REDCO PROPERTIES GROUP LIMITED
力高地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2017 increased by 30.7% to RMB3,009.9 million
- Contract sales of the Group's subsidiaries and joint ventures for the six months ended 30 June 2017 increased by 47.2% to RMB5,049.8 million
- Profit for the six months ended 30 June 2017 attributable to owners of the Company increased by 156.2% to RMB322.1 million
- Profit for the six months ended 30 June 2017 increased by 95.8% to RMB372.8 million
- Weighted average interest rate per annum on capitalised borrowings for the six months ended 30 June 2017 decreased to 7.62% from 8.37% for the six months ended 30 June 2016
- Cash and cash equivalents as at 30 June 2017 amounted to RMB2,102.5 million and the gearing ratio was 18.7% as at 30 June 2017
- Land bank in aggregate was approximately 3.8 million sq. m. as at 30 June 2017
- Basic earnings per share was RMB9.07 cents for the six months ended 30 June 2017
- Payment of interim dividend of RMB2 cents per share in cash for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil) to Shareholders whose names appear on the Register of Members of the Company on 14 September 2017.

The board (the "**Board**") of directors (the "**Directors**") of Redco Properties Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017, together with comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
	Note	**2017**	**2016**
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
			(Restated)
			Note 3(c)
Revenue	4	3,009,876	2,302,539
Cost of sales		(2,413,970)	(1,871,631)
Gross profit		595,906	430,908
Other gains net		505	13,173
Selling and marketing expenses		(88,975)	(58,787)
General and administrative expenses		(90,446)	(80,008)
Fair value gain on an investment property		326,995	—
Impairment of goodwill		(28,322)	—
Operating profit		715,663	305,286
Finance income	5	25,304	8,552
Finance costs	5	(3,623)	(3,208)
Finance income, net		21,681	5,344
Share of profit of investments accounted for using the equity method, net		1,053	2,619
Profit before income tax		738,397	313,249
Income tax expense	6	(365,605)	(122,861)
Profit for the period		372,792	190,388
Profit attributable to:			
Owners of the Company		322,149	125,765
Non-controlling interests		50,643	64,623
		372,792	190,388
Earnings per share attributable to owners of the Company			*(Restated)*
– Basic and diluted (expressed in RMB cents per share)	9	9.07	3.54

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
		(Restated)
		Note 3(c)
Profit for the period	372,792	190,388
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
– Currency translation differences	72,488	(40,702)
Total other comprehensive income/(loss)	72,488	(40,702)
Total comprehensive income for the period	445,280	149,686
Total comprehensive income for the period attributable to:		
– Owners of the Company	394,044	85,378
– Non-controlling interests	51,236	64,308
Total comprehensive income for the period	445,280	149,686

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2017

	Note	30 June 2017	31 December 2016	31 December 2015
		RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	*(Audited)*	*(Audited)*
			(Restated)	*(Restated)*
			Note 3(c)	*Note 3(c)*
ASSETS				
Non-current assets				
Property, plant and equipment		30,915	31,423	36,178
Investment property		402,497	—	—
Goodwill		21,213	49,535	49,535
Investments accounted for using the equity method		387,977	374,432	196,803
Trade and other receivables, deposits and prepayments	7	142,576	—	—
Deferred income tax assets		245,473	219,133	58,445
		1,230,651	674,523	340,961
Current assets				
Completed properties held for sale		2,128,374	1,972,481	1,237,046
Properties under development for sale		4,630,314	5,717,924	7,218,874
Trade and other receivables, deposits and prepayments	7	2,434,843	2,150,640	1,788,400
Amounts due from joint ventures		169,803	113,984	—
Amount due from an associate		7,098	3,479	—
Amounts due from non-controlling interests		1,101,249	463,439	158,615
Income tax recoverable		297,759	154,762	125,398
Restricted cash		1,107,819	1,186,255	668,759
Cash and cash equivalents		2,102,544	2,417,219	1,689,142
		13,979,803	14,180,183	12,886,234
Total assets		15,210,454	14,854,706	13,227,195

