力高集團
REDCO GROUP

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 2019

FINANCIAL HIGHLIGHTS

- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the year ended 31 December 2019 increased by 24.7% to RMB27,412.0 million
- Revenue for the year ended 31 December 2019 increased by 27.7% to RMB8,602.3 million
- Profit for the year ended 31 December 2019 increased by 19.7% to RMB1,551.6 million
- Profit attributable to owners of the Company for the year ended 31 December 2019 increased by 4.5% to RMB1,034.9 million
- Basic earnings per share was RMB29.14 cents for the year ended 31 December 2019 (31 December 2018: RMB27.90 cents)
- Land bank increased by 45.7% to 14.6 million sq. m. as at 31 December 2019 (31 December 2018: 10.0 million sq.m.)
- Cash and cash equivalents and restricted cash as at 31 December 2019 amounted to RMB15,059.5 million (31 December 2018: RMB7,865.0 million) and the net debt to equity ratio was 17.9% as at 31 December 2019 (31 December 2018: 47.9%)
- The Board recommended a payment of a final dividend of RMB3 cents per share in cash for the year ended 31 December 2019 (year ended 31 December 2018: RMB3 cents) to be paid to shareholders whose names appear on the Register of Members of the Company on 26 June 2020

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 2019, together with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December	
	Note	**2019**	**2018**
		RMB'000	*RMB'000*
Revenue	4	8,602,321	6,735,931
Cost of sales		(5,648,207)	(4,348,211)
Gross profit		2,954,114	2,387,720
Other gains, net	5	445,194	248,469
Selling and marketing expenses		(448,737)	(183,499)
General and administrative expenses		(516,701)	(424,221)
Fair value gain on investment properties		63,723	84,172
Fair value gain on investment properties upon transfer from properties under development for sales		62,432	—
Operating profit		2,560,025	2,112,641
Finance income	6	122,486	95,025
Finance costs	6	(19,981)	(71,662)
Finance income, net		102,505	23,363
Share of (loss)/profit of investments accounted for using the equity method, net		(21,545)	77,468
Profit before income tax		2,640,985	2,213,472
Income tax expense	7	(1,089,325)	(917,044)
Profit for the year		1,551,660	1,296,428
Profit attributable to:			
Owners of the Company		1,034,931	990,747
Non-controlling interests		516,729	305,681
		1,551,660	1,296,428
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	10	29.14	27.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
Profit for the year	1,551,660	1,296,428
Other comprehensive loss		
Item that may not be reclassified to profit or loss		
– Currency translation differences	(88,781)	(218,452)
Total other comprehensive loss	(88,781)	(218,452)
Total comprehensive income for the year	1,462,879	1,077,976
Total comprehensive income attributable to:		
– Owners of the Company	946,770	773,425
– Non-controlling interests	516,109	304,551
Total comprehensive income for the year	1,462,879	1,077,976

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	31 December 2019	31 December 2018
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		259,152	221,300
Investment properties		1,025,004	803,899
Intangible asset		332,252	—
Investments accounted for using the equity method		654,872	700,294
Prepayments	8	—	60,000
Deferred income tax assets		834,614	459,833
		3,105,894	2,245,326
Current assets			
Completed properties held for sale		3,037,052	2,133,818
Properties under development for sale		30,969,759	15,680,128
Contract assets		700,000	700,000
Trade and other receivables and deposits	8	2,595,926	3,371,544
Prepayments	8	1,858,769	1,053,610
Amounts due from joint ventures		59,949	4,844
Amounts due from associates		482,845	364,871
Amounts due from non-controlling interests		3,951,248	1,414,342
Income tax recoverable		788,393	312,821
Restricted cash		3,965,210	2,186,139
Cash and cash equivalents		11,094,295	5,678,863
		59,503,446	32,900,980
Total assets		62,609,340	35,146,306

	Note	31 December 2019	31 December 2018
		RMB'000	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves		5,041,820	4,237,813
		5,181,452	4,377,445
Non-controlling interests		4,453,096	2,287,973
Total equity		9,634,548	6,665,418
LIABILITIES			
Non-current liabilities			
Borrowings		4,694,786	4,912,751
Deferred income tax liabilities		634,906	286,051
		5,329,692	5,198,802
Current liabilities			
Trade and other payables	9	12,020,186	6,323,532
Borrowings		12,087,907	6,146,930
Amounts due to non-controlling interests		5,146,101	2,123,659
Amounts due to associates		485,280	66,000
Amounts due to joint ventures		50,776	23,756
Contract liabilities		15,552,490	7,169,457
Income tax liabilities		2,302,360	1,428,752
		47,645,100	23,282,086
Total liabilities		52,974,792	28,480,888
Total equity and liabilities		62,609,340	35,146,306

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**").

This consolidated financial statements is 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 as modified by the revaluation of investment properties which are carried at fair value.

2.1 Going concern

As at 31 December 2019, the Group had total borrowings of RMB16,782,693,000, amongst which, the current bank borrowings amounted to RMB12,087,907,000. At the same date, the Group had cash and cash equivalents of RMB11,094,295,000.

As at 30 June 2019, the Group failed to comply with a restrictive undertaking clause set out in the loan agreements in connection with the interest coverage ratio for certain bank borrowings approximately RMB2,577,920,000 (the "**Relevant Borrowings**"). Such non-compliance constituted an event of default under the loan agreements of the Relevant Borrowings. In addition, pursuant to the bank loan agreements of certain of the Group's bank borrowings, the lenders have the rights to demand for immediate repayment should there be any default events happened in respect of other borrowings of the Group. On 25 and 26 November 2019, the Group successfully negotiated with the relevant banks in relation to the Relevant Borrowings and obtained written agreements to revise the restrictive undertaking of interest coverage ratio for the periods ended 30 June 2019 and 31 December 2019 and to waive their rights arising from the non-compliance under the original clauses of the loan agreements. In addition, based on the communications with the banks related to the bank borrowings with cross-default clauses and email confirmations obtained, the directors considered that the banks will not exercise their rights under the relevant cross-default clauses given the Group has successfully obtained waivers and revision of the restrictive undertaking of the Relevant Borrowings as mentioned above.

