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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 2021

FINANCIAL HIGHLIGHTS

- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the year ended 31 December 2021 increased by 14.7% to RMB47,011 million
- Revenue for the year ended 31 December 2021 increased by 63.8% to RMB20,396 million
- Profit attributable to owners of the Company for the year ended 31 December 2021 decreased by 31.8% to RMB884.0 million
- Profit for the year ended 31 December 2021 increased by 74.3% to RMB2,514.5 million
- Basic earnings per share was RMB24.89 cents for the year ended 31 December 2021 (2020: RMB36.49 cents)
- Land bank slightly decreased by 2.1% to 22.9 million sq. m. as at 31 December 2021 (31 December 2020: 23.4 million sq.m.)
- Cash and cash equivalents and restricted cash as at 31 December 2021 amounted to RMB10,857.0 million (31 December 2020: RMB13,806.3 million) and the net debt to equity ratio was 52.8% as at 31 December 2021 (31 December 2020: 48.7%)
- The Board does not recommend the payment of a final dividend (2020: RMB5 cents per ordinary share, totaling RMB177,580,000) for the year ended 31 December 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 2021, together with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December	
	<i>Note</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	20,396,008	12,451,999
Cost of sales		(15,633,200)	(9,639,342)
Gross profit		4,762,808	2,812,657
Other gains, net	4	685,346	719,359
Selling and marketing expenses		(1,069,430)	(743,036)
General and administrative expenses		(978,035)	(817,774)
Fair value gain on investment properties		56,049	2,606
Fair value gain on investment properties upon transfer from properties under development for sales		194,856	—
Operating profit		3,651,594	1,973,812
Finance income	5	236,534	149,846
Finance costs	5	(19,479)	(23,726)
Finance income, net		217,055	126,120
Share of (losses)/profits of investments accounted for using the equity method, net		(11,759)	26,379
Profit before income tax		3,856,890	2,126,311
Income tax expense	6	(1,342,373)	(683,500)
Profit for the year		<u>2,514,517</u>	<u>1,442,811</u>
Profit attributable to:			
Owners of the Company		883,963	1,295,966
Non-controlling interests		1,630,554	146,845
		<u>2,514,517</u>	<u>1,442,811</u>
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	9	<u>24.89</u>	<u>36.49</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>2,514,517</u>	<u>1,442,811</u>
Other comprehensive income		
<u>Item that may not be reclassified to profit or loss</u>		
– Currency translation differences	<u>367,363</u>	<u>436,037</u>
Total other comprehensive income	<u>367,363</u>	<u>436,037</u>
Total comprehensive income for the year	<u><u>2,881,880</u></u>	<u><u>1,878,848</u></u>
Total comprehensive income attributable to:		
– Owners of the Company	1,250,462	1,730,004
– Non-controlling interests	<u>1,631,418</u>	<u>148,844</u>
Total comprehensive income for the year	<u><u>2,881,880</u></u>	<u><u>1,878,848</u></u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

		31 December	31 December
	Note	2021	2020
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		923,795	264,715
Investment properties		1,992,013	1,027,610
Intangible assets		352,684	364,031
Investments accounted for using the equity method		1,016,837	916,256
Deferred income tax assets		1,122,451	1,428,001
Contract assets		695,239	—
		<u>6,103,019</u>	<u>4,000,613</u>
Current assets			
Completed properties held for sale		7,751,967	6,165,642
Properties under development for sale		50,397,051	50,085,317
Contract assets		—	695,239
Trade and other receivables and deposits	7	4,030,288	2,838,368
Prepayments	7	2,406,921	2,376,585
Amounts due from joint ventures		1,004,533	119,718
Amounts due from associates		933,071	1,470,072
Amounts due from non-controlling interests		4,514,113	4,000,464
Income tax recoverable		1,309,031	415,878
Restricted cash		3,322,797	4,156,859
Cash and cash equivalents		7,534,181	9,649,423
		<u>83,203,953</u>	<u>81,973,565</u>
Total assets		<u><u>89,306,972</u></u>	<u><u>85,974,178</u></u>

		31 December	31 December
	<i>Note</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves		7,761,387	6,667,423
		<u>7,901,019</u>	<u>6,807,055</u>
Non-controlling interests		<u>8,357,891</u>	<u>6,140,620</u>
Total equity		<u><u>16,258,910</u></u>	<u><u>12,947,675</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings		9,621,483	13,399,808
Deferred income tax liabilities		2,134,348	1,954,477
		<u>11,755,831</u>	<u>15,354,285</u>
Current liabilities			
Trade and other payables	8	16,002,149	15,352,054
Borrowings		9,822,353	6,711,546
Amounts due to non-controlling interests		6,375,100	6,075,226
Amounts due to associates		98,939	159,274
Amounts due to joint ventures		469,365	50,784
Contract liabilities		25,205,116	26,815,905
Income tax liabilities		3,319,209	2,507,429
		<u>61,292,231</u>	<u>57,672,218</u>
Total liabilities		<u><u>73,048,062</u></u>	<u><u>73,026,503</u></u>
Total equity and liabilities		<u><u>89,306,972</u></u>	<u><u>85,974,178</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 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 2021 and currently relevant to the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to HKFRS 16	Covid-19 - Related Rent Concessions

