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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 2016**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2016 increased by 39.8% to RMB2,302.5 million
- Contract sales for the six months ended 30 June 2016 increased by 102.3% to RMB3,429.6 million
- Profit for the six month ended 30 June 2016 decreased by 36.3% to RMB182.0 million
- Profit for the six months ended 30 June 2016 attributable to owners of the Company decreased by 59.4% to RMB117.4 million
- Weighted average interest rate on capitalised borrowings for the six months ended 30 June 2016 decreased to 8.37% from 10.38% for the six months ended 30 June 2015
- Cash and cash equivalents as at 30 June 2016 amounted to RMB1,370.8 million and the gearing ratio was 15.2% as at 30 June 2016
- Land bank in aggregate was approximately 3.8 million sq. m. as at 30 June 2016
- Basic earnings per share was RMB6.61 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 2016 with comparative figures for the corresponding period of 2015 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	4	2,302,539	1,646,835
Cost of sales		(1,871,631)	(1,026,015)
<b>Gross profit</b>		430,908	620,820
Other gains/(losses), net		13,173	(1,217)
Selling and marketing expenses		(58,787)	(45,785)
General and administrative expenses		(80,008)	(81,736)
Impairment of goodwill		—	(9,756)
<b>Operating profit</b>		305,286	482,326
Finance income	5	8,552	9,071
Finance costs	5	(3,208)	(1,146)
Finance income, net		5,344	7,925
Share of losses of joint ventures		(5,780)	(1,448)
<b>Profit before income tax</b>		304,850	488,803
Income tax expense	6	(122,861)	(203,297)
<b>Profit for the period</b>		181,989	285,506
<b>Attributable to:</b>			
Owners of the Company		117,366	289,069
Non-controlling interests		64,623	(3,563)
		181,989	285,506
<b>Earnings per share attributable to owners of the Company</b>			
– Basic and diluted (expressed in RMB cents per share)	9	6.61	18.07

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Profit for the period</b>	<u>181,989</u>	<u>285,506</u>
<b>Other comprehensive loss</b>		
Item that will not be reclassified subsequently to profit or loss		
– Exchange differences arising on translation of functional currency to presentation currency	<u>(40,702)</u>	<u>(9,946)</u>
<b>Total other comprehensive loss</b>	<u>(40,702)</u>	<u>(9,946)</u>
<b>Total comprehensive income for the period</b>	<u><u>141,287</u></u>	<u><u>275,560</u></u>
<b>Attributable to:</b>		
– Owners of the Company	76,979	279,119
– Non-controlling interests	<u>64,308</u>	<u>(3,559)</u>
<b>Total comprehensive income for the period</b>	<u><u>141,287</u></u>	<u><u>275,560</u></u>

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2016

		<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		34,797	36,178
Goodwill		49,535	49,535
Interests in joint ventures		303,703	165,231
Deferred income tax assets		88,920	58,445
		<u>476,955</u>	<u>309,389</u>
<b>Current assets</b>			
Completed properties held for sale		1,917,549	1,237,046
Properties under development for sale		6,465,901	7,218,874
Trade and other receivables, deposits and prepayments	7	1,518,377	1,788,400
Amounts due from non-controlling interests		199,615	158,615
Income tax recoverable		178,818	125,398
Restricted cash		998,827	668,759
Cash and cash equivalents		1,370,761	1,689,142
		<u>12,649,848</u>	<u>12,886,234</u>
<b>Total assets</b>		<u><u>13,126,803</u></u>	<u><u>13,195,623</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		139,632	139,632
Reserves		2,460,297	2,383,306
		2,599,929	2,522,938
<b>Non-controlling interests</b>		<u>462,897</u>	<u>370,760</u>
<b>Total equity</b>		<u><u>3,062,826</u></u>	<u><u>2,893,698</u></u>

		<b>30 June</b>	<b>31 December</b>
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings, secured		2,147,282	2,750,027
Deferred income tax liabilities		193,701	183,943
		<u>2,340,983</u>	<u>2,933,970</u>
<b>Current liabilities</b>			
Trade and other payables	8	2,413,770	2,990,763
Borrowings, secured		770,530	470,513
Amounts due to non-controlling interests		437,882	349,900
Amount due to a related party		117,350	161,109
Receipts in advance		3,582,923	2,949,214
Income tax liabilities		400,539	446,456
		<u>7,722,994</u>	<u>7,367,955</u>
<b>Total liabilities</b>		<u>10,063,977</u>	<u>10,301,925</u>
<b>Total equity and liabilities</b>		<u>13,126,803</u>	<u>13,195,623</u>

## NOTES:

### 1 **General information**

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 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, the Cayman Islands.

This condensed consolidated financial information is presented in unit of Renminbi (“RMB”), unless otherwise stated.