In early 2020, after the rapid outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**"), a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group has comprehensively evaluated its impact on sales activities and construction works in various cities. The construction and sales progress of the Group may be exposed to short-term volatility because of the outbreak mentioned above. Under the premise of protecting the health and safety of customers and employees, the Group has gradually resumed its operation since mid-February 2020 in accordance with the local governments' policies. In light of the negative impact brought upon by the COVID-19 outbreak, it may cause a short-term impact on all sectors and the real estate industry has also been affected by the short-term psychological impact of the public on the epidemic. Such impact will depends on the duration and development trend of the epidemic situation.

In view of such circumstances, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 31 December 2019. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(i) The Group has complied with restrictive undertaking of interest coverage ratio of the Relevant Borrowings of approximately RMB2,426,049,000 for the year ended 31 December 2019 under the revised terms of the loan agreements.

    The Group will closely monitor the process of pre-sales and the construction of its property development projects to ensure that the relevant properties sold under pre-sale arrangement are completed on schedule as planned, the completion certificate from the relevant government authority are successfully obtained and delivered to the customers under the expected timeframe, such that the Group is able to generate sufficient earnings to comply with the interest coverage ratio as specified in the existing agreements of the Relevant Bank Borrowings. Moreover, the Group will also monitor its level of bank borrowings and interest rate changes. The Group may adjust the pace of the development of new property projects from time to time to enhance the Group's cash flows and reduce interest expenses.

The Group will continue to monitor its future compliance with the covenant requirements. In respect to the covenant requirements of the Relevant Borrowings, the Group is required to report to the banks semi-annually.

Should the Group anticipate that they are unable to comply with the covenant requirements, management of the Company will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks. The Group will also consider to early repay the Relevant Borrowings with its cash surplus.

(ii) In light of the COVID-19 outbreak, the Group anticipates a decline in revenue and cash collection in the first quarter of year 2020 when compared with the corresponding period of last year. However, a number of local governments in China have introduced some favourable policies to stimulate the local property markets. The Group is closely monitoring the development of COVID-19 and will continue to assess the impact of the epidemic on the Group's operations from time to time and adjust its sales and marketing strategy for its property sales to generate sufficient cash from its operations.

(iii) The Group has undrawn bank facilities of approximately RMB2,060,847,000 for the settlement of capital expenditures of the existing property development projects. In addition, the Group will negotiate with banks to obtain project loans to finance the construction cost of new property development projects. Based on the experience of the Group, the directors are confident that they will be able to draw down from such facilities and obtain new borrowings from banks and other financial institutions, as and when needed.

Notwithstanding the above, whether management is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions, and consequently be able to generate adequate financing and operating cash flows to continue as a going concern would depend upon, among other things, the Group's operating performance to generate adequate operating cash flows and earnings from the sales and delivery of property units in the expected timeframe, continuous availability of existing bank facilities and the availability of additional financing. The directors of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2019 and have considered the possible changes in its operating performance. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2019. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3 Accounting policies

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

The following new standard, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2019 and currently relevant to the Group:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) Int-23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Investment in Associates and Joint Ventures
Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11	Annual Improvements 2015 – 2017 Cycle

The Group has adopted these new standards, amendments of standards and interpretations and the adoption of these new standards, amendments of standards and interpretations 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 2019 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Hedge Accounting	1 January 2020
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.

4 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), trading of construction materials 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 (loss)/profit 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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	(32,315)	—	—	—	(7,237)	(39,552)
Revenue (from external customers)	1,800,534	2,983,860	2,660,314	1,032,602	125,011	8,602,321
Segment results	713,987	573,773	867,748	424,853	(471)	2,579,890
Depreciation	(2,928)	(3,261)	(1,809)	(731)	(11,136)	(19,865)
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	(247,148)	(278,998)	(301,753)	(223,702)	(37,724)	(1,089,325)
Profit for the year	474,417	299,671	575,953	201,299	320	1,551,660

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Greater Bay Area	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018						
Revenue from contracts						
– recognised at a point in time	1,634,976	602,983	4,177,648	3,510	278,387	6,697,504
– recognised over time	701	—	34,215	—	19,161	50,077
– others	—	—	—	—	551	551
Less: Inter-segement revenue	—	—	—	—	(12,201)	(12,201)
Revenue (from external customers)	1,635,677	602,983	4,211,863	3,510	281,898	6,735,931
Segment results	521,751	59,704	1,688,661	(38,562)	(108,582)	2,122,972
Depreciation	(2,877)	(1,907)	(1,712)	(636)	(3,199)	(10,331)
Operating profits/(losses)	518,874	57,797	1,686,949	(39,198)	(111,781)	2,112,641
Share of profit/(loss) of investments accounted for using the equity method, net	78,064	(4,903)	(5,483)	—	9,790	77,468
Finance income	32,783	33,965	16,747	1,186	10,344	95,025
Finance costs	(3,936)	—	—	—	(67,726)	(71,662)
Income tax (expense)/credit	(208,317)	40,629	(730,546)	28,832	(47,642)	(917,044)
Profit/(loss) for the year	417,468	127,488	967,667	(9,180)	(207,015)	1,296,428