	Note	30 June 2017	31 December 2016	31 December 2015
		RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	*(Audited)*	*(Audited)*
			(Restated)	*(Restated)*
			Note 3(c)	*Note 3(c)*
EQUITY				
Equity attributable to owners of the Company				
Share capital		139,632	139,632	139,632
Reserves		3,104,289	2,710,245	2,414,878
		3,243,921	2,849,877	2,554,510
Non-controlling interests		667,357	555,158	370,760
Total equity		3,911,278	3,405,035	2,925,270
LIABILITIES				
Non-current liabilities				
Borrowings		3,260,931	3,319,532	2,750,027
Deferred income tax liabilities		203,897	142,610	183,943
		3,464,828	3,462,142	2,933,970
Current liabilities				
Trade and other payables	8	1,823,245	2,224,538	2,990,763
Borrowings		846,415	309,700	470,513
Amount due to a related party		—	—	161,109
Amounts due to non-controlling interests		330,052	451,308	349,900
Amount due to a joint venture		116,663	65,663	—
Receipts in advance		3,901,407	4,235,821	2,949,214
Income tax liabilities		816,566	700,499	446,456
		7,834,348	7,987,529	7,367,955
Total liabilities		11,299,176	11,449,671	10,301,925
Total equity and liabilities		15,210,454	14,854,706	13,227,195

NOTES:

1 General information

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

The Company was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, 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 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

3 Accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2017 and currently relevant to the Group:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Project HKFRS 12 (Amendment)	Annual Improvements 2014-2016 Cycle (Amendments)

The Group has adopted these standards and the adoption of these standards do not have significant impacts on the Group's condensed consolidated interim financial information.

(b) The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements Project HKFRS 1 and HKAS 28 (Amendment)	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019

None of the above is expected to have a significant effect on the Group' s consolidated financial statements, except the following:

(i) HKFRS 9 "Financial instruments"

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

(ii) HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 "Revenue from Contracts with Customers"– this new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

(iii) HKFRS 16 "Leases"

HKFRS 16 "Leases" was issued in January 2016. It will results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB2,527,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

(c) Changes in accounting policy and early adoption of amendments to HKAS 40 "Investment property"

In previous years, an investment property of a joint venture of the Group was carried at historical cost less accumulated depreciation and impairment losses (the "Cost Model"). With effect from 1 January 2017, the Group changed its accounting policy for the investment properties to the fair value model under HKAS 16 (the "Fair Value Model").

The change was made to increase the relevance of financial data to the users of the financial statements by taking into consideration of the following factors:

a) The market values of the investment properties are volatile and are influenced by various factors which are associated with the underlying operation and performance of the Group. Adoption of the fair value model under HKAS 40 could provide a more appropriate and relevant information about the Group's result and financial position.

b) A majority of comparable companies within the Hong Kong and PRC real estate industry adopt the Fair Value Model. Therefore, using the Fair Value Model can align the Group's accounting policy with industry peers and improve comparability of the Group's financial performance with industry peers.

The change in accounting policy of investment properties has been accounted for retrospectively. The comparative figures have been restated.

The amendments to HKAS 40 will be effective for the financial year beginning 1 January 2018. With effect from 1 January 2017, the Group has early adopted the amendment in respect of the transfer of properties under development to investment properties for sales under fair value model.

The adoption has led to a fair value gain on investment properties of RMB326,995,000 and income tax expense of RMB81,749,000 recognised in the condensed consolidated statement of profit or loss and an increase in fair value of an investment property of RMB326,995,000 and increase in deferred income tax liabilities of RMB81,749,000 in the condensed consolidated balance sheet.

The effect of the changes in accounting policy and early adoption of amendments to HKAS 40 on the condensed consolidated statement of profit or loss is as follows:

	30 June 2017	**30 June 2016**
	RMB'000	*RMB'000*
Increase in share of profit of investments accounted for using the equity method, net	11,402	8,399
Increase in fair value gain on an investment property	326,995	—
Increase in income tax expense	(81,749)	—
Increase in profit attributable to owners of the Company	256,648	8,399
Increase in basic and diluted earnings per share (RMB cents per share)	7.23	0.24

The effect of the changes in accounting policy and early adoption of amendments to HKAS 40 on the condensed consolidated balance sheet is as follows:

	30 June 2017	**31 December 2016**	**31 December 2015**
	RMB'000	*RMB'000*	*RMB'000*
Increase in investments accounted for using the equity method	59,411	48,009	31,572
Increase in an investment property	326,995	—	—
Increase in deferred income tax liabilities	81,749	—	—
Increase in retained earnings	48,009	31,572	20,422

4 **Revenue and segment information**

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

The executive directors consider the business from a geographical perspective and assess the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region and Others. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers) and investment holding 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 losses of investments accounted for using the equity method, finance income, finance costs and income tax (expenses)/credit 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 annual financial statements.