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 2021 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 beyond 2021	1 April 2021
Amendments to HKFRS 3	Update Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts - Costs of Fulfilling a Contract	1 January 2022
Annual Improvements Project	Annual Improvements 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17 and its amendments	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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						
2021						
Revenue from contracts						
– recognised at a point in time	11,266,317	6,344,803	1,937,630	462,930	783	20,012,463
– recognised over time	52,937	18,231	13,445	—	418,343	502,956
– others	—	—	—	14,675	21,349	36,024
Less: Inter-segment revenue	—	—	—	(14,675)	(140,760)	(155,435)
Revenue (from external customers)	<u>11,319,254</u>	<u>6,363,034</u>	<u>1,951,075</u>	<u>462,930</u>	<u>299,715</u>	<u>20,396,008</u>
Segment results	2,955,680	825,527	214,451	(140,023)	(154,653)	3,700,982
Depreciation	<u>(16,832)</u>	<u>(8,398)</u>	<u>(1,560)</u>	<u>(678)</u>	<u>(21,920)</u>	<u>(49,388)</u>
Operating profits/(losses)	2,938,848	817,129	212,891	(140,701)	(176,573)	3,651,594
Share of (losses)/profits of investments accounted for using the equity method, net	(16,142)	(13,088)	12,705	(4,702)	9,468	(11,759)
Finance income	10,999	3,616	83,810	4,148	133,961	236,534
Finance costs	—	(874)	(821)	—	(17,784)	(19,479)
Income tax expense	<u>(943,271)</u>	<u>(306,012)</u>	<u>(91,708)</u>	<u>23,075</u>	<u>(24,457)</u>	<u>(1,342,373)</u>
Profit/(loss) for the year	<u><u>1,990,434</u></u>	<u><u>500,771</u></u>	<u><u>216,877</u></u>	<u><u>(118,180)</u></u>	<u><u>(75,385)</u></u>	<u><u>2,514,517</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						
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 RMB'000	Central and Western Regions RMB'000	Bohai Economic Rim RMB'000	Greater Bay Area RMB'000	Others RMB'000	Total RMB'000
At 31 December 2021						
Total segment assets	27,369,045	29,227,484	21,419,113	8,174,112	2,976,142	89,165,896
Other unallocated corporate assets						141,076
Total assets						<u>89,306,972</u>
Investments accounting for using the equity method	<u>131,391</u>	<u>572,683</u>	<u>93,548</u>	<u>—</u>	<u>219,215</u>	<u>1,016,837</u>
Additions to:						
Property, plant and equipment	4,056	2,436	1,397	827	53,282	61,998
Investments accounted for using the equity method	260,618	306,273	—	600	—	567,491
Acquisition of subsidiaries						
– Property, plant and equipment	656,986	48	1,998	—	—	659,032
– Investment property	263,592	—	—	—	—	263,592
– Investments accounted for using the equity method	<u>6,022</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,022</u>
Total segment liabilities	<u>(20,073,193)</u>	<u>(21,295,506)</u>	<u>(15,891,425)</u>	<u>(5,082,240)</u>	<u>(10,705,698)</u>	<u>(73,048,062)</u>
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						161,161
Total assets						<u>85,974,178</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>

The Group revenue consists of the following:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of properties	20,011,680	12,202,591
Construction services	—	27,977
Property management services and community valued-added services	236,783	144,714
Project management services	88,947	59,436
Hotel income	34,683	—
Rental income	21,349	15,825
Healthcare service	2,566	1,456
	<u>20,396,008</u>	<u>12,451,999</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 2021 and 2020.

4 Other gains, net

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange (losses)/gains	(34,609)	48,102
Gain on disposal of investment in a joint venture	79,097	46,355
Gains on bargain purchase arising from acquisition of subsidiaries	110,649	124,455
Gains on disposal of property, plant and equipment	818	300
Gain/losses on disposal of subsidiaries	30,810	(51,621)
Realised gain on foreign exchange forward contracts	—	5,545
Remeasurement gains on interests in investments accounted for using the equity method	460,821	538,423
Others	37,760	7,800
	<u>685,346</u>	<u>719,359</u>

5 Finance income and costs

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income from bank deposits	126,684	117,172
Finance income from loans to associates	15,087	—
Finance income from loans to non-controlling interests	7,843	32,674
Gains on repurchase of senior notes	86,920	—
	<u>236,534</u>	<u>149,846</u>
Finance costs on bank and other borrowings	2,057,996	1,739,801
Finance costs on loans from non-controlling interests	43,138	54,385
Less: finance costs capitalised in qualifying assets	(2,081,655)	(1,770,460)
	<u>19,479</u>	<u>23,726</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>9.71%</u>	<u>9.78%</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 2021 (2020: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the year ended 31 December 2021 (2020: Nil).

