力高地产
REDCO REAL ESTATE

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1622

2017
Interim Report

二十五周年
一九九二·二〇一七

CONTENTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017 RMB'000	2016 RMB'000 (Restated)	Change (%)
Revenue	**3,009,876**	2,302,539	30.7
Gross profit	**595,906**	430,908	38.3
Profit before income tax	**738,397**	313,249	135.7
Profit for the period	**372,792**	190,388	95.8
Profit attributable to owners of the Company	**322,149**	125,765	156.2
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	**9.07**	3.54	156.2

	30 June 2017 RMB'000	31 December 2016 RMB'000 (Restated)	Change (%)
Total Assets	**15,210,454**	14,854,706	2.4
Cash and cash equivalents	**2,102,544**	2,417,219	-13.0
Total Bank and other borrowings	**4,107,346**	3,629,232	13.2

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Yeuk Hung *(Chairman effective from 9 March 2017)*
Mr. HUANG Ruoqing
Mr. TANG Chengyong
Mr. HONG Duxuan *(resigned with effect from 9 March 2017)*

Independent non-executive directors

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

COMPANY SECRETARY

Mr. CHAN Hing Chau

AUTHORISED REPRESENTATIVES

Mr. HUANG Ruoqing
Mr. CHAN Hing Chau

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISOR

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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People's Republic of China

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

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39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

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

INVESTOR RELATIONS

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STOCK CODE

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Overview

Redco Properties Group Limited (the "Company") and its subsidiaries (together with the Company, the "Group") is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the People's Republic of China ("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 report, 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 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 significant increase of the profit attributable to owners of the Company is mainly attributable to the fair value gain from the Group's investment property in the PRC.

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 RMB2,102.5 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 of directors 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
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
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

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
ZHONGSHAN			
Royal Family 君御世家	30,819.5	95,889.0	95,889.0
AUSTRALIA			
Prime	15,830.0	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 headquarter 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 be held 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 losses incurred for the joint-controlled real estate development projects which are under construction during the year and offset 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 enterprise income tax as a result of increased profit of the Group and an increase in land appreciation tax 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 arose 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 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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 affecting the Group has taken place since 30 June 2017 and up to the date of this report.

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

OUTLOOK

Within the next five years, the Group aims to (i) be one of the top 100 real estate developers in the PRC with better performance; and (ii) become an integrated developer with regional brand recognition and leading market shares in the cities where we have put efforts in development. 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 geographical 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 capabilities 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' loyalty with quality services; and

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

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

Hong Kong, 25 August 2017

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

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Interest in the Company:

Name of Director	Nature of interest	Total number of Shares	Percentage of the Company's issued share capital
Mr. Wong (Note 2)	Interest in controlled corporation	1,387,258,000(L) (Note 1)	39.06%
Mr. Huang (Note 3)	Interest in controlled corporation	924,838,000(L) (Note 1)	26.04%

Notes:

(1) The letters "L" denotes the person's long position in the Shares.

(2) 1,387,258,000 Shares are registered in the name of Global Universe International Holding Limited ("Global Universe"). As at 30 June 2017, Mr. Wong Yeuk Hung ("Mr. Wong") beneficially owned 100% of the issued share capital of Global Universe and was deemed to be interested in the 1,387,258,000 Shares held by Global Universe by virtue of the SFO.

(3) 924,838,000 Shares are registered in the name of Times International Development Company Limited ("Times International"). As at 30 June 2017, Mr. Huang Ruoqing ("Mr. Huang") beneficially owned 100% of the issued share capital of Times International and was deemed to be interested in the 924,838,000 Shares held by Times International by virtue of the SFO.

