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REDCO PROPERTIES GROUP LIMITED
力高地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the year ended 31 December 2020 increased by 49.5% to RMB40,975.0 million
- Revenue for the year ended 31 December 2020 increased by 44.8% to RMB12,452.0 million
- Profit attributable to owners of the Company for the year ended 31 December 2020 increased by 25.2% to RMB1,296.0 million
- Profit for the year ended 31 December 2020 decreased by 7.0% to RMB1,442.8 million
- Basic earnings per share was RMB36.49 cents for the year ended 31 December 2020 (31 December 2019: RMB29.14 cents)
- Land bank increased by 60.5% to 23.4 million sq. m. as at 31 December 2020 (31 December 2019: 14.6 million sq.m.)
- Cash and cash equivalents and restricted cash as at 31 December 2020 amounted to RMB13,806.3 million (31 December 2019: RMB15,059.5 million) and the net debt to equity ratio was 48.7% as at 31 December 2020 (31 December 2019: 17.9%)
- The Board recommended a payment of a final dividend of RMB5 cents per share in cash for the year ended 31 December 2020 (year ended 31 December 2019: RMB3 cents) to be paid to shareholders whose names appear on the Register of Members of the Company on 2 July 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Redco Properties Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December	
	<i>Note</i>	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	12,451,999	8,602,321
Cost of sales		(9,639,342)	(5,648,207)
Gross profit		2,812,657	2,954,114
Other gains, net	4	719,359	445,194
Selling and marketing expenses		(743,036)	(448,737)
General and administrative expenses		(817,774)	(516,701)
Fair value gain on investment properties		2,606	63,723
Fair value gain on investment properties upon transfer from properties under development for sales		—	62,432
Operating profit		1,973,812	2,560,025
Finance income	5	149,846	122,486
Finance costs	5	(23,726)	(19,981)
Finance income, net		126,120	102,505
Share of profit/(loss) of investments accounted for using the equity method, net		26,379	(21,545)
Profit before income tax		2,126,311	2,640,985
Income tax expense	6	(683,500)	(1,089,325)
Profit for the year		1,442,811	1,551,660
Profit attributable to:			
Owners of the Company		1,295,966	1,034,931
Non-controlling interests		146,845	516,729
		1,442,811	1,551,660
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	9	36.49	29.14

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>1,442,811</u>	<u>1,551,660</u>
Other comprehensive income/(loss)		
Item that may not be reclassified to profit or loss		
– Currency translation differences	<u>436,037</u>	<u>(88,781)</u>
Total other comprehensive income/(loss)	<u>436,037</u>	<u>(88,781)</u>
Total comprehensive income for the year	<u><u>1,878,848</u></u>	<u><u>1,462,879</u></u>
Total comprehensive income attributable to:		
– Owners of the Company	<u>1,730,004</u>	<u>946,770</u>
– Non-controlling interests	<u>148,844</u>	<u>516,109</u>
Total comprehensive income for the year	<u><u>1,878,848</u></u>	<u><u>1,462,879</u></u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	<i>Note</i>	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		264,715	259,152
Investment properties		1,027,610	1,025,004
Intangible assets		364,031	332,252
Investments accounted for using the equity method		916,256	654,872
Deferred income tax assets		1,428,001	834,614
		<u>4,000,613</u>	<u>3,105,894</u>
Current assets			
Completed properties held for sale		6,165,642	3,037,052
Properties under development for sale		50,085,317	30,969,759
Contract assets		695,239	700,000
Trade and other receivables and deposits	7	2,838,368	2,595,926
Prepayments	7	2,376,585	1,858,769
Amounts due from joint ventures		119,718	59,949
Amounts due from associates		1,470,072	482,845
Amounts due from non-controlling interests		4,000,464	3,951,248
Income tax recoverable		415,878	788,393
Restricted cash		4,156,859	3,965,210
Cash and cash equivalents		9,649,423	11,094,295
		<u>81,973,565</u>	<u>59,503,446</u>
Total assets		<u><u>85,974,178</u></u>	<u><u>62,609,340</u></u>

		31 December	31 December
	<i>Note</i>	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves		6,667,423	5,041,820
		<u>6,807,055</u>	<u>5,181,452</u>
Non-controlling interests		<u>6,140,620</u>	<u>4,453,096</u>
Total equity		<u><u>12,947,675</u></u>	<u><u>9,634,548</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings		13,399,808	4,694,786
Deferred income tax liabilities		1,954,477	634,906
		<u>15,354,285</u>	<u>5,329,692</u>
Current liabilities			
Trade and other payables	8	15,352,054	12,020,186
Borrowings		6,711,546	12,087,907
Amounts due to non-controlling interests		6,075,226	5,146,101
Amounts due to associates		159,274	485,280
Amounts due to joint ventures		50,784	50,776
Contract liabilities		26,815,905	15,552,490
Income tax liabilities		2,507,429	2,302,360
		<u>57,672,218</u>	<u>47,645,100</u>
Total liabilities		<u><u>73,026,503</u></u>	<u><u>52,974,792</u></u>
Total equity and liabilities		<u><u>85,974,178</u></u>	<u><u>62,609,340</u></u>

NOTES:

1 General information

Redco Properties Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the “**Group**”) are principally engaged in property development, property management services, property investment services, project management services and healthcare services in the People’s Republic of China (the “**PRC**”). The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**SEHK**”).

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention except for certain investment properties measured at fair value.

2.1 Accounting policies

- (a) New standard and amendments to standards adopted by the Group

The following new standard and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2020 and currently relevant to the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has adopted these new standards and amendments of standards and the adoption of these new standards and amendments of standards do not have significant impacts on the Group's consolidated financial statements.

(b) New standards, amendments to standards and annual improvements not yet adopted

The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2021
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvement. The Group will adopt the new standards, amendments to standards and annual improvement when they become effective.

3 Revenue and segment information

The Executive Directors have been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the business from a geographical perspective and assess the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Greater Bay Area and Others. The Group's construction and sea reclamation services are considered together with the property development segments and included in the relevant geographic operating segment. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers), project management services, healthcare services, rental income and investment holdings business.

