力高集團
REDCO GROUP

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Profit attributable to owners of the Company for the year ended 31 December 2017 increased by 91.3% to RMB862.2 million
- Profit for the year ended 31 December 2017 increased by 78.5% to RMB990.1 million
- Revenue for the year ended 31 December 2017 increased by 27.8% to RMB6,734.1 million
- Contract sales of the Group's subsidiaries and joint ventures for the year ended 31 December 2017 increased by 30.2% to RMB13,196.8 million
- Land bank in aggregate was approximately 4.9 million sq. m. as at 31 December 2017 (2016: 3.5 million sq.m.)
- Basic earnings per share was RMB24.28 cents for the year ended 31 December 2017 (2016: RMB12.69 cents)
- Weighted average interest rate per annum on capitalised borrowings for the year ended 31 December 2017 decreased to 7.49% from 8.55%
- Cash and cash equivalents as at 31 December 2017 amounted to RMB3,587.1 million (2016: RMB2,417.2 million) and the gearing ratio was 33.7% as at 31 December 2017 (2016: 0.8%)
- Recommendation of the payment of a final dividend of RMB3 cents per share in cash for the year ended 31 December 2017 (2016: Nil) to Shareholders whose names appear on the Register of Members of the Company on 15 May 2018

The board (the "**Board**") of directors (the "**Directors**") of Redco Properties Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017, together with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
	Note	**2017**	**2016**
		RMB'000	*RMB'000*
			(Restated)
			Note 4
Revenue	5	**6,734,067**	5,270,090
Cost of sales	6	**(5,057,627)**	(4,184,751)
Gross profit		**1,676,440**	1,085,339
Other (losses)/gains, net		**(15,803)**	171,237
Selling and marketing expenses	6	**(195,475)**	(146,611)
General and administrative expenses	6	**(233,450)**	(164,767)
Fair value gain on an investment property		**359,036**	—
Impairment of goodwill		**(49,535)**	—
Operating profit		**1,541,213**	945,198
Finance income	7	**44,729**	15,302
Finance costs	7	**(70,945)**	(6,364)
Finance (cost)/income, net		**(26,216)**	8,938
Share of profit of investments accounted for using the equity method, net		**82,870**	6,612
Profit before income tax		**1,597,867**	960,748
Income tax expense	8	**(607,735)**	(405,983)
Profit for the year		**990,132**	554,765
Profit attributable to:			
Owners of the Company		**862,237**	450,756
Non-controlling interests		**127,895**	104,009
		990,132	554,765
Earnings per share attributable to owners of the Company			*(Restated)*
– Basic and diluted (expressed in RMB cents per share)	11	**24.28**	12.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
		(Restated)
		Note 4
Profit for the year	990,132	554,765
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
– Currency translation differences	171,999	(146,687)
Total other comprehensive income/(loss)	171,999	(146,687)
Total comprehensive income for the year	1,162,131	408,078
Total comprehensive income for the year attributable to:		
– Owners of the Company	1,032,876	305,177
– Non-controlling interests	129,255	102,901
Total comprehensive income for the year	1,162,131	408,078

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	**31 December 2017**	**31 December 2016**	**31 December 2015**
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	*(Restated)*
			Note 4	*Note 4*
ASSETS				
Non-current assets				
Property, plant and equipment		36,489	31,423	36,178
Goodwill		—	49,535	49,535
Investment property		434,669	—	—
Investments accounted for using the equity method		1,034,521	374,432	196,803
Trade and other receivables, deposits and prepayments	9	475,236	—	—
Deferred income tax assets		238,931	219,133	58,445
		2,219,846	674,523	340,961
Current assets				
Completed properties held for sale		1,564,092	1,972,481	1,237,046
Properties under development for sale		5,728,454	5,717,924	7,218,874
Trade and other receivables, deposits and prepayments	9	4,046,707	2,150,640	1,788,400
Amounts due from joint ventures		53,123	113,984	—
Amounts due from associates		32,719	3,479	—
Amounts due from non-controlling interests		672,675	463,439	158,615
Income tax recoverable		180,948	154,762	125,398
Restricted cash		1,318,450	1,186,255	668,759
Cash and cash equivalents		3,587,062	2,417,219	1,689,142
		17,184,230	14,180,183	12,886,234
Assets classified as held for sale		467,931	—	—
		17,652,161	14,180,183	12,886,234
Total assets		19,872,007	14,854,706	13,227,195

