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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2014 was RMB1,282.6 million
- Contracted sales for the six months ended 30 June 2014 amounted to RMB1,143.8 million
- Profit for the six months ended 30 June 2014 attributable to equity holders of the Company was RMB135.5 million
- Cash and cash equivalents as at 30 June 2014 amounted to RMB658.3 million, net debt-to-equity ratio was 48.7% as at 30 June 2014; average cost of borrowings was at 7.67% for the six months ended 30 June 2014
- Total land bank amounted to approximately 3.9 million sq.m. as at 30 June 2014
- Basic earnings per share was RMB8.82 cents

The board (the “**Board**”) of directors (the “**Directors**”) of Redco Properties Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014 with comparative figures for the corresponding period of 2013, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | <i>Note</i> | Six months ended 30 June | |
|--|-------------|---------------------------------|--------------------|
| | | 2014 | 2013 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenue | 4 | 1,282,569 | 1,913,921 |
| Cost of sales | | <u>(944,546)</u> | <u>(1,196,602)</u> |
| Gross profit | | 338,023 | 717,319 |
| Other gains/(losses), net | | 278 | (112) |
| Selling and marketing expenses | | (26,606) | (20,380) |
| General and administrative expenses | | (75,145) | (31,594) |
| Impairment of goodwill | | <u>—</u> | <u>(25,223)</u> |
| Operating profit | | 236,550 | 640,010 |
| Finance income | 5 | 4,102 | 2,545 |
| Finance costs | 5 | <u>(1,454)</u> | <u>(2,683)</u> |
| Finance income/(costs), net | | <u>2,648</u> | <u>(138)</u> |
| Share of loss of a joint venture | | <u>(4,101)</u> | <u>(2,604)</u> |
| Profit before income tax | | 235,097 | 637,268 |
| Income tax expense | 6 | <u>(94,638)</u> | <u>(367,729)</u> |
| Profit for the period | | <u>140,459</u> | <u>269,539</u> |
| Attributable to: | | | |
| Equity holders of the Company | | 135,493 | 263,289 |
| Non-controlling interests | | <u>4,966</u> | <u>6,250</u> |
| | | <u>140,459</u> | <u>269,539</u> |
| Earnings per share for profit attributable to equity holders of the Company | | | |
| - Basic and diluted (expressed in RMB cents per share) | 9 | <u>8.82</u> | <u>21.94</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2014 | 2013 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Profit for the period | <u>140,459</u> | <u>269,539</u> |
| Other comprehensive (loss)/income | | |
| Item that will not be reclassified subsequently to profit or loss | | |
| - Exchange differences arising on translation of functional currency to presentation currency | <u>(7,530)</u> | <u>15,470</u> |
| Total other comprehensive (loss)/income | <u>(7,530)</u> | <u>15,470</u> |
| Total comprehensive income for the period | <u><u>132,929</u></u> | <u><u>285,009</u></u> |
| Attributable to: | | |
| - Equity holders of the Company | 128,027 | 278,631 |
| - Non-controlling interests | <u>4,902</u> | <u>6,378</u> |
| Total comprehensive income for the period | <u><u>132,929</u></u> | <u><u>285,009</u></u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | As at 30 June 2014 | As at 31 December 2013 |
|--|-----------------------------------|---------------------------------------|
| <i>Note</i> | <i>RMB'000 (Unaudited)</i> | <i>RMB'000 (Audited)</i> |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 14,856 | 11,810 |
| Goodwill | 95,491 | 95,491 |
| Interest in a joint venture | 149,593 | 151,161 |
| Deferred income tax assets | <u>22,173</u> | <u>27,008</u> |
| | 282,113 | 285,470 |
| Current assets | | |
| Completed properties held for sale | 940,521 | 566,533 |
| Properties under development for sale | 5,280,540 | 3,938,777 |
| Other receivables, deposits and prepayments | 7 873,986 | 1,864,055 |
| Income tax recoverable | 103,818 | 77,372 |
| Amounts due from shareholders and directors | — | 132,464 |
| Amounts due from non-controlling interests | 176,815 | 176,815 |
| Restricted cash | 831,148 | 132,296 |
| Cash and cash equivalents | <u>658,280</u> | <u>827,804</u> |
| | 8,865,108 | 7,716,116 |
| Total assets | <u><u>9,147,221</u></u> | <u><u>8,001,586</u></u> |
| EQUITY | | |
| Capital and reserves attributable to the Company's equity holders | | |
| Share capital | 125,808 | — |
| Reserves | <u>1,489,837</u> | <u>888,945</u> |
| | 1,615,645 | 888,945 |
| Non-controlling interests | <u>271,862</u> | <u>262,560</u> |
| Total equity | <u><u>1,887,507</u></u> | <u><u>1,151,505</u></u> |

| | | As at | As at |
|--|-------------|--------------------|--------------------|
| | | 30 June | 31 December |
| | | 2014 | 2013 |
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | <i>(Unaudited)</i> | <i>(Audited)</i> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings, secured | | 1,360,000 | 980,000 |
| Deferred income tax liabilities | | <u>98,590</u> | <u>79,797</u> |
| | | 1,458,590 | 1,059,797 |
| | | ----- | ----- |
| Current liabilities | | | |
| Trade and other payables | 8 | 1,282,694 | 1,662,672 |
| Bank borrowings, secured | | 1,048,072 | 473,568 |
| Amounts due to non-controlling interests | | 779,920 | 741,614 |
| Amounts due to related parties | | 5,000 | 5,887 |
| Receipts in advance | | 2,476,204 | 2,660,713 |
| Income tax liabilities | | <u>209,234</u> | <u>245,830</u> |
| | | 5,801,124 | 5,790,284 |
| | | ----- | ----- |
| Total liabilities | | <u>7,259,714</u> | <u>6,850,081</u> |
| Total equity and liabilities | | <u>9,147,221</u> | <u>8,001,586</u> |
| Net current assets | | <u>3,063,984</u> | <u>1,925,832</u> |
| Total assets less current liabilities | | <u>3,346,097</u> | <u>2,211,302</u> |

NOTES:

1 General information

The Company is an investment holding company and its subsidiaries are principally engaged in property development business in the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law and its shares are listed on the Main Board of The Stock Exchange of Hong Kong limited (the "Hong Kong Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

This condensed consolidated financial information is presented in unit of Renminbi ("RMB"), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the Board on 28 August 2014.

