28,380)	(130,760)
	<u>391,996</u>	<u>516,019</u>
Total tax charge for the period	<u><u>391,996</u></u>	<u><u>516,019</u></u>

A reconciliation of income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the six months ended June 30, 2018 and 2017 is as follows:

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit before tax	<u>1,020,686</u>	<u>1,186,020</u>
At the statutory income tax rate	255,172	296,505
Profits and losses attributable to joint ventures and associates	(21,385)	14,504
Expenses not deductible for tax	8,486	2,287
Tax losses and deductible temporary differences utilized		
from previous years	(38,450)	(8,027)
Deductible temporary differences not recognized	25,002	29,243
Tax losses not recognized	31,143	7,626
Provision for LAT	176,037	231,841
Tax effect on LAT	(44,009)	(57,960)
	<u>391,996</u>	<u>516,019</u>
Tax charge for the period	<u><u>391,996</u></u>	<u><u>516,019</u></u>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2018, the Group acquired items of property, plant and equipment at a total cost of RMB254,750,000 (December 31, 2017: RMB171,919,000) and disposed of or wrote off items of property, plant and equipment with a total net carrying amount of RMB291,000 (December 31, 2017: RMB1,063,000).

## 10. INVESTMENT PROPERTIES

The Group's investment properties as of June 30, 2018 were valued by Savills Real Estate Valuation (Beijing) Company Limited, an independent professionally qualified valuer, at RMB 9,228,800,000 (December 31, 2017: RMB8,722,859,000) on an open market, existing use basis.

## 11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>June 30, 2018 RMB'000 (Unaudited)</b>	<b>December 31, 2017 RMB'000</b>
Cash and bank balances	4,510,257	4,210,874
Less: Restricted cash	1,204,773	741,573
Pledged deposits	1,053,045	991,238
	<u>2,252,439</u>	<u>2,478,063</u>
Cash and cash equivalents	<u>2,252,439</u>	<u>2,478,063</u>

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As of June 30, 2018 and December 31, 2017, such amounts of restricted cash amounted to RMB1,204,773,000 and RMB741,573,000, respectively.

Bank deposits of RMB707,244,000 and RMB963,041,000 were pledged as security for bank and other borrowings as of June 30, 2018 and December 31, 2017, respectively. Bank deposits of RMB345,801,000 and RMB28,197,000 were pledged as security for purchasers' mortgage loans, construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes as of June 30, 2018 and December 31, 2017, respectively.

	<b>June 30, 2018 RMB'000 (Unaudited)</b>	<b>December 31, 2017 RMB'000</b>
<b>Cash and cash equivalents</b>		
Denominated in RMB	2,251,894	2,478,063
Denominated in HKD	507	—
Denominated in USD	38	—
	<u>2,252,439</u>	<u>2,478,063</u>

## 12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables based on the invoice date is as follows:

	<b>June 30, 2018 RMB'000 (Unaudited)</b>	<b>December 31, 2017 RMB'000</b>
Less than 1 year	1,975,018	2,021,539
Over 1 year	64,740	59,178
	<u>2,039,758</u>	<u>2,080,717</u>

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

## Overview and Outlook

### (1) Review for the First Half of 2018

In the first half of 2018, the PRC tightened its macro-control policies on real estate, and intensively launched restrictive measures on purchase and loan advancement. As a result, the trend of rapid increase of property price stabilized, and sales volume remained stable. According to the National Bureau of Statistics, from January to June 2018, sales area of commercial properties in the PRC amounted to 771.43 million square meters, representing a year-on-year increase of 3.3%, and sales of commercial properties amounted to RMB6,694.5 billion, representing a year-on-year increase of 13.2%. We expect that the real estate market will remain stable overall in the future in terms of sales volume and price.

The Group's corporate culture emphasizes "professionalism and building credibility for the long term." Our principal businesses consist of three segments, including property development, commercial property operations and hotel operations, of which property development is our core business.

During the reporting period, the Group's operating income was RMB3.86 billion, representing a decrease of approximately 0.8% as compared to the same period last year; contracted sales was RMB21.2 billion, representing an increase of 188.4% as compared to the same period last year; and net profit attributable to the Group was approximately RMB650 million, representing a decrease of approximately 2.8% as compared to the same period last year.

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

During the reporting period, the Group's realized sales income was RMB3.694 billion. The Group strictly implemented the "1+3+X" regional layout strategy and actively expanded to new cities. We entered cities such as Hangzhou, Shaoxing, Chengdu, Chongqing and Xuzhou in the first half of the year and expanded to Foshan in Guangdong and Kaifeng in Henan in August 2018 for the first time. We have covered the Yangtze River Delta, southwest China, south China and central China regions so far, representing a solid first step toward our "1+3+X" strategy and our development from a regional real estate company into a national real estate company. As of the end of the reporting period, the Group's aggregate gross floor area of land reserve was approximately 11,991,519 square meters (gross floor area of land reserve attributable to the Group was approximately 7,223,512 square meters), an increase of 68.1% as compared to that of 7,135,285 square meters during the reporting period ended June 30, 2017. This provides sufficient support for our future development.