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2017 (Unaudited)						
Total revenue	807,094	1,367,105	567,025	267,102	8,857	3,017,183
Inter-segment revenue	—	—	—	—	(7,307)	(7,307)
Revenue	807,094	1,367,105	567,025	267,102	1,550	3,009,876
Segment results	135,869	325,781	229,911	61,985	(34,402)	719,144
Depreciation	(1,253)	(314)	(697)	(312)	(905)	(3,481)
Operating profit/(losses)	134,616	325,467	229,214	61,673	(35,307)	715,663
Share of profit of investments accounted for using the equity method, net	1,053	—	—	—	—	1,053
Finance income	12,178	8,135	4,052	423	516	25,304
Finance costs	(1,523)	—	—	—	(2,100)	(3,623)
Income tax expense	(91,218)	(152,361)	(74,332)	(34,625)	(13,069)	(365,605)
Profit/(losses) for the period	55,106	181,241	158,934	27,471	(49,960)	372,792

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	375,976	227,970	468,298	1,218,139	12,156	2,302,539
Segment results	72,830	54,260	32,217	169,994	(20,776)	308,525
Depreciation	(643)	(386)	(847)	(558)	(805)	(3,239)
Operating profit/(losses)	72,187	53,874	31,370	169,436	(21,581)	305,286
Share of profit of investments accounted for using the equity method, net (restated)	2,619	—	—	—	—	2,619
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	22,153	21,063	14,808	108,478	23,886	190,388

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2017 (Unaudited)						
Total segment assets	3,073,416	3,945,438	6,195,184	883,799	1,110,772	15,208,609
Other unallocated corporate assets						1,845
Total assets						15,210,454
Additions to:						
Property, plant and equipment	732	316	135	992	707	2,882
Total segment liabilities	(2,264,351)	(2,482,458)	(3,941,820)	(261,001)	(2,349,546)	(11,299,176)
As at 31 December 2016 (Audited)						
Total segment assets (restated)	3,801,257	3,749,109	5,731,804	835,521	735,001	14,852,692
Other unallocated corporate assets						2,014
Total assets						14,854,706
Additions to:						
Property, plant and equipment	386	629	1,453	24	1,924	4,416
Total segment liabilities	(2,463,539)	(3,452,432)	(3,059,820)	(215,468)	(2,258,412)	(11,449,671)

5 **Finance income and costs**

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Finance income from loans to non-controlling interests and a joint venture	16,931	—
Finance income from bank deposits	8,373	8,552
	25,304	8,552
Finance cost on borrowings	140,371	135,949
Less: finance cost capitalised in qualifying assets	(136,748)	(132,741)
	3,623	3,208
Weighted average interest rate on capitalised borrowings (per annum)	7.62%	8.37%

6 **Income tax expense**

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax ("**EIT**") at the rate of 25% for the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017 (six months ended 30 June 2016: Nil).

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

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax		
EIT	142,077	65,373
LAT	166,754	89,545
Deferred income tax	56,774	(32,057)
	365,605	122,861

7 Trade and other receivables, deposits and prepayments

	30 June 2017	**31 December 2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables (Note a)	169,356	79,089
Accrued contract revenue (Note b)	417,500	417,500
	586,856	496,589
Other receivables	1,159,934	559,926
Deposits with local real estate associations (Note c)	305,750	494,728
Deposits with labour department	6,146	5,446
Deposits with treasury bureau	4,747	4,747
	1,476,577	1,064,847
Prepaid business tax and surcharges	20,990	103,178
Prepayment for purchase of property, plant and equipment	142,576	—
Prepayment for construction costs	24,477	55,080
Prepayment for land use rights	186,443	369,746
Prepayment for acquisition of subsidiaries	139,500	61,200
	1,990,563	1,654,051
Less: non-current portion		
Prepayment for purchase of property, plant and equipment	(142,576)	—
	1,847,987	1,654,051
	2,434,843	2,150,640

(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 terms are generally granted to certain customers and the customers are required to settle the receivables according the sales and purchase agreements. The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	30 June 2017	**31 December 2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 - 30 days	17,857	47,595
31 - 60 days	6,853	—
61 - 90 days	25,260	—
91 - 180 days	70,789	—
Over 180 days	48,597	31,494
	169,356	79,089

As at 30 June 2017, trade receivables of RMB154,195,000 (31 December 2016: RMB40,741,000) were overdue but not impaired. These receivables relate to certain customers that are financially viable. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	30 June 2017	**31 December 2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 - 30 days	17,857	31,061
31 - 60 days	6,583	—
61 - 90 days	25,260	—
91 - 180 days	69,949	—
Over 180 days	34,546	9,680
	154,195	40,741

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

(b) Accrued contract revenue arises from the Group's sea reclamation service. As at 30 June 2017 and 31 December 2016, 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) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximate their fair values and are interest-free and repayable on demand.

