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## **REDCO PROPERTIES GROUP LIMITED**

**力高地產集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1622)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **2016 FINANCIAL HIGHLIGHTS**

- Contracted sales for the year amounted to RMB10,134.7 million, representing a year-on-year increase of 149.8% as compared with 2015.
- Profit for the year increased by 36.8% to RMB538.3 million.
- Profit for the year attributable to owners of the Company increased by 8.3% to RMB434.3 million.
- Revenue for the year amounted to RMB5,270.1 million, representing a year-on-year increase of 56.0% as compared with 2015.
- Return on average attributable equity at 16.3% as at 31 December 2016.
- Total land bank amounted to approximately 3.5 million. sq.m. as at 31 December 2016.
- Cash and cash equivalents as at 31 December 2016 amounted to RMB2,417.2 million, net gearing ratio was 0.8% as at 31 December 2016.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Redco Properties Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2016 with comparative figures for the preceding financial year, are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016

	<i>Notes</i>	<b>2016</b> <i>RMB'000</i>	<b>2015</b> <i>RMB'000</i>
Revenue	3	5,270,090	3,378,217
Cost of sales	4	<u>(4,184,751)</u>	<u>(2,289,971)</u>
<b>Gross profit</b>		1,085,339	1,088,246
Other gains, net		171,237	31,533
Selling and marketing expenses	4	(146,611)	(109,601)
General and administrative expenses	4	(164,767)	(169,929)
Impairment of goodwill		<u>—</u>	<u>(26,584)</u>
<b>Operating profit</b>		945,198	813,665
Finance income	5	15,302	15,147
Finance costs	5	<u>(6,364)</u>	<u>(3,396)</u>
Finance income, net		<u>8,938</u>	<u>11,751</u>
Share of loss of investments accounted for using the equity method, net		<u>(9,825)</u>	<u>(4,145)</u>
<b>Profit before income tax</b>		944,311	821,271
Income tax expense	6	<u>(405,983)</u>	<u>(427,622)</u>
<b>Profit for the year</b>		<u>538,328</u>	<u>393,649</u>
<b>Profit attributable to:</b>			
Owners of the Company		434,319	401,030
Non-controlling interests		<u>104,009</u>	<u>(7,381)</u>
		<u>538,328</u>	<u>393,649</u>
<b>Earnings per share for profit attributable to owners of the Company for the year</b>			<i>(Restated)</i>
- Basic and diluted (expressed in RMB cents per share)	9	<u>12.23</u>	<u>12.27</u>
Dividends	10	<u>—</u>	<u>—</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<u>538,328</u>	<u>393,649</u>
<b>Other comprehensive loss</b>		
Item that may be reclassified to profit or loss		
- Currency translation differences	<u>(146,687)</u>	<u>(141,641)</u>
<b>Total other comprehensive loss</b>	<u>(146,687)</u>	<u>(141,641)</u>
<b>Total comprehensive income for the year</b>	<u><u>391,641</u></u>	<u><u>252,008</u></u>
<b>Attributable to:</b>		
- Owners of the Company	288,740	260,144
- Non-controlling interests	<u>102,901</u>	<u>(8,136)</u>
<b>Total comprehensive income for the year</b>	<u><u>391,641</u></u>	<u><u>252,008</u></u>

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2016**

	<i>Note</i>	<b>2016</b> <i>RMB'000</i>	<b>2015</b> <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		31,423	36,178
Goodwill		49,535	49,535
Interest in investments accounted for using the equity method		326,423	165,231
Deferred income tax assets		<u>219,133</u>	<u>58,445</u>
		<u>626,514</u>	<u>309,389</u>
<b>Current assets</b>			
Completed properties held for sale		1,972,481	1,237,046
Properties under development for sale		5,717,924	7,218,874
Trade and other receivables, deposits and prepayments	7	2,150,640	1,788,400
Amounts due from joint ventures		113,984	—
Amount due from an associate		3,479	—
Amounts due from non-controlling interests		463,439	158,615
Income tax recoverable		154,762	125,398
Restricted cash		1,186,255	668,759
Cash and cash equivalents		<u>2,417,219</u>	<u>1,689,142</u>
		<u>14,180,183</u>	<u>12,886,234</u>
<b>Total assets</b>		<u>14,806,697</u>	<u>13,195,623</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		139,632	139,632
Reserves		<u>2,662,236</u>	<u>2,383,306</u>
		2,801,868	2,522,938
<b>Non-controlling interests</b>		<u>555,158</u>	<u>370,760</u>
<b>Total equity</b>		<u>3,357,026</u>	<u>2,893,698</u>

	<i>Note</i>	<b>2016</b> <i>RMB'000</i>	<b>2015</b> <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		3,319,532	2,750,027
Deferred income tax liabilities		<u>142,610</u>	<u>183,943</u>
		<u>3,462,142</u>	<u>2,933,970</u>
<b>Current liabilities</b>			
Trade and other payables	8	2,224,538	2,990,763
Borrowings		309,700	470,513
Amounts due to non-controlling interests		451,308	349,900
Amount due to a related party		—	161,109
Amount due to a joint venture		65,663	—
Receipts in advance		4,235,821	2,949,214
Income tax liabilities		<u>700,499</u>	<u>446,456</u>
		<u>7,987,529</u>	<u>7,367,955</u>
<b>Total liabilities</b>		<u><u>11,449,671</u></u>	<u><u>10,301,925</u></u>
<b>Total equity and liabilities</b>		<u><u>14,806,697</u></u>	<u><u>13,195,623</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