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquires such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 30 June 2017, substantial shareholders' interests or short position in the shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares	Long/ Short position	Percentage of the Company's issued share capital
Global Universe (Note 1)	Beneficial Owner	1,387,258,000	Long Position	39.06%
Ms. Sze Kai Fei (Note 2)	Interest of spouse	1,387,258,000	Long Position	39.06%
Times International (Note 3)	Beneficial Owner	924,838,000	Long Position	26.04%
Ms. Fan Huili (Note 4)	Interest of spouse	924,838,000	Long Position	26.04%
Power Ray (Note 5)	Beneficial Owner	351,609,322	Long Position	9.9%
Mr. NG Leung Ho (Note 5)	Interest in controlled corporation	351,609,322	Long Position	9.9%

Notes:

(1) As at the date of this report, the entire share capital of Global Universe International Holdings Limited ("Global Universe"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability, was held by Mr. Wong Yeuk Hung ("Mr. Wong"). By virtue of the SFO, Mr. Wong was deemed to be interested in the Shares held by Global Universe.

(2) Ms. Sze Kai Fei is the spouse of Mr. Wong. By virtue of the SFO, Ms. Sze Kai Fei is deemed to be interested in the Shares held by Mr. Wong.

(3) The entire share capital of Times International, a company incorporated in the BVI with limited liability, was held by Mr. Huang. By virtue of the SFO, Mr. Huang was deemed to be interested in the 924,838,000 Shares held by Times International. Details of which are set out in the section headed "Directors and Chief Executive's interests and short positions in shares, underlying shares, and debentures" above.

(4) Ms. Fan Huili is the spouse of Mr. Huang. By virtue of the SFO, Ms. Fan Huili is deemed to be interested in the Shares held by Mr. Huang.

(5) To the best knowledge of the Directors, the entire share capital of Power Ray Investment Development Limited ("Power Ray"), a company incorporated in the BVI with limited liability, was wholly owned by Mr. NG Leung Ho. By virtue of the SFO, Mr. NG Leung Ho is deemed to be interested in the Shares held by Power Ray.

Save as disclosed above, as at 30 June 2017, no person, other than the Directors and chief executives of the Company, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION

INTERIM DIVIDEND

The Board declared the payment of interim dividend of RMB2 cents (equivalent to HK$2.35 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.

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.

SPECIFIC PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

On 20 July 2017 (after trading hours), 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 "**2017 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, the total commitment may be increased to not more than US$220,000,000 as a result of the accession of lender(s).

On 9 September 2016, the Company as borrower entered into a facility agreement (the "**2016 Facility Agreement**", together with the 2017 Facility Agreement, the "**Facility Agreements**") with a group of financial institutions as lenders, pursuant to which the lenders agreed to make available to the Company a US$ denominated transferrable term loan facility in an aggregate amount of US$130 million, with a term of 36 months from the date of the 2016 Facility Agreement and an interest rate equal to LIBOR plus 4.0% per annum. On 9 January 2017, Wing Lung Bank, Limited executed an accession letter and the facility was increased from US$130 million to US$145 million.

Under each of the Facility Agreements, it will be an event of default if:

i. Mr. Huang Ruoqi ("**Mr. Huang**") and Mr. Wong Yuek Hung ("**Mr. Wong**") individually or collectively do not or cease to hold (directly or indirectly) 51% or more of the beneficial shareholding interest, carrying 51% or more of the voting rights, in the issued share capital of the Company or do not or cease to maintain management control over the Company; or

ii. Mr. Huang is not or ceases to be the president and an executive director of the board of directors of the Company.

On and at any time after the occurrence of an event of default which is continuing, the facility agent may cancel all or part of the commitments, or declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable.

As at 30 June 2017, US$145,000,000 remained outstanding under the 2016 Facility Agreement.

The Company will continue to make relevant disclosure in its subsequent interim and annual reports of the Company pursuant to Rule 13.21 of the Listing Rules for as long as circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continue to exist.

Save as disclosed above, as at 30 June 2017, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the six months ended 30 June 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the six months ended 30 June 2017.

AUDIT COMMITTEE

The Board established an audit committee (the "Audit Committee") which comprises four independent non-executive Directors, namely, Mr. Chow Kwong Fai, Edward, JP, Dr. Wong Yau Kar, David GBS, BBS, JP, Mr. Chau On Ta Yuen SBS, BBS and Mr. Yip Tai Him. Mr. Chow Kwong Fai, Edward, JP is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results and the unaudited condensed consolidated financial information of the Company and its subsidiaries for the six months ended 30 June 2017.