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation, share of profit/loss of investments accounted for using the equity method, net, finance income, finance costs and income tax expense. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Greater Bay Area	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December						
2020						
Revenue from contracts						
– recognised at a point in time	2,500,327	5,049,726	4,391,082	261,456	—	12,202,591
– recognised over time	—	—	27,977	—	345,969	373,946
– others	—	—	—	—	15,825	15,825
Less: Inter-segment revenue	—	—	—	—	(140,363)	(140,363)
Revenue (from external customers)	<u>2,500,327</u>	<u>5,049,726</u>	<u>4,419,059</u>	<u>261,456</u>	<u>221,431</u>	<u>12,451,999</u>
Segment results	419,930	642,937	1,048,043	79,942	(192,151)	1,998,701
Depreciation	<u>(4,071)</u>	<u>(4,185)</u>	<u>(1,575)</u>	<u>(1,192)</u>	<u>(13,866)</u>	<u>(24,889)</u>
Operating profits/(losses)	415,859	638,752	1,046,468	78,750	(206,017)	1,973,812
Share of (loss)/profit of investments accounted for using the equity method, net	(9,944)	(9,367)	—	(1,847)	47,537	26,379
Finance income	36,164	37,153	31,802	1,484	43,243	149,846
Finance costs	(3,347)	(7,933)	—	(4,966)	(7,480)	(23,726)
Income tax expense	<u>(33,959)</u>	<u>(246,476)</u>	<u>(386,740)</u>	<u>(9,759)</u>	<u>(6,566)</u>	<u>(683,500)</u>
Profit/(loss) for the year	<u><u>404,773</u></u>	<u><u>412,129</u></u>	<u><u>691,530</u></u>	<u><u>63,662</u></u>	<u><u>(129,283)</u></u>	<u><u>1,442,811</u></u>

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Greater Bay Area	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December						
2019						
Revenue from contracts						
– recognised at a point in time	1,798,900	2,983,860	2,403,466	1,032,602	—	8,218,828
– recognised over time	33,949	—	256,848	—	121,675	412,472
– others	—	—	—	—	10,573	10,573
Less: Inter-segement revenue	<u>(32,315)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,237)</u>	<u>(39,552)</u>
Revenue (from external customers)	<u>1,800,534</u>	<u>2,983,860</u>	<u>2,660,314</u>	<u>1,032,602</u>	<u>125,011</u>	<u>8,602,321</u>
Segment results	713,987	573,773	867,748	424,853	(471)	2,579,890
Depreciation	<u>(2,928)</u>	<u>(3,261)</u>	<u>(1,809)</u>	<u>(731)</u>	<u>(11,136)</u>	<u>(19,865)</u>
Operating profits/(losses)	711,059	570,512	865,939	424,122	(11,607)	2,560,025
Share of (loss)/profit of investments accounted for using the equity method, net	(31,699)	(21,286)	—	(335)	31,775	(21,545)
Finance income	44,567	29,443	11,767	1,214	35,495	122,486
Finance costs	(2,362)	—	—	—	(17,619)	(19,981)
Income tax expense	<u>(247,148)</u>	<u>(278,998)</u>	<u>(301,753)</u>	<u>(223,702)</u>	<u>(37,724)</u>	<u>(1,089,325)</u>
Profit for the year	<u><u>474,417</u></u>	<u><u>299,671</u></u>	<u><u>575,953</u></u>	<u><u>201,299</u></u>	<u><u>320</u></u>	<u><u>1,551,660</u></u>

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Greater Bay Area	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2020						
Total segment assets	26,673,206	24,470,843	19,557,018	6,039,450	9,072,500	85,813,017
Other unallocated corporate assets						<u>161,161</u>
Total assets						<u><u>85,974,178</u></u>
Investments accounting for using the equity method	<u>223,765</u>	<u>440,235</u>	<u>—</u>	<u>69,044</u>	<u>183,212</u>	<u>916,256</u>
Additions to:						
Property, plant and equipment	4,940	4,629	1,228	3,542	34,806	49,145
Investments accounted for using the equity method	1,225	271,359	—	66,000	3,500	342,084
Acquisition of subsidiaries						
– Property, plant and equipment	3,985	—	20	139	—	4,144
– Intangible assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>39,260</u>	<u>39,260</u>
Total segment liabilities	<u>(24,597,505)</u>	<u>(17,432,521)</u>	<u>(15,417,286)</u>	<u>(3,327,269)</u>	<u>(12,251,922)</u>	<u>(73,026,503)</u>
At 31 December 2019						
Total segment assets	15,838,618	20,855,984	15,949,653	1,705,719	8,080,099	62,430,073
Other unallocated corporate assets						<u>179,267</u>
Total assets						<u><u>62,609,340</u></u>
Investments accounting for using the equity method	<u>299,811</u>	<u>208,901</u>	<u>—</u>	<u>14,565</u>	<u>131,595</u>	<u>654,872</u>
Additions to:						
Property, plant and equipment	11,334	3,801	9,425	589	19,583	44,732
Investments accounted for using the equity method	—	184,200	—	14,900	—	199,100
Acquisition of subsidiaries						
– Property, plant and equipment	—	21,131	6	—	3,462	24,599
– Intangible assets	—	—	—	—	335,992	335,992
– Investments accounting for using the equity method	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>474</u>	<u>474</u>
Total segment liabilities	<u>(12,791,738)</u>	<u>(14,558,290)</u>	<u>(12,083,355)</u>	<u>(930,501)</u>	<u>(12,610,908)</u>	<u>(52,974,792)</u>

(a) The Group revenue consists of the following:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of properties	12,202,591	8,218,828
Construction services	27,977	256,491
Property management services	144,714	80,885
Project management services	59,436	33,552
Rental income	15,825	10,573
Healthcare service	1,456	1,992
	<u>12,451,999</u>	<u>8,602,321</u>

Revenue by geographical location is determined on the basis of the location of the sales of properties or services rendered. All of the Group's revenue were generated from the PRC.

No revenue from transactions with a single external customer accounted for over 10% of the Group's revenue for the year ended 31 December 2020 and 2019.

(b) Details of contract asset are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued contract revenue	700,000	700,000
Less: provision for impairment	<u>(4,761)</u>	<u>—</u>
	<u>695,239</u>	<u>700,000</u>

As of 31 December 2020, the contract assets of RMB695,239,000 (2019: RMB700,000,000) are related to sea reclamation service provided to the PRC government. The sea reclamation service provided to the customer was completed and the corresponding receivable balance is not yet billed.