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated) Note 4	31 December 2015 RMB'000 (Restated) Note 4
EQUITY				
Equity attributable to owners of the Company				
Share capital		139,632	139,632	139,632
Reserves		3,672,089	2,710,245	2,414,878
		3,811,721	2,849,877	2,554,510
Non-controlling interests		797,579	555,158	370,760
Total equity		4,609,300	3,405,035	2,925,270
LIABILITIES				
Non-current liabilities				
Borrowings		3,982,100	3,319,532	2,750,027
Deferred income tax liabilities		265,604	142,610	183,943
		4,247,704	3,462,142	2,933,970
Current liabilities				
Trade and other payables	10	2,156,112	2,224,538	2,990,763
Borrowings		3,261,119	309,700	470,513
Amounts due to non-controlling interests		116,414	451,308	349,900
Amount due to a related party		—	—	161,109
Amounts due to joint ventures		140,209	65,663	—
Receipts in advance		4,507,441	4,235,821	2,949,214
Income tax liabilities		832,164	700,499	446,456
		11,013,459	7,987,529	7,367,955
Liabilities directly associated with assets classified as held for Sale		1,544	—	—
		11,015,003	7,987,529	7,367,955
Total liabilities		15,262,707	11,449,671	10,301,925
Total equity and liabilities		19,872,007	14,854,706	13,227,195

NOTES:

1 **General information**

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

The Company was incorporated in the Cayman Islands on 14 July 2008 as an exempted company with limited liability under the Cayman Companies Law and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands.

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

2 **Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of an investment property which are carried at fair value.

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

3 **Changes in accounting policies and disclosures**

(a) Amended standard adopted by the Group

Amendments to HKAS 7 "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 40 "Investment property" is early adopted for annual periods beginning on or after 1 January 2017. The amendments further defined the transfer to or from investment property. For more details of the effect on the Group's financial statements, please refer to Note 4.

Amendments as mentioned above except Amendments to HKAS 40 "Investment property" are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) Amendments to existing standards effective in 2017 but not relevant to the Group

Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	Disclosure of interest in other entities

(c) New and amended standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after	
Amendments to HKFRS 2	Classification and measurement of share-based and payment transactions	1 January 2018	
Amendments to HKFRS 4	Insurance contracts	1 January 2018	
Amendments to annual improvement project HKFRS 1 and HKAS 28	Annual improvements 2014 – 2016 cycle	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1 January 2018	(ii)
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018	(ii)
HK(IFRIC)-Int 22	Foreign currency translations and advance considerations	1 January 2018	
HKFRS 16	Leases	1 January 2019	(iii)
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019	
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019	
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

(i) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group does not have any debt or equity instruments that are currently classified as available-for-sale ("**AFS**"). Accordingly, the Group does not expect the new guidance to affect the classification and measurement of the financial asset.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("**FVPL**") and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standards ("**HKAS**") 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transferred over time or at a point in time.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financing component exists in that contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represent separate performance obligations in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expensed off in profit or loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

- Presentation of contract assets and contract liabilities in the balance sheet – HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to contract liabilities which are currently included in other balance sheet line items.

Date of adoption by the Group

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group is estimating the overall impact of the above on the Group's retained earnings on 1 January 2018.

(iii) HKFRS 16 Leases

Nature of change

HKFRS 16 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.

Impact

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 RMB1,176,000. The Group estimates those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

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.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

4 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 40 (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 Group has early adopted amendments to HKAS 40 in respect of the transfer of properties under development for sales to investment properties under fair value model.

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

	31 December 2017 *RMB' 000*	31 December 2016 *RMB' 000*	1 January 2016 *RMB' 000*
Effect of the changes in accounting policy			
Consolidated balance sheet			
Increase in investments accounted for using the equity method	67,309	48,009	31,572
Increase in retained earnings	(67,309)	(48,009)	(31,572)
Consolidated statement of profit or loss			
Increase in share of profit of investments accounted for using the equity method, net	19,300	16,437	11,150
Increase in profit attributable to owners of the Company for the year	19,300	16,437	11,150
Increase in basic and diluted earnings per share (RMB cents per share)	0.54	0.46	0.34
Effect of early adoption of amendments to HKAS 40			
Consolidated balance sheet			
Increase in an investment property	434,669	—	—
Decrease in properties under development for sale	(75,633)	—	—
Increase in deferred income tax liabilities	(89,759)	—	—
Increase in retained earnings	(269,277)	—	—
Consolidated statement of profit or loss			
Increase in fair value gain on an investment property	359,036	—	—
Increase in income tax expense	(89,759)	—	—
Increase in profit attributable to owners of the Company for the year	269,277	—	—
Increase in basic and diluted earnings per share (RMB cents per share)	7.58	—	—

5 Revenue and segment information

The Executive Directors have been identified as the CODM. 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 four 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 property investment and project management businesses are considered together with the property developments 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 holding businesses.