### 2 **Basis of preparation**

This condensed consolidated financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

#### 2.1 ***Comparative figures***

The Group adopts the classification of the following financial statement items in the condensed consolidated statement of profit or loss with effect from 1 January 2015:

Exchange differences had been included in “other gains/(losses), net”. Comparative figure of exchange losses of approximately RMB3,286,000 which had been included in “general and administrative expenses” in prior period’s financial information have been reclassified to “other gains/(losses), net”.

### 3 **Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2015 as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

Taxes on income for the six months ended 30 June 2016 are accrued using the tax rate that would be applicable to expected total annual earnings.

### 3.1 *Effect of adopting amendments to standards*

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2016 and do not have a material impact on the Group:

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendment)	Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendment)	Annual improvements to HKFRSs 2012 - 2014 cycle

There are no other amended standards that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

### 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 2016 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments <sup>(1)</sup>
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture <sup>(3)</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>(1)</sup>
HKFRS 16	Leases <sup>(2)</sup>

<sup>(1)</sup> Effective for the Company for annual period beginning on 1 January 2018.

<sup>(2)</sup> Effective for the Company for annual period beginning on 1 January 2019.

<sup>(3)</sup> Effective date to be determined.

The Group has commenced an assessment of the impact of the above new and amended 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 and amended standards 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, Pearl River Delta Region and Others. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers), investment holding businesses and the newly acquired project in Shanghai.

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

	<b>Greater Western Taiwan Straits Economic Zone RMB'000</b>	<b>Central and Western Regions RMB'000</b>	<b>Bohai Economic Rim RMB'000</b>	<b>Pearl River Delta Region RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>Six months ended 30 June 2016</b>						
<b>(Unaudited)</b>						
Total revenue	375,976	227,970	468,298	1,218,139	33,799	2,324,182
Inter-segment revenue	—	—	—	—	(21,643)	(21,643)
Revenue (from external customers)	<u>375,976</u>	<u>227,970</u>	<u>468,298</u>	<u>1,218,139</u>	<u>12,156</u>	<u>2,302,539</u>
Segment results	72,830	54,260	32,217	169,994	(20,776)	308,525
Depreciation	<u>(643)</u>	<u>(386)</u>	<u>(847)</u>	<u>(558)</u>	<u>(805)</u>	<u>(3,239)</u>
Operating profit/(loss)	72,187	53,874	31,370	169,436	(21,581)	305,286
Share of losses of joint ventures	(5,780)	—	—	—	—	(5,780)
Finance income	2,102	908	778	127	4,637	8,552
Finance costs	(80)	—	—	—	(3,128)	(3,208)
Income tax (expense)/credit	<u>(54,675)</u>	<u>(33,719)</u>	<u>(17,340)</u>	<u>(61,085)</u>	<u>43,958</u>	<u>(122,861)</u>
Profit for the period	<u><u>13,754</u></u>	<u><u>21,063</u></u>	<u><u>14,808</u></u>	<u><u>108,478</u></u>	<u><u>23,886</u></u>	<u><u>181,989</u></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>
<b>Six months ended 30 June</b>						
<b>2015 (Unaudited)</b>						
Total revenue	876,989	207,712	562,134	—	17,609	1,664,444
Inter-segment revenue	—	—	—	—	(17,609)	(17,609)
Revenue (from external customers)	876,989	207,712	562,134	—	—	1,646,835
Segment results	350,342	19,022	165,387	(9,874)	(40,059)	484,818
Depreciation	(500)	(308)	(624)	(275)	(785)	(2,492)
Operating profit/(loss)	349,842	18,714	164,763	(10,149)	(40,844)	482,326
Share of losses of joint ventures	(1,448)	—	—	—	—	(1,448)
Finance income	4,586	531	589	206	3,159	9,071
Finance costs	—	—	—	—	(1,146)	(1,146)
Income tax expense	(112,096)	(17,549)	(44,299)	(816)	(28,537)	(203,297)
Profit/(loss) for the period	240,884	1,696	121,053	(10,759)	(67,368)	285,506

	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>
<b>As at 30 June 2016 (Unaudited)</b>						
Total segment assets	4,382,410	3,227,841	3,792,583	967,478	752,169	13,122,481
Other unallocated corporate assets						4,322
Total assets						<u>13,126,803</u>
Additions to:						
Property, plant and equipment	243	4	742	19	638	1,646
Investment in a joint venture	118,500	—	—	—	—	118,500
Total segment liabilities	<u>(3,466,189)</u>	<u>(2,884,525)</u>	<u>(1,400,221)</u>	<u>(342,289)</u>	<u>(1,970,753)</u>	<u>(10,063,977)</u>
<b>As at 31 December 2015 (Audited)</b>						
Total segment assets	4,322,212	2,402,640	3,903,785	1,826,270	736,352	13,191,259
Other unallocated corporate assets						4,364
Total assets						<u>13,195,623</u>
Additions to:						
Property, plant and equipment	21,755	268	2,455	227	1,238	25,943
Goodwill	—	—	935	—	4,423	5,358
Total segment liabilities	<u>(3,384,496)</u>	<u>(1,925,119)</u>	<u>(1,171,363)</u>	<u>(1,260,397)</u>	<u>(2,560,550)</u>	<u>(10,301,925)</u>

5 **Finance income and costs**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance income from bank deposits	8,552	9,071
Finance cost on borrowings	135,949	187,342
Less: finance cost capitalised in qualifying assets	(132,741)	(186,196)
	<u>3,208</u>	<u>1,146</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>8.37%</u>	<u>10.38%</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 2016 (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: Nil). As at 30 June 2016, there was no significant unprovided deferred taxation in relation to these Hong Kong companies (31 December 2015: 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.