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

(f) The carrying amounts of the Group's trade receivables and other receivables are all denominated in RMB.

8 Trade and other payables

	30 June 2017	**31 December 2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables (Note a)	1,153,084	1,383,728
Accruals and other payables	340,585	291,622
Land use right payable	114,523	335,024
Other taxes payables	214,320	213,147
Salary payables	733	1,017
	1,823,245	2,224,538

Note a:

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 - 30 days	1,059,121	1,288,657
31 - 60 days	36	9,434
61 - 90 days	2,046	2,243
Over 90 days	91,881	83,394
	1,153,084	1,383,728

9 Earnings per share

The basic earnings per share for the period ended 30 June 2017 and 2016 is calculated based on the profit attributable to owners of the Company.

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	*(Unaudited)*
		(Restated)
Profit attributable to owners of the Company (RMB'000)	322,149	125,765
Weighted average number of shares in issue	3,551,609,322	3,551,609,322
Basic earnings per share (RMB cents)	9.07	3.54

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the six-month period ended 30 June 2017 and 2016.

The calculation of basic earnings per share for the period ended 30 June 2016 has been adjusted to reflect the effects of the share subdivision on 28 October 2016 and the changes in accounting policy.

10 Dividend

The Board has declared an interim dividend of RMB2 cents per share for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil), which is payable on 26 September 2017 to shareholders who are on the register at 14 September 2017. This interim dividend, amounting to RMB71,032,000, has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2017.

11 Subsequent events

On 9 August 2017, the Company has redeemed an aggregate principal amount of US$125,000,000 of all of the outstanding 13.75% senior notes due 2019 (the "Notes") at the redemption price equal to 106.875% of the principal amount thereof, being US$133,593,750 plus accrued and unpaid interest of US$381,944 up to 9 August 2017. The total redemption price paid by the Company was US$133,975,694. The withdrawal of listing of the Notes on the Stock Exchange became effective upon the close of business on 21 August 2017.

On 20 July 2017, the Company (as borrower), certain subsidiaries of the Company (as original guarantors), certain financial institutions (as original mandated lead arrangers) and a facility agent entered into a facility agreement (the "Facility Agreement") in respect of a US$202,000,000 transferable term loan facility with a term of 36 months from the date of the Facility Agreement and at an interest rate of LIBOR plus 4% per annum. Subject to the terms of the Facility Agreement, the total commitment under the Facility may be increased to not more than US$220,000,000 as a result of the accession of lender(s).

BUSINESS OVERVIEW

Overview

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the operating philosophy of signature architecture with tremendous honour (精端著造、傳世榮耀) and has adopted our multi-regional strategy through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency. As at the date of this announcement, the Group has become an integrated developer with competitiveness and regional brand recognition. For the six months ended 30 June 2016 and 2017, the Group recorded a revenue of to RMB2,302.5 million and RMB3,009.9 million respectively. Profit for the six months ended 30 June 2016 and 2017 attributable to owners of the Company was RMB125.8 million and RMB322.1 million, respectively.

The Group has consistently adopted a prudent financial strategy to maintain a reasonable capital structure and gearing level. As at 30 June 2017 and 31 December 2016, the Group's cash and cash equivalents were RMB 2,102.5 million and RMB2,417.2 million, respectively and the net gearing ratio was 18.7% and 0.8%, respectively.

Following the execution of the investment strategy of expansion into first-tier cities of the PRC and further development into the strategically targeted second-tier cities of the PRC (大力拓展一線城市,深耕已進入的強二線城市), the Group has successfully established its 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, Zhongshan, Shanghai, Tianjin, Hefei, Nanchang, Jinan, Yantai and so forth. The Group has been adhering to the strategy of forming alliance(s) with state-owned enterprise(s) with strong capabilities, provision of professional management experience and acquiring quality land to achieve 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, the Board consider that the Group has successfully established the "Redco" brand in the cities where we have put efforts in development:

- In 2017, the Group was recognised as "Top 100 Comprehensive Strength Listed Real Estate Enterprise of China for 2017"（2017年中國房地產上市公司綜合實力100強） by China Real Estate Association（中國房地產業協會）.

- 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 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).