This condensed consolidated financial information has not been audited. This condensed financial information has been reviewed by the Company's audit committee.

2 Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those set out in the consolidated financial statements of the Company for the year ended 31 December 2013 as included in the Company's annual report for the year ended 31 December 2013.

3.1 *Effect of adopting amendments to standards and interpretation*

The following, amendments to standards and interpretation are mandatory for the Group's financial year beginning on 1 January 2014:

| | |
|---|--|
| Amendment to HKAS 32 | Financial instruments: Presentation on asset and liability offsetting |
| Amendment to HKAS 36 | Recoverable amount disclosures for non-financial assets |
| Amendment to HKAS 39 | Financial instruments: Recognition and measurement — Novation of derivatives and hedge accounting |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Consolidation for investment entities |
| HK (IFRIC) Int 21 | Levies |

The adoption of the above amendments to standards and interpretation has no significant impact to the Group's financial position for all periods presented in this report.

3.2 *New standards and amendments to standards that have been issued but are not effective*

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group:

| | |
|-----------------------------|---|
| Amendment to HKAS 16 and 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ⁽²⁾ |
| Amendment to HKAS 19 | Employee Benefits: Defined benefit plans: Employee contribution ⁽¹⁾ |
| Amendments to HKFRS 11 | Accounting for acquisitions of interests in joint operations ⁽²⁾ |
| HKFRS 9 | Financial instruments ⁽⁴⁾ |
| HKFRS 14 | Regulatory deferral accounts ⁽²⁾ |
| HKFRS 15 | Revenue from contracts with customers ⁽³⁾ |
| Annual improvements project | Annual improvements 2010-2012 cycle ⁽¹⁾ |
| Annual improvements project | Annual improvements 2011-2013 cycle ⁽¹⁾ |

⁽¹⁾ Effective for the Group for annual period beginning on 1 July 2014.

⁽²⁾ Effective for the Group for annual period beginning on 1 January 2016.

⁽³⁾ Effective for the Group for annual period beginning on 1 January 2017.

⁽⁴⁾ Effective for the Group for annual period beginning on 1 January 2018.

The Group has commenced an assessment of the impact of the above new standards and amendments to existing standards and considers that they will not have any significant impact on the results of the Group's operations and financial position. The Group plans to adopt the above new standards and amendments to existing standards when they become effective.

Taxes on income in the six months ended 30 June 2014 are accrued using the tax rate that would be applicable to expected total annual earnings.

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 assesses the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region, and Others. "Others" segment represents corporate support functions.

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 of a joint venture, finance income, finance costs and income tax (expenses)/credit from the operating segments.

| | Greater Western Taiwan Straits Economic Zone RMB'000 | Central and Western Regions RMB'000 | Bohai Economic Rim RMB'000 | Pearl River Delta Region RMB'000 | Others RMB'000 | Total RMB'000 |
|--|---|--|---|---|---------------------------|--------------------------|
| Six months ended 30 June 2014 (Unaudited) | | | | | | |
| Total revenue | 360,182 | 11,587 | 910,800 | — | 5,223 | 1,287,792 |
| Inter-segment revenue | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(5,223)</u> | <u>(5,223)</u> |
| Revenue (from external customers) | <u>360,182</u> | <u>11,587</u> | <u>910,800</u> | <u>—</u> | <u>—</u> | <u>1,282,569</u> |
| Segment results | 173,682 | (6,933) | 115,229 | (3,384) | (39,667) | 238,927 |
| Depreciation | <u>(873)</u> | <u>(279)</u> | <u>(656)</u> | <u>(107)</u> | <u>(462)</u> | <u>(2,377)</u> |
| Operating profits/(losses) | 172,809 | (7,212) | 114,573 | (3,491) | (40,129) | 236,550 |
| Share of loss of a joint venture | (4,101) | — | — | — | — | (4,101) |
| Finance income | 771 | 335 | 246 | 67 | 2,683 | 4,102 |
| Finance costs | — | — | — | — | (1,454) | (1,454) |
| Income tax (expense)/credit | <u>(61,122)</u> | <u>(693)</u> | <u>(32,985)</u> | <u>162</u> | <u>—</u> | <u>(94,638)</u> |
| Profit/(loss) for the period | <u>108,357</u> | <u>(7,570)</u> | <u>81,834</u> | <u>(3,262)</u> | <u>(38,900)</u> | <u>140,459</u> |