## **2. *Business Situation of Commercial Property Operations***

During the reporting period, the Group achieved sales revenue of RMB152 million from commercial property operations. The Group also entered into commercial lease contracts for both Hefei Hong Yang Plaza and Hengyang Hong Yang Plaza projects, signifying a promotion of the “Hong Yang Plaza” brand. To date, we have four Hong Yang Plazas, which are located in Nanjing in Jiangsu, Changzhou in Jiangsu, Hefei in Anhui and Hengyang in Hunan, respectively.

## **3. *Business Situation of Hotel Operations***

During the reporting period, the Group achieved sales revenue of RMB17 million from its hotel operations. To date, we have two hotels, namely, Nanjing Hong Yang Hotel and Wuxi Lakefort Hotel.

### **(2) Outlook for the Second Half of 2018**

In the second half of 2018, the property policies in the PRC are expected to continue to lead to tightening control and illiquid environment. However, we believe this will not have a significant adverse impact on our business, and we expect that China’s overall demand in sales of properties and selling prices in the second half of 2018 will remain stable. We will closely monitor any change of property policy and formulate corresponding measures proactively.

In the second half of 2018, the Group will keep exploring markets in the Yangtze River Delta region, with a focus on Shanghai, Nanjing, Hangzhou and Hefei metropolis circles, expanding into surrounding cities, and selectively entering certain third/fourth-tier cities with development potentials in the Yangtze River Delta region. Meanwhile, we will prioritize central China, south China and southwest China as target regions and place emphasis on hub cities, such as Tianjin, Wuhan, Changsha and Chengdu, to officially establish our “1+3+X” strategy.

We are a property developer which explores the Yangtze River Delta region and carries out national expansion. Our fast-paced turnover ability has brought us to the stage of rapid development. We believe that the Group’s successful listing on the Main Board of the Stock Exchange in July has provided us an important opportunity for leapfrog development..

## **Management Discussion and Analysis**

### **(1) Business Review**

#### ***1. Sales of properties***

For the six months ended June 30, 2018, the Group recorded contracted sales of approximately RMB21.2 billion, representing an increase of 188.4% as compared to RMB7.35 billion in the same period last year. The contracted sales in gross floor area of the Group was approximately 1,545,710 square meters, representing an increase of 247.2% as compared to 445,184 square meters in the same period last year. The increase was due to the fast expansion of the Company resulting in the gradual realization of sales from the projects acquired before.

#### ***Projects under construction***

As of June 30, 2018, there were a total of 50 projects under construction with an aggregate planned gross floor area of 7,427,058 square meters (amounting to 4,214,596 square meters after including the Group's interests in the relevant projects).

As of June 30, 2018, there were a total of 29 properties for future development with an aggregate planned gross floor area of 3,987,962 square meters (amounting to 2,433,716 square meters after including the Group's interests in the relevant projects).

Details of the contracted sales of the Group as of June 30, 2018 are set out as below:

<b>Region</b>	<b>Contracted Sales in Gross Floor Area (square meter)</b>	<b>Contracted Sales Amount (RMB'000)</b>	<b>Average Contracted Sales Price (RMB/square meter)</b>
<b>Nanjing City</b>	519,980	7,748,103	14,901
Qiaobei Old Project (橋北老項目)	—	43,700	—
Solaris Loving City Section VIII (旭日愛上城八區)	22,945	436,247	19,013
Hong Yang Upper Yard (弘陽上院)	442	9,127	15,134
Loving Garden (愛上花園)	111	4,997	15,044
Great Time at Joy Peak West District (悦峰時光裡西區)	104	16,572	22,704
Garden In Times (時光裡花園) (Nanjing)	5,248	86,868	16,571
Spring on West River (春上西江)	609	12,505	20,223
Swallow River Residence (燕江府)	809	20,605	24,655
Wave of Swallow New Garden (燕瀾新苑)	1,011	25,005	24,731
Garden of Joy and Elegance (昕悦雅苑)	30,883	716,982	23,216
Sea Joy Garden (海悦花園)	6,198	174,338	28,129
New No.1 Commercial Plaza (新壹商業廣場)	2,232	44,730	20,044
Golden Space and Watery Court (金城瀾庭)	41,164	982,108	23,858
Mountain View Garden (山卿苑)	22,957	565,813	24,647
Star Joy World Square (星悦天地廣場)	37,152	635,509	17,106
Garden with Art Atmosphere (藝境花園)	40,481	445,222	10,998
Garden In Times (時光裡花園) (Chuzhou)	81,335	602,070	7,402
Glory Residence (正榮府)	44,135	406,657	9,214
Begonia Court (棠苑)	44,056	461,330	10,471
New City Hong Yang Garden at Mingfa North (明發北站新城弘陽苑)	10,895	106,301	9,757
Mountain and Lake View Garden In Times (時光山湖花園)	4,039	39,925	9,884
Sunny Side of the Yangtze River Peacock City (長江熙岸孔雀城)	49,914	382,384	7,661
Wave of Swallow Garden (燕瀾花園)	20,646	196,197	9,503
Wave of Jade Residence (玉瀾府)	52,739	1,336,034	25,333