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% (2020: 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.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC corporate income tax	762,056	1,203,728
PRC land appreciation tax	449,398	378,400
Deferred income tax	130,919	(898,628)
	<u>1,342,373</u>	<u>683,500</u>

7 Trade receivables, other receivables, deposits and other prepayments

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, other receivables and deposits:		
Trade receivables (Note a and b)	305,352	182,013
Less: Provision for impairment on trade receivables	<u>(7,448)</u>	<u>—</u>
	297,904	182,013
Other receivables	3,423,731	1,954,771
Interest receivables	10,757	11,073
Receivables in relation to the disposal of assets and liabilities held for sales	81,863	150,000
Deposits with local real estate associations	216,070	538,804
Deposits with labour department	23,189	29,014
Deposits with treasury bureau	<u>64,587</u>	<u>60,506</u>
	3,820,197	2,744,168
Less: provision for impairment on other receivables and deposits	<u>(87,813)</u>	<u>(87,813)</u>
	<u>3,732,384</u>	<u>2,656,355</u>
	<u>4,030,288</u>	<u>2,838,368</u>
Prepayments:		
Prepaid other taxes	1,801,264	2,080,975
Prepayments for construction costs	581,357	271,310
Prepayments for acquisitions of subsidiaries	<u>24,300</u>	<u>24,300</u>
	<u>2,406,921</u>	<u>2,376,585</u>

Note:

- (a) Trade receivables mainly arise from sales of properties and provision of property management services.

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.

Property management services income are received in accordance with the terms of the relevant services agreements. Service income from property management service is due for payment by the residents upon the issuance of demand note.

Trade receivables from sales of properties of RMB210,295,000 (2020: RMB100,242,000) are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free.

- (b) The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	241,673	124,118
31 - 60 days	5,651	5,040
61 - 90 days	6,688	128
91 – 180 days	16,526	1,933
Over 180 days	34,814	50,794
	<u>305,352</u>	<u>182,013</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. A loss allowance of approximately RMB7,448,000 was provided for the year ended 2021 mainly attributable to proceeds from property management services. The expected losses rate on proceed from sales of property is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates.

The movement of provision for impairment of trade receivables is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	—	—
Provision for impairment charged to consolidated profit or loss	7,448	—
At 31 December	<u>7,448</u>	<u>—</u>

8 Trade and other payables

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (Note a)	6,140,366	4,420,000
Accruals and other payables	6,063,750	9,961,301
Amount due to a shareholder (Note b)	124,068	—
Other taxes payables	3,637,173	939,816
Dividend payables	6,935	4,970
Salary payables	15,577	15,983
Interest payables	6,382	2,754
Rental deposits received	7,898	7,230
	<u>16,002,149</u>	<u>15,352,054</u>

Note:

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	5,157,615	3,911,635
31 - 60 days	100,181	78,210
61 - 90 days	76,093	78,032
Over 90 days	806,477	352,123
	<u>6,140,366</u>	<u>4,420,000</u>

(b) As at 31 December 2021, the loan from a shareholder is interest-free, unsecured and repayable within 1 year with repayment on demand clause.

(c) 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 2021 is calculated based on the profit attributable to owners of the Company.

	2021	2020
Profit attributable to owners of the Company (RMB'000)	<u>883,963</u>	<u>1,295,966</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>24.89</u>	<u>36.49</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 2021 and 2020.

10 Dividend

The Board does not recommend the payment of a final dividend (2020: RMB5 cents per ordinary share, totaling RMB177,580,000) for the year ended 31 December 2021.

BUSINESS OVERVIEW

In 2021, the real estate control policies adhered to the main undertone of “housing is for living, not for speculation”, “localisation of real estate policies” (因城施策); and continuous stabilisation of land prices, housing prices and market expectations.

Under the new circumstances, the Group is able to maintain a stable and quality development with reliance on efficient operation capabilities, stable fiscal strategies, quality products and forward-looking plans for strategic investment. During the year ended 31 December 2021, the Group attained revenue of approximately RMB20,396 million, representing a year-on-year increase of 63.8%; gross profit of RMB4,762.8million, representing a year-on-year increase of 69.3% and net profit of approximately RMB2,514.5 million, representing a year-on-year increase of 74.3%. In 2021, the contract sales of the Company and its associated entities were approximately RMB47,011 million, and the contract sales area was approximately 5.36 million sq.m., representing a year-on-year increase of 14.7% and 12.6%, respectively.