The movement on the provision for impairment for contract assets is as follows:

	2020
	<i>RMB'000</i>
At 1 January	—
Impairment loss on contract assets	<u>4,761</u>
At 31 December	<u>4,761</u>

4 Other gains, net

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gains/(losses)	48,102	(31,527)
Gain on disposal of investment in an associate	46,355	8,407
Gains on bargain purchase arising from acquisition of subsidiaries	124,455	72,912
Commission	—	39,836
Gains/(losses) on disposal of property, plant and equipment	300	(5,400)
(Losses)/gains on disposal of subsidiaries	(51,621)	113,821
Realised gain/(loss) on foreign exchange forward contracts	5,545	(45,284)
Remeasurement gains on interests in investments accounted for using the equity method	538,423	286,634
Others	7,800	5,795
	<u>719,359</u>	<u>445,194</u>

5 Finance income and costs

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income from bank deposits	117,172	52,213
Finance income from loans to associates	—	20,674
Finance income from loans to non-controlling interests	32,674	30,119
Finance income from loans to independent third parties	—	19,480
	<u>149,846</u>	<u>122,486</u>
Finance costs on bank and other borrowings	1,739,801	1,366,012
Finance costs on loans from non-controlling interests	54,385	44,429
Less: finance costs capitalised in qualifying assets	(1,770,460)	(1,390,460)
	<u>23,726</u>	<u>19,981</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>9.78%</u>	<u>9.33%</u>

6 Income tax expense

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the year ended 31 December 2020 (2019: 25%).

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2019.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
Hong Kong profits tax	—	6,428
PRC corporate income tax	1,203,728	901,458
PRC land appreciation tax	378,400	577,218
Deferred income tax	(898,628)	(377,387)
Overstatement in prior years	—	(18,392)
	<u>683,500</u>	<u>1,089,325</u>

7 Trade receivables, other receivables, deposits and other prepayments

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, other receivables and deposits:		
Trade receivables (Note a and b)	182,013	359,763
Other receivables	1,954,771	1,620,236
Interest receivables	11,073	20,744
Receivables in relation to the disposal of assets and liabilities held for sales	150,000	150,000
Deposits with local real estate associations	538,804	401,940
Deposits with labour department	29,014	19,112
Deposits with treasury bureau	60,506	89,391
	2,744,168	2,301,423
Less: provision for impairment on other receivables and deposits	(87,813)	(65,260)
	2,656,355	2,236,163
	<u>2,838,368</u>	<u>2,595,926</u>
Prepayments:		
Prepaid other taxes	2,080,975	661,907
Prepayments for construction costs	271,310	77,658
Prepayments for land use rights	—	924,184
Prepayments for acquisitions of subsidiaries	24,300	195,020
	<u>2,376,585</u>	<u>1,858,769</u>

Note:

- (a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit terms are generally granted to certain customers and the customers are required to settle the receivables according to the sales and purchase agreements.
- (b) The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	124,118	233,732
31 - 60 days	5,040	73,831
61 - 90 days	128	669
91 – 180 days	1,933	511
Over 180 days	50,794	51,020
	<u>182,013</u>	<u>359,763</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The expected losses rate is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. No provision was made against the gross amount of trade receivables (2019: Nil).

8 Trade and other payables

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (Note a)	4,420,000	3,421,830
Accruals and other payables	9,961,301	7,069,553
Other taxes payables	939,816	1,254,228
Dividend payables	4,970	36,392
Salary payables	15,983	13,909
Interest payables	2,754	219,623
Rental deposits received	7,230	4,651
	<u>15,352,054</u>	<u>12,020,186</u>

Note:

(a) The ageing analysis of the trade payables based on invoice date was as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	3,911,635	2,979,396
31 - 60 days	78,210	61,965
61 - 90 days	78,032	94,626
Over 90 days	352,123	285,843
	<u>4,420,000</u>	<u>3,421,830</u>

(b) The carrying amounts of the Group's trade payables approximate their fair values due to their short maturities.

9 Earnings per share

The basic earnings per share for the year ended 31 December 2020 is calculated based on the profit attributable to owners of the Company.

	2020	2019
Profit attributable to owners of the Company (RMB'000)	<u>1,295,966</u>	<u>1,034,931</u>
Weighted average number of shares in issue	<u>3,551,609,322</u>	<u>3,551,609,322</u>
Basic earnings per share (RMB cents)	<u>36.49</u>	<u>29.14</u>

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the years ended 31 December 2020 and 2019.

10 Dividend

A final dividend for the year ended 31 December 2020 of RMB5 cents (2019: RMB3 cents) per ordinary share, totally approximately RMB177,580,000 (2019: RMB106,548,000) has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been recognised as dividend payable as at 31 December 2020.

BUSINESS OVERVIEW

In 2020, under the new trend of a slower growth in the real estate industry, the Group achieved a stable growth in operating results and increased profitability, leveraging on its efficient operations, prudent financial strategies and the proactive strategic investment layout amid the COVID-19 pandemic. During the reporting period, the Group attained a profit attributable to owners of the Company of approximately RMB1,296.0 million, a year-on-year growth of 25.2%, and retained a lower level of gearing at 48.7%.

The Group upheld its idea of “striving for a beautiful life”, maintained its strategies, focused on its quality of products and services and explored new business opportunities. As the pioneer in the healthy architecture, the Group upgraded our New Oriental Wellness Architecture products to version 2.0 in December 2020. At the same time, based on its operations and development idea of “full coverage throughout the entire lifecycle”, the Group maintained its “Two-Wheel” development strategy in property and diversified business sectors, in order to extend the and achieve a closed loop along the value chain of the industry.

The fast-growing contracted sales achieved its record-high

In 2020, the Group launched the online home purchase platform “Redco UG” in response to the interrupted offline sales brought by the COVID-19 pandemic, putting forward our integrated online and offline selling strategies to facilitate recovery of funds. Meanwhile, the Group also organized different campaigns under the new selling model, namely, “Spring Home-Purchase Festival”, “Season of Community Home Purchasing”, “618 Home Purchase”, “Open referral” to encourage the property purchase demand, boosting the growth of sales.

The Group achieved contracted sales of approximately RMB40.975 billion and contracted total floor area of approximately 4,756,200 sq.m., representing a year-on-year increase of 49.5% and 83.8%, respectively, ahead of our annual sales target.

Continuous cultivating Yangtze River Delta and expanding quality land bank

In 2020, the Group acquired 36 new pieces of land under our proactive expansion strategy and sound investment strategy. In recent years, the Group has insisted on the “1+3+N” global strategic layout, with the Yangtze River Delta city cluster as the “1st” core region to be strengthened; the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Midstream City Cluster and the Bohai Economic Rim as the “3” major sub-regions to be expanded; and the “N” popular city clusters such as the Western Taiwan Straits City Cluster and overseas markets. As of 31 December 2020, the Group’s total land bank amounted to approximately 23.4 million sq.m., providing continuous impetus to the Group’s quality development.