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

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

Name of Director	Details of changes
Dr. Wong Yau Kar	Awarded the Gold Bauhinia Star by the Government of Hong Kong Special Administrative Region in July 2017.

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

* *for identification purposes only*

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF REDCO PROPERTIES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 52, which comprises the interim condensed consolidated balance sheet of Redco Properties Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2017

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated) Note 3(c)
Revenue	6	3,009,876	2,302,539
Cost of sales		(2,413,970)	(1,871,631)
Gross profit		595,906	430,908
Other gains, net	7	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	11	326,995	—
Impairment of goodwill	12	(28,322)	—
Operating profit		715,663	305,286
Finance income	8	25,304	8,552
Finance costs	8	(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	9	(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)	21	9.07	3.54

The notes on pages 29 to 52 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (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)
Other comprehensive income/(loss) for the period	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

The notes on pages 29 to 52 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited) (Restated) Note 3(c)	31 December 2015 RMB'000 (Audited) (Restated) Note 3(c)
ASSETS				
Non-current assets				
Property, plant and equipment	10	30,915	31,423	36,178
Investment property	11	402,497	—	—
Goodwill	12	21,213	49,535	49,535
Investments accounted for using the equity method	13	387,977	374,432	196,803
Trade and other receivables, deposits and prepayments	14	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	14	2,434,843	2,150,640	1,788,400
Amounts due from joint ventures	23	169,803	113,984	—
Amount due from an associate	23	7,098	3,479	—
Amounts due from non-controlling interests	22	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
EQUITY				
Equity attributable to owners of the Company				
Share capital	15	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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited) (Restated) Note 3(c)	31 December 2015 RMB'000 (Audited) (Restated) Note 3(c)
LIABILITIES				
Non-current liabilities				
Borrowings	16	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	17	1,823,245	2,224,538	2,990,763
Borrowings	16	846,415	309,700	470,513
Amount due to a related party		—	—	161,109
Amounts due to non-controlling interests	22	330,052	451,308	349,900
Amount due to a joint venture	23	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

The notes on pages 29 to 52 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017, as previously reported	139,632	1,379,610	1,282,626	2,801,868	555,158	3,357,026
Effect of changes in accounting policy (Note 3(c))	—	—	48,009	48,009	—	48,009
Balance at 1 January 2017 (Restated)	139,632	1,379,610	1,330,635	2,849,877	555,158	3,405,035
Comprehensive income						
Profit for the period	—	—	322,149	322,149	50,643	372,792
Other comprehensive income						
Currency translation differences	—	71,895	—	71,895	593	72,488
Transfer to statutory reserve	—	10,161	(10,161)	—	—	—
Total comprehensive income for the period	—	82,056	311,988	394,044	51,236	445,280
Transactions with owners						
Non-controlling interest arising from business combination (Note 25)	—	—	—	—	58,163	58,163
Capital injection from non-controlling interests	—	—	—	—	2,800	2,800
Total transactions with owners, recognised directly in equity	—	—	—	—	60,963	60,963
Balance at 30 June 2017	139,632	1,461,666	1,642,623	3,243,921	667,357	3,911,278
Balance at 1 January 2016, as previously reported	139,632	1,471,769	911,537	2,522,938	370,760	2,893,698
Effect of changes in accounting policy (Note 3(c))	—	—	31,572	31,572	—	31,572
Balance at 1 January 2016 (Restated)	139,632	1,471,769	943,109	2,554,510	370,760	2,925,270
Comprehensive income						
Profit for the period, as previously reported	—	—	117,366	117,366	64,623	181,989
Effect of changes in accounting policy (Note 3(c))	—	—	8,399	8,399	—	8,399
	—	—	125,765	125,765	64,623	190,388
Other comprehensive loss						
Currency translation differences	—	(40,387)	—	(40,387)	(315)	(40,702)
Transfer to statutory reserve	—	4,664	(4,664)	—	—	—
Total comprehensive (loss)/income for the period	—	(35,723)	121,101	85,378	64,308	149,686
Transactions with owners						
Dividend relating to 2015, paid	—	—	—	—	(24,000)	(24,000)
Non-controlling interest arising from business combination	—	—	—	—	1,841	1,841
Capital injection from non-controlling interests	—	—	—	—	50,000	50,000
Change in ownership interests in subsidiary without change in control	—	12	—	12	(12)	—
Total transactions with owners, recognised directly in equity	—	12	—	12	27,829	27,841
Balance at 30 June 2016	139,632	1,436,058	1,064,210	2,639,900	462,897	3,102,797