Continuously cultivating Yangtze River Delta and expanding quality land bank

In 2021, the Group acquired 20 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 2021, the Group’s total land bank amounted to approximately 22.9 million sq.m., providing continuous impetus to the Group’s quality development.

Focusing on New Oriental Wellness Architecture and enhancement in overall product quality

The Group has been focusing on research and development capabilities of products and rewards its customers with ingenious products in recent years. In 2019, with the concept of returning to humanism and upholding the wellness architecture, the Group was dedicated to establishing a new product system - New Oriental Wellness Architecture (“NOWA”). Currently, NOWA products have now been upgraded to version 3.0. As the “pioneer” in wellness architecture, NOWA 3.0 products are established based on the rigid demand of customers’ wellness, which firmly provided “high quality” healthy housing for the cities. The latest version of NOWA proposes the “4H+” healthy living featured by “Homie, Healthy, Happiness and High Tech” from four perspectives including core customer group, product design, scene construction and provision of platform services.

Promoting diversified businesses and having the listing application of Redco Healthy Living submitted to the SEHK

In recent years, while strengthening the property development business, the Group has been keenly promoting the layout of its diversified businesses which are in line with the development trend of the industry, in order to extend its value down the line and incubate the closed-loop of the entire industry chain. The Group’s diversified investment segment has developed and incubated diversified businesses including but not limited to healthcare, commerce, technology and property management from the perspective of the whole life cycle. During the year ended 31 December 2021, the Group’s revenue from other segments was approximately RMB384.3 million.

The property management segment (the “UG Property Management”) of the Group has demonstrated a rapid development with surging number of management service projects. In June 2021, the Group submitted the application to the SEHK for the spin-off and separate listing of the shares of Redco Healthy Living Company Limited (“Redco Healthy Living”), on the Main Board of the SEHK. Redco Healthy Living published the prospectus on 22 March 2022. The Group expects that the shares of Redco Healthy Living will become listed on 31 March 2022. Redco Healthy Living is committed to be a “dual bulter” for customers, namely lifestyle bulter and healthcare bulter. Leveraging the intelligent and digitalised technical service platform, the Group is continuously improving the operating efficiency and customers experiences.

Advancing with honor and strengthening the brand recognition

In 2021, the rapid development and outstanding comprehensive strength of the Group was widely recognised within and outside the industry, with our reputation significantly enhancing by winning various awards. The Group has been awarded 2021 China Real Estate Growth Excellence List (2021中國房地產成長力卓越榜), 2021 China’s Top 100 Listed Real Estate Enterprises (2021年中國上市百強房企), China’s Top 10 Listed Real Estate Enterprises by Growth and Development Capability (中國上市房企成長發展能力十強), 2021 Public Welfare Driving Force Award (2021年公益推動力大獎), China Real Estate Wellness Architecture Products Top 3(中國房地產健康建築產品力TOP3) and China’s Leading Brand of Real Estate and Residential Development - Wellness Architecture (中國房地產住宅開發專業領先品牌－健康建築地產).

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 31 December 2021, the Group's property portfolio comprised 133 property development and investment projects with an aggregate gross floor area (the "GFA") of 22,879,481.0 square metres under various stages of development remaining unsold in various cities in the PRC. The following table sets forth a summary of our property development and investment projects as at 31 December 2021:

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	3,769.3
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	14,139.9
Riverlake International 濱湖國際	68,373.0	168,752.5	3,706.4
Imperial Mansion 君御華府	41,993.3	103,594.8	7,380.1
Imperial Metropolis 君御都會	84,093.3	210,142.7	30,060.7
Bluelake International 瀾湖國際	47,151.0	113,323.0	2,208.2
The Garden of Spring 十里春風	30,378.0	15,278.0	11,273.3

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	50,082.6
Delight Scenery 悦景臺	62,455.0	123,856.6	20,310.3
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,507.2	259,546.4
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	9,781.1
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	84,368.0
Royal City 君譽城	225,296.0	642,093.3	197,894.1
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
One Riverside Glory 君譽濱江一期	52,896.0	158,124.3	47,971.2

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
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	502,461.0
Leisure's Mansion 君逸府	49,335.6	135,797.5	53,683.0
Rivera Mansion 雍江府	101,008.5	311,874.2	311,874.2
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
Violet Pavilion 紫雲台	134,667.3	191,973.0	191,973.0
River Forest West Side Phase I 江樾府項目西區一期	21,326.9	47,016.4	47,016.4
River Forest East Side Phase I 江樾府項目東區一期	32,708.9	75,302.1	75,302.1
Royal County 尚郡	44,137.0	112,713.0	112,713.0
Royal River Mansion 御江府	23,569.1	45,841.7	45,841.7