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

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017						
Total revenue	1,719,155	2,731,163	1,829,283	449,731	18,000	6,747,332
Less: Inter-segment revenue	—	—	—	—	(13,265)	(13,265)
Revenue (from external customers)	1,719,155	2,731,163	1,829,283	449,731	4,735	6,734,067
Segment results	183,385	702,674	634,102	106,165	(78,516)	1,547,810
Depreciation	(2,512)	(438)	(1,283)	(585)	(1,779)	(6,597)
Operating profits/(losses)	180,873	702,236	632,819	105,580	(80,295)	1,541,213
Share of profit of investments accounted for using the equity method, net	77,822	—	—	—	5,048	82,870
Finance income	10,461	21,904	9,046	1,052	2,266	44,729
Finance costs	—	—	—	—	(70,945)	(70,945)
Income tax expense	(80,269)	(284,012)	(176,731)	(9,837)	(56,886)	(607,735)
Profit/(loss) for the year	188,887	440,128	465,134	96,795	(200,812)	990,132
At 31 December 2017						
Total segment assets	3,380,938	4,648,435	8,948,799	1,305,368	1,587,160	19,870,700
Other unallocated corporate assets						1,307
Total assets						19,872,007
Additions to:						
Property, plant and equipment	7,707	845	1,175	1,123	843	11,693
Total segment liabilities	(2,723,517)	(1,435,831)	(5,867,006)	(515,554)	(4,720,799)	(15,262,707)

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016						
Total revenue	2,463,369	500,499	753,671	1,514,955	59,620	5,292,114
Less: Inter-segment revenue	—	—	—	—	(22,024)	(22,024)
Revenue (from external customers)	2,463,369	500,499	753,671	1,514,955	37,596	5,270,090
Segment results	515,798	171,906	62,330	221,139	(18,352)	952,821
Depreciation	(2,272)	(484)	(1,690)	(697)	(2,480)	(7,623)
Operating profits/(losses)	513,526	171,422	60,640	220,442	(20,832)	945,198
Share of profit of investments accounted for using the equity method, net (restated) (Note 4)	5,629	—	—	—	983	6,612
Finance income	4,445	2,534	2,648	388	5,287	15,302
Finance costs	(80)	—	—	—	(6,284)	(6,364)
Income tax (expense)/credit	(249,046)	(79,770)	(23,833)	(91,660)	38,326	(405,983)
Profit for the year (restated)	274,474	94,186	39,455	129,170	17,480	554,765
At 31 December 2016						
Total segment assets (restated) (Note 4)	3,801,257	3,749,109	5,731,804	835,521	735,001	14,852,692
Other unallocated corporate assets						2,014
Total assets (restated)						14,854,706
Additions to:						
Property, plant and equipment	386	629	1,453	24	1,924	4,416
Total segment liabilities	(2,463,539)	(3,452,432)	(3,059,820)	(215,468)	(2,258,412)	(11,449,671)

5 Revenue and segment information

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Breakdown of revenue		
Sales of properties	6,324,976	5,155,966
Construction and sea reclamation services	378,443	76,528
Property management services	—	37,596
Project management services	30,648	—
	6,734,067	5,270,090

Geographical information

Revenue by geographical location is determined on the basis of the location of sales of properties or services rendered. All the Group's revenue generated from the PRC.

Non-current assets by geographical location are determined based on the location of the relevant assets. The Group's non-current assets are mainly located in the PRC.

6 Expenses by nature

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

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Auditor's remuneration		
– Audit services	3,764	3,118
– Non-audit services	519	—
Cost of properties sold	4,851,390	3,916,850
Cost of construction and sea reclamation service	97,768	53,760
Depreciation of property, plant and equipment	6,597	7,623
Employee benefit expenses	146,193	140,812
Entertainment	20,285	9,657
Marketing and advertising costs	129,559	95,092
Operating lease payments	6,099	4,547
Office and travelling expenses	45,202	42,648
Business taxes and surcharges	107,252	185,104
Land use and real estate taxes	8,088	6,254
Legal and professional fees	38,971	9,983
Donation	630	2,038
Other selling and marketing and general and administrative expenses	24,235	18,643
Total cost of sales, selling and marketing expenses and general and administrative expenses	5,486,552	4,496,129

7 Finance income and costs

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Finance income from bank deposits	19,012	15,302
Finance income from loans to non-controlling interests and an associate	25,717	—
	44,729	15,302
Finance costs on borrowings	351,920	282,570
Less: finance costs capitalised in qualifying assets	(339,006)	(276,206)
	12,914	6,364
Loss on early redemption of Senior Notes due 2019	58,031	—
	70,945	6,364
Weighted average interest rate on capitalised borrowings (per annum)	7.49%	8.55%

8 Income tax expense

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax ("**EIT**") at the rate of 25% for the year ended 31 December 2017 (year ended 31 December 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 year ended 31 December 2017 (2016: Nil).