<b>Region</b>	<b>Contracted Sales in Gross Floor Area (square meter)</b>	<b>Contracted Sales Amount (RMB'000)</b>	<b>Average Contracted Sales Price (RMB/square meter)</b>
<b>Changzhou City</b>	145,722	1,737,863	11,926
Phase I to III of Hong Yang Upper City (弘陽上城一—三期)	183	11,872	21,776
Phase IV of Hong Yang Upper City (弘陽上城四期)	3,050	76,988	17,349
Phoenix Terrace (鳳熹台)	6,013	54,124	9,002
The Bund No.1 Garden (外灘一號花園)	1,263	38,973	16,159
Emperor Looks at the First Court (君望甲第)	30,233	409,850	13,557
Golden Seal and Heaven Shire (金璽天郡)	104,980	1,146,056	10,917
<b>Nantong City</b>	285,106	3,940,799	13,822
Best Time Garden (佳期花苑)	1,124	190,597	20,057
Garden with Virtue (德慶苑)	13,835	155,056	11,208
Esteeming Virtues Garden (尚德苑)	560	7,812	13,951
Upper Joy Garden (上悅花園)	90,089	1,040,397	11,455
Center Creation Metropolis Garden (中創都市花苑)	45,645	710,666	15,570
New Metropolis Garden (新都花園)	40,103	437,556	10,911
Oriental Cloud Garden (東方雲苑)	93,751	1,398,714	14,919
<b>Hefei City</b>	275,327	3,389,374	12,310
In Times (時光裡)	60,647	703,666	11,603
Sunrise Joy Garden (昕悅花園)	44,588	558,130	12,518
Purple Breeze (紫氣東來)	26,955	282,085	10,465
Verse of River and Mountain (江山賦)	31,508	325,960	10,345
Mountain View Yard (望麓別院)	111,629	1,519,533	13,612

<b>Region</b>	<b>Contracted Sales in Gross Floor Area (square meter)</b>	<b>Contracted Sales Amount (RMB'000)</b>	<b>Average Contracted Sales Price (RMB/square meter)</b>
<b>Suzhou City</b>	269,032	3,609,057	13,415
Upper Lake Garden (上湖雅苑)	359	8,088	15,190
Superior Charm Garden (風華上品花園)	834	21,253	17,360
Luyuan Architecture (甬源名築)	21,433	365,005	17,030
Upper Water Garden (上水雅苑)	17,196	317,917	16,497
Runyuan Masterpiece Garden (潤元名著花園)	25,094	711,943	28,371
Hong Yang Upper Garden (弘陽上園)	—	1,140	—
Hong Yang Glorious Residence (弘陽尊邸)	—	3,663	—
Sunrise Joy Masterpiece Residence (昕悅名邸)	18,330	166,199	9,067
Beautiful In Ten (十裡錦繡)	44,700	444,197	9,937
The River City Origin (江城源著)	42,101	408,857	9,711
Lake View Watery Court (湖閱瀾庭)	51,812	602,753	11,633
Green Jade Bay (玉翠灣)	47,173	558,043	11,716
<b>Wuxi City</b>	50,543	778,011	15,393
Jing Garden of Superior Class (上品環苑)	—	320	—
Wuxi Sanwan Qing (無錫三萬頃)	18,384	452,339	24,605
Sunrise Joy Court (昕悅棠)	32,159	325,351	10,117
<b>Total</b>	<b>1,545,710</b>	<b>21,203,206</b>	<b>13,499</b>

## 2. Land reserves

As of June 30, 2018, the Group had an aggregate gross floor area of approximately 11,991,519 square meters (gross floor area of land reserve attributable to the Group was approximately 7,223,512 square meters), representing an increase of 68.1% from that of 7,135,285 square meters during the six months ended June 30, 2017. As of June 30, 2018, completed properties totaled 129,582 square meters, properties under development totaled 7,427,058 square meters, properties for future development totaled 3,987,962 square meters and investment properties totaled 446,916 square meters.

Details of the land reserves of the Group as of June 30, 2018 are set out as below:

Region	Name of Project	Area of Land (square meter)	Completed	Rentable Area Held for Investment (square meter)	(Total	(Planned	Total Area of Land Reserve (square meter)	The Group's Interests
			Unsold Saleable Total Gross Floor Area (square meter)		Gross Floor Area Under Development) (square meter)	Gross Floor Area for Future Development) (square meter)		
Nanjing	Solaris Loving City Section 4 (旭日愛上城第四區)	8,836	—	—	—	—	—	100%
Nanjing	Solaris Loving City Section 5 (旭日愛上城第五區)	30,528	—	—	—	—	—	100%
Nanjing	Hong Yang Solaris Loving City Section 6 (弘陽旭日愛上城六區)	75,237	3,081	—	—	—	3,081	100%
Nanjing	Hong Yang Solaris Loving City Section 7 (弘陽旭日愛上城七區)	12,999	851	—	—	—	851	100%
Nanjing	Solaris Loving City Colourful Wings Garden (旭日愛上城彩翼園)	114,317	2,804	—	—	—	2,804	100%
Nanjing	Solaris Loving City Star Island Garden (旭日愛上城星島園)	52,574	—	—	—	—	—	100%
Nanjing	Solaris Loving City Creation Wings Garden (旭日愛上城創翼園)	82,693	5,902	—	—	—	5,902	100%
Nanjing	Solaris Upper City Section 1 (旭日上城一區)	198,497	4,378	—	—	—	4,378	100%
Nanjing	Solaris Upper City Section 2 (旭日上城二區)	163,341	4,552	—	—	—	4,552	100%
Nanjing	Solaris Upper City Section 3 (旭日上城三區)	189,012	1,607	—	—	—	1,607	100%
Nanjing	Solaris Institution (旭日學府)	38,976	2,377	—	—	—	2,377	100%
Nanjing	Sun View City (旭日景城)	128,033	4,929	—	—	—	4,929	100%
Nanjing	Solaris Elegant Architecture (旭日雅築)	15,524	92	—	—	—	92	100%
Nanjing	Loving Garden (愛上花園)	77,367	3,473	—	—	—	3,473	100%
Nanjing	Great Time at Joy Peak West District (悅峰時光裡西區)	73,065	8,433	—	—	—	8,433	100%
Nanjing	Hong Yang Upper Yard (弘陽上院)	66,805	2,806	—	—	—	2,806	100%
Nanjing	Solaris Home (旭日家園)	35,509	—	—	—	—	—	100%
Nanjing	East Hua Residence (華東茂)	68,549	—	—	—	—	—	100%