Applicable tax rates on provision for withholding tax on the unremitted earnings of PRC subsidiaries ranging from 5% to 10% (2015: 10%) based on the tax residence status of the respective holding companies domiciled outside the PRC.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax		
EIT	65,373	140,996
LAT	89,545	33,347
Deferred income tax	11,448	417
(Reversal of provision for)/provision for withholding tax on the unremitted earnings of the PRC subsidiaries	(43,505)	28,537
	<u>122,861</u>	<u>203,297</u>

7 Trade and other receivables, deposits and prepayments

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables (Note a)	39,925	44,266
Accrued contract revenue (Note b)	392,500	392,500
	<u>432,425</u>	<u>436,766</u>
Other receivables	331,909	691,636
Deposits with local real estate associations (Note c)	305,202	285,202
Deposits with labour department	6,097	6,097
Deposits with treasury bureau	25,023	25,023
	<u>668,231</u>	<u>1,007,958</u>
Prepaid business tax and surcharges	142,340	116,475
Prepayment for construction costs	82,146	40,164
Prepayment for land use rights	193,235	187,037
	<u>1,085,952</u>	<u>1,351,634</u>
	<u><u>1,518,377</u></u>	<u><u>1,788,400</u></u>

- (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 term are generally not granted to customers while credit periods of 10 months are granted to certain corporate customers. The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	29,404	43,222
31 - 60 days	778	9
61 - 90 days	122	1,035
Over 90 days	9,621	—
	<u>39,925</u>	<u>44,266</u>

As at 30 June 2016, trade receivables of RMB11,172,000 (31 December 2015: RMB35,966,000) were overdue but not impaired. These receivables relate to certain customers that are financially viable. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The ageing analysis of these past due trade receivables is as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	651	34,922
31 - 60 days	778	9
61 - 90 days	122	1,035
Over 90 days	9,621	—
	<u>11,172</u>	<u>35,966</u>

The carrying amounts of trade receivables approximate their fair values due to short maturities and are unsecured and interest-free.

- (b) Accrued contract revenue arises from the Group's sea reclamation service. As at 30 June 2016 and 31 December 2015, the corresponding receivable balance is not yet billed.
- (c) The deposits with local real estate associations, mainly included deposits made to PRC government bodies for future land development or in connection with the retention of the quality for properties construction as required by the relevant regulations in respect of the Group's property development projects.
- (d) The carrying amounts of other receivables, deposits and prepayments approximate their fair values due to short maturities and are unsecured, interest-free and repayable on demand.
- (e) The carrying amounts of the Group's trade receivables and other receivables are all denominated in RMB.

## 8 Trade and other payables

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables (Note a)	1,422,080	1,448,599
Accruals and other payables	357,803	807,170
Land use right payable	580,023	678,023
Other taxes payables	52,922	55,723
Salary payables	942	1,248
	<u>2,413,770</u>	<u>2,990,763</u>

Note a:

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

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	1,232,058	1,223,261
31 - 60 days	57,445	73,144
61 - 90 days	11,533	26,801
Over 90 days	121,044	125,393
	<u>1,422,080</u>	<u>1,448,599</u>

## 9 Earnings per share

The basic earnings per share for the period ended 30 June 2016 and 2015 is calculated based on the profit attributable to owners of the Company.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Profit attributable to owners of the Company (RMB'000)	<u>117,366</u>	<u>289,069</u>
Weighted average number of shares in issue (in thousand)	<u>1,775,805</u>	<u>1,600,000</u>
Basic earnings per share (RMB cents)	<u>6.61</u>	<u>18.07</u>

The Company had no potential dilutive earnings per shares for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 10 Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## **BUSINESS OVERVIEW**

### ***Overview***

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the operating philosophy of signature architecture with tremendous honour (精端著造、傳世榮耀) and has adopted our multi-regional strategy through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency. As at today, the Group became an integrated developer with competitiveness and regional brand recognition. For the six months ended 30 June 2015 and 2016, our revenue amounted to RMB1,646.8 million and RMB2,302.5 million respectively. And our profit for the six months ended 30 June 2015 and 2016 attributable to owners of the Company was RMB289.1 million and RMB117.4 million, respectively.

The Group has consistently adopted a prudent financial strategy to maintain a reasonable capital structure and gearing level. In 2015, the Group introduced Nanchang Municipal Public Real Estate Group Limited\* (南昌市政公用房地產集團有限公司) (the “**Subscriber**”) as a strategic investor in a timely manner, thereby further improving its debt structure.