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

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Current income tax		
PRC corporate income tax	392,597	360,409
PRC land appreciation tax	179,038	247,595
Deferred income tax	36,100	(202,021)
	607,735	405,983

9 Trade and other receivables, deposits and prepayments

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade receivables (Note a)	147,910	79,089
Accrued contract revenue (Note b)	700,000	417,500
	847,910	496,589
Other receivables	1,117,961	559,926
Deposits with local real estate associations (Note c)	1,109,331	494,728
Deposits with labour department	2,645	5,446
Deposits with treasury bureau	4,747	4,747
	2,234,684	1,064,847
Prepaid business tax and surcharges	26,623	103,178
Prepayment for purchase of property, plant and equipment	475,236	—
Prepayment for construction costs	4,888	55,080
Prepayment for land use rights	678,602	369,746
Prepayment for acquisition of subsidiaries	254,000	61,200
	3,674,033	1,654,051
Less: Non-current portion		
- Prepayment for purchase of property, plant and equipment	(475,236)	—
	3,198,797	1,654,051
	4,046,707	2,150,640

(a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit terms are generally granted to certain customers and the customers are required to settle the receivables according the sales and purchase agreements. The ageing analysis of trade receivables at the balance sheet dates based on revenue recognition date was as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
0 - 30 days	95,312	47,595
31 - 60 days	9,130	—
61 - 90 days	16,660	—
91 - 180 days	7,888	—
Over 180 days	18,920	31,494
	147,910	79,089

As at 31 December 2017, trade receivables of RMB140,590,000 (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:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
0 - 30 days	88,712	31,061
31 - 60 days	9,130	—
61 - 90 days	16,660	—
91 - 180 days	7,888	—
Over 180 days	18,200	9,680
	140,590	40,741

(b) Accrued contract revenue arises from the Group's sea reclamation service. As at 31 December 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 and site clearing for the listing-for-sale 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 and deposits 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.

10 Trade and other payables

	31 December 2017	**31 December 2016**
	RMB'000	*RMB'000*
Trade payables (Note a)	1,401,828	1,383,728
Accruals and other payables	313,637	291,622
Land use right payable	—	335,024
Other taxes payables	364,314	213,147
Deposit received for the sales of the disposal company	67,180	—
Dividend payables	6,907	—
Salary payables	2,246	1,017
	2,156,112	2,224,538

Note a:

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

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
0 - 30 days	1,348,561	1,288,657
31 - 60 days	418	9,434
61 - 90 days	13,859	2,243
Over 90 days	38,990	83,394
	1,401,828	1,383,728

11 Earnings per share

The basic earnings per share for the year ended 31 December 2017 and 2016 is calculated based on the profit attributable to owners of the Company.

	Year ended 31 December	
	2017	**2016**
		(Restated)
Profit attributable to owners of the Company (RMB'000)	862,237	450,756
Weighted average number of shares in issue	3,551,609,322	3,551,609,322
Basic earnings per share (RMB cents)	24.28	12.69

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the year ended 31 December 2017 and 2016.

The calculation of basic earnings per share for the year ended 31 December 2016 has been restated to reflect the changes in accounting policy (Note 4).

12 Dividend

	2017	2016
	RMB'000	*RMB'000*
Interim dividend of RMB 2 cents (2016: Nil) per ordinary share	71,032	—
Proposed final dividend of RMB 3 cents (2016: Nil) per ordinary share	106,548	—
	177,580	—

A final dividend for the year ended 31 December 2017 of RMB 3 cents (2016: Nil) per ordinary share, totally approximately RMB106,548,000 (2016: Nil) has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31 December 2017.

13 Subsequent events

On 23 February 2018, the Company issued 6.375% Senior Notes due 2019 with an aggregate nominal value of US$300,000,000 at par value (the "**6.375% 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$297,500,000. The 6.375% Senior Notes due 2019 will mature on 27 February 2019, unless redeemed earlier.

BUSINESS OVERVIEW

Overview

The Group is an integrated property developer focusing on mid-to-high-end residential and commercial property development in the PRC. The Group has been upholding the brand philosophy of signature architecture for innovation and enjoyable life (精端著造,創享生活) and has adopted our multi-regional strategy through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency. As at the date of this announcement, the Group has become an integrated developer with competitiveness and regional brand recognition.

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 Guangdong-Hong Kong-Macau Greater Bay, the Yangtze River Delta Region and the Bohai Rim, including Shenzhen, Zhongshan, Shanghai, Tianjin, Hefei, Nanchang, Jinan, Yantai and so forth, as well as core node cities in the Central and Western China, such as Xian.