Region	Name of Project	Area of Land (square meter)	Completed	Rentable Area Held for Investment (square meter)	(Total	(Planned	Total Area of Land Reserve (square meter)	The Group's Interests
			Unsold Saleable Total Gross Floor Area (square meter)		Gross Floor Area Under Development) (square meter)	Gross Floor Area for Future Development) (square meter)		
Nanjing	Solaris Loving City Section 8 (旭日愛上城八區)	40,552	—	—	237,024	—	237,024	100%
Nanjing	Hua Impression Golden Palm Garden (旭日華庭金棕櫚園區)	63,197	—	—	14,264	—	14,264	100%
Nanjing	Garden of Joy and Elegance (昕悅雅苑)	32,246	—	—	87,321	—	87,321	49%
Nanjing	Spring on West River (春上西江)	27,962	—	—	75,969	—	75,969	100%
Nanjing	Golden Space and Watery Court (金城瀾庭)	66,267	—	—	174,428	—	174,428	9%
Nanjing	Residence of Bamboo and Water (竹水居)	52,763	—	—	154,173	—	154,173	51%
Nanjing	Garden in the East (領東苑)	67,810	—	—	247,728	—	247,728	33%
Nanjing	Star Joy World Square (星悅天地廣場)	27,428	—	—	109,771	—	109,771	30%
Nanjing	Sea Joy Garden (海悅花園)	57,503	—	—	164,828	—	164,828	49%
Nanjing	New No.1 Commercial Plaza (新壹商業廣場)	23,810	—	—	97,544	—	97,544	33%
Nanjing	Wave of Jade Residence (玉瀾府)	44,784	—	—	128,277	—	128,277	33%
Nanjing	Wave of Swallow New Garden (燕瀾新苑)	61,145	—	—	179,977	—	179,977	49%
Nanjing	Garden In Times (時光裡花園)	59,533	—	—	52,307	—	52,307	100%
Nanjing	Swallow River Residence (燕江府)	28,052	—	—	114,456	—	114,456	51%
Nanjing	Nanjing Land Lot No. 2017G27 (南京•2017G27地塊)	68,644	—	—	217,544	—	217,544	20%
Nanjing	Mountain and Lake View Garden in Times (時光山湖花園)	14,338	—	—	31,781	—	31,781	25%
Nanjing	Nanjing Land Lot No. 2017G36 (南京•2017G36地塊)	54,173	—	—	—	179,624	179,624	20%
Nanjing	Land Lot No. 2017G57 (2017G57地塊)	58,024	—	—	—	69,629	69,629	100%
Nanjing	Solaris Jingcheng Store (旭日景城商鋪)	1,371	—	4,450	—	—	4,450	100%
Nanjing	Solaris Loving City Section 6 Store (旭日愛上城六區商鋪)	989	—	7,301	—	—	7,301	100%
Nanjing	Nanjing No. 2018G01 (南京2018G01)	7,025	—	—	—	21,074	21,074	23%
Nanjing	Nanjing Hong Yang Plaza (南京弘陽廣場)	230,871	—	435,165	—	—	435,165	100%
Suzhou	Hong Yang Upper Garden (弘陽上園)	51,361	—	—	—	—	—	100%