| | Greater Western Taiwan Straits Economic Zone | Central and Western Regions | Bohai Economic Rim | Pearl River Delta Region | 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> |
| Six months ended 30 June 2013 (Unaudited) | | | | | | |
| Total revenue | 870,833 | 171,034 | 872,054 | — | 3,868 | 1,917,789 |
| Inter-segment revenue | — | — | — | — | (3,868) | (3,868) |
| Revenue (from external customers) | <u>870,833</u> | <u>171,034</u> | <u>872,054</u> | <u>—</u> | <u>—</u> | <u>1,913,921</u> |
| Segment results | 370,384 | 17,799 | 260,589 | — | (6,499) | 642,273 |
| Depreciation | (946) | (291) | (539) | — | (487) | (2,263) |
| Operating profits/(losses) | 369,438 | 17,508 | 260,050 | — | (6,986) | 640,010 |
| Share of loss of a joint venture | (2,604) | — | — | — | — | (2,604) |
| Finance income | 1,575 | 406 | 491 | — | 73 | 2,545 |
| Finance costs | — | — | — | — | (2,683) | (2,683) |
| Income tax expense | (179,052) | (23,322) | (165,141) | — | (214) | (367,729) |
| Profit/(loss) for the period | <u>189,357</u> | <u>(5,408)</u> | <u>95,400</u> | <u>—</u> | <u>(9,810)</u> | <u>269,539</u> |
| As at 30 June 2014 (Unaudited) | | | | | | |
| Total segment assets | <u>3,673,884</u> | <u>1,413,409</u> | <u>2,373,409</u> | <u>1,022,747</u> | <u>659,290</u> | <u>9,142,739</u> |
| Other unallocated corporate assets | | | | | | <u>4,482</u> |
| Total assets | | | | | | <u>9,147,221</u> |
| Additions to: | | | | | | |
| Property, plant and equipment | <u>2,856</u> | <u>42</u> | <u>701</u> | <u>2,125</u> | <u>116</u> | <u>5,840</u> |
| Total segment liabilities | <u>(3,562,920)</u> | <u>(1,347,826)</u> | <u>(1,312,422)</u> | <u>(2,820)</u> | <u>(1,033,726)</u> | <u>(7,259,714)</u> |

| | Greater Western Taiwan Straits Economic Zone <i>RMB'000</i> | Central and Western Regions <i>RMB'000</i> | Bohai Economic Rim <i>RMB'000</i> | Pearl River Delta Region <i>RMB'000</i> | Others <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---|--|--|---|--------------------------|-------------------------|
| As at 31 December 2013 | | | | | | |
| (Audited) | | | | | | |
| Total segment assets | <u>4,271,789</u> | <u>1,209,503</u> | <u>2,464,456</u> | <u>—</u> | <u>52,853</u> | <u>7,998,601</u> |
| Other unallocated corporate assets | | | | | | <u>2,985</u> |
| Total assets | | | | | | <u>8,001,586</u> |
| Additions to: | | | | | | |
| Property, plant and equipment | 1,605 | 412 | 3,669 | — | 532 | 6,218 |
| Acquisition of property under development for sale | <u>263,770</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>263,770</u> |
| Total segment liabilities | <u>(3,497,992)</u> | <u>(938,844)</u> | <u>(2,079,908)</u> | <u>—</u> | <u>(333,337)</u> | <u>(6,850,081)</u> |

5 **Finance income and costs**

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2014 | 2013 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Interest income from bank deposits | <u>4,102</u> | <u>2,545</u> |
| Interest expense on borrowings wholly repayable within five years | 73,717 | 40,434 |
| Interest expense on borrowings wholly repayable after five years | 45 | 50 |
| Less: interest capitalised in qualifying assets | <u>(72,308)</u> | <u>(37,801)</u> |
| | <u>1,454</u> | <u>2,683</u> |
| Weighted average interest rate on capitalised borrowings (per annum) | <u>7.89%</u> | <u>6.95%</u> |

6 **Income tax expense**

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax (“EIT”) at the rate of 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 six months ended 30 June 2014 (six months ended 30 June 2013: Nil). As at 30 June 2014, there was no significant unprovided deferred taxation in relation to these Hong Kong companies (31 December 2013: Nil).

PRC land appreciation tax (“LAT”) 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.

| | Six months ended 30 June | |
|---------------------|---------------------------------|--------------------|
| | 2014 | 2013 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Current income tax | | |
| EIT | 74,262 | 240,957 |
| LAT | 14,689 | 169,406 |
| Deferred income tax | <u>5,687</u> | <u>(42,634)</u> |
| | <u>94,638</u> | <u>367,729</u> |

7 Other receivables, deposits and prepayments

| | 30 June 2014 | 31 December 2013 |
|---|-------------------------|-----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Current assets | | |
| Other receivables | 223,125 | 89,086 |
| Deposits with local real estate associations ^(a) | 113,184 | 106,800 |
| Deposits with local labour bureau in PRC | 10,561 | 351 |
| Deposits with local finance bureau in the PRC | <u>3,966</u> | <u>2,678</u> |
| | 350,836 | 198,915 |
| Prepaid business tax and surcharges | 175,374 | 219,391 |
| Prepayment for construction costs | 90,157 | 23,000 |
| Prepayment for land use rights | <u>257,619</u> | <u>1,422,749</u> |
| | <u>873,986</u> | <u>1,864,055</u> |

^(a) The deposits with local real estate associations, included deposits with Jinan Real Estate Association (濟南市房地產業協會) in connection with the issue of pre-sale permit as required by the relevant regulations in respect of the Group's property development projects in Jinan.

^(b) The fair values of other receivables and deposits approximate their carrying amounts and are unsecured, interest-free and repayable on demand.