Redco Properties Group Limited was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

##### 2.1.1. Amended standards and interpretations adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

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)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012 — 2014 Cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

### *2.1.2. New and amended standards not yet adopted by the Group*

Up to the date of issue of this announcement, the HKICPA has issued the following new and amended standards and which are relevant to the Group's operations but are not yet effective for the annual accounting period beginning on 1 January 2016 and which have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has completed an assessment of the impact of the above new and amended standards that became effective since 1 January 2016 and in the process of assessing the impact of others 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 Revenue and segment information

The Executive Directors have been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are submitted to the Executive Directors for performance assessment and resources allocation.

The Executive Directors consider the business from a geographical perspective and assesses the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region and Others. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal and external customers) and investment holdings businesses.

The Executive Directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of depreciation, share of loss of investments accounted for using the equity method, net, finance income, finance costs and income tax expense from the operating segments. Other information provided, except as noted below, to the Executive Directors is measured in a manner consistent with that in the consolidated financial statements.

	<b>Greater Western Taiwan Straits Economic Zone</b>	<b>Central and Western Regions</b>	<b>Bohai Economic Rim</b>	<b>Pearl River Delta Region</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended</b>						
<b>31 December 2016</b>						
Total revenue	2,463,369	500,499	753,671	1,514,955	59,620	5,292,114
Less: Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	(22,024)	<u>(22,024)</u>
Revenue (from external customers)	<u>2,463,369</u>	<u>500,499</u>	<u>753,671</u>	<u>1,514,955</u>	<u>37,596</u>	<u>5,270,090</u>
Segment results	515,798	171,906	62,330	221,139	(18,352)	952,821
Depreciation	<u>(2,272)</u>	<u>(484)</u>	<u>(1,690)</u>	<u>(697)</u>	<u>(2,480)</u>	<u>(7,623)</u>
Operating profits/(losses)	513,526	171,422	60,640	220,442	(20,832)	945,198
Share of loss of investments accounted for using the equity method, net	(10,808)	—	—	—	983	(9,825)
Finance income	4,445	2,534	2,648	388	5,287	15,302
Finance costs	(80)	—	—	—	(6,284)	(6,364)
Income tax (expense)/credit	<u>(249,046)</u>	<u>(79,770)</u>	<u>(23,833)</u>	<u>(91,660)</u>	<u>38,326</u>	<u>(405,983)</u>
Profits for the year	<u>258,037</u>	<u>94,186</u>	<u>39,455</u>	<u>129,170</u>	<u>17,480</u>	<u>538,328</u>



	<b>Greater Western Taiwan Straits Economic Zone</b>	<b>Central and Western Regions</b>	<b>Bohai Economic Rim</b>	<b>Pearl River Delta Region</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended</b>						
<b>31 December 2015</b>						
Total revenue	1,899,987	599,452	861,037	—	48,994	3,409,470
Less: Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(31,253)</u>	<u>(31,253)</u>
Revenue (from external customers)	<u>1,899,987</u>	<u>599,452</u>	<u>861,037</u>	<u>—</u>	<u>17,741</u>	<u>3,378,217</u>
Segment results	605,514	137,807	187,691	(31,595)	(77,195)	822,222
Depreciation	<u>(1,376)</u>	<u>(641)</u>	<u>(2,878)</u>	<u>(847)</u>	<u>(2,815)</u>	<u>(8,557)</u>
Operating profits/(losses)	604,138	137,166	184,813	(32,442)	(80,010)	813,665
Share of loss of an investment accounted for using the equity method	(4,145)	—	—	—	—	(4,145)
Finance income	8,836	1,274	1,399	477	3,161	15,147
Finance costs	—	—	—	—	(3,396)	(3,396)
Income tax expense	<u>(247,058)</u>	<u>(74,548)</u>	<u>(61,628)</u>	<u>(479)</u>	<u>(43,909)</u>	<u>(427,622)</u>
Profits/(losses) for the year	<u><u>361,771</u></u>	<u><u>63,892</u></u>	<u><u>124,584</u></u>	<u><u>(32,444)</u></u>	<u><u>(124,154)</u></u>	<u><u>393,649</u></u>

	<b>Greater Western Taiwan Straits Economic Zone</b>	<b>Central and Western Regions</b>	<b>Bohai Economic Rim</b>	<b>Pearl River Delta Region</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2016</b>						
Total segment assets	3,753,248	3,749,109	5,731,804	835,521	735,001	14,804,683
Other unallocated corporate assets						<u>2,014</u>
Total assets						<u><u>14,806,697</u></u>
Additions to: Property, plant and equipment	<u>386</u>	<u>629</u>	<u>1,453</u>	<u>24</u>	<u>1,924</u>	<u>4,416</u>
Total segment liabilities	<u>(2,463,539)</u>	<u>(3,452,432)</u>	<u>(3,059,820)</u>	<u>(215,468)</u>	<u>(2,258,412)</u>	<u>(11,499,671)</u>
<b>At 31 December 2015</b>						
Total segment assets	4,322,212	2,402,640	3,903,785	1,826,270	736,352	13,191,259
Other unallocated corporate assets						<u>4,364</u>
Total assets						<u><u>13,195,623</u></u>
Additions to: Property, plant and equipment	<u>21,755</u>	<u>268</u>	<u>2,455</u>	<u>227</u>	<u>1,238</u>	<u>25,943</u>
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>