Region	Name of Project	Area of Land (square meter)	Completed	Rentable Area Held for Investment (square meter)	(Total	(Planned	Total Area of Land Reserve (square meter)	The Group's Interests
			Unsold Saleable Area of Total Gross Floor Area (square meter)		Gross Floor Area Under Development) (square meter)	Gross Floor Area for Future Development) (square meter)		
Suzhou	Hong Yang Glorious Residence (弘陽尊邸)	54,341	—	—	—	—	—	100%
Suzhou	Upper Lake Garden (上湖雅苑)	69,923	5,287	—	—	—	5,287	100%
Suzhou	Runyuan Masterpiece Garden (潤元名著花園)	80,669	—	—	194,215	—	194,215	49%
Suzhou	Upper Sunny Masterpiece Garden (上熙名苑)	44,701	—	—	95,339	—	95,339	100%
Suzhou	Violet Cloud Residence (紫雲名邸)	53,753	—	—	152,329	—	152,329	33%
Suzhou	Luyuan Architecture (甬源名築)	60,961	—	—	149,634	—	149,634	100%
Suzhou	Upper Water Garden (上水雅苑)	69,325	—	—	197,867	—	197,867	100%
Suzhou	Superior Charm Garden (風華上品花園)	68,292	2,596	—	108,814	—	111,410	50%
Suzhou	The River City Origin (江城源著)	69,982	—	—	122,187	—	122,187	13%
Suzhou	Star Great Tang Masterpiece Residence (星盛唐名邸)	36,829	—	—	92,069	—	92,069	50%
Suzhou	Lake View Watery Court (湖闊瀾庭)	59,235	—	—	158,869	—	158,869	18%
Suzhou	Sunrise Joy Masterpiece Residence (昕悅名邸)	47,706	—	—	101,083	—	101,083	70%
Suzhou	Beautiful in Ten (十裡錦繡)	98,783	—	—	172,014	—	172,014	16%
Wuxi	Wuxi Sanwan Qing (無錫三萬頃)	800,000	37,598	—	30,976	26,312	94,887	100%
Wuxi	Sunrise Joy Court (昕悅棠)	85,122	—	—	—	212,805	212,805	100%
Wuxi	Sunrise Joy Residence (昕悅府)	138,902	—	—	—	291,694	291,694	100%
Wuxi	Jing Garden of Superior Class (上品璟苑)	203,609	—	—	—	325,774	325,774	20%
Nantong	Hong Yang Upper City (弘陽上城)	88,233	—	—	—	—	—	100%
Nantong	Best Time Garden (佳期花苑)	134,061	—	—	298,247	—	298,247	33%
Nantong	Garden with Virtue (德慶苑)	31,333	—	—	51,913	—	51,913	33%
Nantong	Esteeming Virtues (尚德苑)	37,348	—	—	61,479	—	61,479	33%
Nantong	Oriental Cloud Garden (東方雲苑)	86,652	—	—	254,620	—	254,620	17%
Nantong	Upper Joy Garden (上悅花園)	82,741	—	—	165,480	76,083	241,564	25%
Nantong	Center Creation Metropolis Garden (中創都市花苑)	109,890	—	—	—	197,802	197,802	13%
Nantong	New Metropolis Garden (新都花園)	47,963	—	—	—	95,000	95,000	24%
Changzhou	Hong Yang Upper City Phase I-III (弘陽上城一—三期)	111,710	22,180	—	165,973	—	188,153	100%
Changzhou	Hong Yang Upper City Phase IV (弘陽上城四期)	43,590	—	—	88,773	—	88,773	100%

Region	Name of Project	Area of Land (square meter)	Completed Unsold Saleable Total Gross Floor Area (square meter)	Rentable Area Held for Investment (square meter)	(Total Gross Floor Area Under Development) (square meter)	(Planned Gross Floor Area for Future Development) (square meter)	Total Area of Land Reserve (square meter)	The Group's Interests
Changzhou	Golden Seal and Heaven Shire (金璽天郡)	88,719	—	—	326,455	—	326,455	50%
Zhenjiang	Phoenix Terrace (鳳熹台)	88,498	—	—	—	284,565	284,565	20%
Zhenjiang	Mountain View Garden (山卿苑)	70,028	—	—	82,105	—	82,105	100%
Jurong	Land Lot No. 2018-J1-06 (2018-J1-06號地塊)	72,609	—	—	—	130,696	130,696	33%
Changzhou	Emperor Looks at the First Court (君望甲第)	67,225	—	—	194,217	—	194,217	40%
Changzhou	Sang Ma Land Lot A (桑麻A地塊)	44,535	—	—	—	14,765	14,765	70%
Changzhou	The Bund No.1 Garden (外灘一號花園)	126,695	16,635	—	—	106,081	122,716	85%
Changzhou	Changzhou Hong Yang Plaza (常州弘陽廣場)	43,590	—	—	128,126	—	128,126	100%
Changzhou	Sang Ma Land Lot CD (桑麻CD地塊)	156,115	—	—	—	246,597	246,597	70%
Yangzhou	Begonia Court (棠苑)	72,660	—	—	133,797	—	133,797	50%
Taixing	Wave of Swallow Garden (燕瀾花園)	56,230	—	—	152,984	—	152,984	100%
Xuzhou	Fengming Residence (鳳鳴府)	2,474	—	—	—	2,969	2,969	80%
Xuzhou	Xuzhou Landscape of the Peach Garden (徐州山水桃花源)	104,284	—	—	—	125,141	125,141	80%
Xuzhou	Nine Pleasures Splendid Residence (九悅華府)	181,244	—	—	—	289,991	289,991	33%
Xuzhou	Joyful Beautiful Scenery Harmonious Residence (欣欣麗景和府)	26,646	—	—	—	58,620	58,620	33%
Hefei	In Times (時光裡)	42,621	—	—	130,449	—	130,449	100%
Hefei	Sunrise Joy Garden (昕悅花園)	37,254	—	—	104,118	—	104,118	80%
Hefei	Mountain View Yard (望麓別院)	139,536	—	—	418,126	—	418,126	25%
Hefei	Purple Breeze (紫氣東來)	28,081	—	—	—	61,778	61,778	51%
Chuzhou	Garden with Art Atmosphere (藝境花園)	60,189	—	—	170,501	—	170,501	33%
Chuzhou	New City Hong Yang Garden at Mingfa North Station (明發北站新城弘陽苑)	8,782	—	—	17,745	—	17,745	100%
Chuzhou	Glory Residence (正榮府)	80,867	—	—	179,772	—	179,772	30%
Chuzhou	Garden In Times (時光裡花園)	89,886	—	—	264,753	—	264,753	100%
Maanshan	Sunny Side of the Yangtze River Peacock City (長江熙岸孔雀城)	97,340	—	—	255,416	—	255,416	20%