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Greater Bay Area	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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						179,267
Total assets						62,609,340
Investments accounting for using the equity method	299,811	208,901	—	14,565	131,595	654,872
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	—	—	—	—	474	474
Total segment liabilities	(12,791,738)	(14,558,290)	(12,083,355)	(930,501)	(12,610,908)	(52,974,792)
At 31 December 2018						
Total segment assets	9,710,114	8,631,983	11,979,372	1,281,252	3,374,164	34,976,885
Other unallocated corporate assets						169,421
Total assets						35,146,306
Investments accounting for using the equity method	347,123	217,222	—	—	135,949	700,294
Additions to:						
Property, plant and equipment	4,977	4,512	9,094	648	171,319	190,550
Investments accounted for using the equity method	33,357	33,342	—	—	500	67,199
Prepayments for investment in an associate	—	60,000	—	—	—	60,000
Acquisition of subsidiaries						
– Property, plant and equipment	1,170	3,725	—	—	—	4,895
Total segment liabilities	(6,164,843)	(4,601,789)	(9,108,750)	(847,195)	(7,758,311)	(28,480,888)

(a) The Group revenue consists of the following:

	2019	2018
	RMB'000	*RMB'000*
Sales of properties	8,218,828	6,419,117
Construction services	256,491	34,215
Property management services	80,885	—
Project management services	33,552	3,401
Trading of construction materials	—	277,946
Rental income	10,573	551
Healthcare service	1,992	701
	8,602,321	6,735,931

(b) Analysis of the Group revenue by geographical market is as follows:

	2019	2018
	RMB'000	*RMB'000*
PRC	8,602,321	6,460,872
Hong Kong	—	275,059
	8,602,321	6,735,931

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

During the year ended 31 December 2018, revenue recognised in relation to the sales of properties to a customer (the "**Customer A**") accounted for 12.4% of the Group's revenue. Customer A is a group of companies under common control by independent third party individuals and not connected with the Group. These individuals also had non-controlling interests in certain subsidiaries of the Group. Both their interests and the subsidiaries are not significant to the Group.

(c) Details of contract asset is as follows:

	2019	2018
	RMB'000	*RMB'000*
Accrued contract revenue	700,000	700,000

As of 31 December 2019, the contract assets of RMB700,000,000 (2018: 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 due to administrative procedures.

5 Other gains, net

	2019	2018
	RMB'000	*RMB'000*
Exchange losses	(31,527)	(126,423)
Gain on disposal of assets and liabilities held for sales	—	304,271
Gain on disposal of investment in an associate	8,407	—
Gains on bargain purchase arising from acquisition of subsidiaries	72,912	—
Commission	39,836	—
(Losses)/gains on disposal of property, plant and equipment	(5,400)	351
Gains on disposal of subsidiaries	113,821	—
Realised (loss)/gain on foreign exchange forward contracts	(45,284)	50,475
Remeasurement gains on interests in investments accounted for using the equity method	286,634	14,999
Others	5,795	4,796
	445,194	248,469

6 Finance income and costs

	2019	2018
	RMB'000	*RMB'000*
Finance income from bank deposits	52,213	32,512
Finance income from loans to associates	20,674	25,000
Finance income from loans to non-controlling interests	30,119	32,883
Finance income from loans to independent third parties	19,480	4,630
	122,486	95,025
Finance costs on bank and other borrowings	1,366,012	719,022
Finance costs on loans from non-controlling interests	44,429	20,938
Less: finance costs capitalised in qualifying assets	(1,390,460)	(681,580)
	19,981	58,380
Finance charges on early redemption of senior notes	—	13,282
	19,981	71,662
Weighted average interest rate on capitalised borrowings (per annum)	9.33%	7.13%

7 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 2019 (2018: 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.

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 2018.

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.

	2019	**2018**
	RMB'000	*RMB'000*
Current income tax		
Hong Kong profits tax	6,428	—
PRC corporate income tax	901,458	747,694
PRC land appreciation tax	577,218	381,902
Deferred income tax	(377,387)	(212,552)
Overstatement in prior years	(18,392)	—
	1,089,325	917,044

8 Trade receivables, other receivables, deposits and other prepayments

	2019	2018
	RMB'000	*RMB'000*
Trade receivables, other receivables and deposits:		
Trade receivables (Note a, b and c)	359,763	263,682
Other receivables	1,620,236	2,119,885
Loan receivables	20,744	212,412
Receivables in relation to the disposal of assets and liabilities held for sales	150,000	150,000
Deposits with local real estate associations	401,940	555,791
Deposits with labour department	19,112	10,275
Deposits with treasury bureau	89,391	109,759
	2,301,423	3,158,122
Less: provision for impairment on other receivables and deposits	(65,260)	(50,260)
	2,236,163	3,107,862
	2,595,926	3,371,544
Prepayments:		
Prepaid other taxes	661,907	127,688
Prepayments for construction costs	77,658	29,757
Prepayments for land use rights	924,184	850,865
Prepayments for acquisitions of subsidiaries	195,020	45,300
Prepayments for investment in an associate	—	60,000
	1,858,769	1,113,610
Less: Non-current portion		
- prepayments for investment in an associate	—	(60,000)
	1,858,769	1,053,610

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:

	2019	**2018**
	RMB'000	*RMB'000*
0 - 30 days	233,732	197,142
31 - 60 days	73,831	—
61 - 90 days	669	2,370
91 – 180 days	511	6,111
Over 180 days	51,020	58,059
	359,763	263,682

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 (2018: Nil).

(c) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free.