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 30 June 2017, the Group's property portfolio comprised 30 property development and investment projects with an aggregate gross floor area (the "GFA") of 3,846,365.7 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 and investment projects as at 30 June 2017:

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	22,748.2
Riverside International 濱江國際	37,345.7	204,600.6	11,418.5

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Bluelake County **瀾湖郡**	135,285.0	286,794.7	42,257.6
Riverlake International **濱湖國際**	68,373.0	205,846.3	59,708.9
Imperial Mansion **君御華府**	41,994.5	109,826.6	17,659.2
Imperial Metropolis **君御都會**	84,093.3	227,119.0	128,266.0
Bluelake International **瀾湖國際**	47,151.0	177,260.7	177,260.7
Luxurious Royal **瀾湖御景**	74,134.0	238,204.2	238,204.2
Royal Family **君御世家**	120,984.0	211,117.6	211,117.6
The Garden of Spring **十里春風**	30,378.0	15,859.5	15,859.5
The Garden City **御景天城**	32,270.7	125,507.3	125,507.3
TIANJIN			
Sunshine Coast **陽光海岸**	481,394.0	1,475,226.0	1,354,238.4
Land Lot Nos. A1 and A2 **A1及A2號地塊**	69,336.2	55,469.0	55,469.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
JINAN			
Redco International 力高國際	54,162.0	226,076.9	7,612.7
Splendid the Legend 盛世名門	51,675.2	205,813.6	4,919.9
Scenery Holiday 假日麗景	34,934.9	87,545.2	—
Bluelake County 瀾湖郡	68,066.0	237,534.7	237,534.7
Royal Family 君御世家	30,682.0	134,732.0	134,732.0
YANTAI			
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	186,470.8	112,942.5
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	68,241.9	68,241.9
HEFEI			
Mix Kingdom Redco 力高•共和城	395,596.4	871,735.3	103,454.9
Prince Royal Family 君御世家	88,025.5	299,699.5	202,698.2
Royal International 君御國際	43,873.0	128,301.1	128,301.1

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
XIANYANG			
Royal City - Phase I 御景灣- 第一期	69,466.8	237,012.8	113,328.8
SHENZHEN			
Royal International 力高君御花園	33,035.3	177,640.0	15,884.1
SHANGHAI			
Mingchang Building 明昌大廈	9,941.2	46,545.0	46,545.0
ZHONGSHAN			
Royal Family 君御世家	30,819.5	95,889.0	95,889.0
AUSTRALIA			
Prime	15,830	56,579.0	56,579.0
TOTAL			**3,846,365.7**

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 projects under development and the GFA of projects for future development.

Financial Review

Revenue

Revenue for the six months ended 30 June 2017 increased by 30.7% to RMB3,009.9 million from RMB2,302.5 million for the six months ended 30 June 2016. Such increase was primarily due to the increase in our GFA delivered for the residential property for Mix Kingdom Redco and Prince Royal Family in Hefei, Riverlake International and Bluelake County in Nanchang and Sunshine Coast in Tianjin, which was partially offset by the decrease in the GFA delivered for Royal International in Shenzhen and Phase I of Sunshine Coast in Yantai. Total GFA delivered increased by 96.4% to 425,230 sq.m for the six months ended 30 June 2017 from 216,561 sq. m. for the six months ended 30 June 2016. Such increase in our total revenue was also offset by an decrease in the recognised average selling price (the "ASP") for the properties delivered in the first half of 2017. The ASP for properties delivered decreased to RMB7,013 for the six months ended 30 June 2017 from RMB10,576 for the six months ended 30 June 2016, representing a 33.7% decrease which was primarily due to the decrease in GFA delivered in Redco International in Shenzhen which recognised a relatively higher ASP as compared with other property development projects of the Group in first half of 2016.

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					
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	Revenue (RMB'000)		*GFA Delivered (sq. m.)*		*Recognised ASP (RMB per sq. m.)*	
Greater Western Taiwan Straits Economic Zone	807,094	375,976	98,902	40,118	8,161	9,372
Central and Western Regions	1,367,105	227,970	227,596	45,317	6,007	5,031
Bohai Economic Rim						
– Construction service*	26,095	—	—	—	—	—
– Properties sales	540,930	468,298	93,275	66,626	5,799	7,029
Pearl River Delta Region	267,102	1,218,139	5,457	64,500	48,947	18,886
Others	1,550	12,156	—	—	—	—
Total	3,009,876	2,302,539	425,230	216,561	7,013	10,576

* *Construction service represents the construction service provided by the Group in Jinan*

A summary of the segment results is set forth below:

- Greater Western Taiwan Straits Economic Zone: segment revenue for the Greater Western Taiwan Straits Economic Zone increased by 114.7% to RMB807.1 million for the six months ended 30 June 2017 from RMB376.0 million for the six months ended 30 June 2016. Such increase was primarily attributable to the increase in GFA delivered for Riverlake International and Bluelake County in Nanchang.

- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 500.0% to RMB1,367.1 million for the six months ended 30 June 2017 from RMB228.0 million for the six months ended 30 June 2016. Such increase was primarily attributable to the increase in the GFA delivered for Mix Kingdom Redco and Prince Royal Family in Hefei.

- Bohai Economic Rim: segment revenue for the Bohai Economic Rim increased by 21.1% to RMB567.0 million for the six months ended 30 June 2017 from RMB468.3 million for the six months ended 30 June 2016. Such increase was primarily due to the increase in the GFA delivered for Sunshine Coast in Tianjin.

- Pearl River Delta Region: segment revenue for the Pearl River Delta Region decreased by 78.1% to RMB267.1 million for the six month ended 30 June 2017 from RMB1,218.1 million for the six month ended 30 June 2016. Such decrease was mainly attributable to the decrease in the GFA delivered Royal International in Shenzhen.

- Others: It mainly represent our headquarters at Shenzhen, the project in Shanghai newly acquired by the Group and the revenue generated from the property consulting service.

Cost of sales

Cost of sales increased by 29.0% to RMB2,414.0 million for the six months ended 30 June 2017 from RMB1,871.6 million for the six months ended 30 June 2016. Such increase was primarily due to an increase in cost of properties sold as a result of (a) the increase in GFA delivered to 425,230 sq. m. for the six months ended 30 June 2017 from 216,561 sq. m. for the six months ended 30 June 2016; (b) the decrease in average land acquisition cost per sq. m. delivered to RMB1,835 for the six months ended 30 June 2017 from RMB4,256 for the six months ended 30 June 2016; and (c) the decrease in average construction cost per sq. m. delivered to RMB2,461 for the six months ended 30 June 2017 from RMB3,388 for the six months ended 30 June 2016. Such decrease in average land acquisition cost per sq. m. delivered was primarily due to the decrease in the GFA delivered for Royal International in Shenzhen (being a first-tier city) with a relatively high land acquisition costs.

Gross profit

Gross profit increased by 38.3% to RMB595.9 million for the six months ended 30 June 2017 from RMB430.9 million for the six months ended 30 June 2016. Our gross profit margin increased to 19.8% for the six months ended 30 June 2017 from 18.7% for the six months ended 30 June 2016. Such increase was primarily attributable to the lower average land acquisition cost and construction cost as the decrease in the GFA delivered in Royal International in Shenzhen.

Other gains, net

Other gains, net decreased to RMB0.5 million for the six months ended 30 June 2017 from RMB13.2 million for the six months ended 30 June 2016. Such decrease was primarily attributable to the exchange losses for the six months ended 30 June 2017.

Selling and marketing expenses

Selling and marketing expenses increased by 51.4% to RMB89.0 million for the six months ended 30 June 2017 from RMB58.8 million for the six months ended 30 June 2016. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such increase was mainly due to the increase in the marketing promotion activities for the projects and the increase in the sales agency fee as the increase in the contracted sales, which we have commenced, or will commence sales in 2017.

General and administrative expenses

General and administrative expenses increased by 13.0% to RMB90.4 million for the six months ended 30 June 2017 from RMB80.0 million for the six months ended 30 June 2016. Such increase was primarily due to the increase in office and travelling expenses due to the increase in the number of project end cities where our project located.

Fair value gain on an investment property

The fair value gain on an investment property represents the increase in the value on the commercial portion of the culture park which are under construction in Tianjin. Management consider such commercial portion are going to hold by the company and lease out after the completion, therefore the cost of the commercial portion has transferred to investment property during the period and included a fair value gain.

Impairment of goodwill

The impairment of goodwill increased to RMB28.3 million for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil). Such goodwill represents certain premium paid in connection with our acquisition of an 80% equity interest in Changfeng Lianhua Real Estate Co., Ltd. ("Changfeng"), which holds Mix Kingdom Redco in Hefei. The Directors performed impairment assessment of such goodwill and the increase in the impairment of goodwill primarily due to more GFA delivered in Mix Kingdom during the six month ended 30 June 2017.