Focusing on product quality and launching New Oriental Wellness Architecture products version 2.0

In the post-epidemic era, consumers have put forward new requirements for residential scenarios such as community control, property services and architectural epidemic prevention performance, and “healthy architecture” has presented a significant opportunity for development. As the pioneer in healthy architecture, the Group starts from the underlying logic of healthy living relationship, re-examining “people and health”, “construction and health”, and “health and service” relationships. The Group has upgraded the New Oriental Wellness Architecture (NOWA) products from version 1.0 to 2.0. according to four dimensions, namely, “One single standard of epidemic prevention”, “Two housekeepers”, “Three-dimensional healthy living” and “Four healthy living scenes”, marking a brand new page in the development history of Redco’s healthy architecture product system.

Driven by diversified businesses and rapid development of the “two housekeepers”

In recent years, while strengthening the property development business, the Group has been promoting diversified business layout in line with the development trend of the industry, in order to extend the value down the line and incubate the closed loop of the entire industry chain. The Group’s diversified industries investment group has developed and incubated diversified businesses, such as healthcare, commerce, technology, property services, cultural tourism and education from the perspective of the whole life cycle. In 2020, the Group’s revenue from other segments was RMB221.4 million.

The rapid development of UG Property Management of Redco was demonstrated by surging number of management services projects and significant improvement of service quality. UG Property Management, Totalbuild Investments Group (共創投集團), Gold Medal City (金牌市政) and Forest Properties (森林物業) entered into strategic cooperation agreements, achieving win-win situation and synergies. As the only healthcare brand with national presence in the real estate industry, Yearning Health innovated the “7+7+N” integrated care system, establishing the seven-layer care system, including prevention, curing, emergency treatment, referral, healthcare, nutrition and nursing, while involving 7 types of specialist, namely, general practitioners, nutritionists, Chinese medicine practitioners, pediatrician, etc., providing access to N kinds of possibilities of healthy life.

Market recognition to our financial health and strong funding positions

In 2020, the Group had total cash and cash equivalents and restricted cash of RMB13.8 billion, reflected our sufficient liquidity, and our net gearing ratio was 48.7%. The selling and management expenses were well controlled and the key financial indicators were healthy and safe.

With its good corporate governance and prudent financial management, the Group successfully issued four of US dollar-denominated bonds in 2020, totaling US\$936 million. At the same time, the Group has actively exploring diversified financing methods, optimizing its debt structure and achieved a stable level of assets and liabilities, which have been frequently recognized by international and domestic rating agencies. In January 2021, Lianhe Global assigned “BB-” to the Group and in March, Fitch upgraded the rating to “B+”. Both rating agencies are bullish on the long-term development of the Group and recognized its remarkable growth on scale while maintaining a healthy financial leverage and a sufficient land bank to support the further growth of the contracted sales. S&P maintains the rating at “B”. Three rating agencies have given the Group the outlook “Stable”.

Receiving awards leading to rising reputation

Leveraging on its rapid development and outstanding overall strength in 2020, the Group was put on various authoritative rating organizations’ lists and its brand reputation has increased significantly. The Group has been awarded the 2020 China Real Estate Excellence 100 (2020 中國房地產卓越100榜), the Top 10 China Listed Real Estate Enterprises in terms of organic growth potential (中國上市房企內生增長潛力TOP10), the Top 10 China Listed Real Estate Enterprises in terms of solvency (中國上市房企償債能力TOP10), the Top 50 Listed Real Estate Enterprises with Comprehensive Strength (地產上市公司綜合實力TOP50), China Innovative Real Estate Enterprise of the Year 2020 (2020中國年度創新力地產企業), the Top 10 Green and Healthy Demonstration Enterprises (十佳綠色健康示範企業), the 2020 Real Estate Companies Worth Watching in the Capital Market (2020值得資本市場關注的房地產公司), China’s Listed Real Estate Enterprise with Leading Product Quality - healthy housing 2020 (2020中國房地產上市公司產品力領先企業--健康住宅), the Real Estate Enterprise with Excellent Products in China 2020 (2020中國房地產產品力優秀企業), Social Welfare Entity 2020 (2020年公益集體), etc.

The Group’s UG Property Management were awarded Top 100 Property Service Enterprises in China 2020 (2020年中國物業服務百強企業), the Valuable Property Service Enterprise of the Year (年度價値物業服務企業), China Service Demonstration Enterprise (中國服務示範企業), and the Outstanding Special Property Services Enterprise in China 2020 (2020中國物業特色服務優秀運營企業). Five of its projects received 5 sub-division awards of Golden Site Award (金盤獎五個分賽區大獎), a global high-quality real estate project development award.

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 31 December 2020, the Group's property portfolio comprised 122 property development and investment projects with an aggregate GFA of 23,377,184.7 square metres under various stages of development remaining unsold in various cities in the PRC and Australia. The following table sets forth a summary of our property development and investment projects as at 31 December 2020:

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
JIANGXI REGION			
Spain Standard 力高國際城	466,665.3	861,274.2	5,115.3
Riverside International 濱江國際	37,346.0	163,999.9	1,469.3
Bluelake County 瀾湖郡	135,285.0	286,794.7	14,879.9
Riverlake International 濱湖國際	68,373.0	168,752.5	5,048.1
Imperial Mansion 君御華府	41,993.3	103,594.8	7,470.3
Imperial Metropolis 君御都會	84,093.3	210,142.7	32,129.3
Bluelake International 瀾湖國際	47,151.0	113,323.0	5,396.7
The Garden of Spring 十里春風	30,378.0	15,278.0	11,334.7