9 Trade and other payables

	2019	2018
	RMB'000	*RMB'000*
Trade payables (Note a)	3,421,830	2,372,836
Accruals and other payables	7,069,553	3,079,036
Other taxes payables	1,254,228	709,872
Dividend payables	36,392	52,337
Salary payables	13,909	7,004
Interest payables	219,623	97,881
Rental deposits received	4,651	4,566
	12,020,186	6,323,532

Note:

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

	2019	2018
	RMB'000	*RMB'000*
0 - 30 days	2,979,396	1,984,378
31 - 60 days	61,965	72,850
61 - 90 days	94,626	90,922
Over 90 days	285,843	224,686
	3,421,830	2,372,836

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

10 Earnings per share

The basic earnings per share for the year ended 31 December 2019 is calculated based on the profit attributable to owners of the Company.

	2019	**2018**
Profit attributable to owners of the Company (RMB'000)	1,034,931	990,747
Weighted average number of shares in issue	3,551,609,322	3,551,609,322
Basic earnings per share (RMB cents)	29.14	27.90

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 2019 and 2018.

11 Dividend

A final dividend for the year ended 31 December 2019 of RMB3 cents (2018: RMB3 cents) per ordinary share, totally approximately RMB106,548,000 (2018: 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 dealt with as dividend payable as at 31 December 2019.

12 Subsequent events

(a) COVID-19 outbreak

In early 2020, after the COVID-19 outbreak, a series of precautionary and control measures have been and continued to be implemented across the PRC. In light of the negative impact brought upon by the COVID-19 outbreak, it may cause a short-term impact on all sectors and the sales of the real estate industry has also been affected by the short-term psychological impact of the epidemic on the public. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

(b) Acquisition of 35% interest in Makati City Subway, Inc. ("MCSI")

On 18 February 2020, the Group entered into a share purchase agreement (the "Share Purchase Agreement") with Philippine Infradev Holdings, Inc. ("Infradev") and MCSI, independent third parties, to acquire 35% interest in MCSI at a consideration of US$102,000,000 (equivalent to approximately RMB712,698,000), which owns parcels of land in Makati City, the Philippines for the development of construction, normal operation and maintenance of Makati Subway System as well as the corresponding topside development (the "Project").

On the same date of the entering of the Share Purchase Agreement, the Group, MCSI and Aggregate Business Group (ABG) Holings Inc., ("ABG"), the immediate holding company of Infradev entered into a development agreement (the "Development Agreement"), pursuant to which the Group and ABG agreed, among other things, through Makati Redco Transit Development Corporation ("MRTD"), a company to be incorporated in the Philippines, to be jointly responsible for the development and construction of topside development corresponding to the Makati Subway System. Upon incorporation, the Group and ABG will directly hold 51% and 49% of the equity interests in MRTD respectively. The initial paid up capital of MTRD for the Group will be US$10,200,000 (equivalent to approximately RMB 71,269,800).

BUSINESS OVERVIEW

In 2019, facing the new trend of real estate industry market, the Group maintained its strategic determination, focused on products and services and continuously enhanced its core competitiveness to achieve sustained high-quality development.

In 2019, the contracted sales of the Company and its associated entities were approximately RMB27,412.0 million, and the contracted sales area was approximately 2.59 million sq.m., representing a year-on-year increase of 24.7% and 4.0% respectively.

For the year ended 31 December 2018 and 2019, the Group recorded a revenue of RMB6,735.9 million and RMB8,602.3 million respectively. Profit attributable to owners of the Company for the year ended 31 December 2018 and 2019 was RMB990.7 million and RMB1,034.9 million respectively. The increase in revenue is mainly attributable to the increase in gross floor area ("**GFA**") delivered and the increase in average sales price.

The Group has consistently adopted a prudent financial strategy to maintain a reasonable capital structure and gearing level. As at 31 December 2019 and 31 December 2018, the Group's cash and cash equivalents were RMB15,059.5 million and RMB7,865.0 million respectively, and the net debt to equity ratio was 17.9% and 47.9% respectively.

Dual-drivers lead to a steady and rapid development of diversified business

According to the Group's long-term development strategy, in order to achieve the strategy goals of dual-driven by Property Holding Group and Dynamic Investment Group with a synergetic development, the Group created and nurtured diversified business of "healthcare, commerce, technology, property, cultural tourism, education" and so on.

In 2019, the six sectors of the Dynamic Investment Group empowered one another and integrate innovation. As a diversified and innovative product, New Oriental Green Building deeply integrated the core services of its three industries of "healthcare, property and technology". It injected characteristic attributes into "Redco Green Building" and continued to build the core value chain of the Group's brand.

The overall development momentum of the Group's diversified sectors is strong. UG Property of the Redco has been comprehensively upgraded around the concept of health, with service projects doubled. The service quality has also improved significantly. Meanwhile, the Group further developed differentiated cultural tourism product lines with natural tourism, folk culture, and ecological research as its main subject, which can boost its steady and rapid development.

Prudent investment focusing on expanding excellent land reserve

Excellent land reserve is the core competitiveness of the enterprise development. In 2019, the Group adhered to an aggressive expansion strategy and a prudent investment strategy and newly acquired 30 parcels of land. We also adhered to the regional intensive development strategy, combining our focus to expansion, especially for the investment in cities with great development potential. We have successfully acquired various high-quality projects. As at 31 December 2019, the Group's total land reserve was approximately 14.6 million sq.m., constituting a solid foundation for future development.

Strengthen the layout overseas and actively explore the growth of performance

The boom of Chinese overseas investment in real estate is in the ascendant. In 2019, the Group's Sydney project Prime was successfully delivered, which has accumulated valuable overseas expansion experience for the Group. Meanwhile, the Group actively responded to the national "One belt one Road" initiative, and worked with the Makati City Government of Philippines to improve the local rail transit environment and enhance the quality of urban life. It has provided an excellent foundation and protection for the Group's local development in the future.

