



力高地产
REDCO REAL ESTATE

力高地产集团有限公司
REDCO PROPERTIES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1622

2016

Interim Report



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FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2016 RMB'000	2015 RMB'000	Change (%)
Revenue	2,302,539	1,646,835	39.8%
Gross profit	430,908	620,820	(30.6%)
Profit before income tax	304,850	488,803	(37.6%)
Profit for the period	181,989	285,506	(36.3%)
Profit attributable to equity holders of the Company	117,366	289,069	(59.4%)
Earnings per share for profit attributable to equity holders of the Company			
– Basic and diluted (expressed in RMB cents per share)	6.61	18.07	(63.4%)

	30 June	31 December	Change (%)
	2016 RMB'000	2015 RMB'000	
Total Assets	13,126,803	13,195,623	(0.5%)
Cash and cash equivalents	1,370,761	1,689,142	(18.8%)
Total Bank and other borrowings	2,917,812	3,220,540	(9.4%)



BOARD OF DIRECTORS

Executive Directors

Mr. HUANG Ruoqing
Mr. TANG Chengyong
Mr. HONG Duxuan

Independent non-executive directors

Dr. WONG Yau Kar, David BBS, JP
Mr. CHAU On Ta Yuen
Mr. YIP Tai Him
Mr. CHOW Kwong Fai, Edward JP

COMPANY SECRETARY

Mr. CHAN Hing Chau

AUTHORISED REPRESENTATIVES

Mr. HUANG Ruoqing
Mr. CHAN Hing Chau

AUDIT COMMITTEE

Mr. CHOW Kwong Fai, Edward JP (*Chairman*)
Mr. YIP Tai Him
Dr. WONG Yau Kar, David BBS, JP
Mr. CHAU On Ta Yuen

REMUNERATION COMMITTEE

Mr. YIP Tai Him (*Chairman*)
Mr. CHAU On Ta Yuen
Mr. HUANG Ruoqing

NOMINATION COMMITTEE

Mr. HUANG Ruoqing (*Chairman*)
Dr. WONG Yau Kar, David BBS, JP
Mr. CHAU On Ta Yuen

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS

Sidley Austin
39th Floor, Two International Finance Centre
Central, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

28th Floor, Block B, The Rongchao Tower
No. 6003 Yitian Road
CBD, Shenzhen
People's Republic of China

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Room 2001-2, Enterprise Square 3
39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China
China Minsheng Bank
Hang Seng Bank
Bank of China (Hong Kong) Limited
Wing Lung Bank

INVESTOR RELATIONS

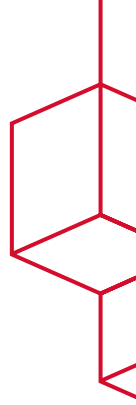
Email: ir@redco.cn
Fax: (852) 2758 8392

STOCK CODE

1622

WEBSITE

www.redco.cn



Overview

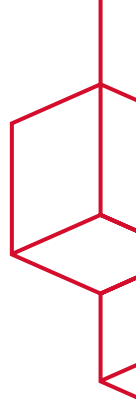
Redco Properties Group Limited (the “Company”, together with its subsidiaries, the “Group”) is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the operating philosophy of signature architecture with 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) (“Nanchang Municipal”) 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).



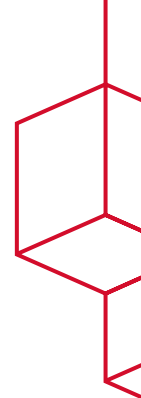
OUR PROPERTY DEVELOPMENT PROJECTS

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:

Project	Site area ⁽¹⁾ (sq. m.)	Total GFA ⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold ⁽³⁾ (sq. m.)
NANCHANG			
Crown International 皇冠國際	53,673.2	271,040.4	—
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	42,722.3
Riverside International 濱江國際	37,345.7	204,600.6	17,453.9
Bluelake County 瀾湖郡	135,285.0	286,794.7	203,845.2
Riverlake International 濱湖國際	68,373.0	205,846.3	156,254.1
Imperial Mansion 君御華府	41,994.5	109,826.6	109,826.6
Imperial Metropolis 君御都會	84,093.3	227,119.0	227,119.0
Bluelake International ⁽⁴⁾ 瀾湖國際	47,151.0	177,260.7	177,260.7
TIANJIN			
Sunshine Coast 陽光海岸	481,394.0	1,475,226.0	1,449,419.5
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	11,489.0
Splendid the Legend 盛世名門	51,675.2	205,813.6	8,720.8
Scenery Holiday 假日麗景	34,934.9	87,545.2	1,789.4
Bluelake County 瀾湖郡	68,066.0	237,534.7	237,534.7
YANTAI			
Sunshine Coast - Phase I 陽光海岸—第一期	51,693.7	186,470.8	133,036.3