For the year ended 31 December 2016 and 2017, the Group recorded a revenue of RMB5,270.1 million and RMB6,734.1 million respectively. Profit attributable to owners of the Company for the year ended 31 December 2016 and 2017 was RMB450.8 million and RMB862.2 million, respectively. The increase in revenue is mainly attributable to the increase of gross floor area ("**GFA**") delivered.

The Group has consistently adopted a prudent financial strategy to maintain a reasonable capital structure and gearing level. As at 31 December 2017 and 31 December 2016, the Group's cash and cash equivalents were RMB3,587.1 million and RMB2,417.2 million, respectively and the net gearing ratio was 33.7% and 0.8%, respectively.

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.

With our improving capability of corporate governance, the Group adopted innovative strategies in sales and investment in 2017, leading to a new record of our sales turnover and our continuous and upward trend of development.

Strengthening land bank and the ability of continuous development

In the year, the Group has successfully established our presence in Zhongshan of Guangdong and Ganzhou of Jiangxi, and achieved leading positions in markets that we entered in, such as Jinan of Shandong, Xian of Shanxi, Nanchang of Jiangxi, Hefei of Anhui and Quanzhou of Fujian. Our strategic layout of investment was implemented in order, expanding our territories of business.

Our financial prudence being recognized by capital markets

Leveraging on our healthy financial position and substantial potential of growth, our Company was selected as a constituent of the "Composite SmallCap Index of the Hang Seng Composite Index" in August, as one of the stock trading under Shenzhen Connect in September and as a constituent of the MSCI China SmallCap Index in November in the year, reflecting the recognition of capital markets to our investment value and business.

Promoting diversification of business development through innovation

In the year, the Group entered into cooperation with an international renowned brand of health management, in order to introduce a new model of "medical and pension connected with health management" in the society to our projects. As a result, Redco CP Medical Care and Pension Centre in Nanchang has had its soft opening. Such diversified business was a great collaboration between two different industries, and the property business value chain of the Group has been expanded successfully.

Products upgrade and sales increment

In the year, we demonstrated the advantage of products and sales collection of the Group. Royal Family, Nanchang and Sunshine Coast, Yantai were all sold out in 5 phrases of sales, reflecting our strength in sales and marketing. Meanwhile, the Group has upgraded its product mix, for instance, our leisure resort featured with oriental culture, The Redco • Garden of Spring, was first showcased.

Enhancement of our brand and customer services

The Group has extended its brand enhancement in the year, so as to lay the foundation for multi-dimensional promotion of our brand. In order to enhance customers' perception, awareness and reputation of our brand, we organized the first open day at construction site in Nanchang, Jiangxi and it was well received by participants. The event has become a remarkable achievement of our customer service enhancement.

Following many years of establishing and strengthening the Group's brand, the Board considers 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 to 2018, the Group was recognised for consecutive three years as "Listed Companies with the Most Growth Potential of 2015" (2015最具潛力上市公司大獎) "Listed Companies with the Most Growth Potential of 2016" (2016最具潛力上市公司大獎) and "Listed Companies with the Most Growth Potential 2017" (2017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 31 December 2017, the Group's property portfolio comprised 37 property development and investment projects with an aggregate GFA of 4,886,288.6 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 31 December 2017:

Project	**Site area[1]**	**Total GFA[2]**	**Total GFA under various stages of development remaining unsold[3]**
	(sq. m.)	**(sq. m.)**	**(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	16,450.5
Riverside International **濱江國際**	37,345.7	204,600.6	10,003.6

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Bluelake County 瀾湖郡	135,285.0	286,794.7	23,189.7
Riverlake International 濱湖國際	68,373.0	205,846.3	15,021.1
Imperial Mansion 君御華府	41,993.3	109,826.6	12,891.9
Imperial Metropolis 君御都會	84,093.3	227,119.0	96,773.3
Bluelake International 瀾湖國際	47,151.0	177,260.7	136,873.4
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
GANZHOU			
Fifth Avenue 贛州第五大道	107,814.9	623,500.0	623,500.0
TIANJIN			
Sunshine Coast 陽光海岸	481,394.0	1,475,226.0	1,314,655.8
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	—
Splendid the Legend 盛世名門	51,675.2	205,813.6	973.4
Scenery Holiday 假日麗景	34,934.9	87,545.2	—
Bluelake County 瀾湖郡	68,066.0	237,534.7	142,091.4
Royal Family 君御世家	30,682.0	134,732.0	134,732.0
Imperial Mansion 君御華府	44,966.0	109,400.0	109,400.0
Redco Visionary 力高未來城	90,597.3	317,104.4	317,104.4
YANTAI			
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	186,470.8	109,142.9
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	68,241.9	68,241.9
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,270.1	81,270.1
HEFEI			
Mix Kingdom Redco 力高 • 共和城	395,596.4	871,735.3	82,294.3
Prince Royal Family 君御世家	88,025.5	299,699.5	73,729.8
Royal International 君御國際	43,873.0	128,301.1	128,301.1
Bluelake City 瀾湖前城	76,058.8	228,000.0	228,000.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
XIANYANG			
Royal City - Phase I 御景灣- 第一期	69,466.8	237,012.8	68,103.0
Majestic Mansion 天悦華府	88,319.8	171,000.0	171,000.0
SHENZHEN			
Royal International 力高君御花園	33,035.3	177,640.0	11,780.9
SHANGHAI			
Mingchang Building 明昌大廈	9,941.2	46,545.0	46,545.0
ZHONGSHAN			
Royal Family 君御世家	30,819.5	95,889.0	95,889.0
Bluelake Landmark 瀾湖峯景	28,112.5	75,414.0	75,414.0
QUAN ZHOU			
Bayview 觀悦灣	18,306.0	57,700.0	57,700.0
AUSTRALIA			
Prime	15,830.0	56,579.0	56,579.0
TOTAL			**4,886,288.6**