The notes on pages 29 to 52 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cash flows from operating activities			
Net cash generated from operations		710,269	917,589
Income tax paid		(357,588)	(242,915)
Net cash generated from operating activities		352,681	674,674
Cash flows from investing activities			
Additions of property, plant and equipment		(2,882)	(1,646)
Prepayment for purchase of property, plant and equipment		(97,576)	—
Acquisition of subsidiaries, net of cash acquired	25	7,852	(413,715)
Prepayment for acquisition of subsidiaries		(139,500)	—
Proceed for disposal of property, plant and equipment		571	197
Capital injection to a joint venture		—	(118,500)
Capital injection to an associate		(15,225)	—
Interest received		8,373	8,552
Net cash used in investing activities		(238,387)	(525,112)
Cash flows from financing activities			
Proceeds from bank borrowings		1,183,014	716,460
Repayment of bank borrowings		(707,407)	(1,051,110)
Advance to a related party		(13,348)	(43,759)
Capital injection from non-controlling interests		2,800	50,000
Net advance to non-controlling interests		(742,135)	46,982
Net advance to joint ventures		(2,026)	(24,972)
Advance to an associate		(3,619)	—
Interest paid		(140,371)	(135,949)
Dividend paid		—	(24,000)
Net cash used in financing activities		(423,092)	(466,348)
Net decrease in cash and cash equivalents		(308,798)	(316,786)
Cash and cash equivalents at beginning of period		2,417,219	1,689,142
Currency translation differences		(5,877)	(1,595)
Cash and cash equivalents at end of period		2,102,544	1,370,761

Non-cash transactions

There is no non-cash transaction in the period ended 30 June 2017. For the period ended 30 June 2016, the principal non-cash transactions were the offsetting of other receivables from and other payables to an independent third party of RMB614,152,000 and the settlement of trade and other payables of RMB149,873,000 by equivalent amounts of completed properties held for sale.

The notes on pages 29 to 52 form an integral part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Redco Properties Group Limited (the “Company”) is an investment holding company and its subsidiaries (together with the Company, referred to as “the Group”) are principally engaged in property development business in the People’s Republic of China (the “PRC”). The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”).

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”). The condensed consolidated interim financial information should be read in conjunction with the annual 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.

3 ACCOUNTING POLICIES (CONTINUED)

(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.

3 ACCOUNTING POLICIES (CONTINUED)

(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: (Continued)

(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 result 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 (Note 18). 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.

3 ACCOUNTING POLICIES (CONTINUED)

(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: (Continued)

(iii) HKFRS 16 "Leases" (Continued)

The standard is mandatory for first interim period 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.

3 ACCOUNTING POLICIES (CONTINUED)

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

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 RMB'000	30 June 2016 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 RMB'000	31 December 2016 RMB'000	31 December 2015 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 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

Level of the inputs to valuation techniques used to measure fair value of the Group's financial instruments as at 30 June 2017. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See Note 11 for disclosures of the investment property that are measured at fair value.

6 REVENUE AND SEGMENT INFORMATION

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

The executive directors consider the business from a geographical perspective and assess the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region and Others. The Group's construction and sea reclamation services and hotel operations are considered together with the property development segments and included in the relevant geographic operating segment. "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 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 profit of investments accounted for using the equity method, finance income, finance costs and income tax (expense)/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.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB'000	Central And Western Regions RMB'000	Bohai Economic Rim RMB'000	Pearl River Delta Region RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 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
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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB'000	Central And Western Regions RMB'000	Bohai Economic Rim RMB'000	Pearl River Delta Region RMB'000	Others RMB'000	Total RMB'000
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)

7 OTHER GAINS, NET

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Gain on disposal of a subsidiary	—	227
Gains on disposal of property, plant and equipment	275	80
Exchange (losses)/gains, net (Note a)	(20,858)	9,152
Government subsidies	19,706	—
Others	1,382	3,714
	505	13,173