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

- 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).
- "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 report, 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.
- 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 report, 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 Revenue (RMB'000)	2015	2016 GFA Delivered (sq.m.)	2015	2016 Recognised ASP (RMB per sq.m.)	2015
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	—	—	—	—	—
Total	2,302,539	1,646,835	216,561	197,467	10,576	6,567

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

A summary of our segment results is set forth below:

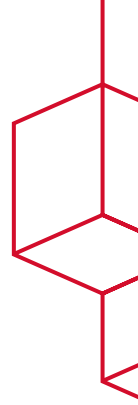
- Greater Western Taiwan Straits Economic Zone: Our segment revenue for the Greater Western Taiwan Straits Economic Zone decreased by 57.1% to RMB376.0 million for the six months ended 30 June 2016 from RMB877.0 million for the six months ended 30 June 2015. Such decrease was primarily attributable to 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 of the Company (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.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Long-term bank borrowings, secured	1,332,342	1,953,097
Senior Notes due 2019, secured	<u>814,940</u>	<u>796,930</u>
Non-current borrowings, secured	<u>2,147,282</u>	<u>2,750,027</u>
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	<u>209,402</u>	<u>205,261</u>
Current bank borrowings, secured	<u>770,530</u>	<u>470,513</u>
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.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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	<u>1,504,202</u>	<u>1,775,794</u>
	<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

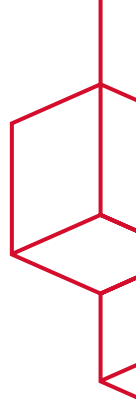
The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities as at the dates below:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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 owned by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and to take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 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 report, 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 report, 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.

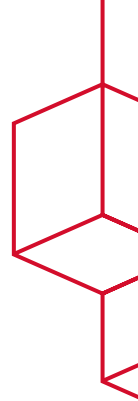
FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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 report, the Company did not have any plans authorised by the board of the Directors (the “Board”) for significant investments or capital assets as at the date of this report.

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.

By Order of the Board
Redco Properties Group Limited
Huang Ruoqing
Executive Director

Hong Kong, 31 August 2016

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interest in the Company:

Name of Director	Nature of interest	Total number of Shares	Percentage of the Company's issued share capital
Mr. Huang (Note 2)	Interest in controlled corporation	462,419,000(L)	26.04%

Notes:

- (1) The letters "L" denotes the person's long position in the Shares.
- (2) 462,419,000 Shares are registered in the name of Times International Development Company Limited ("Times International"). As at 30 June 2016, Mr. Huang Ruoqing ("Mr. Huang") beneficially owned 100% of the issued share capital of Times International and was deemed to be interested in the 462,419,000 Shares held by Times International by virtue of the SFO.

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, substantial shareholders' interests or short position in the shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

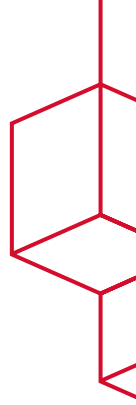
Name	Nature of interest	Number of Shares	Long/ Short position	Percentage of the Company's issued share capital
Mr. Wong (Note 1)	Interest in controlled corporation	693,629,000	Long Position	39.06%
Global Universe (Note 1)	Beneficial Owner	693,629,000	Long Position	39.06%
Ms. Sze Kai Fei (Note 2)	Interest of spouse	693,629,000	Long Position	39.06%
Times International (Note 3)	Beneficial Owner	462,419,000	Long Position	26.04%
Ms. Fan Huili (Note 4)	Interest of spouse	462,419,000	Long Position	26.04%
Shi Zheng Properties (Note 5)	Beneficial Owner	175,804,661	Long Position	9.9%
Nanchang Municipal (Note 5)	Interest in controlled corporation	175,804,661	Long Position	9.9%
Nanchang Municipal Investment (Note 5)	Interest in controlled corporation	175,804,661	Long Position	9.9%

Notes:

- (1) As at the date of this report, the entire share capital of Global Universe International Holdings Limited ("Global Universe"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability, was held by Mr. Wong Yeuk Hung ("Mr. Wong"). By virtue of the SFO, Mr. Wong was deemed to be interested in the Shares held by Global Universe.
- (2) Ms. Sze Kai Fei is the spouse of Mr. Wong. By virtue of the SFO, Ms. Sze Kai Fei is deemed to be interested in the Shares held by Mr. Wong.
- (3) The entire share capital of Times International, a company incorporated in the BVI with limited liability, was held by Mr. Huang. By virtue of the SFO, Mr. Huang was deemed to be interested in the 462,419,000 Shares held by Times International. Details of which are set out in the section headed "Directors and Chief Executive's interests and short positions in shares, underlying shares, and debentures" above.
- (4) Ms. Fan Huili is the spouse of Mr. Huang. By virtue of the SFO, Ms. Fan Huili is deemed to be interested in the Shares held by Mr. Huang.
- (5) To the best knowledge of the Directors, the entire share capital of Shi Zheng Properties Investment Co., Limited ("Shi Zheng Properties"), a company incorporated in the BVI with limited liability, was wholly owned by Nanchang Municipal. Nanchang Municipal is in turn wholly owned by 南昌市政公用投資控股有限責任公司 (Nanchang Municipal Public Investment Holdings Co., Ltd.*) ("Nanchang Municipal Investment"). By virtue of the SFO, each of Nanchang Municipal and Nanchang Municipal Investment is deemed to be interested in the Shares held by Shi Zheng Properties.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