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	818,752.4
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	273,113.2
Luminescence Ocean 拾光海	68,827.0	130,921.7	89,126.6
Eastern Aesthetics 悅麓蘭庭	105,115.2	310,991.2	254,105.5
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
Kingdom Forest 江山樾	131,773.8	452,380.0	452,380.0

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	275,759.6
Peach Creek Villa 桃溪雲廬	25,475	61,679.8	61,679.8
Glory Joy Palace 耀悦雲庭	78,512.0	241,627.7	241,627.7
Lagoon Palace 潭影雲廬	82,512.2	113,512.2	113,512.2
Hanru Pavilion 翰如府	30,894.0	98,201.4	98,201.4
Fenghua Garden 峰華苑	64,011.0	163,058.4	163,058.4
JIANGSU REGION			
Peaceful Sea 靜海府	56,499.6	108,074.0	22,608.3
Riviera One 環頤灣	223,245.0	645,806.7	495,182.5
Jade Grand Mansion 璞悦新邸	41,533.0	126,600.9	126,600.9
Violet Mist Land 紫雲朗境	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

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Yanshan Impression 燕山映	61,021.0	163,483.6	163,483.6
Phoenix Isle 鳳嶼山河	102,511.2	185,928.8	185,928.8
Leisure's Mansion 君逸府	16,402.8	37,171.5	37,171.5
SHANDONG REGION			
Bluelake County 瀾湖郡	68,066.0	256,658.6	1,739.0
Royal Family 君御世家	30,682.0	131,919.7	18,605.9
Imperial Mansion 君御華府	44,966.0	125,742.3	14,238.7
Redco Visionary 力高未來城一期	90,616.9	311,327.2	46,556.4
Redco Visionary II 力高未來城二期	236,992.1	607,995.8	526,574.0
Spring Villa 雍泉府	268,113.0	596,669.4	382,558.7
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

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 I 陽光海岸－第一期	51,693.7	93,512.7	7,097.0
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	34,388.3	1,295.5
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,358.2	2,900.1
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,814.7	98,624.9
Sunshine Coast - Phase V 陽光海岸-第五期	99,194.0	199,574.0	199,574.0
Sunshine Coast - Phase VI 陽光海岸-第六期	60,578.0	286,042.0	286,042.0
Sunshine Coast - Phase VII 陽光海岸-第七期	50,954.0	267,967.0	267,967.0
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
Leisure's Mansion 君逸府	39,000.0	74,894.5	74,894.5

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
ANHUI REGION			
Mix Kingdom Redco 力高•共和城	395,596.4	823,818.0	65,787.5
Prince Royal Family 君御世家	88,025.5	300,887.9	29,800.2
Royal International 君御國際	43,873.0	114,894.0	15,040.4
Bluelake City 瀾湖前城	76,058.8	229,941.8	34,981.4
Majestic Residence 天悦府	67,931.0	198,138.0	57,254.2
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	94,495.0
Royal Universe 君御天下	83,478.3	147,308.9	67,640.4
Bauhinia Residence 紫荊府	56,185.5	140,610.5	17,982.8
Virtuous City 毅德城	363,736.9	880,110.0	394,460.3
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

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Prestige Mansion 國賓府	48,580.8	152,541.0	152,541.0
Zhengwu Future 政務未來	61,873.3	194,654.0	194,654.0
Leisure' s Mansion 君逸府	107,513.0	217,286.0	217,286.0
HUBEI REGION			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	91,375.7
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
Redco Majestic Residence 力高天悦府一期	53,392.4	198,071.9	52,674.7
Redco Majestic Residence II 力高天悦府二期	42,512.8	157,435.2	157,435.2
Scenery Mansion 山水華府	47,012.0	201,516.0	123,481.0
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	7,510.6
Majestic Mansion 天悦華府	88,319.8	171,000.0	114,706.5
Royal Family 君御世家	27,588.1	78,431.6	34,956.6

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
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
GUANGDONG REGION			
Royal International 力高君御花園	33,035.3	138,833.9	11,271.4
Royal Family 君御世家	30,819.6	90,493.7	2,886.1
Bluelake Landmark 瀾湖峯景	28,113.0	69,275.2	14,842.2
Center Mansion 君熙府	17,428.0	74,617.7	24,193.9
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	71,946.0	258,947.2	258,947.2