Note a:

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

8 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Finance income from loans to non-controlling interests and a joint venture (Note 22 and Note 23(a))	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 costs 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%

9 INCOME TAX EXPENSE

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the six months ended 30 June 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 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 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current income tax		
PRC enterprise income tax	142,077	65,373
PRC land appreciation tax	166,754	89,545
Deferred income tax	56,774	(32,057)
	365,605	122,861

10 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Opening net book amount at 1 January	31,423	36,178
Additions	2,882	1,646
Disposals	(296)	(117)
Depreciation	(3,481)	(3,239)
Acquisition of subsidiaries	387	329
Closing net book amount at 30 June	30,915	34,797

11 INVESTMENT PROPERTY

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
At 1 January	—	—
Transfer from properties under development for sale at fair value (Note (i))	402,497	—
At 30 June	402,497	—

Note:

(i) During the six months ended 30 June 2017, the Group has entered into a rental agreement with an independent third party for property under development for sale, indicating a change in the intended use of the property under development for sale. As a result, the property under development for sale was reclassified as investment property carried at fair value. At the date of transfer, its fair value of approximately RMB402,497,000, including its cost of approximately RMB75,502,000 and fair value gain of approximately RMB326,995,000, has been transferred to investment property.

Fair value measurement

As at 30 June 2017, the fair value of the investment property was measured at level 3 of fair value hierarchy using significant unobservable inputs.

There were no transfers between levels 1, 2 and 3 during the period.

Valuation process of investment property

The Group engages an external, independent and qualified valuer, Jiangxi Hengfang Real Estate and Land Valuation Consultancy Co., Ltd. ("江西恒方房地產土地估價諮詢有限公司") to determine the fair value of the investment property at the reporting date.

Discussions of valuation processes and results have been held between the management and the valuer in respect of the valuation as at 30 June 2017, and will be held at least once every six months going forward, in line with the Group's interim and annual reporting dates.

12 GOODWILL

	Six months ended 30 June 2017 RMB'000 (Unaudited)	Six months ended 30 June 2016 RMB'000 (Unaudited)
Opening net book amount at 1 January	49,535	49,535
Provision for impairment (Note (i))	(28,322)	—
Closing net book amount at 30 June	21,213	49,535

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Mix Kingdom Redco		
– West phase 1	3,918	3,918
– West phase 5	16,360	44,682
Shandong Xin Guangyou Properties Co., Limited	364	364
Jinan Redco Weisheng Property Development Co., Ltd	571	571
	21,213	49,535

Note:

(i) Management has reviewed the performance of all CGUs and noted that their recoverable amounts exceed their carrying amounts except Mix Kingdom Redco West phase 5. Accordingly, management has concluded that the goodwill in relation to Mix Kingdom West phase 5, amounting to RMB28,322,000, need to be impaired.

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Interests in associates

	30 June 2017 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited)
At beginning of the period	27,983	—
Additions (Note (i))	15,225	—
Share of profit	672	—
At end of the period	43,880	—

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in associates (Continued)

Note:

(i) Jiangxi Chang Da Rui Feng Technology Development Co, Limited ("Jiangxi Chang Da Rui Feng")(江西昌大瑞豐科技發展有限公司) was a limited liability company incorporated on 8 April 2003. The principal activities are property development and biotechnology development in the PRC. Jiangxi Chang Da Rui Feng is accounted for as an associate following the acquisition of 20% interest with a consideration of RMB15,225,000 by the Group on 30 June 2017.

(b) Interests in joint ventures

	30 June 2017 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited) (Restated) Note 3(c)
At beginning of the period	338,185	195,980
Capital injection to a joint venture	—	118,500
Share of profit, net	381	2,619
Net asset attributable to the Group's interest	338,566	317,099
Unrealised gain from the transaction with a joint venture (Note (i))	(23,280)	(24,000)
At end of the period	315,286	293,099
Amount due from a joint venture (Note (ii))	28,811	50,575
	344,097	343,674

Note:

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

(ii) The amount due from a joint venture is interest-free, unsecured and has no fixed repayment terms. The carrying amount approximates its fair value. The amount due from a joint venture is denominated in RMB.