8 Trade and other payables

| | 30 June 2014 | 31 December 2013 |
|-----------------------------|-------------------------|-----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Trade payables | 894,736 | 1,015,182 |
| Accruals and other payables | <u>387,958</u> | <u>647,490</u> |
| | <u>1,282,694</u> | <u>1,662,672</u> |

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

| | 30 June 2014 | 31 December 2013 |
|--------------|-------------------------|-----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| 0-30 days | 627,272 | 926,681 |
| 31-60 days | 80,469 | 11,016 |
| 61-90 days | 93,360 | 8,428 |
| Over 90 days | <u>93,635</u> | <u>69,057</u> |
| | <u><u>894,736</u></u> | <u><u>1,015,182</u></u> |

9 Earnings per share

The basic earnings per share for the period ended 30 June 2013 and 2014 is calculated based on the profit attributable to the equity holders of the Company.

| | Six months ended 30 June 2014 | 2013 |
|--|--|--------------------|
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Profit attributable to equity holders of the Company <i>(RMB'000)</i> | <u>135,493</u> | <u>263,289</u> |
| Weighted average number of shares in issue <i>(in thousand)</i> | <u>1,535,912</u> | <u>1,200,000</u> |
| Basic earnings per share <i>(RMB cents)</i> | <u>8.82</u> | <u>21.94</u> |

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2014 and 2013 has been retrospectively adjusted to reflect 1,199,999,800 ordinary shares issued upon capitalisation on 30 January 2014.

The Company had no potential dilutive earnings per shares for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

10 Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

An interim dividend of RMB150,000,000 that related to the year ended 31 December 2013 was declared on 14 January 2014 and paid on 15 January 2014.

A final dividend in respect of the year ended 31 December 2013 of RMB0.05 per ordinary share, amounting to RMB80,000,000 was approved at the annual general meeting of the Company held on 20 June 2014. The dividend not yet paid out by the Company as at 30 June 2014 was RMB80,000,000, which was paid out subsequently.

The condensed consolidated financial information does not reflect this dividend payable.

11 Subsequent events

(a) Issuance of 13.75% senior notes with the aggregate principal amount of US\$125 million

On 1 August 2014, the Company issued 13.75% senior notes with an aggregate principal amount of US\$125,000,000 (equivalent to approximately RMB769,100,000) at par value. The interest is payable semi-annually in arrears on 1 February and 1 August of each year, commencing 1 February 2015. The senior notes will mature on 1 August 2019.

(b) Acquisition of the land use rights for the land located in Hefei city

On 21 August 2014, the Group received a written notice from the Land and Resources Bureau of Hefei confirming that the bid made by the Group of approximately RMB681,300,000 for the land use rights for a parcel of land located in Hefei city, Anhui Province, the PRC, through public auction was successful.

(c) Capital injection to Jiangxi Yiju Property Development Co., Ltd.

In August 2014, Hong Kong Binjiang Industrial Limited (“Hong Kong Binjiang”), a wholly-owned subsidiary of the Company, entered into a framework agreement with 南昌市國資置業有限公司 (Nanchang Guozi Zhiye Company Limited) (“Guozi Zhiye”) and an independent investor (the “Framework Agreement”), pursuant to which, each of the parties agreed to inject capital to 江西怡居房地產開發有限公司 (Jiangxi Yiju Property Development Co., Ltd.) (“Jiangxi Yiju”), a wholly-owned subsidiary of Guozi Zhiye immediately prior to such capital injection (the “Capital Injection”). Following the completion of Capital Injection, Jiangxi Yiju will be held as to 30%, 40% and 30% by Hong Kong Binjiang, Guozi Zhiye and the independent investor, respectively. As Hong Kong Binjiang shall have control of a majority of the board of directors of Jiangxi Yiju under the terms of the Framework Agreement, Jiangxi Yiju will become an indirect non-wholly owned subsidiary of the Company upon completion of the Capital Injection.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is an integrated residential and commercial property developer primarily focusing on residential property development in the PRC. We have successfully established our presence in a number of key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, Pearl River Delta Region and the Central and Western Regions including Nanchang, Tianjin, Jinan, Yantai, Hefei, Shenzhen and Xianyang. For the six months ended 30 June 2013 and 2014, our revenue was RMB 1,913.9 million and RMB 1,282.6 million respectively. And our profit for the six months ended 30 June 2013 and 2014, attributable to equity holders of the Company was RMB263.3 million and RMB135.5 million, respectively.

We believe that we have successfully established the “Redco” brand in the cities where we have built our presence. For four consecutive years since 2010, we have been recognised as one of the “China’s Top 100 Real Estate Developers” (中國房地產百強企業) by the Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院). In 2013, we were recognised as one of the “2013 Top 10 Brands of South China Real Estate Companies” (2013 中國華南房地產公司品牌價值 Top 10) by the Development Research Center of the State Council, the Real Estate Research Institute of Tsinghua University and the China Index Academy. We believe that the strong execution capabilities of our management team have been instrumental in executing our business strategies and achieving our current market position.

We have established diversified land acquisition strategies that complement each other, including acquisitions from third parties, auctions and listings-for-sale. We have also adopted other land acquisition strategies which include: (i) incorporating cultural concepts to develop properties that meet the needs of the local communities; (ii) early involvement in areas encouraged by the local governments; and (iii) leveraging on our past experience in developing quality property projects to acquire further land in the same geographical area. We have engaged in property development projects whereby either we or the original land use rights owner(s) are responsible for resettlement operations including compensation and resettlement of affected residents, demolition of existing structures and clearing of land of the relevant areas.