Enhancing the core and create new products and high-end service system

High-quality products and services are the prerequisites for enterprises to achieve quality development. In 2019, the Group focused on the capability of product research and development, combined with peoples' urgent pursuit of a healthy lifestyle, and built a brand new product system, New Oriental Green Building. We proposed the "Double-Hundred Plan" for Redco Green Building, and released New Oriental Green Building 1.0 product system. The implementation of this forward-looking strategy has introduced extensive concern.

Meanwhile, the Group has launched Yearning Health Living Room (怡鄰健康客廳), where its brand of community-based comprehensive healthcare service from three dimensions, which include healthy space environment, healthy supporting facilities and healthy community operations, built a healthy and livable community system. In addition, we also created a full-aged living community by providing glorious community activities for children, teenagers and the elderly to improve the quality of life in the community and gain customer satisfaction. In the future, the Group will continue to protect and introduce healthy lifestyle for our customers by creating hard-core products and high-end service systems.

Fulfilling responsibility and demonstrating the role of enterprise in a new era

The development of an enterprise is inseparable from social stability and improvement. While developing rapidly, the Group bears in mind its mission to shoulder its corporate responsibility and proactively contribute to our society. The Group provides solid in-kind and mechanism guarantee for the stable health development of our staff. In addition, we actively cooperate with medical institutions and supporters of corporate public welfare organizations to invest in public welfare services. Aiming at poverty alleviation, we assist in improving the medical conditions in poor areas, hence revitalizing rural areas.

Enhanced reputation driven by our award-winning brand

The development of an enterprise requires strong internal and external support. In 2019, our rapid growth is widely recognized within and outside the industry, with our reputation significantly enhanced by winning various awards. Our performance in the rankings issued by various authoritative evaluation institution is satisfactory, for example, we ranked 23 among "Billboard for Real Estate Developers with Brand Value of China for 2019 (2019中國房地產品牌價值卓越榜)" and was recognized as "Top 10 Wealth Creation Ability among Real Estate Companies Listed in Hong Kong in 2019". Our President Mr. Huang Ruoqing was honoured as one of the "2019 Top 10 CEO of China's Listed Real Estate Enterprises (2019中國房地產上市公司十大金牌CEO)". Moreover, we were awarded the title of "2019 Real Estate Enterprises Worth Paying Attention to in the Capital Market (2019值得資本市場關注的地產企業)". Shenzhen UG Property Management Co., Ltd., a subsidiary of the Group, was listed as one of the "Top 100 Property Management Service Enterprises in the PRC". Other awards included "2019 Most Valuable Investment Award" by China Finance (中國融資), "China Real Estate Fashion Award – 2019 Top 30 Investment Value Real Estate Enterprises", ranked top 100 in "Billboard for Top 200 Comprehensive Strength Real Estate Enterprise of China for 2019 (2019中國房企綜合實力TOP200榜單), "Billboard for Top 100 Brand Value of China Listed Companies for 2019 (2019中國上市公司品牌價值榜·地產TOP100)".

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 31 December 2019, the Group's property portfolio comprised 89 property development and investment projects with an aggregate GFA of 14,562,982.1 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 2019:

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
NANCHANG REGION			
Spain Standard 力高國際城	466,665.3	861,274.2	3,193.5
Riverside International 濱江國際	37,346.0	163,999.9	1,960.9
Bluelake County 瀾湖郡	135,285.0	286,794.7	15,139.9
Riverlake International 濱湖國際	68,373.0	168,752.5	9,152.3
Imperial Mansion 君御華府	41,993.3	103,594.8	8,370.3
Imperial Metropolis 君御都會	84,093.3	210,142.7	38,536.7
Bluelake International 瀾湖國際	47,151.0	113,323.0	5,696.7
The Garden of Spring 十里春風	30,378.0	15,278.0	12,749.4

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 悦景薹	62,455.0	123,856.6	58,941.3
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	41,732.9
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	58,023.0	58,023.0
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	206,413.1	206,413.1
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

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	642,971.9
Leisure's Mansion 君逸府	49,335.6	135,797.5	135,797.5
Changsha Phoenix 長沙鳳凰新天	18,002.1	99,011.4	99,011.4
TIANJIN REGION			
Sunshine Coast 陽光海岸	481,394.0	1,445,893.2	1,013,858.9
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 悦麓蘭庭	105,115.2	310,991.2	310,991.2

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
ZHEJIANG & JIANGSU REGION			
Cloud Metropolis 雲都會	132,701.0	411,708.1	411,708.1
Yuchau Mansion 郁洲府	86,778.3	266,775.6	266,775.6
Peaceful Sea 靜海府	56,499.6	108,074.0	108,074.0
Riviera One 璟頤灣	223,245.0	645,806.7	645,806.7
JINAN REGION			
Bluelake County 瀾湖郡	68,066.0	256,658.6	4,834.9
Royal Family 君御世家	30,682.0	131,919.7	21,239.4
Imperial Mansion 君御華府	44,966.0	125,742.3	15,471.2
Redco Visionary 力高未來城一期	90,616.9	283,008.7	165,774.0
Redco Visionary II 力高未來城二期	236,992.1	607,995.8	607,995.8
Spring Villa 雍泉府	268,113.0	596,669.4	596,669.4
Jiyang II 濟陽大二期	166,967.4	389,510.0	389,510.0
Grand Mansion 君悦首府	60,940.0	175,440.0	175,440.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Leisure's Mansion 君逸府	34,290.0	85,725.0	85,725.0
YANTAI REGION			
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	93,512.7	10,495.3
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	34,388.3	3,068.2
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,358.2	5,349.0
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,814.7	213,814.7
Cathay Palace 泰和府	57,991.0	182,230.0	182,230.0
HEFEI REGION			
Mix Kingdom Redco 力高•共和城	395,596.4	823,818.0	69,635.8
Prince Royal Family 君御世家	88,025.5	300,887.9	33,359.4
Royal International 君御國際	43,873.0	114,894.0	36,783.1
Bluelake City 瀾湖前城	76,058.8	229,941.8	167,075.5
Majestic Residence 天悅府	67,931.0	198,138.0	198,138.0