- (a) On 13 March 2015, the Company as borrower entered into a facility agreement (the “Facility Agreement”) with a group of financial institutions as lenders, pursuant to which the lenders agreed to make available to the Company a US\$ denominated transferrable term loan facility in an aggregate amount of US\$65 million (as may be increased in accordance with the terms of the Facility Agreement), with a term of 36 months from the date of the Facility Agreement and an interest rate equal to LIBOR plus 4.50% per annum. It is provided in the Facility Agreement that an event of default will occur if, among other things, (a) Mr. Huang Ruoqing and Mr. Wong Yeuk Hung individually or collectively do not or cease to hold (directly or indirectly) 50% or more of the beneficial shareholding interest, carrying 50% or more of the voting rights, in the issued share capital of the Company; or (b) Mr. Huang Ruoqing is not or ceases to be the president and/or an executive director of the Company. Upon and at any time after the occurrence of an event of default which is continuing, the Facility Agent (as defined in the Facility Agreement) may, and shall if so directed by the Majority Lenders (as defined in the Facility Agreement), by notice to the Company: (i) immediately cancel all or any part of the Commitments (as defined in the Facility Agreement); (ii) declare that all or part of the Loans (as defined in the Facility Agreement) together with interest accrued thereon, and all other amounts accrued or outstanding under the Finance Documents (as defined in the Facility Agreement) be immediately due and payable; (iii) declare that all or part of the Loans be payable on demand, where they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or (iv) subject to the Intercreditor Agreement (as defined in the Facility Agreement), notify the Common Collateral Agent (as defined in the Facility Agreement) to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents and in respect of the Transaction Security (as defined in the Facility Agreement).
- (b) On 6 May 2015, Industrial Bank Co., Ltd. executed an accession letter, pursuant to which it agreed to become a party to the Facility Agreement as an Acceded Lender (as defined in the Facility Agreement) and the US\$ denominated transferrable term loan facility under the Facility Agreement shall be increased from US\$65 million to US\$75 million. All other terms under the Facility Agreement remain unchanged.



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 report, 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. Having made specific enquiry of all Directors, 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 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.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are set out below:

Name of Director(s)	Details of changes
Mr. Yip Tai Him	<ul style="list-style-type: none"> Resigned as independent non-executive independent director of Vinco Financial Group Limited (stock code: 8340) on 1 August 2016
Mr. Chow Kwong Fai, Edward JP	<ul style="list-style-type: none"> Appointed as independent non-executive independent director of China Aircraft Leasing Group Holdings Limited (stock code: 1848) on 19 July 2016
Mr. Chau On Ta Yuen	<ul style="list-style-type: none"> Awarded the Silver Bauhinia Star by the Government of Hong Kong Special Administrative Region in July 2016.

Save as disclosed above, there is no other change in the Directors’ information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

* for identification purposes only

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF REDCO PROPERTIES GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 48, which comprises the interim condensed consolidated balance sheet of Redco Properties Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2016

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited) (Restated)
Revenue	6	2,302,539	1,646,835
Cost of sales		(1,871,631)	(1,026,015)
Gross profit		430,908	620,820
Other gains/(losses), net	7	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)
Operating profit		305,286	482,326
Finance income	8	8,552	9,071
Finance costs	8	(3,208)	(1,146)
Finance income, net		5,344	7,925
Share of losses of joint ventures		(5,780)	(1,448)
Profit before income tax		304,850	488,803
Income tax expense	9	(122,861)	(203,297)
Profit for the period		181,989	285,506
Attributable to:			
Owners of the Company		117,366	289,069
Non-controlling interests		64,623	(3,563)
		181,989	285,506
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	20	6.61	18.07

The notes on pages 29 to 48 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit for the period		<u>181,989</u>	<u>285,506</u>
Other comprehensive loss			
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>
Total other comprehensive loss		<u>(40,702)</u>	<u>(9,946)</u>
Total comprehensive income for the period		<u><u>141,287</u></u>	<u><u>275,560</u></u>
Attributable to:			
– Owners of the Company		<u>76,979</u>	<u>279,119</u>
– Non-controlling interests		<u>64,308</u>	<u>(3,559)</u>
Total comprehensive income for the period		<u><u>141,287</u></u>	<u><u>275,560</u></u>