Following the adoption of the investment strategy of expansion into the first-tier cities and further development into the strategically targeted second-tier cities (大力拓展一線城市,深耕已進入的強二線城市), we have successfully established our presence in various key cities with high growth potential for development in the Pearl River Delta Region, the Yangtze River Delta Region, middle reaches of the Yangtze River and the Bohai Rim, including Shenzhen, Guangzhou, Shanghai, Hefei, Nanchang, Jinan, Yantai, Tianjin and so forth. The Group has been adhering to a favourable strategy of forming alliance(s) with state-owned enterprise(s) with strong capabilities, to provide professional management experience and to acquire quality land through product quality and operational efficiency. The Group acquires land through a flexible combination of bidding, auction and listing-for-sale, the acquisition and merger of new projects and urban renewal so as to ensure that the Group has the ability to support its expansion and primary land development. In an increasingly competitive environment of the real estate industry, the Group, on one hand, constantly optimises its product mix to meet the market demand with high return for its working capital. On the other hand, the Group effectively reduces its operation costs through meticulous cost control and the diversification of financing channels so as to maintain a steady enhancement of the Group’s overall competitiveness.

Following many years of establishing and strengthening the Group's brand, we believe that the Group has successfully established the "Redco" brand in the cities where we have put efforts in development:

- In 2016, the Group was recognised as "the Most Valuable Listed Real Estate Enterprise of China for 2016" (2016中國最具價值地產上市企業) by Guandian.cn (觀點地產新媒體) .
- In 2016, the Group was recognised as "Listed Companies with the Most Growth Potential of 2015" (2015最具潛力上市公司大獎) by China Financial Market (中國融資) which is based in Hong Kong.
- In 2016, the Group was recognised as "Top 100 Real Estate Developers of China for 2015" (2015年度中國房地產卓越100) and "Top 100 Real Estate Developers with Brand Value of China for 2015" (2015年度中國房地產品牌價值卓越100) by Guandian.cn (觀點地產新媒體) .
- In 2015, the Group was recognised as "2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment" (2015中國大陸在港上市房地產公司投資價值TOP 10) by the Enterprise 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 2015, the Group received the "2015 Highest Growth Value Award" (2015最具成長價值獎) from China Finance Summit Organising Committee (中國財經峰會組委會).
- In 2015, the Group was recognised as one of the "2015 Top 100 PRC Real Estate Companies" in terms of overall strength (2015年中國房地產業綜合實力100強) by Chinese Real Estate Federation (中國房地產業聯合會), China Industry Information Statistics Association (中國行業信息統計協會) and the Centrechina.com (焦點中國網).
- The Group was recognised as one of "Top 100 PRC Real Estate Developers" by the Enterprise 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) for four consecutive years since 2010.
- In 2013, the Group was recognised as "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 Enterprise 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).



## OUR PROPERTY DEVELOPMENT PROJECTS

As at 30 June 2016, our property portfolio comprised 18 property development projects with an aggregate gross floor area (the “GFA”) of 3,784,369.1 square metres (the “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 2016:

<b>Project</b>	<b>Site area<sup>(1)</sup> (sq. m.)</b>	<b>Total GFA<sup>(2)</sup> (sq. m.)</b>	<b>Total GFA under various stages of development remaining unsold<sup>(3)</sup> (sq. m.)</b>
<b>NANCHANG</b>			
<b>Crown International</b> 皇冠國際	53,673.2	271,040.4	—
<b>Crowne Plaza Nanchang Riverside Hotel</b> 力高皇冠假日酒店	4,636.7	57,986.8	57,986.8
<b>Spain Standard</b> 力高國際城	466,665.3	908,932.6	42,722.3
<b>Riverside International</b> 濱江國際	37,345.7	204,600.6	17,453.9
<b>Bluelake County</b> 瀾湖郡	135,285.0	286,794.7	203,845.2
<b>Riverlake International</b> 濱湖國際	68,373.0	205,846.3	156,254.1
<b>Imperial Mansion</b> 君御華府	41,994.5	109,826.6	109,826.6
<b>Imperial Metropolis</b> 君御都會	84,093.3	227,119.0	227,119.0
<b>Bluelake International<sup>(4)</sup></b> 瀾湖國際	47,151.0	177,260.7	177,260.7
<b>TIANJIN</b>			
<b>Sunshine Coast</b> 陽光海岸	481,394.0	1,475,226.0	1,449,419.5
<b>Land Lot Nos. A1 and A2</b>	69,336.2	55,469.0	55,469.0
<b>JINAN</b>			
<b>Redco International</b> 力高國際	54,162.0	226,076.9	11,489.0
<b>Splendid the Legend</b> 盛世名門	51,675.2	205,813.6	8,720.8
<b>Scenery Holiday</b> 假日麗景	34,934.9	87,545.2	1,789.4
<b>Bluelake County</b> 瀾湖郡	68,066.0	237,534.7	237,534.7