Region	Name of Project	Area of Land (square meter)	Completed Unsold Saleable Total Gross Floor Area (square meter)	Rentable Area Held for Investment (square meter)	(Total Gross Floor Area Under Development) (square meter)	(Planned Gross Floor Area for Future Development) (square meter)	Total Area of Land Reserve (square meter)	The Group's Interests
Bozhou	Bozhou Land Lot No. 2017-217 (亳州2017-217號地塊)	201,216	—	—	—	402,432	402,432	40%
Huzhou	Green Jade Bay (玉翠灣)	46,488	—	—	119,224	—	119,224	35%
Chongqing	Cypress View, Seattle (柏景•西雅圖)	89,273	—	—	—	267,819	267,819	95%
Hangzhou	Yu Zheng Chu Chu [2018] No.9 (余政儲出[2018]9號)	50,888	—	—	—	61,066	61,066	33%
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	—	—	—	20,210	20,210	100%
Chengdu	Dujiangyan DJY2017-09 (都江堰DJY2017-09)	26,393	—	—	—	52,785	52,785	100%
Chengdu	Dujiangyan DJY2017-10 (都江堰DJY2017-10)	39,064	—	—	—	78,128	78,128	100%
Shaoxing	Zhuji Land Lot No. 2018-11 (諸暨2018-11地塊)	49,492	—	—	—	50,482	50,482	100%
Chongqing	Bishan 295 (璧山295)	106,259	—	—	—	172,000	172,000	100%
Huzhou	Huzhou 2018-43 (湖州2018-43)	48,652	—	—	—	66,040	66,040	51%
	<b>Project Total</b>	<b>7,839,943</b>	<b>129,582</b>	<b>446,916</b>	<b>7,427,058</b>	<b>3,987,962</b>	<b>11,991,519</b>	

### 3. Commercial property operations

The rental income of the Group for the six months ended June 30, 2018 was approximately RMB152,063,000, representing an increase of 58.8% as compared to the same period last year. The increase was mainly due to an increase in contribution made by Qiaobei Hong Yang Square as a result of an improvement of its performance.

### 4. Hotel operations

The Group's income from hotel operations for the six months ended June 30, 2018 was approximately RMB17,489,000, representing an increase of 13.6% as compared to the same period last year. The increase was mainly due to an increase in contribution made by the Nanjing Hong Yang Hotel and Wuxi Lakefort Hotel as a result of an improvement of their performance.

## (2) Financial Review

### 1. Revenue

The Group's revenue during the six months ended June 30, 2018 amounted to approximately RMB3,863,754,000. The sources of income mainly included property sales, commercial property operation and hotel business income.

Details of recognized revenue for the six months ended June 30, 2018:

	Six month ended June 30, 2018		Six month ended June 30, 2017		Year-on-year Change (%)
	Recognized Revenue (RMB'000)	Percentage in Total Recognized Revenue (%)	Recognized Revenue (RMB'000)	Percentage in Total Recognized Revenue (%)	
Property sales	3,694,202	95.6	3,782,802	97.1	-2.3
Commercial property operation	152,063	3.9	95,731	2.5	58.8
Hotel business	17,489	0.5	15,395	0.4	13.6
Total	<u>3,863,754</u>	<u>100</u>	<u>3,893,928</u>	<u>100</u>	<u>-0.8</u>

As of June 30, 2018, the Group recorded a revenue of approximately RMB3,863,754,000, representing a year-on-year decrease of 0.8%. Out of the Group's total recognized revenue in the six months ended June 30, 2018, (i) property sales decreased by RMB88,600,000 (approximately 2.3%) as compared to the same period last year to approximately RMB3,694,202,000; (ii) commercial property investment and operation increased by 58.8% as compared to the same period last year; and (iii) hotel business income increased by 13.6% as compared to the same period last year.

## **2. Cost of sales**

The cost of sales of the Group during the six months ended June 30, 2018 was approximately RMB2,695,820,000, representing an increase of 28.3% as compared to the same period last year. The increase was primarily due to a rise in late-stage project land acquisition costs.

## **3. Gross profit and gross profit margin**

The gross profit of the Group during the six months ended June 30, 2018 was approximately RMB1,167,934,000, representing a decrease of 34.9% as compared to RMB1,793,380,000 in the same period in 2017. The increase was primarily due to a rise in project land acquisition costs, leading to a rise in the cost of sales and a fall in gross profit. The gross profit margin during the six months ended June 30, 2018 was 30.2%, while during the same period in 2017, the gross profit margin was 46.0%. The decrease of gross profit margin was primarily due to higher land acquisition costs of certain delivered projects.

## **4. Fair value changes on investment properties**

For the six months ended June 30, 2018, the Group's confirmed fair value gains on investment properties was approximately RMB220,738,000, representing an increase of 180.7% as compared to the fair value loss of approximately RMB273,489,000 on investment properties in the same period last year. The fair value gains on investment properties recorded were primarily due to an appreciation of the overall capital value and/or rent.

## **5. Selling and distribution expenses**

The selling and distribution expenses of the Group increased by 98.9%, from approximately RMB73,035,000 in the same period last year to approximately RMB145,298,000 during the six months ended June 30, 2018. The increase was mainly due to new property projects released by the Group in 2018 for presale.