## Breakdown of revenue

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of properties	5,155,966	2,967,976
Construction and sea reclamation services	76,528	392,500
Property management services	<u>37,596</u>	<u>17,741</u>
	<u>5,270,090</u>	<u>3,378,217</u>

During the year ended 31 December 2015, the Group's revenue was concentrated on a customer in relation to sea reclamation services. Revenue recognised for this customer amounted to 11.6% of the Group's revenue.

## Geographical information

Revenue by geographical location is determined on the basis of the location of sales of properties or services rendered.

Non-current assets by geographical location are determined based on the location of the relevant assets.

The Group's non-current assets are mainly located in the PRC.

#### 4 Expenses by nature

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Auditor's remuneration		
- Audit services	3,118	2,859
- Non-audit services	—	464
Cost of properties sold	3,916,850	1,843,690
Cost of construction and sea reclamation service	53,760	242,844
Depreciation of property, plant and equipment	7,623	8,557
Employee benefit expenses	140,812	111,118
Entertainment	9,657	8,764
Marketing and advertising costs	95,092	76,794
Operating lease payments	4,547	1,220
Office and travelling expenses	42,648	34,224
Business taxes and surcharges	185,104	173,681
Land use and real estate taxes	6,254	6,817
Legal and professional fees	9,983	11,741
Donation	2,038	4,095
Other selling and marketing and general and administrative expenses	<u>18,643</u>	<u>42,633</u>
Total cost of sales, selling and marketing expenses and general and administrative expenses	<u>4,496,129</u>	<u>2,569,501</u>

#### 5 Finance income and costs

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income from bank deposits	<u>15,302</u>	<u>15,147</u>
Finance cost on borrowings	282,570	374,312
Less: finance cost capitalised in qualifying assets	<u>(276,206)</u>	<u>(370,916)</u>
	<u>6,364</u>	<u>3,396</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>8.55%</u>	<u>9.63%</u>

## 6 Income tax expense

Subsidiaries established and operating in the PRC are subject to PRC corporate income tax (“EIT”) at the rate of 25% for the year ended 31 December 2016 (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 year ended 31 December 2016 (2015: Nil).

PRC land appreciation tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC corporate income tax	360,409	233,730
PRC land appreciation tax	247,595	149,817
Deferred income tax	<u>(202,021)</u>	<u>44,075</u>
	<u>405,983</u>	<u>427,622</u>

## 7 Trade receivables, other receivables, deposits and prepayments

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (Note a)	79,089	44,266
Accrued contract revenue (Note b)	<u>417,500</u>	<u>392,500</u>
	<u>496,589</u>	<u>436,766</u>
Other receivables	621,126	691,636
Deposits with local real estate associations (Note c)	494,728	285,202
Deposits with labour department	5,446	6,097
Deposits with treasury bureau	<u>4,747</u>	<u>25,023</u>
	1,126,047	1,007,958
Prepaid business tax and surcharges	103,178	116,475
Prepayment for construction costs	55,080	40,164
Prepayment for land use rights	<u>369,746</u>	<u>187,037</u>
	<u>1,654,051</u>	<u>1,351,634</u>
Total	<u>2,150,640</u>	<u>1,788,400</u>

*Notes:*

- (a) Trade receivables mainly arise from service income from reclamation of sea and 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 and credit terms are generally granted to corporate customers of 6 to 10 months.

The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	47,595	43,222
31 - 60 days	—	9
61 - 90 days	—	1,035
Over 90 days	<u>31,494</u>	<u>—</u>
	<u><u>79,089</u></u>	<u><u>44,266</u></u>

As at 31 December 2016, trade receivables of RMB40,741,000 (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 receivable.

The ageing analysis of these receivables was as follow:

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	31,061	34,922
31 - 60 days	—	9
61 - 90 days	—	1,035
Over 90 days	<u>9,680</u>	<u>—</u>
	<u><u>40,741</u></u>	<u><u>35,966</u></u>

- (b) Accrued contract revenue arises from the Group's sea reclamation service. As at 31 December 2016, the corresponding receivable balance is not yet billed.
- (c) The deposits with local real estate associations, mainly included deposits with Jinan Housing Repairment Fund Management Center (濟南市住房維修資金管理中心), Jinan Huaiyin District State Owned Asset Operation Company Limited (濟南市槐蔭區國有資產運營有限公司), Jinan Binhe New District Infrastructure Investment Holdings Limited

(濟南濱河新區建設投資集團有限公司) and Yantai New Technology Industrial District Development Committee (煙台高新技術產業開發區管理委員會) in connection with the properties construction as required by the relevant regulations in respect of the Group's property development projects.

- (d) The carrying amounts of trade receivables, other receivables, deposits and prepayments approximate their fair values due to their short maturities and are unsecured, interest-free and repayable on demand.
- (e) The carrying amounts of the Group's trade receivables and other receivables are all denominated in RMB.