<b>Project</b>	<b>Site area<sup>(1)</sup> (sq. m.)</b>	<b>Total GFA<sup>(2)</sup> (sq. m.)</b>	<b>Total GFA under various stages of development remaining unsold<sup>(3)</sup> (sq. m.)</b>
<b>YANTAI</b>			
<b>Sunshine Coast - Phase I</b> 陽光海岸－第一期	51,693.7	186,470.8	133,036.3
<b>HEFEI</b>			
<b>Mix Kingdom Redco</b> 力高•共和城	395,596.4	871,735.3	292,490.8
<b>Prince Royal Family</b> 君御世家	88,025.5	299,699.5	299,699.5
<b>XIANYANG</b>			
<b>Royal City - Phase I</b> 御景灣- 第一期	69,466.8	237,012.8	142,566.3
<b>SHENZHEN</b>			
<b>Royal International</b> 力高君御花園	33,035.3	177,640.0	113,140.2
<b>SHANGHAI</b>			
<b>Mingchang Building<sup>(5)</sup></b> 明昌大廈	9,941.2	46,545.0	46,545.0
<b>TOTAL</b>			<b>3,784,369.1</b>

- 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).
- “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.
- “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.
- In March 2016, the Group acquired 51% equity interest of Nanchang Guogao Property Development Co., Ltd.\* (南昌國高房地產置業有限公司) (“Nanchang Guogao”) by way of injecting capital of RMB117.3 million to Nanchang Guogao. As at the date of this announcement, Nanchang Guogao was held as to 51% by the Group and 49% by a party independent of the Company and its connected persons (the “Independent Third Party”). Such parcel of land covers a total site area and gross floor area of approximately 47,151 sq. m. and 177,260.7 sq. m. and is planned for commercial and residential use for a term of 40 years and 70 years, respectively.

5. In February 2016, 天津力高盛業有限公司 (Tianjin Redco Shengye Investment Company Limited\*) (“Redco Shengye”), as the purchaser acquired the 100% equity interest in 上海明昌置業有限公司 (Shanghai Mingchang Property Co., Ltd.\*) (“Shanghai Mingchang”) at approximately RMB415.5 million. Subsequent to such acquisitions, two Independent Third Parties collectively acquired 40% equity interest in Redco Shengye by way of injecting capital to Redco Shengye. As at the date of this announcement, Shanghai Mingchang was indirectly owned as to 60% by the Company and 40% by two subscribers, respectively. Shanghai Mingchang is principally engaged in property development in the PRC and holds a parcel of land in the Wujiaochang, Yangpu District, Shanghai, China with a total site area and the total GFA of approximately 9,941.2 sq. m. and 46,545.0 sq. m., respectively. Such parcel of land is planned for developing commercial properties.

## **Financial Review**

### ***Revenue***

Overall revenue for the six months ended 30 June 2016 increased by 39.8% to RMB2,302.5 million from RMB1,646.8 million for the six months ended 30 June 2015. Such increase was primarily due to the increase in our GFA delivered for the residential property for Royal International in Shenzhen, Riverlake Interational in Nanchang and phase I of Sunshine Coast in Yantai, which was partially offset by the decrease in (a) the GFA delivered for Spain Standard in Nanchang and Redco International in Jinan; and (b) the one-off income generated from the sea reclamation works in Tianjin of approximately RMB350.1 million in the first half of 2015. Total GFA delivered increased by 9.7% to 216,561 sq.m for the six months ended 30 June 2016 from 197,467 sq. m. for the six months ended 30 June 2015. Such increase in our total revenue also contributed by an increase in the recognised average selling price (the “ASP”) for the properties delivered in the first half of 2016. The ASP for properties delivered increased to RMB10,576 for the six months ended 30 June 2016 from RMB6,567 for the six months ended 30 June 2015, representing a 61.0% increase which was primarily due to the increase in GFA delivered in Redco International in Shenzhen which recognised a relatively higher ASP as compared with other property development projects of the Group.

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					
	2016	2015	2016	2015	2016	2015
	<i>Revenue</i> <i>(RMB'000)</i>		<i>GFA Delivered</i> <i>(sq. m.)</i>		<i>Recognised ASP</i> <i>(RMB per sq. m.)</i>	
Greater Western Taiwan Straits Economic Zone	375,976	876,989	40,118	126,948	9,372	6,908
Central and Western Regions	227,970	207,712	45,317	40,861	5,031	5,083
Bohai Economic Rim						
– Primary land development*	—	350,138	—	—	—	—
– Properties sales	468,298	211,996	66,626	29,658	7,029	7,148
Pearl River Delta Region	1,218,139	—	64,500	—	18,886	—
Others	12,156	—	—	—	—	—
<b>Total</b>	<b>2,302,539</b>	<b>1,646,835</b>	<b>216,561</b>	<b>197,467</b>	<b>10,576</b>	<b>6,567</b>