OUR PROPERTY DEVELOPMENT PROJECTS

As at 30 June 2014, our property portfolio comprised 16 property development projects with an aggregate gross floor area (“GFA”) of 3,876,386 square metres (“sq.m.”) under various stages of development remaining unsold in various cities in the PRC. The following table sets forth a summary of our property development projects as at 30 June 2014:

| Project | Site area ⁽¹⁾ (sq.m.) | Total GFA ⁽²⁾ (sq.m.) | Total GFA under various stages of development remaining unsold ⁽⁴⁾ (sq.m.) |
|--|-------------------------------------|--|---|
| NANCHANG | | | |
| Crown International 皇冠國際 | 53,673.2 | 271,040.4 | 2,831.4 |
| Crowne Plaza Nanchang Riverside Hotel 力高皇冠假日酒店 | 4,636.7 | 57,986.8 | 57,986.8 |
| Spain Standard 力高國際城 | 466,665.3 | 908,932.6 | 329,639.1 |
| Riverside International 濱江國際 | 37,345.7 | 204,600.6 | 116,683.2 |
| Bluelake County 瀾湖郡 | 135,285.0 | 286,794.7 | 286,794.7 |
| Riverlake International 濱湖國際 | 68,373.0 | 205,846.3 | 205,846.3 |
| Prince Royal Washington ⁽³⁾ 君御華府 | 41,994.5 | 112,150.4 | 112,150.4 |
| TIANJIN | | | |
| Sunshine Coast 陽光海岸 | 481,394.0 | 1,475,226.0 | 1,475,226.0 |
| Land Lot Nos. A1 and A2 | 69,336.2 | 55,469.0 | 55,469.0 |
| JINAN | | | |
| Redco International 力高國際 | 54,162.0 | 226,076.9 | 102,945.6 |
| Splendid the Legend 盛世名門 | 51,675.2 | 205,813.6 | 10,102.0 |
| Scenery Holiday 假日麗景 | 34,934.9 | 87,545.2 | 2,157.9 |
| YANTAI | | | |
| Sunshine Coast - Phase I 陽光海岸 | 51,693.7 | 186,470.8 | 186,470.8 |
| HEFEI | | | |
| Mix Kingdom Redco 力高●共和城 | 395,596.4 | 871,735.3 | 517,430.1 |
| XIANYANG | | | |
| Royal City - Phase I 御景灣 | 69,466.8 | 237,012.8 | 237,012.8 |
| SHENZHEN | | | |
| Royal International 力高君御花園 | 33,035.3 | 177,640.0 | <u>177,640.0</u> |
| TOTAL | | | <u><u>3,876,386</u></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. In the first half of 2014, the Group entered into a land grant contract relating to a new project in Nanchang through the public auction. The total GPA remaining unsold included the area for residential properties, commercial properties, car parks, civil air defense car park and ancillary. The total consideration for such acquisition is RMB 340.1 million.
4. “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.

Recent Development

Capital Injection to Jiangxi Yiju Property Development Co., Ltd.

In August 2014, Hong Kong Binjiang, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with Guozi Zhiye and an independent investor, pursuant to which, each of the parties agreed to inject capital to Jiangxi Yiju, a wholly-owned subsidiary of Guozi Zhiye immediately prior to the Capital Injection. Following the completion of Capital Injection, Jiangxi Yiju will be held as to 30%, 40% and 30% by Hong Kong Binjiang, Guozi Zhiye and the independent investor, respectively. As Hong Kong Binjiang shall have control of a majority of the board of directors of Jiangxi Yiju under the terms of the Framework Agreement, Jiangxi Yiju will become an indirect non-wholly owned subsidiary of the Company upon completion of the Capital Injection. On 5 March 2014, Jiangxi Yiju had successfully bid for the land use rights of a parcel of land with a site area of approximately 84,094 sq.m. which is planned for the development of high-rise apartments, low-rise apartments, commercial units and car parks.

Based on our estimates of current project plans, details of the project as at this announcement date were as follows:

Construction period

| | |
|--|-----------------------|
| Estimated date of commencement | Forth quarter of 2014 |
| Estimated date of completion | Third quarter of 2017 |
| Total planned GFA (sq.m.) | 223,420* |
| Attributable interest to the Group | 30% |

* “Total planned GFA” of projects for future development is based on the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.

Issuance of Senior Notes 2014

To further diversify the Company’s financing channels, on 1 August 2014, the Company issued US\$125 million 13.75% senior notes due 2019 (the “**Senior Notes 2014**”) for refinancing certain existing indebtedness, financing its existing and new property development projects (including land premium and construction costs) and for other general corporate purposes.

Acquisition of the land use rights of the Land

On 21 August 2014, Yantai Redco Development Co. Ltd.* (烟台力高置業有限公司), a wholly-owned subsidiary of the Company, succeeded in bidding, through the public auction, for the land use rights of a parcel of land (Lot No. XZQTD 160) (the “Land”) in Hefei City, Anhui Province, the People’s Republic of China (the “PRC”) at a consideration of RMB681.3 million.

The Land is situated at east of Fengshan Road, south of Tianshui Road, Xinzhan District, Hefei City, Anhui Province, the PRC* (中國安徽省合肥市新站區鳳山路以東、天水路以南) with a site area of approximately 132.04 mu (approximately 88,025.8 sq.m.) and its plot ratio shall not exceed 2.8.

Based on our estimates of current project plans, details of the project as at announcement date were as follow:

| | |
|--|-----------------------|
| Estimated date of commencement | Forth quarter of 2014 |
| Estimated date of completion | Third quarter of 2017 |
| Total planned GFA (sq.m.) | 308,792* |
| Attributable interest to the Group | 100% |

* “Total planned GFA” of projects for future development is based on the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.