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Scenery Bay 麗景灣	51,919.0	177,985.0	177,985.0
Delight Scenery 悦景臺	62,455.0	123,856.6	25,733.2
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,507.2	412,507.2
Life Sunshine Town 生命陽光城	33,396.4	50,181.8	50,181.8
The Phoenix – Phase I 鳳凰新天一期	16,295.3	78,177.8	13,415.9
The Phoenix – Phase II 鳳凰新天二期	39,030.5	155,617.8	155,617.8
Eastern Imperial Garden 東方璽園	49,225.0	165,979.0	165,979.0
Eastern Exquisite 東方玲瓏園	23,209.0	75,630.6	75,630.6
Golden Mansion 金尊府	92,314.0	240,346.0	240,346.0
Royal City 君譽城	225,296.0	642,093.3	642,093.3
Sunshine Capital 陽光首府	93,824.1	208,170.4	208,170.4
Eastern Harmony 東方和園	31,422.0	97,757.0	97,757.0
Eastern Crystal 東方璞園	57,876.0	177,645.0	177,645.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
One Riverside Glory 君譽濱江一期	52,896.0	158,124.3	158,124.3
Two Riverside Glory 君譽濱江二期	42,301.0	100,623.2	100,623.2
Eastern Grand 東方博園	66,667.0	214,244.0	214,244.0
Fifth Avenue 贛州第五大道	107,814.9	642,971.9	511,171.9
Leisure's Mansion 君逸府	49,335.6	135,797.5	135,797.5
Rivera Mansion 雍江府	101,008.5	311,874.2	311,874.2
Majestic Bay 天悅灣	108,665.6	390,000.0	390,000.0
Mid-Levels Villa 半山墅	46,415.4	115,473.7	115,473.7
Zhonghui Acadany House 中輝學府	61,052.7	159,030.3	159,030.3
Royal Impression 君譽印象	49,780.5	148,609.6	148,609.6
Park Isle Lake 公園嶼湖	59,811.0	186,159.2	186,159.2
Violet Pavilion 紫雲台	134,667.3	191,973.0	191,973.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
TIANJIN REGION			
Sunshine Coast 陽光海岸	481,394.0	1,445,893.2	917,647.4
Land Lot Nos. A1 and A2 A1及A2號地塊	69,336.2	55,469.0	55,469.0
Perfection Ocean 理想海	159,465.9	316,654.0	316,654.0
Luminescence Ocean 拾光海	68,827.0	130,921.7	130,921.7
Eastern Aesthetics 悅麓蘭庭	105,115.2	310,991.2	310,991.2
HUNAN REGION			
Changsha Phoenix 長沙鳳凰新天	18,002.1	128,168.2	128,168.2
Yuelu Green Town 岳麓青城	215,333.0	753,667.0	753,667.0
Yuelu Celebrity Town 岳麓名城	140,000.0	350,000.0	350,000.0
Hangao Academy Mansion 漢高學士府	67,613.7	252,117.1	252,117.1
Royal Terrace 雍璽台	111,027.5	432,514.0	432,514.0
Yuelu Green Town 岳麓青城	241,333.0	675,734.0	675,734.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
ZHEJIANG REGION			
Cloud Metropolis 雲都會	132,701.0	467,684.9	467,684.9
Peaceful Sea 靜海府	56,499.6	108,074.0	23,445.7
Riviera One 環頤灣	223,245.0	645,806.7	645,806.7
Peach Creek Villa 桃溪雲廬	25,475	61,679.8	61,679.8
YuYao Project 余姚項目	78,512.0	241,627.7	241,627.7
JIANGXU REGION			
Jade Grand Mansion 璞悦新邸	41,533.0	126,600.9	126,600.9
Tongzhou Project 通州區項目	88,043.0	244,037.1	244,037.1
Leisure's Maneion 君逸府	199,538.0	515,389.9	515,389.9
Time Spring Palace 時光汎樾	57,962.0	144,394.0	144,394.0
Yanshan Impression 燕山映	61,021.0	163,483.6	163,483.6

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
SHANDONG REGION			
Bluelake County 瀾湖郡	68,066.0	256,658.6	2,829.9
Royal Family 君御世家	30,682.0	131,919.7	18,692.4
Imperial Mansion 君御華府	44,966.0	125,742.3	14,387.8
Redco Visionary 力高未來城一期	90,616.9	311,327.2	61,682.2
Redco Visionary II 力高未來城二期	236,992.1	607,995.8	540,728.5
Spring Villa 雍泉府	268,113.0	596,669.4	418,258.0
Jiyang II 濟陽大二期	166,967.4	389,510.0	389,510.0
Grand Mansion 君悅首府	60,940.0	175,440.0	175,440.0
Leisure's Mansion 君逸府	34,290.0	111,702.9	111,702.9
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	93,512.7	7,802.8
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	34,388.3	1,315.5
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,358.2	3,418.7

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,814.7	104,834.4
Sunshine Coast - Phase V 陽光海岸-第五期	99,194.0	199,574.0	199,574.0
Cathay Palace 泰和府	57,991.0	182,230.0	182,230.0
Imperial Mansion 瑞璽公館	100,511.8	279,024.0	279,024.0
Delight Mansion 清悅華府	133,352.0	375,577.5	375,577.5
Visionary B2 Lot 未來城B2部分地塊	10,734.0	50,489.0	50,489.0
Visionary A7 Lot 未來城A7部分地塊	23,651.0	75,335.0	75,335.0
ANHUI REGION			
Mix Kingdom Redco 力高•共和城	395,596.4	823,818.0	66,805.3
Prince Royal Family 君御世家	88,025.5	300,887.9	31,506.5
Royal International 君御國際	43,873.0	114,894.0	17,685.0
Bluelake City 瀾湖前城	76,058.8	229,941.8	37,198.5
Majestic Residence 天悅府	67,931.0	198,138.0	135,960.2

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Huaan Southern City 南華安城	165,601.7	496,943.5	496,943.5
Cloud Terrace 雲湖印	47,925.5	130,636.2	130,636.2
Royal Universe 君御天下	83,478.3	125,217.5	125,217.5
Bauhinia Residence 紫荊府	56,185.5	140,610.5	140,610.5
Virtuous City 毅德城	363,736.9	880,110.0	420,701.9
Leisure's Mansion 君逸府	47,098.0	123,142.0	123,142.0
Mingbang Golden Age 錦綉年華	135,994.1	324,232.2	324,232.2
Prestige Mansion 國賓府	48,580.8	152,541.0	152,541.0
Garden Lane 公園里	61,199.8	157,613.4	157,613.4
HUBEI REGION			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	91,295.5
Youthfulness 雍華年	61,450.2	113,693.4	113,693.4
Golden Bridge Horizon 金橋新天地	30,364.0	91,046.9	91,046.9

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Intelligence City 智慧城	31,696.3	118,039.0	118,039.0
Redco Majestic Residence 力高天悦府一期	53,392.4	198,071.9	54,706.4
Redco Majestic Residence II 力高天悦府二期	42,512.8	157,435.2	157,435.2
Fortune East 瑞錦東城	46,666.9	71,815.0	71,815.0
Scenery Mansion 山水華府	47,012.0	201,516.0	201,516.0
Delight Dragon City 悦禧龍城	158,891.0	556,118.5	556,118.5
Royal City - Phase I 御景灣- 第一期	69,466.8	205,541.0	9,690.6
Majestic Mansion 天悦華府	88,319.8	171,000.0	116,508.4
Royal Family 君御世家	27,588.1	78,431.6	78,431.6
Royal Redco 力高君樾	46,855.5	90,131.7	90,131.7
Yangxin Causeway Bay Plaza 陽新銅鑼灣廣場	161,064.9	485,260.3	485,260.3