\* *Primary land development represents the sea reclamation works in Tianjin.*

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 57.1% to RMB376.0 million for the six months ended 30 June 2016 from RMB877.0 million for the six months ended 30 June 2015. Such decrease was primarily attributable to the decrease in GFA delivered for Spain Standard in Nanchang.
- Central and Western Regions: Our segment revenue for the Central and Western Regions increased slightly by 9.8% to RMB228.0 million for the six months ended 30 June 2016 from RMB207.7 million for the six months ended 30 June 2015. Such increase was primarily attributable to the increase in the GFA delivered for Mix Kingdom Redco in Hefei.
- Bohai Economic Rim: Our segment revenue for the Bohai Economic Rim decreased by 16.7% to RMB468.3 million for the six months ended 30 June 2016 from RMB562.1 million for the six months ended 30 June 2015. Such decrease was primarily due to the decrease in (a) the GFA delivered for Redco International in Jinan; and (b) an one-off income generated from sea reclamation works in Tianjin.

- Pearl River Delta Region: Our Segment revenue represents the income from Royal International in Shenzhen, which the project started to recognise income from 2016.
- Others: They mainly represent our headquarters at Shenzhen, the project in Shanghai newly acquired by the Group and the revenue generated from the property management business which the Group acquired in 2015.

### ***Cost of sales***

Cost of sales increased by 82.4% to RMB1,871.6 million for the six months ended 30 June 2016 from RMB1,026.0 million for the six months ended 30 June 2015. Such increase was primarily due to an increase in cost of properties sold as a result of (a) an increase in GFA delivered to 216,561 sq. m. for the six months ended 30 June 2016 from 197,467 sq. m. for the six months ended 30 June 2015; (b) the increase in average land acquisition costs per sq. m. delivered to RMB4,256 for the six months ended 30 June 2016 from RMB438 for the six months ended 30 June 2015; and (c) the increase in average construction costs per sq. m. delivered to RMB3,388 for the six months ended 30 June 2016 from RMB3,019 for the six months ended 30 June 2015. Such increase in average land acquisition costs per sq. m. delivered was primarily due to the increase in the GFA delivered for Royal International in Shenzhen (being a first-tier city) with a relatively high land acquisition costs. The higher construction cost of Royal International in Shenzhen is mainly due to higher construction cost in first-tier city, for example higher construction labour cost.

### ***Gross profit***

Gross profit decreased by 30.6% to RMB430.9 million for the six months ended 30 June 2016 from RMB620.8 million for the six months ended 30 June 2015. Our gross profit margin decreased to 18.7% for the six months ended 30 June 2016 from 37.7% for the six months ended 30 June 2015. Such decrease was primarily attributable to the higher land acquisition cost and construction cost in Royal International in Shenzhen and there is no sea reclamation work revenue in 2016.

### ***Other gains, net***

Other gains increased to RMB13.2 million for the six months ended 30 June 2016 from a loss of RMB1.2 million for the six months ended 30 June 2015. Such increase was primarily attributable to the exchange gains for the six months ended 30 June 2016.

### ***Selling and marketing expenses***

Selling and marketing expenses increased by 28.4% to RMB58.8 million for the six months ended 30 June 2016 from RMB45.8 million for the six months ended 30 June 2015. Selling and marketing expenses mainly represent the promotion of our properties. Such increase was mainly due to the increase in the marketing promotion activities for the projects which we have commenced, or will commence sales in 2016.

### ***General and administrative expenses***

General and administrative expenses decreased by 2.1% to RMB80.0 million for the six months ended 30 June 2016 from RMB81.7 million for the six months ended 30 June 2015. Such decrease was primarily due to the decrease in office and travelling expenses.

### ***Impairment of goodwill***

There was no impairment of goodwill for the six months ended 30 June 2016. Such goodwill represents certain premium paid in connection with our acquisition of an 80% equity interest in Changfeng Lianhua Real Estate Co., Ltd. (“Changfeng”), which holds Mix Kingdom Redco in Hefei. The Directors performed impairment assessment of such goodwill and are of the view that there was no impairment of goodwill for the six months ended 30 June 2016.

### ***Operating profit***

As a result of the foregoing, our operating profit decreased by 36.7% to RMB305.3 million for the six months ended 30 June 2016 from RMB482.3 million for the six months ended 30 June 2015.

### ***Finance income***

Finance income decreased by 5.5% to RMB8.6 million for the six months ended 30 June 2016 from RMB9.1 million for the six months ended 30 June 2015. Such decrease was primarily attributable to the decrease in interest income from bank deposits in the first half of 2016.

### ***Finance costs***

Finance costs increased by 190.9% to RMB3.2 million for the six months ended 30 June 2016 from RMB1.1 million for the six months ended 30 June 2015. Such increase was mainly due to the 194.0% increase in borrowings for the general corporate purpose.

### ***Share of losses of joint ventures***

Share of losses of joint ventures increased by 314.3% to RMB5.8 million for the six months ended 30 June 2016 from RMB1.4 million for the six months ended 30 June 2015. Such 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 the occupation rate of the hotel decreased in the first half of 2016.