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Jiangmen Leisure's Mansion 江門君逸府	65,359.0	228,798.2	228,798.2
Riverside One 濱湖壹號	340,175.6	969,560.0	969,560.0
Zengcheng Project 增城項目	29,306.0	153,177.0	153,177.0
Eco Garden 頤尚嘉園	51,714.1	193,458.0	193,458.0
Pearl Mira 印玥萬璟	74,745.9	246,418.0	246,418.0
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	3,048.7
Enjoy Peak 悅峰臺	13,336.0	58,647.7	12,965.2
Leisure's Mansion 君逸府	40,279.0	151,406.0	27,574.3
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	12,494.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Emperor Palace 君樽府	30,108.0	70,182.2	70,182.2
Qianxihui Square 仟喜薈廣場	154,359.1	473,504.5	473,503.5
TOTAL			<u>22,879,481.0</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” includes 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 2021 increased by 63.8% to RMB20,396.0 million from RMB12,452.0 million for the year ended 31 December 2020. Such increase was primarily attributable to the increase in our GFA delivered for the residential and commercial properties for the Royal City, Riverside Glory, and Leisure's Mansion in Jiangxi and Cloud Metropolis in Zhejiang. Total GFA delivered increased by 45.6% to 2,434,318 sq.m for the year ended 31 December 2021 from 1,571,838 sq. m for the year ended 31 December 2020. The increase in our total revenue was also due to the increase in the recognised average selling price (the "ASP") for the properties delivered in the year ended 31 December 2021. The ASP for properties delivered increased to RMB8,221 per square meter for the year ended 31 December 2021 from RMB7,874 per square meter for the year ended 31 December 2020, representing a 4.4% increase which was primarily due to the increase in GFA delivered for above mentioned projects 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					
	2021	2020	2021	2020	2021	2020
	<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	11,266,317	2,500,327	1,304,969	203,292	8,633	12,299
Central and Western						
Regions	6,344,803	5,049,726	821,828	922,044	7,720	5,477
Bohai Economic Rim						
– Construction service*	—	27,977	—	—	—	—
– Properties sales	1,937,630	4,391,082	241,551	416,767	8,021	10,536
Greater Bay Area	462,930	261,456	65,971	29,735	7,017	8,793
Others						
– Property management services and community value-added services	236,783	144,714	—	—	—	—
– Project management services	88,947	59,436	—	—	—	—
– Rental income	21,349	15,825	—	—	—	—
– Others	37,249	1,456	—	—	—	—
Total	<u>20,396,008</u>	<u>12,451,999</u>	<u>2,434,319</u>	<u>1,571,838</u>	<u>8,221</u>	<u>7,781</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 350.6% to RMB11,266.3 million for the year ended 31 December 2021 from RMB2,500.3 million for the year ended 31 December 2020. Such increase was primarily attributable to the increase in GFA delivered for Royal City, Riverside Glory and Leisure's Mansion in Jiangxi.

- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 25.6% to RMB6,344.8 million for the year ended 31 December 2021 from RMB5,049.7 million for the year ended 31 December 2020. Such increase was primarily attributable to the increase in the GFA delivered for Cloud Metropolis in Zhejiang.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim decreased to RMB1,937.6 million for the year ended 31 December 2021 from RMB4,391.1 million for the year ended 31 December 2020. Such decrease was primarily due to the decrease in the GFA delivered in Sunshine Coast in Shandong during the year.
- Greater Bay Area: segment revenue for the Greater Bay Area increased to RMB462.9 million for the year ended 31 December 2021 from RMB261.5 million for the year ended 31 December 2020. Such increase was mainly due to the increase in GFA delivered for Bluelake Center Mansion in Zhongshan.
- Others: It mainly represents property management services provided by Redco Healthy Living which mainly for the property management services to our group projects value-added services to non-property owners and community value-add services. 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 62.2% to RMB15,633.2 million for the year ended 31 December 2021 from RMB9,639.3 million for the year ended 31 December 2020. Such increase was primarily due to the increase in GFA delivered to 2,434,318 sq. m. for the year ended 31 December 2021 from 1,571,838 sq. m. for the year ended 31 December 2020; and increase in average land acquisition cost per sq. m. delivered amounted to RMB2,816 for the year ended 31 December 2021 from RMB2,690 for the year ended 31 December 2020. 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.

Gross profit

Gross profit increased by 69.3% to RMB4,762.8 million for the year ended 31 December 2021 from RMB2,812.7 million for the year ended 31 December 2020. Our gross profit increased to 23.4% for the year ended 31 December 2021 from 22.6% for the year ended 31 December 2020. The increase was primarily attributable to the increase GFA delivered, increase in ASP per sq.m. for the properties delivered; and netted off by increase in average land acquisition cost per sq.m. of the GFA delivered during the year ended 31 December 2021.

Other gains, net

Other gain decreased 4.7% to RMB685.3 million for the year ended 31 December 2021 from RMB719.4 million for the year ended 31 December 2020. Other gain mainly represented gains on bargain purchase arising from acquisition of subsidiaries and remeasurement gains on interests in investments accounted for using the equity method.

Selling and marketing expenses

Selling and marketing expenses increased by 43.9% to RMB1,069.4 million for the year ended 31 December 2021 from RMB743.0 million for the year ended 31 December 2020. 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 during the year ended 31 December 2021.