The notes on pages 29 to 48 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	34,797	36,178
Goodwill	11	49,535	49,535
Interests in joint ventures	12	303,703	165,231
Deferred income tax assets		88,920	58,445
		<u>476,955</u>	<u>309,389</u>
Current assets			
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	13	1,518,377	1,788,400
Amounts due from non-controlling interests	21	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>
Total assets		<u>13,126,803</u>	<u>13,195,623</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	139,632	139,632
Reserves		2,460,297	2,383,306
		<u>2,599,929</u>	<u>2,522,938</u>
Non-controlling interests		<u>462,897</u>	<u>370,760</u>
Total equity		<u>3,062,826</u>	<u>2,893,698</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings, secured	15	2,147,282	2,750,027
Deferred income tax liabilities		193,701	183,943
		<u>2,340,983</u>	<u>2,933,970</u>
Current liabilities			
Trade and other payables	16	2,413,770	2,990,763
Borrowings, secured	15	770,530	470,513
Amounts due to non-controlling interests	21	437,882	349,900
Amount due to a related party	22	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>
Total liabilities		<u>10,063,977</u>	<u>10,301,925</u>
Total equity and liabilities		<u>13,126,803</u>	<u>13,195,623</u>

The notes on pages 29 to 48 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	139,632	1,471,769	911,537	2,522,938	370,760	2,893,698
Comprehensive income						
Profit for the period	—	—	117,366	117,366	64,623	181,989
Other comprehensive loss						
Currency translation differences	—	(40,387)	—	(40,387)	(315)	(40,702)
Transfer to statutory reserve	—	4,664	(4,664)	—	—	—
Total comprehensive (loss)/income for the period	<u>—</u>	<u>(35,723)</u>	<u>112,702</u>	<u>76,979</u>	<u>64,308</u>	<u>141,287</u>
Transactions with owners						
Dividend relating to 2015, paid	—	—	—	—	(24,000)	(24,000)
Non-controlling interest arising on business combination	—	—	—	—	1,841	1,841
Capital injection from non-controlling interests	—	—	—	—	50,000	50,000
Change in ownership interests in subsidiary without change in control	—	12	—	12	(12)	—
Total transaction with owners recognised directly in equity	<u>—</u>	<u>12</u>	<u>—</u>	<u>12</u>	<u>27,829</u>	<u>27,841</u>
Balance at 30 June 2016	<u>139,632</u>	<u>1,436,058</u>	<u>1,024,239</u>	<u>2,599,929</u>	<u>462,897</u>	<u>3,062,826</u>
Balance at 1 January 2015	125,808	963,271	605,748	1,694,827	346,647	2,041,474
Comprehensive income						
Profit/(loss) for the period	—	—	289,069	289,069	(3,563)	285,506
Other comprehensive loss						
Currency translation differences	—	(9,950)	—	(9,950)	4	(9,946)
Transfer to statutory reserve	—	5,298	(5,298)	—	—	—
Total comprehensive income for the period	<u>—</u>	<u>(4,652)</u>	<u>283,771</u>	<u>279,119</u>	<u>(3,559)</u>	<u>275,560</u>
Transactions with owners						
Dividend relating to 2014, paid	—	—	(64,000)	(64,000)	(15,572)	(79,572)
Change in ownership interests in subsidiary without change in control	—	(415)	—	(415)	415	—
Total transaction with owners recognised directly in equity	<u>—</u>	<u>(415)</u>	<u>(64,000)</u>	<u>(64,415)</u>	<u>(15,157)</u>	<u>(79,572)</u>
Balance at 30 June 2015	<u>125,808</u>	<u>958,204</u>	<u>825,519</u>	<u>1,909,531</u>	<u>327,931</u>	<u>2,237,462</u>

The notes on pages 29 to 48 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cash flows from operating activities			
Net cash generated from/(used in) operations		917,589	(219,874)
Income tax paid		(242,915)	(186,698)
Net cash generated from/(used in) operating activities		674,674	(406,572)
Cash flows from investing activities			
Additions of property, plant and equipment	10	(1,646)	(2,158)
Acquisition of subsidiaries, net of cash acquired	24	(413,715)	21,858
Proceed for disposal of fixed assets		197	395
Capital injection to a joint venture		(118,500)	—
Interest received		8,552	9,071
Net cash (used in)/generated from investing activities		(525,112)	29,166
Cash flows from financing activities			
Proceeds from bank borrowings		716,460	1,904,794
Repayment of bank borrowings		(1,051,110)	(1,308,390)
Repayment to a related party		(43,759)	(5,000)
Capital injection from non-controlling interests of subsidiaries		50,000	—
Advance from non-controlling interests		46,982	288,516
(Cash advance to)/repayment from joint ventures		(24,972)	5,273
Interest paid		(135,949)	(187,342)
Dividend paid		(24,000)	(15,572)
Net cash (used in)/generated from financing activities		(466,348)	682,279
Net (decrease)/increase in cash and cash equivalents		(316,786)	304,873
Cash and cash equivalents at beginning of period		1,689,142	951,480
Currency translation differences		(1,595)	43
Cash and cash equivalents at end of period		1,370,761	1,256,396