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 year ended 31 December 2017 increased by 27.8% to RMB6,734.1 million from RMB5,270.1 million for the year ended 31 December 2016. Such increase was primarily attributable to the increase in our GFA delivered for the residential property for Mix Kingdom Redco and Prince Royal Family in Hefei, Riverlake International, Bluelake County in Jinan and Sunshine Coast in Tianjin, and 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 32.5% to 858,197 sq.m for the year ended 31 December 2017 from 647,822 sq. m for the year ended 31 December 2016. The increase in our total revenue was also offset by the decrease in the recognised average selling price (the "**ASP**") for the properties delivered in 2017. The ASP for properties delivered decreased to RMB7,370 for the year ended 31 December 2017 from RMB7,959 for the year ended 31 December 2016, representing a 7.4% 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 2016.

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

	For the year ended 31 December					
	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						
– Properties sales	1,693,241	2,463,369	208,859	334,950	8,107	7,354
– Project management services	25,914	—	—	—	—	—
Central and Western Regions	2,731,163	500,499	395,956	99,137	6,898	5,049
Bohai Economic Rim						
– Primary land development	269,118	25,000	—	—	—	—
– Construction service*	109,324	51,528	—	—	—	—
– Properties sales	1,450,841	677,143	243,760	96,304	5,952	7,031
Pearl River Delta Region	449,731	1,514,955	9,622	117,431	46,741	12,901
Others						
– Property management services	—	37,596	—	—	—	—
– Project management services	4,735	—	—	—	—	—
Total	6,734,067	5,270,090	858,197	647,822	7,370	7,959

* *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 decreased by 30.2% to RMB1,719.2 million for the year ended 31 December 2017 from RMB2,463.3 million for the year ended 31 December 2016. Such decrease was primarily attributable to the decrease in GFA delivered for Bluelake County, Imperial Mansion and Imperial Metropolis in Nanchang.

- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 445.7% to RMB2,731.2 million for the year ended 31 December 2017 from RMB500.5 million for the year ended 31 December 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 142.7% to RMB1,829.3 million for the year ended 31 December 2017 from RMB753.7 million for the year ended 31 December 2016. Such increase was primarily due to the increase in the GFA delivered for Sunshine Coast in Tianjin and additional revenue recognised in the sea reclamation work in Tianjin.

- Pearl River Delta Region: segment revenue for the Pearl River Delta Region decreased by 70.3% to RMB449.7 million for the year ended 31 December 2017 from RMB1,515.0 million for the year ended 31 December 2016. Such decrease was mainly attributable to the decrease in the GFA delivered Royal International in Shenzhen.

- Others: It mainly represents our headquarters at Shenzhen and the revenue generated from the project management service.

Cost of sales

Cost of sales increased by 20.9% to RMB5,057.6 million for the year ended 31 December 2017 from RMB4,184.8 million for the year ended 31 December 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 858,197 sq. m. for the year ended 31 December 2017 from 647,822 sq. m. for the year ended 31 December 2016; and (b) the decrease in average land acquisition cost per sq. m. delivered to RMB2,173 for the year ended 31 December 2017 from RMB2,711 for the year ended 31 December 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 54.5% to RMB1,676.4 million for the year ended 31 December 2017 from RMB1,085.3 million for the year ended 31 December 2016. Our gross profit margin increased to 24.9% for the year ended 31 December 2017 from 20.6% for the year ended 31 December 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 (losses)/gains, net

Other (losses)/gains, net decreased to loss of RMB15.8 million for the year ended 31 December 2017 from gain of RMB171.2 million for the year ended 31 December 2016. Such decrease was primarily attributable to the exchange losses for RMB33.9 million for the year ended 31 December 2017 which in 2016 is exchange gain for RMB28.3 million and the decrease in the gain on disposal of subsidiaries from RMB123.0 million to RMB1.6 million for the year ended 31 December 2017.