General and administrative expenses

General and administrative expenses increased by 19.6% to RMB978.0 million for the year ended 31 December 2021 from RMB817.8 million for the year ended 31 December 2020. 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 and the professional fee incurred for the spin off of Redco Healthy Living.

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 the portion of the Redco Building in Shenzhen which is held for rental. The fair value gain increased to RMB56.0 million for the year ended 31 December 2021 from RMB2.6 million for the year ended 31 December 2020.

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 The Phoenix- Phrase II in Nanchang and Redco Visionary in Jinan when it changed classification from the properties under development for sales to investment properties. There has no such transfer during the year ended 31 December 2020.

Operating profit

As a result of the foregoing, operating profit increased by 85.0% to RMB3,651.6 million for the year ended 31 December 2021 from RMB1,973.8 million for the year ended 31 December 2020.

Finance income

Finance income increased by 57.9% to RMB236.5 million for the year ended 31 December 2021 from RMB149.8 million for the year ended 31 December 2020. Such increase was primarily attributable to the gain on repurchase of senior notes of RMB86.9 million.

Finance costs

Finance costs decreased by 17.9% to RMB19.5 million for the year ended 31 December 2021 from RMB23.7 million for the year ended 31 December 2020. Such decrease was mainly due to the decrease in interest expense which is eligible to be capitalised to projects under development.

Share of (losses)/profits of investments accounted for using the equity method, net

Share of (losses)/profits of investments accounted for using the equity method, net reported a loss of RMB11.7 million for the year ended 31 December 2021 from profit of RMB26.4 million for the year ended 31 December 2020, which was mainly due to the decrease in GFA delivered for Prime in Australia.

Profit before income tax

As a result of the foregoing, profit before income tax for the year ended 31 December 2021 increased 81.4% to RMB3,856.9 million from RMB2,126.3 million for the year ended 31 December 2020.

Income tax expense

Income tax expense increased by 96.4% to RMB1,342.3 million for the year ended 31 December 2021 from RMB683.5 million for the year ended 31 December 2020. Such increase was primarily due to increased profit of the Group during the year ended 31 December 2021.

Profit for the year ended 31 December 2021

As a result of the foregoing, profit for the year ended 31 December 2021 increased by 74.3% to RMB2,514.5 million from RMB1,442.8 million for the year ended 31 December 2020. The profit for the year ended 31 December 2021 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB1,990.4 million, Central and Western Regions of RMB500.8 million, Bohai Economic Rim of RMB216.9 million.

Profit for the year ended 31 December 2021 attributable to owners of the Company and non-continuing interests

Profit for the year attributable to owners of the Company decreased by 31.8% to RMB884.0 million for the year ended 31 December 2021 from RMB1,296.0 million for the year ended 31 December 2020. Profit attributable to non-controlling interests increased to RMB1,630.6 million for the year ended 31 December 2021 as compared with RMB146.8 million for the year ended 31 December 2020 which was mainly due to the increase in the profit from property development projects which the Group owns less than 50% of effective interest.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB7,534.2 million (31 December 2020: RMB9,649.4 million) and restricted cash of RMB3,322.8 million (31 December 2020: RMB4,156.9 million) as at 31 December 2021. As at 31 December 2021, the Group's cash and cash equivalents were mainly denominated in RMB and United States dollar ("US\$").

Borrowings

As at 31 December 2021, the Group had borrowings of approximately RMB19,443.8 million (31 December 2020: RMB20,111.4 million).

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Long-term bank borrowings	7,482,264	9,390,276
Senior notes	<u>2,139,219</u>	<u>4,009,532</u>
Non-current borrowings	----- 9,621,483	----- 13,399,808
Short-term bank borrowings	4,250,089	3,077,546
Senior notes	<u>4,570,053</u>	<u>2,681,103</u>
	8,820,142	5,758,649
Portion of term loan from bank		
– due for repayment within one year	991,987	829,176
– due for repayment within one year which contain a repayment on demand clause	955	123,721
– due for repayment over the year which contain a repayment on demand clause	<u>9,269</u>	<u>—</u>
Current borrowings	----- 9,822,353	----- 6,711,546
Total borrowings	<u><u>19,443,836</u></u>	<u><u>20,111,354</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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts of borrowings that are repayable:		
– Within 1 year	9,813,084	6,711,546
– Between 1 and 2 years	6,518,710	5,331,643
– Between 2 and 5 years	3,112,042	8,068,165
Total borrowings	<u>19,443,836</u>	<u>20,111,354</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 that are at market rate.

Other performance indicators

Net debt to equity ratio

As at 31 December 2021, the Group's net debt to equity ratio was 52.8% (31 December 2020: 48.7%). 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 2021, the Group's net current assets amounted to approximately RMB21,911.7 million (31 December 2020: RMB24,301.3 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.36 times as at 31 December 2021 (31 December 2020: 1.42 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) decreased to 9.71% for the year ended 31 December 2021 from 9.78% for the year ended 31 December 2020.