## 8 Trade and other payables

	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,383,728	1,448,599
Accruals and other payables	291,622	807,170
Land use right payable	355,024	678,023
Other tax payables	213,147	55,723
Salary payables	<u>1,017</u>	<u>1,248</u>
	<u>2,224,538</u>	<u>2,990,763</u>

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

0 - 30 days	1,288,657	1,223,261
31 - 60 days	9,434	73,144
61 - 90 days	2,243	26,801
Over 90 days	<u>83,394</u>	<u>125,393</u>
	<u>1,383,728</u>	<u>1,448,599</u>

The carrying amounts of the Group's trade payables approximate their fair values due to their short maturities and are denominated in RMB.

## 9 Earnings per share

The basic earnings per share for the year ended 31 December 2016 is calculated based on the profit attributable to owners of the Company.

	<b>2016</b>	<b>2015</b> <i>(Restated)</i>
Profit attributable to owners of the Company (RMB'000)	<u>434,319</u>	<u>401,030</u>
Weighted average number of shares in issue	3,551,609,322	3,201,921,362
Adjustment for bonus element arising from the issuance of subscription shares	<u>—</u>	<u>66,601,699</u>
	<u>3,551,609,322</u>	<u>3,268,523,061</u>
Basic earnings per share (RMB cents)	<u>12.23</u>	<u>12.27</u>

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding in both years presented.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2016 has been adjusted for the share subdivision on 28 October 2016.

The comparative figures for the basic earnings per share for the year ended 31 December 2015 are restated to take into account of the effect of the above share subdivision during the year retrospectively as if they have taken place since the beginning of the comparative year.

## 10 Dividend

The directors do not recommend payment of any final dividend for the year ended 31 December 2016 (2015: Nil).



## BUSINESS OVERVIEW

### Overview

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the operating philosophy of signature architecture with tremendous honour (精端著造、傳世榮耀) and has executed 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 of today, the Group became an integrated developer with competitiveness and regional brand recognition. For 2015 and 2016, our revenue was RMB3,378.2 million and RMB5,270.1 million, respectively. And our profit for the year ended 31 December 2015 and 2016, attributable to equity holders of the Company was RMB401.0 million and RMB434.3 million, respectively.

The Group has consistently persisted in a prudent financial strategy to maintain a reasonable capital structure and gearing level. As at 31 December 2015 and 2016, the Group's cash and cash equivalents were RMB1,689.1 million and RMB2,417.2 million, respectively and the net gearing ratio was 23.0% and 0.8%, respectively.

Following the execution 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, 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 acquiring 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 and 2017, the Group was recognised for consecutive two years as "Listed Companies with the Most Growth Potential of 2015" (2015最具潛力上市公司大獎) and "Listed Companies with the Most Growth Potential of 2016" (2016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 from 2010 to 2014.
- 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 31 December 2016, our property portfolio comprised 23 property development projects with an aggregate gross floor area (the “GFA”) of 3,497,973.6 square metres (the “sq.m.”) under various stages of development in various cities in the PRC and Australia. The following table sets forth a summary of our property development projects as at 31 December 2016:

Project	Site area <sup>(1)</sup> (sq.m.)	Total GFA <sup>(2)</sup> (sq.m.)	Total GFA under various stage of development remaining unsold <sup>(3)</sup> (sq.m.)
<b>NANCHANG</b>			
<b>Crowne Plaza Nanchang Riverside Hotel</b> 力高皇冠假日酒店	4,636.7	57,986.8	57,986.8
<b>Spain Standard</b> 力高國際城	466,665.3	908,932.6	3,633.5
<b>Riverside International</b> 濱江國際	37,345.7	204,600.6	12,257.9
<b>Bluelake County</b> 瀾湖郡	135,285.0	286,794.7	81,965.1
<b>Riverlake International</b> 濱湖國際	68,373.0	205,846.3	90,822.4
<b>Imperial Mansion</b> 君御華府	41,994.5	109,826.6	29,715.6
<b>Imperial Metropolis</b> 君御都會	84,093.3	227,119.0	136,612.9
<b>Luxurious Mansion<sup>(4)</sup></b> 瀾湖國際	47,151.0	177,260.7	177,260.7
<b>TIANJIN</b>			
<b>Sunshine Coast</b> 陽光海岸	481,394.0	1,475,226.0	1,434,944.9
<b>Land Lot Nos. A1 and A2</b>	69,336.2	55,469.0	55,469.0
<b>JINAN</b>			
<b>Redco International</b> 力高國際	54,162.0	226,076.9	9,916.0
<b>Splendid the Legend</b> 盛世名門	51,675.2	205,813.6	8,355.8
<b>Scenery Holiday</b> 假日麗景	34,934.9	87,545.2	1,789.4