Selling and marketing expenses

Selling and marketing expenses increased by 33.3% to RMB195.5 million for the year ended 31 December 2017 from RMB146.6 million for the year ended 31 December 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 next year.

General and administrative expenses

General and administrative expenses increased by 41.7% to RMB233.5 million for the year ended 31 December 2017 from RMB164.8 million for the year ended 31 December 2016. Such increase was primarily due to the increase in office and travelling expenses due to the increase in the number of project which are located in different cities.

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 to be leased out after completion, therefore the cost of the commercial portion has transferred to investment property during the year ended 31 December 2017 and resulted in a fair value gain.

Impairment of goodwill

The impairment of goodwill was RMB49.5 million for the year ended 31 December 2017 (year ended 31 December 2016: Nil). Such goodwill mainly 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 most of the GFA were delivered in Mix Kingdom during year ended 31 December 2017.

Operating profit

As a result of the foregoing, operating profit increased by 63.1% to RMB1,541.2 million for the year ended 31 December 2017 from RMB945.2 million for the year ended 31 December 2016.

Finance income

Finance income increased by 192.3% to RMB44.7 million for the year ended 31 December 2017 from RMB15.3 million for the year ended 31 December 2016. Such increase was primarily attributable to the increase in finance income from loans to non-controlling interests and an associate in 2017.

Finance costs

Finance costs increased by 1,014.8% to RMB70.9 million for the year ended 31 December 2017 from RMB6.4 million for the year ended 31 December 2016. Such increase was mainly due to the increase in interest expense which is not eligible to be capitalised and the finance charge for the redemption of Senior Note due 2019 for RMB58.0 million.

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

Share of profit of investments accounted for using the equity method, net increased to RMB82.9 million for the year ended 31 December 2017 from RMB6.6 million for the year ended 31 December 2016. Such increase was primarily due to (i) the profit increased by the GFA delivery in Luxurious Mansion in Nanchang, which is a joint-controlled real estate development project and; (ii) the increase in share of profit in relation 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 year ended 31 December 2017 increased to RMB1,597.9 million from RMB960.7 million for the year ended 31 December 2016.

Income tax expense

Income tax expense increased by 49.7% to RMB607.7 million for the year ended 31 December 2017 from RMB406.0 million for the year ended 31 December 2016. Such increase was primarily due to the increase in EIT as a result of increased profit of the Group and the provision of the deferred tax for the fair value gain of the investment property and net-off by the decrease in LAT as a result of the decrease in general gross profit.

Profit for the year ended 31 December 2017

As a result of the foregoing, profit for the year ended 31 December 2017 increased by 78.5% to RMB990.1 million from RMB554.8 million for the year ended 31 December 2016. The profit for the year ended 31 December 2017 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB188.9 million, Central and Western Regions of RMB440.1 million, Bohai Economic Rim of RMB465.1 million, Pearl River Delta Region of RMB96.8 million which was partially offset by loss of Others segment for RMB200.8 million.

Profit for the year ended 31 December 2017 attributable to owners of the Company

As a result of the foregoing, profit for the year attributable to owners of the Company increased by 91.3% to RMB862.2 million for the year ended 31 December 2017 from RMB450.8 million for the year ended 31 December 2016. Profit attributable to non-controlling interests increased to RMB127.9 million for the year ended 31 December 2017 as compared with RMB104.0 million for the year ended 31 December 2016 which was mainly due to the profit from Royal International in Shenzhen and Mix Kingdom Redco in Hefei increased.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB3,587.1 million (31 December 2016: RMB2,417.2 million) and restricted cash of RMB1,318.5 million (31 December 2016: RMB1,186.3 million) as at 31 December 2017. As at 31 December 2017, the Group's cash and cash equivalents were denominated in Hong Kong dollar ("**HK$**"), RMB and United States dollar ("**US$**").

Borrowings

As at 31 December 2017, the Group had borrowings of approximately RMB7,243.2 million (31 December 2016: RMB3,629.2 million).