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
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>11,427,242</u>	<u>9,694,814</u>

The Group arranges 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 the terms 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 owned 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 2021. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

As at 31 December 2021, there are also certain corporate guarantees provided by the Group to its joint ventures and associates in respect of their borrowings and the maximum exposure of the guarantees is RMB1,292,872,000.

Employees and Remuneration policies

As at 31 December 2021, the Group had approximately 3,620 employees (31 December 2020: 3,247 employees). For the year ended 31 December 2021, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB862.1 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 2015. Further information of such share option scheme is available in the annual report of the Company for the year ended 31 December 2021. The Company provided on-the-job training, induction courses together with other training programmes for the employees at different levels to raise their professionalism during the year ended 31 December 2021.

Charge on assets

As at 31 December 2021, the Group had aggregate banking facilities of approximately RMB23,382.4 million (31 December 2020: RMB21,762.8 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2021 amounted to RMB3,938.5 million (31 December 2020: RMB1,557.0 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 2021.

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 2021

- a) Reference is made to the announcements of the Company dated 9 June 2021, 7 March 2022 and 10 March 2022 in relation to the proposed spin-off and listing of the shares of Redco Healthy Living Company Limited ("**Redco Healthy Living**") on the Main Board of the Stock Exchange. Redco Healthy Living published the prospectus on 22 March 2022. We expect that the shares of Redco Healthy Living will commence on 31 March 2022.

- b) Reference is made to the announcements of the Company dated 14 March 2022, 18 March 2022, 23 March 2022 and 25 March 2022 in relation to the conduction of Offer to Purchase with respect to the April 2021 Notes, May 2020 Notes and August 2020 Notes issued by the Company.

On March 22, 2022, US\$184,944,000 of the April 2021 Notes, representing approximately 93.89% of the aggregate principal amount of the outstanding April 2021 Notes (ISIN: XS2331603774, common code: 233160377), has been validly tendered and accepted for purchase pursuant to the Offer to Purchase.

On 25 March 2022, all the conditions precedent to the Offer to Purchase with respect to the April 2021 Notes have been fulfilled and the Offer to Purchase with respect to the April 2021 Notes has been completed. The aggregate April 2021 Notes Consideration Price, is comprised of (i) US\$1,849,440 as the April 2021 Notes Cash Consideration, (ii) an issue of US\$184,944,000 of the March 2023 I New Notes, and (iii) US\$6,657,984 as Capitalized Interest, resulting in a total amount of US\$191,601,984 of March 2023 I New Notes issued, to Eligible Holders who have validly tendered their April 2021 Notes pursuant to the Offer to Purchase. The March 2023 I New Notes (ISIN: XS2459381104; Common Code: 245938110) bear interest at the rate of 8.0% per annum from March 25, 2022, payable in arrears.

Save as disclosed, no other important event affecting the Group has taken place since 31 December 2021 and up to the date of this announcement.

OUTLOOK

The year of 2022 marks the 30th anniversary of the Group. We have weathered up and down and made great achievements from a modest beginning and honed its brilliance with perseverance during the years.

Under the background of overall deleveraging of the property industry, it is expected that the general strategies for all property developers would be risk adverse. Property developers should actively adapt to new policies and market environment, bolster advantageous areas and geographical exposure, further optimize the land reserve structure and improve the efficiency of operation, in order to an achieve sustainable, stable and quality development environment of the companies.

Since the beginning of 2022, the property sector in China has experienced volatility. Reduced bank lending for real estate development, coupled with certain negative credit events, has intensified market concerns over the operations of Chinese property developers. The Group's management has demonstrated its resolution and commitment to mitigate the effects of the recent adverse market conditions and commits to exert our utmost effort to operate the business in this year of challenges for real estate enterprises.

In 2022, the Group persisted our strategies on high-quality development, focusing on the quality and efficiency of business operations, retaining talents, promoting innovation and efficiency. In coming year, we will also continue to invest in the research and development of wellness 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend (2020: RMB5 cents per ordinary share, totaling RMB177,580,000) for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

ANNUAL GENERAL MEETING (“AGM”)

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, 24 June 2022, the register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, 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, 20 June 2022.

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 2021.

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 2021.

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 2021.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely, Mr. Chau On Ta Yuen SBS, BBS. Dr. Tam Kam Kan GBS, SBS, JP and Mr. Yip Tai Him, 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 2021.

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 2021 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 2021 ANNUAL RESULTS ANNOUNCEMENT AND 2021 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 2021 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, 27 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Wong Yeuk Hung JP, Mr. Huang Ruoqing and Mr. Tang Chengyong; and the independent non-executive directors of the Company are Mr. Chau On Ta Yuen SBS,BBS, Dr. Tam Kam Kau GBS, SBS, JP and Mr. Yip Tai Him.