<b>Project</b>	<b>Site area<sup>(1)</sup> (sq.m.)</b>	<b>Total GFA<sup>(2)</sup> (sq.m.)</b>	<b>Total GFA under various stage of development remaining unsold<sup>(3)</sup> (sq.m.)</b>
<b>Royal Family<sup>(5)</sup></b> 君御世家	30,682.0	134,732.0	134,732.0
<b>Bluelake County</b> 瀾湖郡	68,066.0	237,534.7	237,534.7
<b>YANTAI</b> <b>Sunshine Coast - Phase I</b> 陽光海岸-第一期	51,693.7	186,470.8	119,771.4
<b>HEFEI</b> <b>Mix Kingdom Redco</b> 力高•共和城	395,596.4	871,735.3	229,662.3
<b>Royal Family</b> 君御世家	88,025.5	299,699.5	299,699.5
<b>XIANYANG</b> <b>Royal City - Phase I</b> 御景灣-第一期	69,466.8	237,012.8	116,622.0
<b>SHENZHEN</b> <b>Royal International</b> 君御國際	33,035.3	177,640.0	60,208.7
<b>SHANGHAI</b> <b>MingChang Building<sup>(6)</sup></b> 明昌大廈	9,941.2	46,545.0	46,545.0
<b>ZHONGSHAN</b> <b>Royal Family<sup>(7)</sup></b> 君御世家	30,819.6	95,889.0	95,889.0
<b>SYDNEY, AUSTRALIA</b> <b>Prime<sup>(8)</sup></b>	15,830.0	56,579.0	<u>56,579.0</u>
<b>TOTAL</b>			<u><u>3,497,973.6</u></u>

1. Information for “Site area” is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).
2. “Total GFA” is based on surveying reports, construction works commencement permits and/or construction works planning permits or the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.
3. “Total GFA under various stages of development remaining unsold” include the GFA of the completed projects remaining unsold, GFA of project under development and the GFA of projects for future development.

4. In March 2016, the Group acquired 51% equity interest of Nanchang Guogao Property Development Co., Ltd.\* (南昌國高房地產置業有限公司) (“Nanchang Guogao”) by way of injecting capital of RMB117.3 million to Nanchang Guogao. As at the date of this announcement, Nanchang Guogao was held as to 51% by the Group and 49% by a party independent of the Company and its connected persons (the “Independent Third Party”). Such parcel of land covers a total site area and gross floor area of approximately 47,151.0 sq. m. and 177,260.7 sq. m. and is planned for commercial and residential use for a term of 40 years and 70 years, respectively.
5. In July 2015, the Group acquired 51% equity interest of Shandong Xin Guangyou Properties Co., Limited (山東新廣友置業有限公司) (“Xin Guangyou”) by way of injecting capital of RMB18.7 million to Xin Guangyou. As at the date of this announcement, Xin Guangyou was held as to 51% by the Group and 49% by an Independent Third Party and entered a land grant contract for a parcel of land. Such parcel of land covers a total site area and gross floor area of approximately 30,682.0 sq. m. and 134,732.0 sq.m. and is planned for residential use for a term of 70 years.
6. 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 Shanghai Mingchang Property Co., Ltd.\* (上海明昌置業有限公司) (“Shanghai Mingchang”) at approximately RMB415.5 million. Subsequent to such acquisition, two Independent Third Parties acquired 30% equity interest in Redco Shengye and 10% in Shanghai Mingchang by way of capital injection 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 commercial use.
7. In December 2016, the Group acquired 70% equity interest of Zhongshanshi Haoyu Real Estate Development Co., Ltd.\* (中山市浩域房地產開發有限公司) (“Zhongshanshi Haoyu”) at a consideration of RMB70.0 million from an Independent Third Party. Zhongshanshi Haoyu is principally engaged in property development in the PRC and holds a parcel of land in No.46 North of Fuhua Road, Zhongshan with a total site area and the total GFA of approximately 30,819.6 sq. m. and 95,889.0 sq. m., respectively. Such parcel of land is planned for residential use for a term of 70 years.
8. In December 2016, a joint venture company which was owned as to 68% by the Group acquired 40% equity interest in JQZ Eleven Pty Limited (“JQZ Eleven”) by way of injecting capital of AUD7.2 million to JQZ Eleven. As at the date of this announcement, JQZ Eleven was owned as to 40% by such joint venture company and 60% by an Independent Third Party. JQZ Eleven is accounted as an investment in a joint venture. JQZ Eleven is principally engaged in property development in the Australia and holds a parcel of land in No.101 Waterloo Road, Macquarie Park, Australia with a total site area and the total GFA of approximately 15,830.0 sq. m. and 56,579.0 sq. m., respectively. Such parcel of land is planned for residential use.

## Financial Review

### Revenue

Our revenue increased by 56.0% to RMB5,270.1 million for the year ended 31 December 2016 from RMB3,378.2 million for the year ended 31 December 2015. This increase was primarily due to a 49.0% increase in our GFA delivered to 647,822 sq.m. for the year ended 31 December 2016 from 434,709 sq.m. for the year ended 31 December 2015. The increase in our GFA delivered was primarily due to the increase in GFA delivered for Royal International in Shenzhen and Bluelake County, Imperial Mansion and Imperial Metropolis in Nanchang, partially offset by a decrease in the GFA delivered for Spain Standard in Nanchang and Redco International in Jinan. Our recognised average selling price (the “ASP”) for properties delivered increased to RMB7,959 for the year ended 31 December 2016 from RMB6,828 for the year ended 31 December 2015. The increase in our recognised ASP for properties delivered was primarily due to the increase in the revenue attributable to Royal International in Shenzhen.