Non-cash transactions

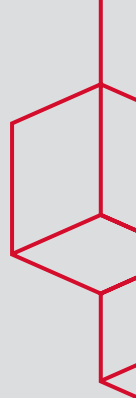
For the period ended 30 June 2016, the principal non-cash transactions were the offsetting of other receivables from and other payables to an independent third party of RMB614,152,000, and the settlement of trade and other payable of RMB149,873,000 by equivalent amounts of completed properties held for sale.

For the period ended 30 June 2015, the principal non-cash transaction was the dividend payable of RMB64,000,000.

The notes on pages 29 to 48 form an integral part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016



1 GENERAL INFORMATION

Redco Properties Group Limited (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 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 income 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 applied 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 ACCOUNTING POLICIES (CONTINUED)

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

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

(2) Effective for the Company for annual period beginning on 1 January 2019.

(3) 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.



3 ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of properties

Revenue from sale of properties is recognised when the significant risks and rewards of the properties are transferred to the buyers, which is when the construction of the relevant properties have been completed, notification of delivery of properties have been issued to the buyers and collectability of related receivables pursuant to the sale agreements is reasonably assured. Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are included as deferred revenue under current liabilities.

(ii) Service income

The Group provides sea reclamation services and construction services. For service income, revenue is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the construction and assessed on the basis of actual services provided as a proportion of the total services to be provided.

(iii) Interest income

Interest income is recognised using the effective interest method.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risks), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables, other receivables, cash and cash equivalents, amounts due from non-controlling interests, amount due to a related party trade and other payables and current portion of bank borrowings are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments or based on the current bid price in the market. All the resulting fair value estimates are included in level 3 of the fair value hierarchy. The Group does not have any financial instruments that are measured at fair value.

6 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 internal and 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB'000	Central And Western Regions RMB'000	Bohai Economic Rim Region RMB'000	Pearl River Delta Region RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2016						
(Unaudited)						
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	(643)	(386)	(847)	(558)	(805)	(3,239)
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	(54,675)	(33,719)	(17,340)	(61,085)	43,958	(122,861)
Profit for the period	<u>13,754</u>	<u>21,063</u>	<u>14,808</u>	<u>108,478</u>	<u>23,886</u>	<u>181,989</u>
Six months ended 30 June 2015						
(Unaudited)						
Total revenue	876,989	207,712	562,134	—	17,609	1,664,444
Inter-segment revenue	—	—	—	—	(17,609)	(17,609)
Revenue (from external customers)	<u>876,989</u>	<u>207,712</u>	<u>562,134</u>	<u>—</u>	<u>—</u>	<u>1,646,835</u>
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	<u>240,884</u>	<u>1,696</u>	<u>121,053</u>	<u>(10,759)</u>	<u>(67,368)</u>	<u>285,506</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB'000	Central And Western Regions RMB'000	Bohai Economic Rim Region RMB'000	Pearl River Delta Region RMB'000	Others RMB'000	Total RMB'000
As at 30 June 2016 (Unaudited)						
Total segment assets	<u>4,382,410</u>	<u>3,227,841</u>	<u>3,792,583</u>	<u>967,478</u>	<u>752,169</u>	<u>13,122,481</u>
Other unallocated corporate assets						<u>4,322</u>
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	<u>118,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>118,500</u>
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>
As at 31 December 2015 (Audited)						
Total segment assets	4,322,212	2,402,640	3,903,785	1,826,270	736,352	13,191,259
Other unallocated corporate assets						<u>4,364</u>
Total assets						<u>13,195,623</u>
Additions to:						
Property, plant and equipment	21,755	268	2,455	227	1,238	25,943
Goodwill	<u>—</u>	<u>—</u>	<u>935</u>	<u>—</u>	<u>4,423</u>	<u>5,358</u>
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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

7 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited) (Restated)
Gain on disposal of a subsidiary	227	—
Gains on disposal of property, plant and equipment	80	330
Exchange gains/(losses)	9,152	(3,286)
Others	3,714	1,739
	<u>13,173</u>	<u>(1,217)</u>

The exchange gains mainly arises from the year end re-translation of RMB-denominated monetary assets, comprising mainly inter-company balances, on the balance sheets of the companies within the Group which use HK\$ as their functional currency. Subsequently, when these balance sheets are translated into RMB, the presentation currency of the Group, a corresponding debit arises, and this is included in other comprehensive loss under the caption of "Exchange differences arising on translation of functional currency to presentation currency".