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Long-term bank borrowings, secured	3,982,100	2,464,328
Senior Notes due 2019, secured	—	855,204
Non-current borrowings, secured	3,982,100	3,319,532
Short-term bank borrowings, secured	472,300	—
Senior Notes due 2018, secured	1,622,697	—
	2,094,997	—
Portion of term loan from bank, secured		
– due for repayment within one year, secured	1,002,286	90,100
– due for repayment within one year which contain a repayment on demand clause, secured	24,500	46,863
– due for repayment after one year which contain a repayment on demand clause, secured	139,336	172,737
Current bank borrowings, secured	3,261,119	309,700
Total borrowings	7,243,219	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:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Amounts of borrowings repayable:		
– Within 1 year	3,121,783	136,963
– Between 1 and 2 years	2,113,509	845,143
– Between 2 and 5 years	2,007,927	2,647,126
	7,243,219	3,629,232

As at 31 December 2017, the Group's borrowings were denominated in RMB, HK$ and US$. As at 31 December 2017, the Group was exposed to foreign exchange risk primarily with respect to certain of its borrowings which were denominated in HK$ and US$. RMB experienced certain appreciation against HK$ during the year ended 31 December 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 31 December 2017, the Group's net gearing ratio was 33.7% (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 consolidated balance sheet, plus net debt.

Net current assets and current ratio

As at 31 December 2017, the Group's net current assets amounted to approximately RMB6,637.2 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 1.6 times as at 31 December 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 7.49% per annum in 2017 from 8.55% per annum in 2016.

Contingent liabilities

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

	31 December 2017	**31 December 2016**
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	6,052,438	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 31 December 2017. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

Employees and Remuneration policies

As at 31 December 2017, the Group had a total of approximately 950 employees (31 December 2016: 699 employees). For the year ended 31 December 2017, the remuneration of the Group's employees (including Directors' emoluments) amounted to approximately RMB146.2 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 2017. The Company provided on-the-job training, induction courses together with other training programmes for the employees at different positions to raise their professionalism during the year ended 31 December 2017.

Charge on assets

As at 31 December 2017, the Group had aggregate banking facilities of approximately RMB7,944.2 million (31 December 2016: RMB3,881.3 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2017 amounted to RMB1,472.2 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 year ended 31 December 2017.

Important event affecting the group after the reporting period

On 23 February 2018, the Company issued 6.375% Senior Notes due 2019 with an aggregate nominal value of US$300,000,000 at par value (the "**6.375% 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$297,500,000. The 6.375% Senior Notes due 2019 will mature on 27 February 2019, unless redeemed earlier.

Save as disclosed, no other important event affering the Group has taken place since 31 December 2017 and up to the date of this announcement.

Future plans for material investments or capital assets

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

Outlook

Rapid urbanization substantially contributed to the momentum of the development of real estate in the PRC in the future. A new start of economic cycle will be present in the PRC in 2018. 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.

The Group would continue to uphold the strategy of intensively developing in real estate industry, and innovation and diversification of business to a less extent. We insist to invest mainly on real estate segment, and strengthen the traditional real estate business by innovation of products, meticulous costs, efficient operation and systematic allocation of human resources. At the same time, we also step in the extended business of real estate and extend the real estate industry value chain, in order to gain a new source of growth.

The Group will continue to expand territories of our real estate business, consolidate the business in cities with our presence, and strive to enter the market of other provincial capitals and strategically targeted second-tier cities with strong economy and potential of development. Meanwhile, we would further enhance our corporate governance, especially in aspects of organizational structure, staff welfare system, appraisals and incentives, protection measures to financing and risks control, in order to lay the ground for a leap-forward development.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB3 cents per share for the year ended 31 December 2017 (2016: Nil) to the Shareholders whose names appear on the Register of Members of the Company on 15 May 2018. The final dividend is subject to the approval of the Shareholders at the annual general meeting to be held on 9 May 2018 ("**AGM**") and will be payable on or around 25 May 2018. The proposed final dividend shall be declared in RMB and paid in HKD. The final dividend payable in HKD will be converted from RMB at the average exchange rate of HKD against RMB announced by the People's Bank of China on 9 May 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Wednesday, 9 May 2018, the register of members of the Company will be closed on Friday, 4 May 2018 to Wednesday, 9 May 2018, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3 May 2018.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Tuesday, 15 May 2018. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 14 May 2018.

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 31 December 2017. 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 Board as a whole. Mr. Wong Yeuk Hung was appointed as the Chairman of the Group with effect from 9 March 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2017.

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

On 9 August 2017, the Company redeemed an aggregate principal amount of US$125,000,000 of all of the outstanding 13.75% Senior Notes due 2019. The total redemption price was US$133,975,694. Upon completion of the redemption, the notes were cancelled.

On 8 November 2017, the Company issued Senior Notes due 2018 with principal amount of USD250,000,000 at a coupon rate of 7.0% per annum for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the Senior Notes due 2018 are disclosed in the announcements of the Company dated 9 November 2017.

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises four independent non-executive Directors, namely, Mr. Chow Kwong Fai, Edward, JP, Dr. Wong Yau Kar, David 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 annual results for the year ended 31 December 2017.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE 2017 FINAL RESULTS ANNOUNCEMENT AND 2017 ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2018

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