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

	For the year ended 31 December					
	2016	2015	2016	2015	2016	2015
	Revenue		GFA Delivered		Recognised ASP	
	(RMB’000)		(sq.m.)		(RMB per sq.m.)	
Greater Western						
Taiwan Straits						
Economic Zone	2,463,369	1,899,987	334,950	255,043	7,354	7,450
Central and Western						
Regions	500,499	599,452	99,137	118,087	5,049	5,076
Bohai Economic Rim						
- Primary land						
development						
(Note 1)	25,000	392,500	—	—	—	—
- Construction service						
(Note 2)	51,528	—	—	—	—	—
- Properties sale	677,143	468,537	96,304	61,579	7,031	7,609
Pearl River Delta						
Region	1,514,955	—	117,431	—	12,901	—
Others	37,596	17,741	—	—	—	—
<b>Subtotal</b>	<b>5,270,090</b>	<b>3,378,217</b>	<b>647,822</b>	<b>434,709</b>	<b>7,959</b>	<b>6,828</b>

Notes:

1: Primary land development represents the sea reclamation works in Tianjin.

2: Construction service represents the construction service provided by the Group in Jinan.

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 increased by 29.7% to RMB2,463.4 million for 2016 from RMB1,900.0 million for 2015. The increase was primarily attributable to the increase in GFA delivered for Bluelake County Imperial Mansion and Imperial Metropolis in Nanchang, partially offset by the decrease in GFA delivered for Spain Standard in Nanchang.
- **Central and Western Regions:** Our segment revenue for the Central and Western Regions decreased by 16.5% to RMB500.5 million for 2016 from RMB599.5 million for 2015. The decrease was primarily due to the decrease in the GFA delivered for Mix Kingdom Redco in Hefei.
- **Bohai Economic Rim:** Our segment revenue for the Bohai Economic Rim decreased by 12.5% to RMB753.7 million for 2016 from RMB861.0 million for 2015. The decrease was attributable to the decrease in the income generated from the sea reclamation works in Tianjin, partially offset by the increase in GFA delivered in Sunshine Coast — Phase 1 in Yantai and the revenue from construction service in Jinan.
- **Pearl River Delta Region:** Our segment revenue for the Pearl River Delta Region increased to RMB1,515.0 million in 2016 mainly attributable to the GFA delivered for Royal International in Shenzhen which began to recognise revenue from 2016.
- **Others:** It mainly represents our headquarter at Shenzhen and the revenue generated from the property management business which the Group acquired in January 2015.

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

Cost of sales increased by 82.7% to RMB4,184.8 million for 2016 from RMB2,290.0 million for 2015. This increase was primarily due to the increase in cost of properties sold as a result of the increase in GFA delivered to 647,822 sq.m. for 2016 from 434,709 sq.m. for 2015 and the increase in average land costs per sq.m. delivered to RMB2,711 for 2016 from RMB917 for 2015.

The increase in average land costs per sq.m. delivered was primarily due to the increase in the GFA delivered for Royal International in Shenzhen with a relatively high land acquisition costs.

### ***Gross profit***

Gross profit slightly decreased by 0.3% to RMB1,085.3 million for 2016 from RMB1,088.2 million for 2015. Our gross profit margin decreased to 20.6% for 2016 from 32.2% for 2015. This decrease was primarily attributable to the lower gross profit margin for Sunshine Coast — Phase 1 in Yantai and decrease in revenue generated from the sea reclamation works in Tianjin.

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

Other gains increased to RMB171.2 million for 2016 from RMB31.5 million for 2015. The other gains were primarily attributable to the increase in exchange gains from RMB27.4 million in 2015 to RMB28.3 million in 2016 and gain from disposal of subsidiaries of the Company for RMB123.0 million.

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

Selling and marketing expenses increased by 33.8% to RMB146.6 million for 2016 from RMB109.6 million for 2015. Selling and marketing expenses mainly represent the promotion of our properties. This increase was primarily due to the increase in the marketing promotion activities for the projects which has commenced, or will commence, sales in 2016 and 2017. The ratio of selling and marketing expenses to contracted sales of the Group slightly decreased to 1.4% for 2016 from 2.7% for 2015.

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

General and administrative expenses decreased by 3.0% to RMB164.8 million for 2016 from RMB169.9 million for 2015. This decrease was primarily due to the decrease in the share based payment expenses due to the issue of shares of the Company (the “**Shares**”) in December 2015, partially offset by the increase in the employee benefit expense. The general and administrative expenses as a percentage of revenue decreased to 3.1% for 2016 from 5.0% for 2015.

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

No impairment of goodwill was recognised for 2016 whereas impairment of goodwill amounted to RMB26.6 million for 2015. Such impairment of goodwill for 2015 represents certain premium paid in connection with our acquisition of an 80.0% equity interest in Changfeng Lianhua Real Estate Co., Ltd., which holds Mix Kingdom Redco in Hefei.



### ***Operating profit***

As a result of the above, our operating profit increased by 16.2% to RMB945.2 million for 2016 from RMB813.7 million for 2015.

### ***Finance income***

Finance income increased by 1.0% to RMB15.3 million for 2016 from RMB15.1 million for 2015. This increase was primarily attributable to the increase in interest income from bank deposits due to the increase in the interest rate for the year.