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
Scholar Residence 狀元府	56,722.2	184,894.4	27,214.9
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
Golden County 金色南郡	83,966.0	250,019.3	26,584.7
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	689,910.0
WUHAN REGION			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	94,429.1
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
Intelligence City 智慧城	31,696.3	118,039.0	118,039.0
Redco Majestic Residence 力高天悅府一期	53,392.4	198,071.9	86,251.8

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Redco Majestic Residence II 力高天悅府二期	42,512.8	148,794.8	148,794.8
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 悅禧龍城	158,891.0	556,118.5	556,118.5
XI'AN REGION			
Royal City - Phase I 御景灣- 第一期	69,466.8	205,541.0	9,700.6
Majestic Mansion 天悅華府	88,319.8	171,000.0	171,000.0
Royal Family 君御世家	27,588.1	78,431.6	78,431.6
Royal Redco 力高君樾	35,118.6	59,701.6	59,701.6
SHENZHEN REGION			
Royal International 力高君御花園	33,035.3	138,833.9	11,438.5

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 Family 君御世家	30,819.6	95,493.7	42,883.1
Bluelake Landmark 瀾湖峯景	28,113.0	69,275.2	19,959.3
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	168,627.0	168,627.0
Sky Terrace 雲峰閣	27,820.0	85,791.7	85,791.7

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
QUANZHOU REGION			
Bayview 觀悅灣	18,306.0	53,034.1	4,439.1
Enjoy Peak 悅峰薹	13,336.0	58,647.7	58,647.7
Leisure's Mansion 君逸府	40,279.0	151,406.0	151,406.0
Dragon Bay 譽瓏灣	99,407.0	178,932.6	178,932.6
Royal Central 君譽中央	15,376.0	48,596.1	48,596.1
OVERSEAS REGION			
Prime	15,830.0	56,579.0	28,656.0
TOTAL			**14,562,982.1**

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 2019 increased by 27.7% to RMB8,602.3 million from RMB6,735.9 million for the year ended 31 December 2018. Such increase was primarily attributable to the increase in our GFA delivered for the residential property for Delight Scenery in Nanchang, Prince Royal Family in Hefei and Royal Family and Redco Visionary in Jinan, and was partially offset by the decrease in the GFA delivered for Bluelake County and Imperial Mansion in Jinan and Royal Family in Nanchang. Total GFA delivered increased by 12.3% to 975,094 sq.m for the year ended 31 December 2019 from 868,680 sq. m for the year ended 31 December 2018. The increase in our total revenue was also contributed by the increase in the recognised average selling price (the "**ASP**") for the properties delivered in the year ended 31 December 2019. The ASP for properties delivered increased to RMB8,692 for the year ended 31 December 2019 from RMB7,390 for the year ended 31 December 2018, representing a 17.6% increase which was primarily due to the increase 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					
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	Revenue (RMB'000)		*GFA Delivered (sq. m.)*		*Recognised ASP (RMB per sq. m.)*	
Greater Western Taiwan Straits Economic Zone	1,798,900	1,634,976	183,866	230,541	9,784	7,095
Central and Western Regions	2,983,860	602,983	387,722	91,604	7,696	6,582
Bohai Economic Rim						
– Construction service*	256,490	34,215	—	—	—	—
– Properties sales	2,403,466	4,177,648	306,403	546,369	7,844	7,709
Greater Bay Area	1,032,602	3,510	97,103	166	10,634	21,184
Others						
– Healthcare service	1,992	701	—	—	—	—
– Property management services	80,885	—	—	—	—	—
– Trading of construction materials	—	277,946	—	—	—	—
– Project management services	33,552	3,401	—	—	—	—
– Rental income	10,574	551	—	—	—	—
Total	8,602,321	6,735,931	975,094	868,680	8,692	7,390

* *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 10.0% to RMB1,798.9 million for the year ended 31 December 2019 from RMB1,635.0 million for the year ended 31 December 2018. Such increase was primarily attributable to the increase in GFA delivered for Delight Scenery in Nanchang.

- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 394.8% to RMB2,983.9 million for the year ended 31 December 2019 from RMB603.0 million for the year ended 31 December 2018. Such increase was primarily attributable to the increase in the GFA delivered for Royal International and Redco Courtyard in Wuhan.

- Bohai Economic Rim: segment revenue for the Bohai Economic Rim decreased by 36.8% to RMB2,660.0 million for the year ended 31 December 2019 from RMB4,211.9 million for the year ended 31 December 2018. Such decrease was primarily due to the decrease in the GFA delivered in Bluelake County in Jinan and Sunshine Coast in Tianjin and net-off by the increase in the GFA delivered for Imperial Mansion and Redco Visionary in Jinan.

- Greater Bay Area: segment revenue for the Greater Bay Area increased a 294 times to RMB1,032.6 million for the year ended 31 December 2019 compared to RMB3.5 million for the year ended 31 December 2018. Such amount was mainly due to the 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 29.9% to RMB5,648.2 million for the year ended 31 December 2019 from RMB4,348.2 million for the year ended 31 December 2018. Such increase was primarily due to the increase in GFA delivered to 975,094 sq. m. for the year ended 31 December 2019 from 868,680 sq. m. for the year ended 31 December 2018; netted off by the increase in average land acquisition cost per sq. m. delivered amounted to RMB2,263 for the year ended 31 December 2019 from RMB1,137 for the year ended 31 December 2018. Such increase in average land acquisition cost per sq. m. delivered was primarily due to the increase in the GFA delivered for Imperial Mansion in Jinan with a relatively high land acquisition costs and decrease in the GFA delivered for Sunshine Coast in Tianjin with a relatively lower land acquisition cost.