Operating profit

As a result of the foregoing, operating profit increased by 134.4% to RMB715.7 million for the six months ended 30 June 2017 from RMB305.3 million for the six months ended 30 June 2016.

Finance income

Finance income increased by 195.9% to RMB25.3 million for the six months ended 30 June 2017 from RMB8.6 million for the six months ended 30 June 2016. Such increase was primarily attributable to the increase in finance income from loans to non-controlling interests and a joint venture in the first half of 2017.

Finance costs

Finance costs increased by 12.9% to RMB3.6 million for the six months ended 30 June 2017 from RMB3.2 million for the six months ended 30 June 2016. Such increase was mainly due to the increase in interest rate of the borrowings for the general corporate purpose.

Share of profit of investments accounted for using the equity method, net

Share of profit of investments accounted for using the equity method, net amounting to RMB1.1 million for the six months ended 30 June 2017 while there was a share of profit of RMB2.6 million for the six months ended 30 June 2016. Such decrease was primarily due to the increase in lossses incurred for the joint-controlled real estate development projects which are under construction during the year and offseted by the increase in share of profit in related to the fair value gain from the investment property held by Redco Industry (Jiangxi) Co., Ltd..

Profit before income tax

As a result of the foregoing, profit before income tax for the six months ended 30 June 2017 increased to RMB738.4 million from RMB313.2 million for the six months ended 30 June 2016.

Income tax expense

Income tax expense increased by 197.6% to RMB365.6 million for the six months ended 30 June 2017 from RMB122.9 million for the six months ended 30 June 2016. Such increase was primarily due to the increase in EIT as a result of increased profit of the Group and an increase in LAT as a result of the higher gross profit margin in Bluelake County in Nanchang and the provision of the deferred tax for the fair value gain of the investment property.

Profit for the six months ended 30 June 2017

As a result of the foregoing, profit for the six months ended 30 June 2017 increased by 95.8% to RMB372.8 million from RMB190.4 million for the six months ended 30 June 2016. The profit for the six months ended 30 June 2017 mainly arised from the profit in Greater Western Taiwan Straits Economic Zone for RMB55.1 million, Central and Western Regions for RMB181.2 million, Bohai Economic Rim for RMB158.9 million, Pearl River Delta Region for RMB27.5 million which was partially offset by loss of Others segment for RMB50.0 million.

Profit for the six months ended 30 June 2017 attributable to owners of the Company

As a result of the foregoing, profit for the six months attributable to owners of the Company increased by 156.2% to RMB322.1 million for the six months ended 30 June 2017 from RMB125.8 million for the six months ended 30 June 2016. Profit attributable to non-controlling interests decreased to RMB50.6 million for the six months ended 30 June 2017 as compared with RMB64.6 million for the six months ended 30 June 2016 which was mainly due to the profit from Royal International in Heifei and Sunrise Coast in Tianjin.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB2,102.5 million (31 December 2016: RMB2,417.2 million) and restricted cash of RMB1,107.8 million (31 December 2016: RMB1,186.3 million) as at 30 June 2017. As at 30 June 2017, the Group's cash and cash equivalents were denominated in Hong Kong dollar ("HK$"), RMB and United States dollar ("US$").

Borrowings

As at 30 June 2017, the Group had borrowings of approximately RMB4,107.3 million (31 December 2016: RMB3,629.2 million).

	30 June 2017 *RMB'000* *(Unaudited)*	31 December 2016 *RMB'000* *(Audited)*
Long-term bank borrowings, secured	2,428,843	2,464,328
Senior Notes due 2019, secured	832,088	855,204
Non-current borrowings, secured	3,260,931	3,319,532
Portion of term loan from bank, secured		
- due for repayment within one year, secured	633,346	90,100
- due for repayment within one year which contain a repayment on demand clause, secured	46,197	46,863
- due for repayment after one year which contain a repayment on demand clause, secured	166,872	172,737
Current bank borrowings, secured	846,415	309,700
Total borrowings	4,107,346	3,629,232

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 are set out below:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Amounts of borrowings repayable:		
– Within 1 year	679,543	136,963
– Between 1 and 2 years	1,373,512	845,143
– Between 2 and 5 years	2,054,291	2,647,126
	4,107,346	3,629,232

As at 30 June 2017, the Group's borrowings were denominated in RMB, HK$ and US$. As at 30 June 2017, the Group was exposed to foreign exchange risk primarily with respect to certain of its borrowings which were denominated in HK$ and US$. RMB experienced certain appreciation against HK$ during the six months ended 30 June 2017 which is the main 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 2017, the Group's net gearing ratio was 18.7% (31 December 2016: 0.8%). 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 condensed consolidated balance sheet, plus net debt.