8 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Finance income from bank deposits	<u>8,552</u>	<u>9,071</u>
Finance cost on borrowings	135,949	187,342
Less: finance costs capitalised in qualifying assets	<u>(132,741)</u>	<u>(186,196)</u>
	<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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

9 INCOME TAX EXPENSE

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax 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 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.

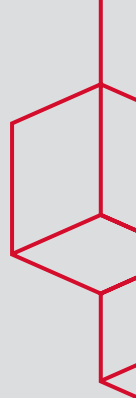
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	65,373	140,996
PRC land appreciation tax	89,545	33,347
Deferred income tax	11,448	1,417
(Reversal of provision for)/provision for withholding tax on the unremitted earnings of the PRC subsidiaries	(43,505)	28,537
	<u>122,861</u>	<u>203,297</u>

10 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Opening net book amount at 1 January	36,178	17,424
Additions	1,646	2,158
Disposals	(117)	(65)
Depreciation	(3,239)	(3,463)
Acquisition of a subsidiary	329	388
	<u>34,797</u>	<u>16,442</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016



11 GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Mix Kingdom Redco		
– West phase 1	3,918	3,918
– West phase 5	44,682	44,682
Shandong Xin Guangyou Properties Co., Limited	364	364
Jinan Redco Weisheng Property Development Co., Ltd	571	571
	<u>49,535</u>	<u>49,535</u>

The Group acquired several subsidiaries which are engaged in property development and property management in the PRC. Goodwill represents the excess of consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. The recoverable amount of all CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management expects cash flows beyond the five-year period are minimal.

The key assumptions used for value-in-use calculations for the period ended 30 June 2016 is as follows:

	West phase 1	West phase 5
Sales price per square meter ("sq.m") (RMB)	9,800	7,100
Construction cost per sq.m (RMB)	2,900	3,300
Gross margin	70%	54%
Discount rate	10%	10%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

11 GOODWILL (CONTINUED)

Management determined budgeted gross margin based on past performance and its expectations of market development. The sales price is based on the recent market information. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

The key assumptions used for value-in-use calculations for the year ended 31 December 2015 for Mix Kingdom Redco is as follows:

	West phase 1	West phase 5
Sales price per sq.m (RMB)	6,190	5,796
Construction cost per sq.m (RMB)	2,905	3,300
Gross margin	55%	43%
Discount rate	10%	10%

The directors are of the view that there was no impairment on goodwill during the period ended 30 June 2016.

For the other CGUs, the calculated recoverable amounts exceed the respective carrying amounts.

12 INTERESTS IN JOINT VENTURES

(a) Interests in joint ventures

	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)
At beginning of the period/year	164,408	168,553
Capital injection to a joint venture	118,500	—
Share of losses	(5,780)	(1,448)
Net asset attributable to the Group's interest	277,128	167,105
Unrealised gain from the transaction with a joint venture (note i)	(24,000)	(25,560)
At end of the period/year	253,128	141,545
Amounts due from joint ventures	50,575	30,603
	303,703	172,148



12 INTERESTS IN JOINT VENTURES (CONTINUED)

(a) *Interests in joint ventures (Continued)*

Note (i): The amount represents the unrealised gain on the properties disposed by a subsidiary of the Group to Redco Industry (Jiangxi) Co., Limited.

Note (ii): The amounts due from joint ventures are interest-free, unsecured and have no fixed repayment terms. The carrying amounts approximate their fair values. The amounts due from joint ventures are denominated in RMB.

(b) *Nature of interests in joint ventures*

Name of entity	Place of establishment/ principal place of business	% of ownership directly held interest		Nature of the relationship	Measurement Method
		30 June 2016	31 December 2015		
Redco Industry (Jiangxi) Co., Limited	PRC	50%	50%	Note 1	Equity
Nanchang Guogao Property Development Co., Ltd.*	PRC	51%	N/A	Note 2	Equity

Note 1: Redco Industry (Jiangxi) Co., Limited was a wholly owned foreign enterprise incorporated on 28 July 2010. The principal activity is hotel operations in the PRC.

Note 2: Nanchang Guogao Property Development Co., Ltd was a limited liability company incorporated on 21 January 2016. The principal activity is property development in the PRC.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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>

Note:

- (a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit term are generally not granted to customers while credit term of 10 months is granted to certain corporate customers. The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016



13 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Note: (Continued)

(a) (Continued)

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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 carry 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.