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
GUANGDONG REGION			
Royal International 力高君御花園	33,035.3	138,833.9	11,360.1
Royal Family 君御世家	30,819.6	95,493.7	15,172.5
Bluelake Landmark 瀾湖峯景	28,113.0	69,275.2	18,013.8
Center Mansion 君熙府	17,428.0	74,617.7	74,617.7
Royal Mansion 君譽府	13,611.1	36,217.4	36,217.4
Bluelake Mansion 瀾湖公館	12,543.8	41,452.0	41,452.0
Sky Palace 雲築花園	48,179.0	220,954.9	220,954.9
Sky Terrace 雲峰閣	27,820.0	85,791.7	85,791.7
Huizhou Leisure's Mansion 惠州君逸府	24,956.0	100,123.0	100,123.0
Blissful Bay 悦璟灣	71,946	262,489.7	262,489.7
Jiangmen Leisure's Mansion 江門君逸府	65,359.0	231,427.0	231,427.0
Riverside One 濱湖壹號	340,175.6	969,560.0	969,560.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
FUJIAN REGION			
Putian Causeway Bay Plaza 莆田銅鑼灣廣場	170,330.7	430,888.8	430,888.8
Bayview 觀悅灣	18,306.0	53,034.1	3,466.7
Enjoy Peak 悅峰臺	13,336.0	58,647.7	58,647.7
Leisure's Mansion 君逸府	40,279.0	151,406.0	151,406.0
Mount Yuelan 樾瀾山	186,656	518,725.2	518,725.2
Royal Central 君譽中央	15,376.0	48,596.1	48,596.1
Tang Dynasty 大唐世家	83,199.0	250,000.0	250,000.0
Royal Glory 雍錦源	28,381.0	117,230.0	117,230.0
OVERSEAS REGION			
Prime	15,830.0	56,579.0	14,709.0
TOTAL			<u>23,377,184.7</u>

1. Information for “site area” is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).
2. “Total GFA” is based on surveying reports, construction works commencement permits and/or construction works planning permits or the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.
3. “Total GFA under various stages of development remaining unsold” include the GFA of the completed projects remaining unsold, GFA of projects under development and the GFA of projects for future development.

Financial Review

Revenue

Revenue for the year ended 31 December 2020 increased by 44.8% to RMB12,452.0 million from RMB8,602.3 million for the year ended 31 December 2019. Such increase was primarily attributable to the increase in our GFA delivered for the fifth Avenue in Jiangxi, Bluelake City in Anhui and Sunshine Coast and Redco Visionary in Shandong, and was partially offset by the decrease in the GFA delivered for Royal Family in Shandong, Prince Royal Family in Anhui and Delight Scenery in Jiangxi. Total GFA delivered increased by 71.5% to 1,671,838 sq.m for the year ended 31 December 2020 from 975,094 sq. m for the year ended 31 December 2019. The increase in our total revenue was also net-off by the decrease in the recognised average selling price (the “ASP”) for the properties delivered in the year ended 31 December 2020. The ASP for properties delivered decreased to RMB7,874 for the year ended 31 December 2020 from RMB8,692 for the year ended 31 December 2019, representing a 9.4% decrease which was primarily due to the decrease in GFA delivered in Greater Bay Area which recognised a relatively higher ASP.

The following table set out a breakdown of the Group's revenue, GFA delivered and recognised ASP by geographical segments:

	For the year ended 31 December					
	2020	2019	2020	2019	2020	2019
	<i>Revenue</i> (RMB'000)		<i>GFA Delivered</i> (sq. m.)		<i>Recognised ASP</i> (RMB per sq. m.)	
Greater Western						
Taiwan Straits						
Economic Zone	2,500,327	1,798,900	203,292	183,866	12,299	9,784
Central and Western						
Regions	5,049,726	2,983,860	922,044	387,722	5,477	7,696
Bohai Economic Rim						
– Construction service*	27,977	256,490	—	—	—	—
– Properties sales	4,391,082	2,403,466	416,767	306,403	10,536	7,844
Greater Bay Area	261,456	1,032,602	29,735	97,103	8,793	10,634
Others						
– Property management services	144,714	80,885	—	—	—	—
– Project management services	59,436	33,552	—	—	—	—
– Rental income	15,825	10,574	—	—	—	—
– Others	1,456	1,992	—	—	—	—
Total	<u>12,451,999</u>	<u>8,602,321</u>	<u>1,671,838</u>	<u>975,094</u>	<u>7,874</u>	<u>8,692</u>

* *Construction service represents the construction service provided by the Group in Jinan*

A summary of the segment results is set forth below:

- **Greater Western Taiwan Straits Economic Zone:** segment revenue for the Greater Western Taiwan Straits Economic Zone increased significantly by 39.0% to RMB2,500.3 million for the year ended 31 December 2020 from RMB1,798.9 million for the year ended 31 December 2019. Such increase was primarily attributable to the increase in GFA delivered for Fifth in Jiangxi and net-off by the decrease in GFA delivered for Delight Scenery in Jiangxi.

- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 69.2% to RMB5,049.7 million for the year ended 31 December 2020 from RMB2,983.9 million for the year ended 31 December 2019. Such increase was primarily attributable to the increase in the GFA delivered for Peaceful Sea in Jiangxu and Bluelake City in Anhui.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim increased to RMB4,391.1 million for the year ended 31 December 2020 from RMB2,403.5 million for the year ended 31 December 2019. Such increase was primarily due to the increase in the GFA delivered in Redco Visionary and Sunshine Coast in Shandong net-off by the decrease in the GFA delivered for Royal Family in Shandong and the decrease in the construction service in Shandong district.
- Greater Bay Area: segment revenue for the Greater Bay Area decreased to RMB261.5 million for the year ended 31 December 2020 from RMB1,032.6 million for the year ended 31 December 2019. Such decrease was mainly due to the decrease in GFA delivered for Bluelake Landmark Royal Family in Zhongshan.
- Others: It mainly represents property management services provided by our subsidiaries UG Property Management which mainly for the property management services to our group projects and project management services provided at our headquarters in Shenzhen. The project management services income mainly refers to the acquisition advisory service and financing service to our joint venture project company.

Cost of sales

Cost of sales increased by 70.7% to RMB9,639.3 million for the year ended 31 December 2020 from RMB5,648.2 million for the year ended 31 December 2019. Such increase was primarily due to the increase in GFA delivered to 1,671,838 sq. m. for the year ended 31 December 2020 from 975,094 sq. m. for the year ended 31 December 2019; netted off by the increase in average land acquisition cost per sq. m. delivered amounted to RMB2,690 for the year ended 31 December 2020 from RMB2,263 for the year ended 31 December 2019. Such increase in average land acquisition cost per sq. m. delivered was primarily due to the general increase in the land acquisition cost over PRC and increase in land cost by the acquisition valuation due to business combination accounting treatment.