## **6. *Administrative expenses and other expenses***

The administrative expenses of the Group increased by 123.0%, from approximately RMB113,384,000 in the same period last year to approximately RMB252,821,000 during the six months ended June 30, 2018. The increase is mainly due to the business expansion and listing fee of the Group.

## **7. *Share of revenues of joint ventures and associates***

The Group's share of profit of joint ventures and associates during the six months ended June 30, 2018 was RMB85,542,000, representing an increase of 147.5% as compared to the loss in the same period last year, which was RMB58,014,000.

## **8. *Finance costs***

The finance costs expended by the Group during the six months ended June 30, 2018 were approximately RMB119,257,000, representing a decrease of 11.7% as compared to the financial costs of RMB135,060,000 in the same period last year. The change in finance costs spent was mainly due to the change in the capitalization rates of the aggregate finance costs generated during the reporting period.

The Group's aggregate expensed and capitalized finance costs increased by 38.7%, from approximately RMB302,370,000 in the same period last year to approximately RMB419,332,000 during the six months ended June 30, 2018. The rise in the aggregate expensed and capitalized finance costs is due to an increase in the total borrowings of the Group. As of June 30, 2018, the total borrowings of the Group was RMB12.85 billion, while the total borrowings was RMB11.63 billion on December 31, 2017 and RMB9.67 billion on June 30, 2017.

## **9. *Income tax expense***

The income tax expense of the Group decreased by 24.0%, from approximately RMB516,019,000 in the same period last year to approximately RMB391,996,000 during the six months ended June 30, 2018. The income tax expense of the Group included the payment and provision for enterprise income tax and deferred tax of land value added tax during the year. The actual income tax rate of the Group during the six months ended June 30, 2018 was 38.4%, while the actual income tax rate was 43.5% in the same period last year.

During the six months ended June 30, 2018, the amount provisioned for land value added tax by the Group was approximately RMB176,037,000, while the amount in the same period last year was approximately RMB231,841,000.

## **10. Profit for the reporting period**

As a result of the foregoing reasons, the Group's profit before taxes decreased by 13.9%, from approximately RMB1,186,020,000 in the same period last year to approximately RMB1,020,686,000 during the six months ended June 30, 2018. The profit for the reporting period fell by 6.2%, from RMB670,001,000 in the same period last year to RMB628,690,000 during the six months ended June 30, 2018. The Group's net profit attributable to equity owners reduced by 2.8%, from approximately RMB670,202,000 in the same period last year to approximately RMB651,455,000 during the six months ended June 30, 2018.

The Group's core net profit attributable to equity owners decreased by 44.5%, from approximately RMB875,319,000 in the same period last year to approximately RMB485,902,000 during the six months ended June 30, 2018. During the six months ended June 30, 2018, the corresponding core net profit margin was 12.6%, compared to 22.5% in the same period in 2017.

## **(3) Liquidity, Finance and Capital**

### **1. Cash position**

The Group's cash and bank balances were approximately RMB2,252,439,000 (December 31, 2017: approximately RMB2,478,063,000), the restricted bank deposit amounted to approximately RMB1,204,773,000 (December 31, 2017: RMB741,573,000), and the margin deposit for security amounted to approximately RMB1,053,045,000 (December 31, 2017: RMB991,238,000).

### **2. Indebtedness**

As of June 30, 2018, the Group's outstanding total borrowings amounted to approximately RMB12,846,421,000 (December 31, 2017: RMB11,629,499,000).

## Breakdown of indebtedness

	June 30, 2018			December 31, 2017		
	Effective interest rate(%)	Maturity	RMB'000 (Unaudited)	Effective interest rate(%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – pledged	4.35-6.25	2019	1,177,500	4.35-4.79	2018	1,211,000
Other loans – secured	—	—	—	9.00-15.00	2018	850,000
Other loans – unsecured	—	—	—	8.00	2018	50,000
Current portion of long term bank loans – pledged	4.46-6.59	2019	785,920	4.78-6.08	2018	330,000
Current portion of long term bank loans – guaranteed	4.47	2019	30,042	4.50	2018	20,000
Current portion of long term bank loans – pledged and guaranteed	6.63-6.70	2019	501,655	4.75-6.59	2018	819,627
Current portion of long term other loans – secured	6.49-12.07	2019	1,139,278	6.61-9.12	2018	1,108,220
Current portion of long term other loans – unsecured	8.00	2019	<u>189,679</u>	8.00	2018	<u>247,670</u>
			<u>3,824,074</u>			<u>4,636,517</u>

	June 30, 2018			December 31, 2017		
	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
			(Unaudited)			
<b>Non-current</b>						
Bank loans – pledged	4.46-6.59	2019-31	4,538,994	4.75-4.87	2019-32	2,222,533
Bank loans – guaranteed	4.47	2021	285,320	4.50	2021	305,000
Bank loans – pledged and guaranteed	4.91-7.25	2019-25	1,971,211	4.75-7.13	2019-25	3,126,477
Bank loans – unsecured	4.99	2021	15,000	—	—	—
Other loans – secured	6.49-13.34	2019-21	2,211,822	6.61-9.12	2019-20	1,338,972
			<u>9,022,347</u>			<u>6,992,982</u>
			<u>12,846,421</u>			<u>11,629,499</u>