FINANCIAL REVIEW

Results of Operations

Revenue

Overall revenue for the six months ended 30 June 2014 decreased by 33.0% to RMB 1,282.6 million from RMB1,913.9 million for the six months ended 30 June 2013 which was primarily due to the decrease in our GFA delivered for the residential property for Riverside International in Nanchang and Splendid the Legend in Jinan, partially offset by the early delivery of, and the GFA delivered for, Redco International in Jinan which the Group started recognizing revenue in the first half of 2014 . Total GFA delivered declined by 37.0% to 179,526 sq.m for the six months ended 30 June 2014 from 284,919 sq.m. for the six months ended 30 June 2013. Such decline was consistent with the delivery schedule of the Group as disclosed in the prospectus of the Company dated 21 January 2014 (the “Prospectus”) which indicated that a majority of the planned bulk GFA deliveries for the year 2014 are scheduled in the second half of 2014. For those planned GFA delivery for the second half of 2014, a large portion of those property development projects had been pre-sold and the Group will recognise revenue when the construction completed and the GFA delivered. Details of the delivery schedule for the year 2014 are available in the “Business — Portfolio of our property development projects” section of the Prospectus. The decrease in our total GFA delivered was partially offset by the slight increase in the recognised average selling price (“ASP”) for the properties delivered in the first half of 2014. The ASP for properties delivered increased slightly to RMB 7,144 for the six months ended 30 June 2014 from RMB6,717 for the six months ended 30 June 2013, representing a 6.4% growth from a year earlier, which was primarily driven by the higher ASP contributed by the Redco International in Jinan delivered in current period.

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

| | For the six months ended 30 June | | | | | |
|--|----------------------------------|------------------|----------------------|----------------|------------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | <i>Revenue</i> | | <i>GFA Delivered</i> | | <i>Recognised ASP</i> | |
| | <i>(RMB'000)</i> | | <i>(sq.m.)</i> | | <i>(RMB per sq.m.)</i> | |
| Greater Western Taiwan Straits Economic Zone | 360,182 | 870,833 | 56,357 | 121,729 | 6,391 | 7,154 |
| Central and Western Regions | 11,587 | 171,034 | 1,010 | 32,382 | 11,472 | 5,282 |
| Bohai Economic Rim | 910,800 | 872,054 | 122,159 | 130,808 | 7,456 | 6,667 |
| Pearl River Delta Region | — | — | — | — | — | — |
| Others | — | — | — | — | — | — |
| Subtotal | <u>1,282,569</u> | <u>1,913,921</u> | <u>179,526</u> | <u>284,919</u> | <u>7,144</u> | <u>6,717</u> |

A summary of our segment results is set forth below:

- Greater Western Taiwan Straits Economic Zone: Our segment revenue for the Greater Western Taiwan Straits Economic Zone decreased by 58.6% to RMB360.2 million for the six months ended 30 June 2014 from RMB870.8 million for the six months ended 30 June 2013. The decrease was primarily attributable to the decrease in GFA delivered for Riverside International in Nanchang, a property development project for which we began to recognise revenue from sales in 2013.
- Central and Western Regions: Our segment revenue for the Central and Western Regions decreased by 93.2% to RMB11.6 million for the six months ended 30 June 2014 from RMB171.0 million for the six months ended 30 June 2013. The decrease was primarily due to the decrease in the GFA delivered for Mix Kingdom Redco in Hefei.

- Bohai Economic Rim: Our segment revenue for the Bohai Economic Rim increased by 4.4% to RMB910.8 million for the six months ended 30 June 2014 from RMB872.1 million for the six months ended 30 June 2013. The increase was attributable to the increase in GFA delivered for Redco International in Jinan, a property development project for which we began to recognise revenue from sales in the first half of 2014, partially offset by the decrease in the GFA delivered for Splendid the Legend in Jinan, a property development project for which we began to recognise revenue from sales in 2013.
- Pearl River Delta Region: There was only one project in this region during the six months ended 30 June 2014. No revenue was recognised during this period.
- Others: It mainly represents our headquarters at Shenzhen. There was no revenue for the six months ended 30 June 2013 and 2014.

Cost of sales

Cost of sales decreased by 21.1% to RMB944.5 million for the six months ended 30 June 2014 from RMB1,196.6 million for the six months ended 30 June 2013. This decrease was primarily due to an decrease in cost of properties sold as a result of a decrease in GFA delivered to 179,526 sq.m. for the six months ended 30 June 2014 from 284,919 sq.m. for the six months ended 30 June 2013 partially offset by (i) an increase in average land acquisition costs per sq.m. delivered to RMB1,209 for the six months ended 30 June 2014 from RMB1,034 for the six months ended 30 June 2013 and (ii) an increase in average construction costs per sq.m. delivered to RMB3,480 for the six months ended 30 June 2014 from RMB2,543 for the six months ended 30 June 2013. The increase in average land acquisition costs per sq.m. delivered was primarily due to the relatively high land acquisition costs and the construction cost per sq.m. for Redco International in Jinan. The increase in the construction cost in Redco International in Jinan is mainly due to additional temperature-protection works that need to be done for the outside walls of the residential properties in the cities throughout North China.

Gross profit

Gross profit decreased by 52.9% to RMB338.0 million for the six months ended 30 June 2014 from RMB717.3 million for the six months ended 30 June 2013. Our gross profit margin decreased to 26.4% for the six months ended 30 June 2014 from 37.5% for the six months ended 30 June 2013. This decrease was primarily attributable to the decrease in the GFA delivered for Riverside International in Nanchang and Splendid the Legend in Jinan which have relatively high gross profit margin.

Other gains/(losses), net

Other gains increased to RMB0.3 million for the six months ended 30 June 2014 from a loss of RMB0.1 million for the six months ended 30 June 2013. The increase was primarily attributable to the gains of RMB0.3 million mainly arising from the disposal of property, plant and equipment of the Group.