14 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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

Note:

(a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit 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 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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

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

Note: (Continued)

(a) 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 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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

(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.

15 SHARE CAPITAL

	Number of share	Par value per share	Share capital HK$'000	Share capital RMB'000
Authorised:				
As at 1 January 2016 and 30 June 2016	5,000,000,000	HK$0.10	500,000	418,899
Effect of share subdivision (Note a)	5,000,000,000	—	—	—
As at 31 December 2016 and 30 June 2017	10,000,000,000	HK$0.05	500,000	418,899
Issued and fully paid:				
As at 1 January 2016 and 30 June 2016	1,775,804,661	HK$0.10	177,580	139,632
Effect of share subdivision (Note a)	1,775,804,661	—	—	—
As at 31 December 2016 and 30 June 2017	3,551,609,322	HK$0.05	177,580	139,632

Note:

(a) Pursuant to the resolution passed at the extraordinary general meeting of the Company on 27 October 2016, the then issued and unissued shares of the Company of HK$0.10 each was sub-divided into two shares of HK$0.05 each on 28 October 2016.

16 BORROWINGS

	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 from 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

Bank borrowings are secured by certain properties under development for sale of RMB2,124,159,000 (31 December 2016: RMB3,062,560,000) and equity interests of certain subsidiaries of the Group. Borrowings bear interest from 2.97% to 9.72% (31 December 2016: 3.22% to 9.72%) per annum.

16 BORROWINGS (CONTINUED)

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Amounts of borrowings that are 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

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

17 TRADE AND OTHER PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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

17 TRADE AND OTHER PAYABLES (CONTINUED)

Note:

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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

18 COMMITMENTS

Capital commitments

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted but not provided for:		
– Property development expenditures	2,241,416	1,192,719
– Purchase of property, plant and equipment	332,660	—
	2,574,076	1,192,719

Operating lease commitments

At 30 June 2017, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
No later than one year	1,895	570
Later than one year and no later than 5 years	632	—
	2,527	570

19 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees on mortgage facilities

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (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 obligations of such purchasers for repayment. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

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

(b) There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings (Note 16) as at 30 June 2017 and 31 December 2016. The directors consider that the subsidiaries are sufficiently financially resourced to settle their obligations.

Save as disclosed above the Group and the Company has no other significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil)

20 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30 June 2017, the Group had aggregate banking facilities of approximately RMB3,993,821,000 (31 December 2016: RMB3,881,306,000) for overdrafts, bank loans and trade financing. Unused facilities as at the same date amounted to RMB628,600,000 (31 December 2016: RMB876,250,000).

As at 30 June 2017 and 31 December 2016, the borrowings of the Group were secured by (i) corporate guarantees of the Company; and (ii) certain land and properties under development for sale provided by the Group's subsidiaries.

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

21 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (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 (Note 15) and the changes in accounting policy (Note 3(c)).

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

Except for an amount due from a non-controlling interest of approximately RMB201,238,000 (31 December 2016: RMB73,000,000) which bears interest of 10% per annum and is secured by its shareholding of the Group's subsidiary, the amounts due from/(to) non-controlling interests are interest-free, unsecured, repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

23 RELATED PARTY TRANSACTIONS

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

23 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Related parties	Relationship with the Company
Top Glory International Holdings Limited 銘高國際控股有限公司	An associate
Jiangxi Chang Da Rui Feng Technology Development Co., Limited 江西昌大瑞豐科技發展有限公司	An associate
Redco Industry (Jiangxi) Co., Limited 力高實業(江西)有限公司	A joint venture
Nanchang Guogao Property Development Co., Limited 南昌國高房地產置業有限公司	A joint venture
Jiangxi Manwei Property Development Co., Limited 江西滿威實業有限公司	A joint venture
Jiangxi Po Hu Feng Qing Property Development Limited 江西鄱湖風情置業有限公司	A joint venture
Hui Gao Investments Development Limited 匯高投資發展有限公司	A joint venture
Power Out International Holding Limited 力澳國際控股有限公司	A joint venture
Wong Yeuk Hung ("Mr. Wong") 黃若虹	A major shareholder and chairman of the Board of directors of the Group
Huang Ruoqing ("Mr. Huang") 黃若青	A major shareholder and director of the Group