### ***Profit before income tax***

As a result of the foregoing, profit before income tax for the six months ended 30 June 2016 decreased to RMB304.9 million from RMB488.8 million for the six months ended 30 June 2015.

### ***Income tax expense***

Income tax expense decreased by 39.5% to RMB122.9 million for the six months ended 30 June 2016 from RMB203.3 million for the six months ended 30 June 2015. Such decrease was primarily due to the decrease in EIT as a result of decreased profit of the Group, which was partially offset by an increase in LAT as a result of the higher gross profit margin in Bluelake County in Nanchang and effect of reversal of provision for withholding tax on the unremitted earnings of our Company's PRC subsidiaries.

### ***Profit for the six months ended 30 June 2016***

As a result of the foregoing, profit for the six months ended 2016 decreased by 36.3% to RMB182.0 million from RMB285.5 million for the six months ended 30 June 2015. The profit for the six months ended 30 June 2016 mainly arised from the profit in Greater Western Taiwan Straits Economic Zone for RMB13.8 million, Central and Western regions for RMB21.0 million, Bohai Economic Rim for RMB14.8 million, Pearl River Delta Region for RMB108.5 million and Others segment for RMB23.9 million.

### ***Profit for the six months ended 30 June 2016 attributable to owners of the Company***

As a result of the foregoing, profit for the six months attributable to owners of the Company decreased by 59.4% to RMB117.4 million for the six months ended 30 June 2016 from RMB289.1 million for the six months ended 30 June 2015. Profit attributable to non-controlling interests increased to RMB64.6 million for the six months ended 30 June 2016 as compared with the loss of RMB3.6 million for the six months ended 30 June 2015 which was mainly due to the profit from Royal International in Shenzhen and Mix Kingdom in Hefei.

## **Liquidity and Capital Resources**

### ***Cash Position***

The Group had cash and cash equivalents of approximately RMB1,370.8 million (31 December 2015: RMB1,689.1 million) and restricted cash of RMB998.8 million (31 December 2015: RMB668.8 million) as at 30 June 2016. As at 30 June 2016, the Group's cash and cash equivalents were denominated in Hong Kong dollar (the "HK\$"), RMB and the United States dollar ("US\$").

## ***Borrowings***

The Group had borrowings of approximately RMB2,917.8 million (31 December 2015: RMB3,220.5 million) as at 30 June 2016.

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Long-term bank borrowings, secured	1,332,342	1,953,097
Senior Notes due 2019, secured	814,940	796,930
	<u>2,147,282</u>	<u>2,750,027</u>
Non-current borrowings, secured	2,147,282	2,750,027
Portion of term loan from bank, secured		
- due for repayment within one year, secured	561,128	265,252
- due for repayment after one year which contain a repayment on demand clause, secured	209,402	205,261
	<u>770,530</u>	<u>470,513</u>
Current bank borrowings, secured	770,530	470,513
Total borrowings	<u><u>2,917,812</u></u>	<u><u>3,220,540</u></u>

The following table sets out the contractual maturity profile of the Group's borrowings as at the dates indicated.

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Amounts of borrowings repayable:		
- Within 1 year	561,128	265,252
- Between 1 and 2 years	852,482	1,179,494
- Between 2 and 5 years	1,504,202	1,775,794
	<u><u>2,917,812</u></u>	<u><u>3,220,540</u></u>



As at 30 June 2016, the Group's borrowings were denominated in RMB, HK\$ and US\$. As at 30 June 2016, the Group was exposed to foreign exchange risk primarily with respect to certain of its borrowings which were denominated in HK\$ and US\$. RMB experienced certain depreciation against HK\$ during the six months ended 30 June 2016 which is the major reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy and does not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

### ***Other performance indicators***

#### *Net gearing ratio*

As at 30 June 2016, the Group's net gearing ratio was 15.2% (31 December 2015: 23.0%). The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalents and restricted cash). Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt.

#### *Net current assets and current ratio*

As at 30 June 2016, the Group's net current assets amounted to approximately RMB4,926.9 million (31 December 2015: RMB5,518.3 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.6 times (31 December 2015: 1.7 times).

#### ***Cost of borrowings***

The Group's average cost of borrowings (calculated by dividing total interest expenses incurred or capitalised by average borrowings during the relevant period) decreased to 8.37% per annum in the first half of 2016 from 10.38% per annum in the first half of 2015.

#### ***Contingent liabilities***

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

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<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>4,245,123</u>	<u>3,409,724</u>

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

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 30 June 2016. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

### **Employees and Remuneration policies**

As at 30 June 2016, the Group had a total of approximately 694 employees (31 December 2015: 642 employees). For the six months ended 30 June 2016, the remuneration of the Group's employees (including Directors' emoluments) amounted to approximately RMB44.7 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 of the Company for the year ended 31 December 2015. 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 six months ended 30 June 2016.