Gross profit

Gross profit decreased by 4.8% to RMB2,812.7 million for the year ended 31 December 2020 from RMB2,954.1 million for the year ended 31 December 2019. Our gross profit margin decreased to 23% for the year ended 31 December 2020 from 34% for the year ended 31 December 2019. The decrease was primarily attributable to the increase in average land acquisition cost and the decrease in ASP from RMB8,692 in 2019 to RMB7,874 in 2020.

Other gains, net

Other gain increased 61.6% to RMB719.4 million for the year ended 31 December 2020 from RMB445.2 million for the year ended 31 December 2019. The increase was primarily attributable to the increase of re-measurement valuation gain for RMB251.8 million for the year ended 31 December 2020 and increase in bargain purchase arising from acquisition of subsidiaries for RMB51.5 million and net off by the losses on disposal of subsidiaries to RMB51.6 million which was gain for RMB113.8 million in 2019.

Selling and marketing expenses

Selling and marketing expenses increased by 65.6% to RMB743.0 million for the year ended 31 December 2020 from RMB448.7 million for the year ended 31 December 2019. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such increase was mainly due to the increase in the marketing promotion activities for the projects and the increase in the sales agency fee as there was an increase in the contracted sales.

General and administrative expenses

General and administrative expenses increased by 58.3% to RMB817.8 million for the year ended 31 December 2020 from RMB516.7 million for the year ended 31 December 2019. Such increase was primarily due to the increase in salary expenses, legal and consultancy expenses and office and travelling expenses because of the increase in the number of projects located in different cities.

Fair value gain on investment properties

The fair value gain on investment properties represents the increase in the value on the commercial portion of the culture park in Tianjin and a portion of the Redco Building in Shenzhen which is held for rental. The fair value gain decreased by 95.9% to RMB2.6 million for the year ended 31 December 2020 from RMB63.7 million for the year ended 31 December 2019.

Fair value gain on investment properties upon transfer from properties under development for sales

The fair value gain on investment properties upon transfer from properties under development for sales represents the valuation gain for the commercial properties of Sunshine Coast in Tianjin when it changed from the properties under development for sales to investment properties. This amount is nil in 2020.

Operating profit

As a result of the foregoing, operating profit decreased by 22.9% to RMB1,973.8 million for the year ended 31 December 2020 from RMB2,560.0 million for the year ended 31 December 2019.

Finance income

Finance income increased by 22.3% to RMB149.8 million for the year ended 31 December 2020 from RMB122.5 million for the year ended 31 December 2019. Such increase was primarily attributable to the loan to independent person and the increase in interest during the year.

Finance costs

Finance costs increased by 18.8% to RMB23.7 million for the year ended 31 December 2020 from RMB20.0 million for the year ended 31 December 2019. Such increase was mainly due to the increase in interest expense which is not eligible to be capitalised to projects under development.

Share of profit/(loss) of investments accounted for using the equity method, net

Share of profit of investments accounted for using the equity method, net reported a profit of RMB26.4 million for the year ended 31 December 2020 from loss of RMB21.5 million for the year ended 31 December 2019, which mainly due to the increase of completion of GFA delivery for the joint control entities in 2019.

Profit before income tax

As a result of the foregoing, profit before income tax for the year ended 31 December 2020 decreased 19.5% to RMB2,126.3 million from RMB2,641.0 million for the year ended 31 December 2019.

Income tax expense

Income tax expense decreased by 37.3% to RMB683.5 million for the year ended 31 December 2020 from RMB1,089.3 million for the year ended 31 December 2019. Such decrease was primarily due to the decrease in PRC land appreciation tax (“LAT”) for RMB198.8 million as a result of decrease in the gross profit of the Group and net-off by the increase in the PRC enterprise income tax (“EIT”) for RMB302.3 million due to the increase in the revenue recognised for the year.

Profit for the year ended 31 December 2020

As a result of the foregoing, profit for the year ended 31 December 2020 decreased by 7.0% to RMB1,442.8 million from RMB1,551.7 million for the year ended 31 December 2019. The profit for the year ended 31 December 2020 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB404.8 million, Central and Western Regions of RMB412.1 million, Bohai Economic Rim of RMB691.5 million, Greater Bay Area of RMB63.7 million and the others segment loss for RMB129.3 million.

Profit for the year ended 31 December 2020 attributable to owners of the Company

As a result of the foregoing, profit for the year attributable to owners of the Company increased by 25.2% to RMB1,296.0 million for the year ended 31 December 2020 from RMB1,034.9 million for the year ended 31 December 2019. Profit attributable to non-controlling interests decreased to RMB146.8 million for the year ended 31 December 2020 as compared with RMB516.7 million for the year ended 31 December 2019 which was mainly due to the decrease in the profit from property development projects with other investors.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB9,649.4 million (31 December 2019: RMB11,094.3 million) and restricted cash of RMB4,156.9 million (31 December 2019: RMB3,965.2 million) as at 31 December 2020. As at 31 December 2020, the Group's cash and cash equivalents were denominated in Hong Kong dollar (“**HK\$**”), RMB, United States dollar (“**US\$**”) and Australian Dollar (“**AUD**”).

Borrowings

As at 31 December 2020, the Group had borrowings of approximately RMB20,111.4 million (31 December 2019: RMB16,782.7 million).

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Long-term bank borrowings	9,390,276	3,451,066
Senior notes	<u>4,009,532</u>	<u>1,243,720</u>
Non-current borrowings	----- 13,399,808	----- 4,694,786
Short-term bank borrowings	3,077,546	3,152,063
Senior notes	<u>2,681,103</u>	<u>5,630,402</u>
	5,758,649	8,782,465
Portion of term loan from bank		
– due for repayment within one year	829,176	3,173,759
– due for repayment within one year which contain a repayment on demand clause	<u>123,721</u>	<u>131,683</u>
Current borrowings	----- 6,711,546	----- 12,087,907
Total borrowings	<u><u>20,111,354</u></u>	<u><u>16,782,693</u></u>

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts of borrowings that are repayable:		
– Within 1 year	6,711,546	12,087,907
– Between 1 and 2 years	5,331,643	2,558,545
– Between 2 and 5 years	8,068,165	2,136,241
Total borrowings	<u>20,111,354</u>	<u>16,782,693</u>

The carrying amounts of the Group's bank borrowings approximate their fair values as the impact of discounting is not significant or the borrowings carrying floating rate of interests.

Other performance indicators

Net debt to equity ratio

As at 31 December 2020, the Group's net debt to equity ratio was 48.7% (31 December 2019: 17.9%). It is calculated as net debt divided by total equity. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalents and restricted cash). Total equity is as shown in the condensed consolidated balance sheet.