(a) *Amounts due from joint ventures*

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	Nature	Interest (per annum)	Currency
Jiangxi Manwei Property Development Co., Limited	53,125	56,483	Non-trade	10%	RMB
Hui Gao Investments Development Limited	43,724	44,227	Non-trade	N/A	HKD
Jiangxi Po Hu Feng Qing Property Development Co., Limited	25,267	13,200	Non-trade	N/A	RMB
Power Out International Holding Limited	47,687	74	Non-trade	N/A	HKD
	169,803	113,984			

The carrying amounts approximate their fair value and are unsecured and repayable on demand.

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) *Amount due to a joint venture*

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	Nature
Nanchang Guogao Property Development Co., Ltd	(116,663)	(65,663)	Non-trade

As at 30 June 2017 and 31 December 2016, the amount due to a joint venture was denominated in RMB. The carrying amount approximates its fair value and is interest free, unsecured, repayable on demand.

(c) *Amount due from an associate*

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	Nature
Top Glory International Holdings Limited	7,098	3,479	Non-trade

(d) *Transactions with related parties*

(i) During the six months period ended 30 June 2017, there were net advance to joint ventures of approximately RMB2,026,000 (31 December 2016: RMB54,322,000)

(ii) During the period ended 30 June 2017, the Group purchased property management service amounting to approximately RMB13,990,000 from its associate, at prices mutually agreed by contracted parties (six months ended 30 June 2016: Nil).

(e) *Key management compensation*

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Salaries, bonus and other benefits	3,276	4,252
Pension costs - defined contribution plan	110	148
	3,386	4,400

Save as disclosed above and the transactions and balances detailed in the above to the condensed consolidated financial information, the Group had no material transactions and outstanding balances with related parties during the six months ended 30 June 2017 and 2016.

24 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.

25 ACQUISITIONS OF SUBSIDIARIES

On 3 March 2017, the Group completed the acquisition of 30% equity interest of Nanchang Xinrong Real Estate Development Co., Ltd. (南昌欣榮房地產開發有限公司) ("Nanchang Xinrong") at a consideration of RMB3,000,000. Nanchang Xinrong is principally engaged in property development in Jiangxi Province and holds a parcel of land in Yin San Jiao Xiang Tang Development District, Nanchang.

On 5 May 2017, the Group completed the acquisition of 51% equity interest of Jiangxi Nayu Property Co., Ltd. (江西納裕實業有限公司) ("Jiangxi Nayu") at a consideration of RMB61,200,000. Jiangxi Nayu is principally engaged in property development in Jiangxi Province and holds a parcel of land in Chang Nan New District, Nanchang.

As both Nanchang Xinrong and Jiangxi Nayu did not operate any business prior to the date of acquisition, therefore the Group considers the nature of the acquisition as acquisition of assets in substance and the consideration should be attributable to the individual assets acquired and liabilities assumed.

The relative fair values of assets acquired and liabilities assumed at the acquisition date is analysed as follows:

	Jiangxi Nayu RMB'000	Nanchang Xinrong RMB'000
Consideration paid and payable as at acquisition date	61,200	3,000
Asset and liabilities		
Property, plant and equipment	368	19
Prepayments, deposits and other receivable	78,918	107,309
Properties under development	117,167	30,567
Cash and cash equivalents	10,847	5
Borrowings	(55,000)	—
Other payables	(46,549)	(128,835)
Total identifiable net assets acquired	105,751	9,065
Non-controlling interest initially recognised	51,818	6,345
Cash consideration paid	61,200	3,000
Less: Prepayment for acquisition paid in prior year	(61,200)	—
Less: cash and cash equivalents acquired	(10,847)	(5)
Net cash (inflow)/outflow	(10,847)	2,995

26 SUBSEQUENT EVENTS

On 9 August 2017, the Company redeemed an aggregate principal amount of US$125,000,000 of all of the outstanding senior notes due 2019 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 Senior Notes due 2019 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).