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Redsun Properties Group Limited

弘陽地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1996)

PROFIT WARNING AND APPOINTMENT OF EXTERNAL ADVISORS

This announcement is made by Redsun Properties Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09, Rule 37.47, Rule 37.47A, Rule 37.47B and Rule 37.47E of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

Profit Warning

The board of directors of the Company (the “**Board**”) wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary review of the latest available unaudited consolidated management accounts of the Group for the six months ended 30 June 2022 (the “**Period**”), the Group is expected to record net loss during the Period in the range of approximately RMB350 million to RMB450 million (the corresponding period in 2021: net profit of RMB990 million).

The net loss of the Period was mainly attributable to the facts that (1) the overall market size of the real estate industry declined and the gross profit of the projects which the Company closed for settlement during the Period was relatively low; (2) as the COVID-19 pandemic continues, the selling prices of the development projects of the Group fell short of expectation. Both the occupancy rate and rental income of investment properties have decreased. During the Period, the fair value assessment of non-recurring profit or loss is estimated to be impaired. The impairment loss of assets arising from the provision for decline in value of inventories based on the principle of prudence is expected to increase; and (3) there has incurred significant exchange loss in respect of the USD-denominated debts of the Group due to the depreciation of RMB against USD.

As at the date of this announcement, the Company is still in the process of finalizing the interim results of the Group for the Period. The information in this announcement is only based on a preliminary review of the unaudited consolidated management accounts of the Group for the Period, which have not been finalized or reviewed by the Company's auditor or the audit committee of the Company. The actual financial results of the Group for the Period may differ from what is disclosed in this announcement. Shareholders and potential investors of the Company are advised to carefully read the interim results announcement of the Company for the six months ended 30 June 2022, which will be published by the Company by the end of August 2022.

Appointment of External Advisors

The real property sector in China has experienced dramatic changes since mid-2021. It has become increasingly difficult for many Chinese property developers to obtain external financing in both the domestic and offshore lending and capital markets. Access to the traditional channels for financing and refinancing, such as bank loans and in particular the offshore debt capital markets is effectively closed to the private-owned Chinese property developers. Coupled with other factors, such as the recent outbreak of the COVID-19 epidemic in the regions where the Company operates, the deteriorating market conditions have affected consumer confidence and sentiment and further led to a significant slowdown in sales of residential property in China. As a result, the contracted sales of the Group declined significantly, which further exacerbated the constraints of the Company's liquidity.

In light of such circumstances, the Company has taken various measures to maintain the stability of the operations of the Group and has made "guaranteed delivery" its top priority to ensure that the sold projects are delivered on schedule so as to protect the interests of the home buyers. Since 1 January 2022 and up to 30 June 2022, the Group has completed and delivered a total of 27,078 units of property with an aggregate GFA of 3.78 million square meters.

At the same time, the Company endeavored and exerted its utmost effort to meet its debt obligations. Since 1 January 2022 and up to 30 June 2022, the Company proactively managed and repaid its indebtedness, and the total principal amount of debt reduced through such repayment, plus the amount of interest payments, amounted to US\$1,522.71 million, of which US\$616.36 million was offshore. Such offshore debt the Company repaid during this period includes the US\$450,000,000 9.95% senior notes due in April 2022 with the last interest payment.

Despite of the Company's relentless efforts in proactively managing its exposure under all of its indebtedness, it remains under significant pressure. The Company has certain offshore senior notes and bank loans that will become due, and Company cannot guarantee that it will be able to meet the obligations, including the repayment of principal and interest when they fall due or within the relevant grace period. As at the date of this announcement, the most recently due interest payment on the 2025 Notes (as defined in this announcement) has not been made and it is not expected that it will be made by the expiry of the grace period on 12 August 2022. This may, subject to the conditions under the relevant indenture, result in demand by the holders of the 2025 Notes for immediate redemption, which may further result in cross default and acceleration of the Company's other indebtedness including the USD Notes (as defined in this announcement). As at the date of this announcement, none of such events has occurred.

In order to further engage with its offshore creditors to pursue a transparent dialogue in respect of matters of common interest, the Company has appointed Haitong International Securities Company Limited as its financial advisor and Linklaters as its legal advisor. The Company and the advisors will proactively communicate with all offshore creditors to explore all feasible options to pursue a holistic solution to the current situation. The Company will strive to uphold the principle of equitability and treat all offshore creditors fairly in the seeking of the holistic solution with a view to securing the long term future of the Company for the benefit of all stakeholders.

The Company encourages its offshore creditors to contact Haitong International Securities Company Limited and Linklaters in respect of the progress of the offshore debt solution. Their contact information is as the following:

Haitong International Securities Company Limited

Address: 28/F One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong

Tel: +852 2840 1680

Email: project.redsun.lm@htisec.com

Linklaters

Address: 11/F, Alexandra House, Chater Road, Hong Kong

Tel: +852 2842 4888

Email: dlredsun@linklaters.com

The Company will closely monitor the situation and provide updates as appropriate on any material developments.

The USD Notes issued by the Company includes:

Notes (collectively, the “USD Notes”)	ISIN/Common Code	Stock Code
US\$250 million 10.5% Senior Notes Due 2022	XS2009857884/200985788	05987
US\$455 million 9.70% Senior Notes Due 2023	XS2103199050/210319905	40126
US\$350 million 7.30% Senior Notes Due 2025 (the “ 2025 Notes ”)	XS2244315110/224431511	40531
US\$210 million 7.30% Senior Green Notes Due 2024	XS2328508846/232850884	40690
US\$200 million 9.50% Senior Green Notes Due 2023	XS2384273475/238427347	40848

Shareholders and other investors of the Company are advised not to rely solely on the information contained in this announcement and should exercise caution when dealing in the securities of the Company. When in doubt, the shareholders and other investors of the Company are advised to seek professional advice from their own professional or financial advisors.

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

Hong Kong, 11 August 2022

As of the date of this announcement, the executive Directors are Mr. Zeng Huansha, Mr. Zeng Junkai and Mr. Lui Wai Pang; and the independent non-executive Directors are Mr. Lee Kwok Tung Louis, Mr. Leung Yau Wan John and Mr. Au Yeung Po Fung.