Gross profit

Gross profit increased by 23.7% to RMB2,954.1 million for the year ended 31 December 2019 from RMB2,387.7 million for the year ended 31 December 2018. Our gross profit margin slightly decreased to 34.3% for the year ended 31 December 2019 from 35.4% for the year ended 31 December 2018. The decrease was primarily attributable to the increase in average land acquisition cost during the year and netting off by the increase in ASP from RMB7,390 in 2018 to RMB8,692 in 2019.

Other gains, net

Other gains, increased 79.2% to RMB445.2 million for the year ended 31 December 2019 from RMB248.5 million for the year ended 31 December 2018. The increase was primarily attributable to the increase of gain on disposals of subsidiaries for RMB113.8 million and re-measurement valuation gain for RMB286.6 million for the year ended 31 December 2019 and net off by the realised loss on the foreign exchange contracts for RMB45.3 million and decrease of gain on disposal of assets and liabilities held for sales from RMB304.3 million in 2018 to nil in 2019.

Selling and marketing expenses

Selling and marketing expenses increased by 144.5% to RMB448.7 million for the year ended 31 December 2019 from RMB183.5 million for the year ended 31 December 2018. 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 21.8% to RMB516.7 million for the year ended 31 December 2019 from RMB424.2 million for the year ended 31 December 2018. 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 24.3% to RMB63.7 million for the year ended 31 December 2019 from RMB84.2 million for the year ended 31 December 2018.

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.

Operating profit

As a result of the foregoing, operating profit increased by 21.2% to RMB2,560.0 million for the year ended 31 December 2019 from RMB2,112.6 million for the year ended 31 December 2018.

Finance income

Finance income increased by 28.9% to RMB122.5 million for the year ended 31 December 2019 from RMB95.0 million for the year ended 31 December 2018. Such increase was primarily attributable to the loan to independent person and the increase in interest during the year.

Finance costs

Finance costs decreased by 72.1% to RMB20.0 million for the year ended 31 December 2019 from RMB71.7 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in interest expense which is not eligible to be capitalised to projects under development.

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

Share of profit of investments accounted for using the equity method, net reported a loss of RMB21.5 million for the year ended 31 December 2019 from profit of RMB77.5 million for the year ended 31 December 2018, which mainly due to the decrease 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 2019 increased 19.3% to RMB2,641.0 million from RMB2,213.5 million for the year ended 31 December 2018.

Income tax expense

Income tax expense increased by 18.8% to RMB1,089.3 million for the year ended 31 December 2019 from RMB917.0 million for the year ended 31 December 2018. Such increase was primarily the increase in PRC enterprise income tax ("**EIT**") for RMB153.8 million as a result of increased profit of the Group and increase in the PRC land appreciation tax for RMB195.3 million due to the increase in the gross profit for the GFA delivered, netted off by the decrease in deferred income tax for the Group.

Profit for the year ended 31 December 2019

As a result of the foregoing, profit for the year ended 31 December 2019 increased by 19.7% to RMB1,551.7 million from RMB1,296.4 million for the year ended 31 December 2018. The profit for the year ended 31 December 2019 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB474.4 million, Central and Western Regions of RMB299.7 million, Bohai Economic Rim of RMB576.0 million, Greater Bay Area of RMB201.3 million and the others segment for RMB0.3 million.

Profit for the year ended 31 December 2019 attributable to owners of the Company

As a result of the foregoing, profit for the year attributable to owners of the Company increased by 4.5% to RMB1,034.9 million for the year ended 31 December 2019 from RMB990.7 million for the year ended 31 December 2018. Profit attributable to non-controlling interests increased to RMB516.7 million for the year ended 31 December 2019 as compared with RMB305.7 million for the year ended 31 December 2018 which was mainly due to the increase in the profit from property development projects with other investor.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB11,094.3 million (31 December 2018: RMB5,678.9 million) and restricted cash of RMB3,965.2 million (31 December 2018: RMB2,186.1 million) as at 31 December 2019. As at 31 December 2019, the Group's cash and cash equivalents were denominated in Hong Kong dollar ("**HK$**"), RMB and United States dollar ("**US$**").

Borrowings

As at 31 December 2019, the Group had borrowings of approximately RMB16,782.7 million (31 December 2018: RMB11,059.7 million).

	2019	2018
	RMB'000	*RMB'000*
Long-term bank borrowings	3,451,066	3,549,978
11% Senior Notes due 2020	—	1,362,773
9.875% Senior Notes due 2021	1,243,720	—
Non-current borrowings	4,694,786	4,912,751
Short-term bank borrowings	3,152,063	592,540
6.375% Senior Notes due 2019	—	2,048,688
8% Private Notes due 2019	—	108,534
11% Senior Notes due 2020	2,150,741	—
13.5% Senior Notes due 2020	1,746,112	—
11.5% Senior Notes due 2020	1,733,549	—
	8,782,465	2,749,762
Portion of term loan from bank		
– due for repayment within one year	3,173,759	3,246,900
– due for repayment within one year which contain a repayment on demand clause	131,683	24,500
– due for repayment after one year which contain a repayment on demand clause	—	125,768
Current bank borrowings	12,087,907	6,146,930
Total borrowings	16,782,693	11,059,681

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:

	2019	2018
	RMB'000	*RMB'000*
Amounts of borrowings that are repayable:		
– Within 1 year	12,087,907	6,021,162
– Between 1 and 2 years	2,558,545	4,553,060
– Between 2 and 5 years	2,136,241	485,459
Total borrowings	16,782,693	11,059,681

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 2019, the Group's net debt to equity ratio was 17.9% (31 December 2018: 47.9%). 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 2019, the Group's net current assets amounted to approximately RMB11,858.3 million (31 December 2018: RMB9,618.9 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.25 times as at 31 December 2019 (31 December 2018: 1.4 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 9.33% for the year ended 31 December 2019 from 7.13% for the year ended 31 December 2018.