Net current assets and current ratio

As at 30 June 2017, the Group's net current assets amounted to approximately RMB6,145.5 million (31 December 2016: RMB6,192.7 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.8 times as at 30 June 2017 (31 December 2016: 1.8 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 7.62% per annum in the first half of 2017 from 8.37% per annum in the first half of 2016.

Contingent liabilities

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

	30 June 2017	**31 December 2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	5,327,599	5,100,315

The Group has arranged 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 2017. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

Employees and Remuneration policies

As at 30 June 2017, the Group had a total of approximately 814 employees (31 December 2016: 699 employees). For the six months ended 30 June 2017, the remuneration of the Group's employees (including Directors' emoluments) amounted to approximately RMB70.2 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for the 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 a 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 2016. 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 2017.

Charge on assets

As at 30 June 2017, the Group had aggregate banking facilities of approximately RMB3,993.8 million (31 December 2016: RMB3,881.3 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 30 June 2017 amounted to RMB628.6 million (31 December 2016: RMB876.3 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

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 2017.

Important event affecting the group after the reporting period

On 9 August 2017, the Company has redeemed an aggregate principal amount of US$125,000,000 of all of the outstanding 13.75% senior notes due 2019 (the "Notes") at the redemption price equal to 106.875% of the principal amount thereof, being US$133,593,750 plus accrued and unpaid interest of US$381,944 up to 9 August 2017. The total redemption price paid by the Company was US$133,975,694. The withdrawal of listing of the Notes on the Stock Exchange became effective upon the close of business on 21 August 2017.

On 20 July 2017, the Company (as borrower), certain subsidiaries of the Company (as original guarantors), certain financial institutions (as original mandated lead arrangers) and a facility agent entered into a facility agreement (the "Facility Agreement") in respect of a US$202,000,000 transferable term loan facility with a term of 36 months from the date of the Facility Agreement and at an interest rate of LIBOR plus 4% per annum. Subject to the terms of the Facility Agreement, the total commitment under the Facility may be increased to not more than US$220,000,000 as a result of the accession of lender(s).

Save as disclosed, no other important event affering the Group has taken place since 30 June 2017 and up to the date of this announcement.

Future plans for material investments or capital assets

The Company will continue to purchase land located in the strategically selected cities. It is expected that the Group's internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in this announcement, the Company did not have any plans authorised by the Board for significant investments or capital assets as at the date of this announcement.

Outlook

Within the next five years, the Group aims to (i) be one of the top 100 real estate developers in the PRC with better performance; and (ii) become an integrated developer with regional brand recognition and leading market shares in the cities where we have put efforts in development. The Board believes that the Group 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 its market share and strengthen the brand; further develop the strategically selected second tier cities to expand the geogaphical coverage of projects and brand influence. The Group intends to continue to carefully study the growth potential of land and carry out acquisitions at competitive costs. The Group will continue to prioritise its 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 its 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. The Board believes 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. The Board believes that such diversification of its product mix will enhance its 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 partner(s) with strong capacilities that could complement each other; the Board believes 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. The Group intends to:

  — adhere to the provision of 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' loyality with quality services; and

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

INTERIM DIVIDEND

The Board recommended the payment of interim dividend of RMB2 cents in cash per share, approximately RMB71,032,000 (six months ended 30 June 2016:Nil) to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 14 September 2017. The interim dividend will be distributed to the Shareholders on 26 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed between 9 September 2017 and 14 September 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 8 September 2017.

THE CORPORATE GOVERNANCE CODE

The Company complied with all the code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules from 9 March 2017 to 30 June 2017; and the Company complied with all the code provisions of the Corporate Governance Code with the exception of Code Provision A.2.1 from 1 January 2017 to 8 March 2017. Pursuant to Code Provision A.2.1, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. From 1 January 2017 to 8 March 2017, the Company did not have a Chairman, Mr. Huang Ruoqing acted as President and was responsible for the day-to-day management and operations of the Group. The Board believed that the absence of a Chairman did not have any adverse effect to the Company, as decisions of the Company were made collectively by the executive Directors. Mr. Wong Yeuk Hung was appointed as the Chairman of the Group with effect from 9 March 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2017.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed, with no disagreement, the accounting principles and practices adopted by the Group, including the review of the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2017.

PUBLICATION OF THE 2017 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 25 August 2017

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