14 SHARE CAPITAL

	Number of Share	Par value (HK\$0.1 per share) HK\$	RMB'000 Equivalent
Authorised: At 30 June 2016 and 31 December 2015	<u>5,000,000,000</u>	<u>500,000,000</u>	<u>418,899</u>
Issued and fully paid: As at 1 January 2015	1,600,000,000	160,000,000	125,808
Issue of new shares pursuant to placing agreement (Note)	<u>175,804,661</u>	<u>17,580,466</u>	<u>13,824</u>
As at 30 June 2016 and 31 December 2015	<u>1,775,804,661</u>	<u>177,580,466</u>	<u>139,632</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

14 SHARE CAPITAL (CONTINUED)

Note:

On 29 December 2015, the Company issued subscription shares (the "Subscription Shares") pursuant to a subscription agreement dated 2 November 2015 to Nanchang Municipal Public Real Estate Group Limited (南昌市政公用房地產集團有限公司) (the "Subscriber") with a total of 175,804,661 ordinary shares of HK\$0.1 each at a subscription price of HK\$4.43 per share. Net proceeds amounted to HK\$778,814,648 (equivalent to RMB612,382,000). Of the proceeds, an amount of HK\$17,580,466 (equivalent to RMB13,824,000) representing the par value of share issued was credited to share capital account and the remaining HK\$761,234,182 (equivalent to RMB598,558,000) was credited to share premium account. The Group has also engaged an independent professional valuer to perform valuation of the fair value of the shares granted. The main parameters in the valuation include expected volatility of share price, dividends expected on the shares, and the risk free interest rate. Based on the valuation report, the Group recognised RMB20,000,000 of share based payment expense, being the difference between the fair value of shares granted and consideration received. Such expense is debited to general and administrative expenses and credited to share premium account. Number of total issued shares of the Company was increased to 1,775,804,661 upon completion of the subscription of shares.

The subscriber undertakes to the Company that it shall not sell any of the shares during one year after 29 December 2015 (the "Completion Date").

Wong Yeuk Hung, a major shareholder of the Group, provided an undertaking to the Subscriber in relation to future share price performance of the Company (Note 22(b)).

Pursuant to a deed of undertaking, Mr. Wong undertakes to compensate the Subscriber by cash in full the shortfall if on the first anniversary of the Completion Date, the Subscriber remains the holder of all Subscription Shares and is not in breach of its lock-up undertaking under the subscription agreement. The shortfall will be determined with reference to the target market price of the Subscription Shares on or about the first anniversary of the Completion Date. The target price is set at 120% of the subscription price. To the best knowledge, information and belief of the Company, the target price contemplated under a deed of undertaking was determined with reference to the market price of the Subscription Shares, the Company's historical performances, business prospects and the Subscriber's expected return.

15 BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Long-term bank borrowings, secured	1,332,342	1,953,097
Senior Notes due 2019, secured	814,940	796,930
Non-current borrowings, secured	<u>2,147,282</u>	<u>2,750,027</u>
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
Current bank borrowings, secured	<u>770,530</u>	<u>470,513</u>
Total borrowings	<u>2,917,812</u>	<u>3,220,540</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016



15 BORROWINGS (CONTINUED)

Bank borrowings are secured by certain properties under development for sale of RMB2,887,676,000 (2015: RMB3,544,042,000). Borrowings mature from 2016 to 2019, and bear interest from 3.17% to 13.75% (31 December 2015: 3.55% to 12%) per annum.

The amounts based on the scheduled repayment dates set out in the loan agreements and the maturities of the Group's total borrowings at the respective balance sheet dates (i.e. ignoring the effect of any repayment on demand clause) are shown below:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Amounts of borrowings that are 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>2,917,812</u>	<u>3,220,540</u>

On 1 August 2014, the Company issued 13.75% senior notes due 2019 with an aggregate nominal value of US\$125,000,000 at par value (the "Senior Notes due 2019"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US\$121,500,000 (equivalent to RMB741,877,000). The Senior Notes due 2019 will mature on 1 August 2019. The Company, at its option, can redeem the Senior Notes due 2019 (i) in whole, or in part, on or after 1 August 2017 at the redemption price equal to 106.8750% before 1 August 2018 and 103.4375% thereafter of the principal amount plus accrued and unpaid interest and (ii) in whole but not in part, prior to 1 August 2017 at redemption price equal to 100% of the principal amount plus a premium and accrued and unpaid interest. The Senior Notes due 2019 are secured by the shares of certain subsidiaries of the Company which are incorporated outside the PRC. The Senior Notes due 2019 are listed on the Hong Kong Stock Exchange.

16 TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

16 TRADE AND OTHER PAYABLES (CONTINUED)

Note:

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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>

17 COMMITMENTS

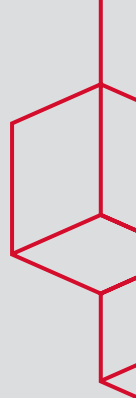
Capital Commitments

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted but not provided for: Property development expenditures	<u>1,921,425</u>	<u>1,765,619</u>

Operating Lease Commitments

At 30 June 2016, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
No later than one year	<u>635</u>	<u>1,220</u>



18 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities at the end of each of the following reporting periods:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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 arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchasers for repayment. 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 owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee 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 total fair value of financial guarantees is immaterial.