Net current assets and current ratio

As at 31 December 2020, the Group's net current assets amounted to approximately RMB24,301.3 million (31 December 2019: RMB11,858.3 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.42 times as at 31 December 2020 (31 December 2019: 1.25 times).

Cost of borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses incurred, including interest capitalised by average borrowings during this period) increased to 9.78% for the year ended 31 December 2020 from 9.33% for the year ended 31 December 2019.

Contingent liabilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities as at the dates below:

	31 December	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>9,694,814</u>	<u>9,001,924</u>

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure their obligations of such purchasers for repayment. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificates to the purchasers which will generally occur with the period ranging from six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is obliged to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and to take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The Directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 31 December 2020. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

Employees and Remuneration policies

As at 31 December 2020, the Group had approximately 3,247 employees (31 December 2019: 2,966 employees). For the year ended 31 December 2020, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB664.1 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted a share option scheme on 14 January 2014. Further information of such share option scheme is available in the annual report of the Company for the year ended 31 December 2020. The Company provided on-the-job training, induction courses together with other training programmes for the employees at different positions to raise their professionalism during the year ended 31 December 2020.

Charge on assets

As at 31 December 2020, the Group had aggregate banking facilities of approximately RMB21,762.8 million (31 December 2019: RMB18,843.5 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2020 amounted to RMB1,557.0 million (31 December 2019: RMB2,060.8 million).

These facilities were secured by bank deposits, certain properties under development held for sale provided by the Group's subsidiaries, the Group's equity interests in certain subsidiaries and corporate guarantee.

Significant investments held, material acquisitions and disposals of subsidiaries and associated companies

Save as disclosed, no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2020.

Future plans for material investments or capital assets

The Company will continue to purchase land located in the strategically selected cities. It is expected that the Group's internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in this announcement, the Company did not have any plans of significant investments or capital assets as at the date of this announcement.

Important event affecting the Group after 31 December 2020

Reference is made to the announcement of the Company dated on 18 February 2020. As at the date of this announcement, the Group has terminated the Share Purchase Agreement dated 18 February 2020 with MCSI and Infradev due to the expiry of long stop date of the Share Purchase Agreement. As at the date of this announcement, the Group has not provided any funding to the project.

Save as disclosed, no other important event affecting the Group has taken place since 31 December 2020 and up to the date of this announcement.

OUTLOOK

The year of 2021 will be a year of opportunities and challenges for real estate enterprises. The full recovery of the economy after the epidemic will provide energy to the industry. Meanwhile, under the keynote of housing without speculation (房住不炒) and city-based policies (因城施策), the market supply and demand will gradually return to stability in 2021, and demand will become more rational. With the increasing concentration of the industry, property development should not focus on only grasping the opportunity of various cities and rational strategic layout, but also look into the advantageous areas, strengthen key cities, study and analyze the needs of different customer groups, and enhance the cooperation to create more room for development.

The year of 2021 marks the 29th anniversary of Redco Group. Having come a long way, the Group has weathered the up and down and made great achievements from a modest beginning and honed its brilliance with perseverance in the past 29 years. In 2021, the Group will launch a new three-year strategic plan, insist on the two driving forces of real estate and diversified businesses and the “one main and three sub-strategies” of development.

In 2021, taking into account the current situation and our own development needs, the Group will continue to consolidate its five business strategies of investment, financing, operation, products and diversification, and enhance its comprehensive strengths in five core competencies of investment and financing, cash flow turnover, marketing, products and branding, so that our reputation will prevail. At the same time, we will strategically focus on the Yangtze River Delta region, which is the strongest metropolitan area in China, to keep up with the development of the times, achieve a balance between “maintaining current status” and “striving for change”, and sustain quality growth.

In order to achieve the three-year strategic goal, the Group will insist on high-quality development, always focus on the quality and efficiency of business operations, retain talents, promote innovation and efficiency. We will also continue to invest in the research and development of healthy architecture and its implementation based on our principle of “hard technology + soft services”, in order to set an industry benchmark, and build up the core competitiveness of our products and entry barrier to protect our enterprise development.

Based on our New Oriental Wellness Architecture products, the Group’s diversified industries investment group will focus on developing property and healthcare sectors, and on building its core strengths and core capabilities in the fields of digitalization, technology research, business and cultural tourism education, to lead the new trend in the industry and create a new height of strategic development with one industry as the mainstay and diversified business as vertical development.

The future is calling and it is the right moment to start the journey. In 2021, the real estate industry entered the era of long-distance running. The Group has the mentality and strength of a long-distance runner and is confident to run to a better future. Along the new journey towards a more ambitious strategic goal, the Group will steadfastly gather the wisdom and strength of all Redco people, continue to strive for the best without forgetting the original intention, strengthen the solid foundation, empower the progress, and jointly build the Company as the healthy architecture leader and the most valuable comprehensive real estate holding group in China.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB5 cents per share for the year ended 31 December 2020 (year ended 31 December 2019: RMB3 cents) to the Shareholders whose names appear on the Register of Members of the Company on 2 July 2021. The final dividend is subject to the approval of the Shareholder at annual general meeting to be held on 25 June 2021 (“AGM”) and will be payable on or around 14 July 2021. The proposed final dividend shall be declared in RMB and paid in HK\$. The final dividend payable in HK\$ will be converted from RMB at the average exchange rate of HK\$ against RMB announced by the People’s Bank of China on 25 June 2021.

CLOSURE OF REGISTER OF MEMBERS

- (a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Friday, 25 June 2021, the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 21 June 2021.

- (b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed from Friday, 2 July 2021. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 30 June 2021.

THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules for the year ended 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2020.

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

Neither the Company nor any of its subsidiaries had purchased or sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely, Mr. Yip Tai Him, Dr. Wong Yau Kar, David GBS, BBS, JP and Mr. Chau On Ta Yuen SBS, BBS. Mr. Yip Tai Him is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results for the year ended 31 December 2020.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE 2020 ANNUAL RESULTS ANNOUNCEMENT AND 2020 ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

By Order of the Board
Redco Properties Group Limited
Wong Yeuk Hung
Chairman

Hong Kong, 29 March 2021

As at the date of this announcement, the executive Directors are Mr. Wong Yeuk Hung, Mr. Huang Ruoqing and Mr. Tang Chengyong and the independent non-executive Directors are Dr. Wong Yau Kar, David GBS, BBS, JP, Mr. Chau On Ta Yuen SBS, BBS, and Mr. Yip Tai Him.