Selling and marketing expenses

Selling and marketing expenses increased by 30.5% to RMB26.6 million for the six months ended 30 June 2014 from RMB20.4 million for the six months ended 30 June 2013. Selling and marketing expenses mainly represent the promotion of our properties. The increase was mainly due to the increase in the number of projects in the first half of 2014.

General and administrative expenses

General and administrative expenses increased by 137.8% to RMB75.1 million for the six months ended 30 June 2014 from RMB31.6 million for the six months ended 30 June 2013. This increase was primarily due to the legal and professional fees paid for the listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange, employee benefit, office and travelling expenses, partially offset by a decrease in other general and administrative expenses.

Impairment of goodwill

Impairment of goodwill decreased by 100% to nil for the six months ended 30 June 2014 from RMB25.2 million for the six months ended 30 June 2013. Such goodwill represents certain premium paid in connection with our acquisition of an 80.0% equity interest in Changfeng Lianhua Real Estate Co., Ltd. ("Changfeng"), which holds Mix Kingdom Redco in Hefei. The decrease in 2014 mainly was due to only few GFA delivered in the first half of 2014 and therefore no additional impairment made for each phase of Changfeng.

Operating profit

As a result of the above, our operating profit decreased by 63.0% to RMB236.6 million for the six months ended 30 June 2014 from RMB640.0 million for the six months ended 30 June 2013.

Finance income

Finance income increased by 61.2% to RMB4.1 million for the six months ended 30 June 2014 from RMB2.5 million for the six months ended 30 June 2013. This increase was primarily attributable to an increase in interest income from bank deposits due to an increase in bank deposits and the increase in the interest rate for the cash pledged for the loan in the first half of 2014.

Finance costs

Finance costs decreased by 45.8% to RMB1.5 million for the six months ended 30 June 2014 from RMB2.7 million for the six months ended 30 June 2013, which was mainly due to the decrease in borrowing for the general corporate purpose and most of the loan interest has been capitalized in the properties under development.

Share of loss of a joint venture

Share of loss of a joint venture increased by 57.5% to RMB4.1 million for the six months ended 30 June 2014 from RMB2.6 million for the six months ended 30 June 2013. The increase was primarily due to the increase in share of loss related to Redco Industry (Jiangxi) Co., Ltd., which holds the Crowne Plaza Nanchang Riverside Hotel in Nanchang, as a result of the decrease in the occupation rate in the first half of 2014.

Profit before income tax

As a result of the above, profit before income tax for the six months ended 30 June 2014 decreased to RMB 235.1 million from RMB637.3 million for the six months ended 30 June 2013.

Income tax expense

Income tax expense decreased by 74.3% to RMB94.6 million for the six months ended 30 June 2014 from RMB367.7 million for the six months ended 30 June 2013. The increase was primarily due to an decrease in EIT as a result of decreased revenue, an decrease in LAT as a result of the lower gross profit margin and tax effect of withholding tax on the distributable profits on our Group's PRC subsidiaries.

Profit for the six months ended 30 June 2014

As a result of the above, profit for the six months ended 2014 decreased to RMB140.5 million from RMB269.5 million for the six months ended 30 June 2013. The profit for the six months ended 30 June 2014 mainly arising from the profit in Greater Western Taiwan Straits Economic Zone for RMB108.4 million and Bohai Economic Rim for RMB81.8 million, partially offset by the loss in Central and Western regions for RMB7.6 million, Pearl River Delta Region for RMB3.3 million and Others segment for RMB38.9 million.

Profit for the six months ended 30 June 2014 attributable to the equity holders of the Company

As a result of the above, profit for the six months attributable to equity holders of the Company decreased by 48.5% to RMB135.5 million for the six months ended 30 June

2014 from RMB263.3 million for the six months ended 30 June 2013. Profit attributable to non-controlling interests decreased by 20.5% to RMB5.0 million for the six months ended 30 June 2014 from RMB6.3 million for the six months ended 30 June 2013.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB658.3 million (31 December 2013: RMB827.8 million) and restricted cash of RMB831.1 million (31 December 2013: RMB132.3 million) as at 30 June 2014. As at 30 June 2014, the Group's cash and cash equivalents were denominated in the Hong Kong dollar ("HK\$"), RMB and the United States dollar.

Bank borrowings

The Group had bank borrowings of approximately RMB2,408.1 million (31 December 2013: RMB1,453.6 million) as at 30 June 2014. The following table sets out the maturity profile of the Group's borrowings as at the dates indicated.

| | 30 June 2014 | 31 December 2013 |
|--|-------------------------|-----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Amounts of borrowings repayable: | | |
| - Within 1 year | 950,120 | 375,944 |
| - Between 1 and 2 years | 1,110,672 | 730,664 |
| - Between 2 and 5 years | 343,354 | 342,713 |
| - After 5 years | <u>3,926</u> | <u>4,247</u> |
| | <u>2,408,072</u> | <u>1,453,568</u> |
| Bank borrowing by nature | | |
| - Guaranteed by land and properties under construction | 1,701,287 | 1,453,568 |
| - Guaranteed by cash | 687,549 | — |
| - Corporate guarantee only | <u>19,236</u> | <u>—</u> |
| | <u>2,408,072</u> | <u>1,453,568</u> |

As at 30 June 2014, the Group's bank borrowings were denominated in RMB and HK\$.

As at 30 June 2014, the Group was exposed to foreign exchange risk primarily with respect to certain of its bank borrowings which were denominated in HK\$. RMB experienced certain appreciation against HK\$ during the six months ended 30 June 2014 which is the major reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

As at 30 June 2014, the Group's net gearing ratio was 48.7% (31 December 2013: 42.9%). The gearing ratio 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 equivalent and restricted cash). Total equity is calculated as total equity, as shown in the condensed consolidated balance sheet.