Contingent liabilities

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

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	9,001,924	5,932,804

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 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 2019. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

Employees and Remuneration policies

As at 31 December 2019, the Group had approximately 2,966 employees (31 December 2018: 978 employees). For the year ended 31 December 2019, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB446.4 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 2019. 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 2019.

Charge on assets

As at 31 December 2019, the Group had aggregate banking facilities of approximately RMB18,843.5 million (31 December 2018: RMB9,770.3 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2019 amounted to RMB2,060.8 million (31 December 2018: RMB1,001.3 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 2019.

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 2019

(a) COVID-19 outbreak

In early 2020, after the COVID-19 outbreak, a series of precautionary and control measures have been and continued to be implemented across the PRC. In light of the negative impact brought upon by the COVID-19 outbreak, it may cause a short-term impact on all sectors and the sales of the real estate industry has also been affected by the short-term psychological impact of the epidemic on the public. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

(b) Acquisition of 35% interest in Makati City Subway, Inc. ("MCSI")

On 18 February 2020, the Group entered into a share purchase agreement (the "Share Purchase Agreement") with Philippine Infradev Holdings, Inc. ("Infradev") and MCSI, independent third parties, to acquire 35% interest in MCSI at a consideration of US$102,000,000 (equivalent to approximately RMB712,698,000), which owns parcels of land in Makati City, the Philippines for the development of construction, normal operation and maintenance of Makati Subway System as well as the corresponding topside development (the "Project").

On the same date of the entering of the Share Purchase Agreement, the Group, MCSI and Aggregate Business Group (ABG) Holings Inc., ("ABG"), the immediate holding company of Infradev entered into a development agreement (the "Development Agreement"), pursuant to which the Group and ABG agreed, among other things, through Makati Redco Transit Development Corporation ("MRTD"), a company to be incorporated in the Philippines, to be jointly responsible for the development and construction of topside development corresponding to the Makati Subway System. Upon incorporation, the Group and ABG will directly hold 51% and 49% of the equity interests in MRTD respectively. The initial paid up capital of MTRD for the Group will be US$10,200,000 (equivalent to approximately RMB 71,269,800).

Save as disclosed, no other important event affecting the Group has taken place since 31 December 2019 and up to the date of this announcement.

OUTLOOK

2020 must be a remarkable year in history. The ever-changing global situation and the sudden outbreak of the novel coronavirus have made the whole circumstance more complicated. Under the significant control by the government and the active participation of the citizens, the epidemic has been controlled efficiently. Although the national economy was greatly affected in the first quarter, the overall situation remained stable and the fundamentals enjoyed good momentum for a long-term remained unchanged. Being one of the pillar industry national economy, real estate will play a vital role.

In this epidemic, the Group responded to the national call, on the premise of ensuring the health of our clients and employees, to participate in anti-epidemic actions actively. And it has achieved positive results. Meanwhile, according to the requirements of the central and local government policies, we have resumed our work and production as required. It can reduce the negative effects of the epidemic and also ensure stable development of the Company.

In recent years, the green building and green property service concept advocated by the Group has raised awareness in the industry. And we always prioritize the safety and the heath of clients. In the course of this epidemic prevention, the Group has provided clients with solid health and psychological protection and has been recognized by our clients based on the consistent service theme.

In 2020, the Group will combine existing development strategies and new situation changes. We would continue to provide clients with quality products and services based on green building and diversified service and provide partners with broader prospects for cooperation. We also adhered the operation of property development and diversified services as dual growth drivers to facilitate green, steady development of the company and achieve high quality growth.

With the epidemic has been controlled efficiently, based on the board prospect of the domestic real estate market and the residents' urgent demand of green buildings and services, the Group believes that 2020 will be a year for the company to achieve great-leap-forward development. The Group will continue to implement proactive and prudent investment strategies, increase investment in core areas such as the Greater Bay Area. At the meantime, we would focus on further expansion of overseas markets, strengthen the combined application of multiple land acquisition models and consolidate the Group's development foundation. We would also increase investment in the real estate, health, commercial and cultural tourism sectors to achieve diversified development. Implementing proactive and prudent financial strategies to ensure the smooth and efficient financing channels can further lay a solid foundation for the company's business growth and sustainable development. Strengthening the capability of product research and development, a strong and high-quality product system and service system can be built.

Meanwhile, to “breakthrough with stand-out direction rapidly”. From focusing on the real estate development and operation to achieving steady development of dual growth drivers and from providing high-quality housing for clients to achieve humanized services of healthy living, Redco has never stopped for pursuing the growth of quality. With the overall development of the national economy and the great revival of the nation and the joint efforts of all members of the group, we also believe that a brighter future will be created.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB3 cents per share for the year ended 31 December 2019 (year ended 31 December 2018: RMB3 cents) to the Shareholders whose names appear on the Register of Members of the Company on 26 June 2020. The final dividend is subject to the approval of the Shareholder at annual general meeting to be held on 19 June 2020 (“**AGM**”) and will be payable on or around 9 July 2020. 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 19 June 2020.

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, 19 June 2020, the register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020, 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, 15 June 2020.

(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 Thursday, 25 June 2020. 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, 24 June 2020.

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 2019.

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 2019.

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 2019.

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 2019.

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 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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 2019 ANNUAL RESULTS ANNOUNCEMENT AND 2019 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 2019 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, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Wong Yeuk Hung, Mr. Huang Ruoqing, Mr. Tang Chengyong and Mr. Wang Weifeng 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.