	June 30, 2018		December 31, 2017	
	RMB'000		RMB'000	
	(Unaudited)		(Unaudited)	
Bank loans and other borrowings				
Repayable within one year			<u>3,824,074</u>	<u>4,636,517</u>
Repayable in the second year			3,553,014	2,344,621
Repayable within two to five years			4,306,402	3,924,984
Repayable more than five years			<u>1,162,931</u>	<u>723,377</u>
Subtotal			<u>9,022,347</u>	<u>6,992,982</u>
			<u>12,846,421</u>	<u>11,629,499</u>

### **3. *Gearing ratio***

As of June 30, 2018, the Group's net debt-to-equity ratio (total indebtedness net of bank balances and cash divided by total equity) was approximately 80.8%, as compared to approximately 87.7% as of December 31, 2017. The Group's debt-to-asset ratio (total indebtedness divided by total assets) was approximately 77.8% as of June 30, 2018 as compared to approximately 79.5% as of December 31, 2017. The Group's current ratio (current assets divided by current liabilities) was approximately 1.3 times as of June 30, 2018, and was approximately 1.3 times as of December 31, 2017.

### **4. *Commitments***

As of June 30, 2018, the Group committed payment for the construction and land development expenditure amounting to approximately RMB3,579,262,000 (December 31, 2017: approximately RMB5,712,233,000).

## **(4) Corporate Governance/Other Information**

### **1. Material Acquisitions and Disposals**

In February 2018, the Group acquired 85% of the equity interest in Changzhou Green Land Kunte Land Co., Ltd., which holds a property development project under construction located at Changzhou City, Jiangsu Province, the PRC. For details, please refer to the prospectus of the Company dated June 29, 2018 (the "Prospectus").

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 of June 30, 2018, the Group had 2345 employees in total, in which 1566 employees were engaged in the real estate development business, 583 employees were engaged in the commercial property operation business, and 196 employees were engaged in the hotel management 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 Funds Raised from Initial Public Offering and Over-allotment Option**

The net proceeds received from the Company's global offering was approximately HK\$2,220,900,000, including the net proceeds received from the full exercise of the over-allotment option as set out in the Prospectus. As of the date of this announcement, the Company has applied RMB90 million for repayment of existing interest bearing bank borrowings and construction costs of our property development projects. The Company intends to apply the rest of the proceeds raised in the global offering toward the uses as disclosed in the Prospectus.

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

On July 12, 2018, the Company's global offering was completed and 800,000,000 ordinary shares of the Company were listed on the Stock Exchange. Additionally, on August 6, 2018, the Company issued 120,000,000 shares upon full exercise of the over-allotment option as set out in the Prospectus.

On August 16, 2018, Suzhou Hong Yang Properties Limited (蘇州弘陽置業有限公司), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Jiangsu Thriving Industrial Real Estate Group Company Limited (江蘇興隆興業地產集團有限公司) to acquire the entire equity interest in Kaifeng City Baolong Real Estate Development Company Limited (開封市寶隆房地產開發有限公司) at a consideration of RMB867,743,900. For further details, please refer to the Company's announcement dated August 16, 2018.

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

### **5. Interim Dividend**

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

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

As the shares of the Company had not yet been listed on the Stock Exchange for the six months ended June 30, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period.

### **7. Currency Risk**

The Group primarily operates in the PRC and majority of the Group's transactions were denominated and settled in RMB. Currently, the Group has not entered into any hedging activities aimed at or intended to manage our exposure to foreign exchange risk. The Group will continue to monitor foreign exchange activities and safeguard the cash value of the Group with its best effort.

## **8. 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 (the “**Listing Rules**”) as its own code of corporate governance.

As the shares of the company had not been listed on the Stock Exchange as of June 30, 2018, the CG Code was not applicable to the Company during the reporting period.

After the listing, the Company has complied with all applicable code provisions set out in the CG Code. The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

## **9. 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 in the Company by the Directors. As the Company was not yet listed on the Stock Exchange during the reporting period, the provisions under the Listing Rules in relation to the Compliance with the Model Code by the Directors were not applicable to the Company. After comprehensive enquiry made to all Directors, Directors have confirmed compliance with the required standard set out in the Model Code since the listing of the Company on July 12, 2018 up to the date of this announcement.

## **10. Review of Interim Results by the Audit Committee**

Our Board has established an audit committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and Code C.3 of the CG Code, and has adopted written terms of reference.

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 advice and comments to our Board, and to perform other duties and responsibilities as may be assigned by the Board. Our audit committee currently consists of five members, including Mr. Leung Yau Wan John, Mr. Zhang Hongwu, Mr. Jiang Daqiang, Mr. Lee Kwok Tung Louis and Mr. Au Yeung Po Fung. Our audit committee is currently chaired by Mr. Leung Yau Wan John, who possesses suitable professional qualifications. Our audit committee has reviewed the Company’s unaudited condensed combined interim results for the six months ended June 30, 2018 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The audit committee has also discussed the matters of audit and financial reporting. The interim results for the six months ended June 30, 2018 have not been audited, but have been reviewed by the Company’s auditor, Ernst &

Young, in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

**11. Publication of Interim Results and 2018 Interim Report on the Websites of the Stock Exchange and the Company**

This announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.rsunproperty.hk>). The interim report of the Company for the six months ended June 30, 2018 will be dispatched 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, August 28, 2018

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