Cost of Borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses incurred or capitalised by average bank borrowings during the relevant period) was 7.67% in the first half of 2014, versus 6.95% in the first half of 2013.

Contingent liabilities

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

| | 30 June 2014 | 31 December 2013 |
|---|-------------------------|-----------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(Unaudited)</i> | <i>(Audited)</i> |
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties | <u>1,326,668</u> | <u>1,566,684</u> |

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of 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 responsible 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 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 30 June 2014. The Directors consider that the subsidiaries are able to sufficiently financially resourced to fulfil their obligations.

Except for financial guarantees as disclosed above, the Group had no material contingent liabilities as at 30 June 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Group had a total of approximately 529 employees (31 December 2013: 452 employees). For the six months ended 30 June 2014, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB29.7 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for its 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 the share option scheme on 14 January 2014. Further information of such share option scheme is available in the annual report 2013 of the Company.

Charge over assets

As at 30 June 2014, the Group had aggregate banking facilities of approximately RMB2,488,072,000 (31 December 2013: RMB1,433,857,000) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 30 June 2014 amounted to RMB80,000,000 (31 December 2013: Nil).

These facilities were secured by certain properties under development held for sale provided by the Group's subsidiaries, cash and corporate guarantee.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

Save as disclosed herein, there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the period under review.

Future plans for material investments or capital assets

The Company will continue to purchase land located in the strategically selected cities, if thought fit. It is expected that the 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 authorised by the Board for significant investments or capital assets as at the date of this announcement.

OUTLOOK

Within the next five years, we aim to become (i) one of the top 50 real estate developers in the PRC and (ii) one of the leading real estate developers in most of our strategically targeted key economic cities. We believe that we can achieve the aforesaid objectives by executing the following strategies:

- Further expand our business operations in the key economic cities in the Greater Western Taiwan Straits Economic Zone, the Bohai Economic Rim, Pearl River Delta Region, the Central and Western Regions as well as other regions in China such as those first tier and second tier cities in the Yangtze River Delta Region.
- We intend to continue to follow our diversified land acquisition strategies. We intend to continue prioritising our financial resources towards what we believe to be the most profitable opportunities by selectively targeting land that we believe has high growth potential and acquiring such land at competitive costs. As part of our expansion, we may also make strategic investment and acquisitions that complement our operations.
- Continue to focus primarily on residential property development while achieving an optimal and diversified portfolio by developing a higher proportion of commercial property development projects. We believe that diversifying our product mix will enhance our ability to expand and will enable us to effectively respond to any macro-economic policy affecting the PRC residential property sector.

- Further strengthen our “Redco” brand by providing quality products for our customers and continuing to engage in projects that entail the construction of landmark properties. We intend to:
 - solidify such reputation in the cities where we have established a presence as well as our other strategically targeted cities;
 - remain focused on creative architectural planning and innovative product designs to provide superior value for our customers;
 - expand our collaborations with reputable design firms;
 - engage in more projects that entail building landmark properties such as well-recognised hotels or office buildings at prime locations;
 - organise promotional events such as economic forums

We believe such work we do in the above will in turn enhance our reputation and recognition of our “Redco” brand.

- Continue to recruit, retain and motivate a talented workforce. We believe that our employees are our invaluable assets. In order to support our growth and expansion, we aim to attract and recruit employees with a wide range of expertise including real estate development, project planning, design, finance and marketing and sales.
- To further diversify the Group’s financing channels, such as through debt or equity offerings for the purpose of strengthening its financial capability and enabling it to consider a wider range of favourable land acquisition opportunities as they arise and thus enhancing our shareholders’ return.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2014 to the shareholders of the Company (the “Shareholders”) (six months ended 30 June 2013: Nil).

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Company's initial public offering (after deducting the underwriting fees and related expenses) amounted to approximately HK\$930.0 million and were utilised in accordance with the intended use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. During the six months ended 30 June 2014, approximately RMB682 million (equivalent to approximately HK\$859 million) had been used to pay the land premium in respect of the land use rights of the new land of the relevant property development projects of the Group and the remaining amount had been used for our working capital and other general corporate purposes.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the Listing Date (as defined below) and up to the date of this announcement.

THE CORPORATE GOVERNANCE CODE

Throughout the period since 30 January 2014, being the date on the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange (the "Listing Date") and up to 30 June 2014, the Company complied with the code provisions of the Corporate Governance Code with the exception of code provision A.2.1. For further details of such exception, please refer to the annual report 2013 of the Company.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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 required standard set out in the Model Code during the period from the Listing Date and up to 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the six months ended 30 June 2014. Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the six months ended 30 June 2014.

AUDIT COMMITTEE

The Board has established an audit committee (the “Audit Committee”) which comprises four independent non-executive Directors, namely, Mr. Chow Kwong Fai, Edward, JP, Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen and Mr. Yip Tai Him. Mr. Chow Kwong Fai, Edward, JP is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results and the unaudited condensed consolidated financial information of the Company and its subsidiaries for the six months ended 30 June 2014.

PUBLICATION OF THE 2014 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The 2014 Interim Report 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
Huang Ruoqing
Executive Director

Hong Kong, 28 August 2014

As at the date of this announcement, the executive Directors are Mr. Huang Ruoqing, Mr. Tang Chengyong, Mr. Hong Duxuan; and the independent non-executive Directors are Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen, Mr. Yip Tai Him and Mr. Chow Kwong Fai, Edward, JP.