### ***Finance costs***

Finance costs increased by 87.4% to RMB6.4 million for 2016 from RMB3.4 million for 2015 which mainly due to a 12.7% increase in the amount of borrowings for the general corporate purpose.

### ***Share of loss of investments accounted for using the equity method, net***

Share of loss of investments accounted for using the equity method represents the share of loss of investment in joint ventures of RMB10.8 million, partially offset by the share of profit of investment in an associate of RMB1.0 million. It increased by 137.0% to RMB9.8 million for 2016 from RMB4.1 million for 2015. The increase was primarily due to the increase in share of loss related to Redco Industry (Jiangxi) Co., Ltd., which holds the Crowne Plaza Nanchang Riverside Hotel in Nanchang, as the occupation rate of such hotel decreased in 2016 and the loss incurred for the non-controlled real estate development projects which are under construction for those projects during the year.

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

As a result of the above, profit before income tax increased by 15.0% to RMB944.3 million for 2016 from RMB821.3 million for 2015.

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

Income tax expense decreased by 5.1% to RMB406.0 million for 2016 from RMB427.6 million for 2015. Such decrease was primarily due to the decrease in the deferred tax as reversal of provision for withholding tax on the unremitted earnings of our Company's PRC subsidiaries, partially offset by an increase in EIT which due to the increase in the profit of the Group.

### ***Profit for the year***

As a result of the above, profit for the year increased by 36.8% to RMB538.3 million for 2016 from RMB393.6 million for 2015.

### ***Profit for the year attributable to owners of the Company***

As a result of the above, profit for the year attributable to owners of the Company increased by 8.3% to RMB434.3 million for 2016 from RMB401.0 million for 2015. Profit attributable to non-controlling interests increased to a profit of RMB104.0 million for 2016 from a loss of RMB7.4 million for 2015 as the increase in the GFA delivered for Royal International in which we hold 51% equity interest.

## **Liquidity and Capital Resources**

### ***Cash position***

The Group had cash and cash equivalents of approximately RMB2,417.2 million (2015: RMB1,689.1 million) and restricted cash of RMB1,186.3 million (2015: RMB668.8 million) as at 31 December 2016. As at 31 December 2016, the Group's cash and cash equivalents were denominated in the Hong Kong dollar (“**HK\$**”), RMB and the United States dollar (“**US\$**”).

## ***Borrowings***

The Group had borrowings of approximately RMB3,629.2 million (2015: RMB3,220.5 million) as at 31 December 2016. The following table sets out the maturity profile of the Group's borrowings as at the dates indicated.

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts of borrowings that are repayable:		
- Within 1 year	136,963	265,252
- Between 1 and 2 years	845,143	1,179,494
- Between 2 and 5 years	<u>2,647,126</u>	<u>1,775,794</u>
	<u>3,629,232</u>	<u>3,220,540</u>

As at 31 December 2016, the Group's bank borrowings were denominated in RMB, HK\$ and US\$.

To further diversify the Company's financing channels, the Company as borrower entered into a facility agreement with a group of financial institutions as lenders on 9 September 2016, 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\$130 million, with a term of 36 months from the date of such agreement and an interest rate equal to LIBOR plus 4.0% per annum. Such loan facility was subsequently increased to US\$145 million following the participation of an acceded lender on 9 January 2017.

As at 31 December 2016, the Group is exposed to foreign exchange risk primarily with respect to certain of its bank borrowings and senior notes which were denominated in HK\$ and US\$. RMB experienced certain fluctuation against HK\$ and US\$ during the year 2016 which is the major reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

## ***Other performance indicators***

### *Net gearing ratio*

As at 31 December 2016, the Group's net gearing ratio was 0.8% (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 equivalent 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 31 December 2016, the Group's net current assets amounted to approximately RMB6,192.7 million (2015: RMB5,518.3 million). The Group's current ratio, calculated as current assets divided by current liabilities, was approximately 1.8 times (2015: 1.7 times).

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

The Group's average annual cost of borrowings (calculated by dividing total interest expenses incurred or capitalised by average borrowings during the relevant year) was 8.6% per annum in 2016 as compared with 9.6% per annum in 2015.

## **Contingent Liabilities**

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:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>5,100,315</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 repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

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

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 31 December 2015 and 2016. The Directors consider that the subsidiaries are able to sufficiently financially resourced to settle their obligations.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 31 December 2015 and 2016.

### ***Charge over assets***

As at 31 December 2016, the Group had aggregate banking facilities of approximately RMB3,881.3 million (2015: RMB3,463.0 million) for overdrafts, bank loans and trade financing. The Group had unused facilities of approximately RMB876.3 million as at 31 December 2016 (2015: RMB545.0 million).

These facilities were secured by certain properties under development held for sale and certain restricted cash provided by the Company's subsidiaries.

***Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets***

- (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, another two independent third parties acquired 30% equity interest in Redco Shengye and 10% in Shanghai Mingchang by way of injecting capital. As at the date of this announcement, Shanghai Mingchang was indirectly owned as to 63% by the Company and 37% 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 commercial use.
- (b) In March 2016, the Group acquired 51% equity interest in Nanchang Guogao by way of injecting capital of RMB117.3 million to Nanchang Guogao. As at the date of this announcement, Nanchang Guogao was owned as to 51% by the Group and 49% by an Independent Third Party. Nanchang Guogao is accounted as an investment in a joint venture.