- (b) There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings (Note 15) as at 30 June 2016 and 31 December 2015. The directors consider that the subsidiaries are sufficiently financially resourced to settle their obligations.

19 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30 June 2016, the Group had aggregate banking facilities of approximately RMB2,643,112,000 (31 December 2015: RMB3,463,000,915) for overdrafts, bank loans and trade financing. Unused facilities as at the same date amounted to RMB540,240,000 (31 December 2015: RMB545,000,000).

As at 30 June 2016 and 31 December 2015, the borrowings of the Group were secured by (i) corporate guarantees of the Company; and (ii) certain land and properties under development for sale provided by the Group's subsidiaries.

The Senior Notes due 2019 are secured by shares of certain subsidiaries of the Company which are incorporated outside the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

20 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
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 share for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

21 AMOUNTS DUE FROM/(TO) NON-CONTROLLING INTERESTS

The amounts due from/(to) non-controlling interests are interest-free, unsecured, repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

22 RELATED PARTY TRANSACTIONS

The amounts due from/(to) a related party and joint ventures are unsecured, interest-free and repayable on demand. The fair values approximate their carrying values and are denominated in RMB.

Major related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Company
Redco Industry (Jiangxi) Co., Limited 力高實業(江西)有限公司	A joint venture
Nanchang Guogao Property Development Co., Ltd. 南昌國高房地產置業有限公司	A joint venture
Wong Yeuk Hung 黃若虹	A major shareholder of the Group
Huang Ruoqing 黃若青	A major shareholder and director of the Group
Max Power Properties Holding Limited 力達置業控股有限公司	A company controlled by Wong Yeuk Hung and Mr Huang Ruoqing

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties

	June 30 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	Nature
Amount due to a related company			
– Max Power Properties Holding Limited	<u>117,350</u>	<u>161,109</u>	Non-trade

As at 31 December 2015 and 30 June 2016, the amount due to a related party was denominated in HK\$. The carrying amount approximate their fair values and are interest-free, unsecured, and repayable on demand.

	June 30 2016 RMB'000	31 December 2015 RMB'000	Nature
Amounts due from joint ventures			
– Redco Industry (Jiangxi) Co., Limited	31,603	25,603	Non-trade
– Nanchang Guogao Property Development Co., Ltd.	<u>18,972</u>	<u>—</u>	Non-trade
	<u>50,575</u>	<u>25,603</u>	

As at 31 December 2015 and 30 June 2016, the amounts due to joint ventures were denominated in RMB. The carrying amounts approximate their fair values and are interest-free, unsecured, and repayable on demand.

(b) Transactions with related parties

- (i) During the year ended 31 December 2015, Wong Yeuk Hung provided an undertaking to the subscriber in relation to a share subscription arrangement of the Company (Note 14).
- (ii) During the period ended 30 June 2016, there was a cash advance to joint ventures of RMB24,972,000 (31 December 2015: repayment from a joint venture of RMB10,273,000).
- (iii) During the period ended 30 June 2016, there was a repayment to the Max Power Properties Holding Limited of RMB43,759,000. For the year ended 31 December 2015, there was a cash advance from Max Power Properties Holding Limited of RMB161,109,000 which is interest-free, unsecured and repayment on demand.
- (iv) During the year ended 31 December 2015, there was a repayment to Hefei Redco Asset Operation Management Co., Ltd of RMB5,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2016

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management includes directors and top management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Salaries, bonus and other benefits	4,252	3,013
Pension costs - defined contribution plan	148	121
	<u>4,400</u>	<u>3,134</u>

Save as disclosed above and the transactions and balances detailed in the above to the condensed consolidated financial information, the Group had no material transactions and outstanding balances with related parties during the six months ended 30 June 2016 and 2015.

23 DIVIDEND

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

24 ACQUISITIONS OF SUBSIDIARIES

In June 2016, the Group completed the acquisition of a 56% equity interest in 煙台中泰物業管理有限公司 (Yantai Zhongtai Property Services Co., Ltd*, "Yantai Zhongtai"). The cash consideration was RMB1,680,000 with the net cash inflow on acquisition being RMB1,736,000. Yantai Zhongtai is principally engaged in property development in the PRC.

In February 2016, the Group acquired 100% equity interest in 上海明昌置業有限公司 (Shanghai Mingchang Property Co., Ltd*, "Shanghai Mingchang") at RMB415,491,000. The net cash outflow on acquisition was RMB415,451,000. 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.

* For identification purpose only