### **Charge on assets**

As at 30 June 2016, the Group had aggregate banking facilities of approximately RMB2,643.1 million (31 December 2015: RMB3,463.0 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 30 June 2016 amounted to RMB540.2 million (31 December 2015: RMB545.0 million).

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

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

- (a) In February 2016, Redco Shengye, a subsidiary of the Company, as the purchaser acquired the 100% equity interest in Shanghai Mingchang from two Independent Third Parties. Subsequent to such acquisitions, two independent third parties collectively acquired 40% equity interest in Redco Shengye by way of injecting capital to Redco Shengye. As at the date of this announcement, Shanghai Mingchang was indirectly owned as to 60% by the Company and 40% by two subscribers, respectively. Shanghai Mingchang is principally engaged in property development in the PRC and holds a parcel of land in the Wujiaochang, Yangpu District, Shanghai, China with a total site area and the total GFA of approximately 9,941 sq. m. and 52,357 sq. m., respectively. Such parcel of land is planned for developing commercial properties.
- (b) In March 2016, the Group acquired 51% equity interest in Nanchang Guogao by way of injecting capital of RMB117.3 million to Nanchang Guogao. As at the date of this announcement, Nanchang Guogao was owned as to 51% by the Group and 49% by an Independent Third Party. Nanchang Guogao is accounted as an investment in a joint venture.

Contract of grant of land use rights was entered into and modified by, among others, Nanchang Municipal Bureau of Land and Resources (南昌市國土資源局) and Nanchang Guogao as a result of a successful bid of the state-owned land use rights in respect of the parcel of land situated at East of Hongduda Road of Donghu District (東湖區洪都大道以東), West of Qingshanzhi Road (青山支路以西) and North of the Qingshan South Road (青山南路以北), Nanchang, the PRC (the “Land”) at a consideration of approximately RMB455.5 million. The Land covers a total site area and gross floor area of approximately 47,151 sq. m. and 150,883.2 sq. m. with a plot ratio ranging from 1 to 3.2 and is planned for commercial and residential use for a term of 40 years and 70 years, respectively.

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 six months ended 30 June 2016.

## **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, the Group aims to (i) be one of the top 100 real estate developers in the PRC with better performance; and (ii) become an integrated developer with regional brand recognition and leading market shares in the cities where we have put efforts in development. We believe that we can achieve the aforesaid objectives by adhering to the following strategies:

- adhere to the strategy of intensively developing cities and continue to best capture the business opportunities in first tier cities, including Shenzhen, Shanghai and Guangzhou by way of diversified land acquisition strategies to gradually increase our market share and strengthen our brand; further develop the strategically selected second tier cities to expand the coverage of projects and brand influence. The Group intends to insist on carefully studying the growth potential of land and carries out acquisitions at competitive costs. We will continue to prioritise our financial resources towards the opportunities which could maximise our profit. Meanwhile, the Group may also make strategic investment and acquisitions that could complement our operations as part of our expanding investment.
- adhere to a prudent financial strategy and continue to diversify financing channels.
- adhere to projects with high-return for the Group's working capital; rapidly enhance the overall competitiveness of the Group through reasonably adjusting the land bank structure reasonably, reinforcing the front-end decision making, effectively increasing the pace of development and construction and implementing meticulous cost control on the basis of sales with collectible payment. We believe through this, the price premium of the Group in the land market and the sales market will be significantly enhanced.
- adhere to product line research and development and innovation to increase product competitiveness; focus on the development of residential properties with a rigid demand for quality and the need for improvement, complemented with our business assets in communities according to 80-20 rule so as to have complementary development of residential and commercial properties; synchronously implement commercial property product line research and development in order to have an optimal and diversified portfolio. We believe that such diversification of 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.
- persist in forming alliance(s) with the partner(s) with strong capacities that could complement each other; we believe that the leveraging on the ability of its partner(s) in land acquisitions and financing costs, coupled with the Group's professional management experience and operational efficiency would create the win-win situation for the Group and its partner(s).

- continue to reinforce the Group’s brand building. We intend to:
  - adhere to provide quality products to enhance brand awareness and influence in cities;
  - focus on the innovative products by adopting a customer-oriented approach with a view to providing customers with excellent value;
  - strive to develop landmark properties by adhering to an approach to provide quality products;
  - effectively make use of the big data to fully leverage on the internet platform, to have innovative promotion channels and strategies and to attract potential large customers;
  - innovate scope of the property service to increase customers’ loyalty with quality services;
- continue to enhance the policy of human resources, enhance and improve the performance and incentive system.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 to the shareholders of the Company (the “Shareholders”) (six months ended 30 June 2015: Nil).

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly 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”) during the six months ended 30 June 2016.

## **THE CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2016, 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 of the Company for the year ended 31 December 2015.

## **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 six months ended 30 June 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company has not redeemed any of its shares during the six months ended 30 June 2016. 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 2016.

## **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 2016.

## **PUBLICATION OF THE 2016 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.redco.cn](http://www.redco.cn)). The interim report of the Company for the six months ended 30 June 2016 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, 31 August 2016

*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.*