Contract of grant of land use rights was entered into and modified by, among others, Nanchang Municipal Bureau of Land and Resources (南昌市國土資源局) and Nanchang Guogao as a result of a successful bid of the state-owned land use rights in respect of the parcel of land situated at East of Hongduda Road of Donghu District (東湖區洪都大道以東), West of Qingshanzhi Road (青山支路以西) and North of the Qingshan South Road (青山南路以北), Nanchang, the PRC (the “Land”) at a consideration of approximately RMB455.5 million. The Land covers a total site area and gross floor area of approximately 47,151 sq. m. and 177,280.7 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 in this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2016. Further, the Group will continue to purchase land located at 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, the Group did not have any future plans for significant investments or capital assets as at the date of this announcement.

### **Important events affecting the Group after the reporting period — *Appointment of executive Director***

Mr. Wong Yeuk Hung (“Mr. Wong”), our founder, resigned as a director of the Company in 2014 for the reason set out in the second paragraph of the section headed “Our success is dependent on the continuing service of members of our senior management, and if we lose the services of any of these key executives and cannot replace them in a timely manner, our business may be materially and adversely affected” on page 38 of the Company’s prospectus dated 21 January 2014. Mr. Wong was re-appointed a director of the Company with effect on 9 March 2017 as announced by the Company on 8 March 2017.

Save as disclosed above, no other important events affecting the Group has taken place since 31 December 2016 and up to the date of this announcement.

### **Outlook**

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

- adhere to the strategy of intensively developing cities and continue to best capture the business opportunities in first tier cities, including Shenzhen, Shanghai and Guangzhou by way of diversified land acquisition strategies to gradually increase our market share and strengthen our brand; further develop the strategically selected second tier cities to expand the coverage of projects and brand influence. The Group intends to insist on carefully studying the growth potential of land and carries out acquisitions at competitive costs. We will continue to prioritise our financial resources towards the opportunities which could maximise our profit. Meanwhile, the Group may also make strategic investment and acquisitions that could complement our operations as part of our expanding investment.

- adhere to a prudent financial strategy and continue to diversify financing channels.
- adhere to projects with high-return for the Group's working capital; rapidly enhance the overall competitiveness of the Group through reasonably adjusting the land bank structure reasonably, reinforcing the front-end decision making, effectively increasing the pace of development and construction and implementing meticulous cost control on the basis of sales with collectible payment. We believe through this, the price premium of the Group in the land market and the sales market will be significantly enhanced.
- adhere to product line research and development and innovation to increase product competitiveness; focus on the development of residential properties with a rigid demand for quality and the need for improvement, complemented with our business assets in communities according to 80-20 rule so as to have complementary development of residential and commercial properties; synchronously implement commercial property product line research and development in order to have an optimal and diversified portfolio. We believe that such diversification of our product mix will enhance our ability to expand and will enable us to effectively respond to any macro-economic policy affecting the PRC residential property sector.
- persist in forming alliance(s) with the partner(s) with strong capacities that could complement each other; we believe that the leveraging on the ability of its partner(s) in land acquisitions and financing costs, coupled with the Group's professional management experience and operational efficiency would create the win-win situation for the Group and its partner(s).
- continue to reinforce the Group's brand building. We intend to:
  - adhere to provide quality products to enhance brand awareness and influence in cities;
  - focus on the innovative products by adopting a customer-oriented approach with a view to providing customers with excellent value;
  - strive to develop landmark properties by adhering to an approach to provide quality products;
  - effectively make use of the big data to fully leverage on the Internet platform, to have innovative promotion channels and strategies and to attract potential large customers;
  - innovate scope of the property service to increase customers' loyalty with quality services;



- continue to enhance the policy of human resources, enhance and improve the performance and incentive system.

## **Employees and Remuneration Policies**

As at 31 December 2016, the Group had a total of approximately 699 employees (2015: 642 employees). The remuneration of the employees (including directors' emoluments) amounted to approximately RMB140.8 million for the year ended 31 December 2016 (2015: RMB111.1 million). 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 will be available in the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"). The Company provided on-the-job training, induction courses together with other training programmes for the employees at different positions to raise their professionalism during the year ended 31 December 2016.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 20 June 2017 to Friday, 23 June 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on Friday, 23 June 2017, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 June 2016.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year ended 31 December 2016.

## **THE CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules.

During the year ended 31 December 2016, the Company complied with the code provisions of the CG Code with the exception of code provision A.2.1 as addressed in the annual report of the Company for the year ended 31 December 2015.

## **CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2016.

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

The Company has not redeemed any of its shares during the year ended 31 December 2016. Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the year ended 31 December 2016.

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “**Audit Committee**”) which comprises four independent non-executive Directors, namely, Mr. Chow Kwong Fai, Edward, JP, Dr. Wong Yau Kar, David BBS, JP, Mr. Chau On Ta Yuen SBS and Mr. Yip Tai Him. Mr. Chow Kwong Fai, Edward, JP is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results for the year ended 31 December 2016.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.redco.cn](http://www.redco.cn)). The 2016 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Redco Properties Group Limited**  
**Wong Yeuk Hung**  
*Chairman*

Hong Kong, 16 March 2017

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

*\* For identification purpose only*