力高集團
REDCO GROUP

精 端 著 造 · 創 享 生 活

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

2018 INTERIM REPORT

CONTENTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	RMB' 000	RMB' 000	(%)
Revenue	**1,738,473**	3,009,876	(42.2%)
Gross profit	**665,355**	595,906	11.7%
Profit before income tax	**875,063**	738,397	18.5%
Profit for the period	**631,198**	372,792	69.3%
Profit attributable to owners of the Company	**431,370**	322,149	33.9%
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	**12.15**	9.07	34.0%

	30 June 2018 RMB' 000	31 December 2017 RMB' 000	Change (%)
Total Assets	**28,306,271**	19,872,007	42.4%
Cash and cash equivalents	**4,953,261**	3,587,062	38.1%
Total Bank and other borrowings	**9,866,301**	7,243,219	36.2%

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Yeuk Hung
Mr. HUANG Ruoqing
Mr. TANG Chengyong

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

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Redco Building
Tower 5, Qiaochengfang Phase I,
No. 4080 Qiaoxiang Road,
NanShan District, Shenzhen
People' s Republic of China

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

CORPORATE INFORMATION

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

1622

WEBSITE

www.redco.cn

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 report, 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, Hefei, Nanchang, Ningbo, Nantong, Tianjin, Jinan, Yantai and so forth, as well as core node cities in the Central and Western China, such as Xian, Wuhan.

For the six months ended 30 June 2017 and 2018, the Group recorded a revenue of RMB3,009.9 million and RMB1,738.5 million respectively. Profit attributable to owners of the Company for the six months ended 30 June 2017 and 2018 was RMB322.1 million and RMB431.4 million, respectively. The decrease in revenue is mainly attributable to the decrease of gross floor area ("**GFA**") delivered and net off by the increase in ASP. The Company expects that the GFA delivered for the full financial year of 2018 will be second half of 2018.

The Group has consistently adopted a prudent financial strategy to maintain a reasonable capital structure and gearing level. As at 30 June 2018 and 31 December 2017, the Group' s cash and cash equivalents were RMB4,953.3 million and RMB3,587.1 million, respectively and the net debt to capital ratio was 36.5% and 33.7%, 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 enhanced its investment decision making and product development and marketing ability in the first half of 2018, attaining a rapid growth in our sales turnover and a balance, efficient and steadily increasing development momentum.

BUSINESS OVERVIEW

Strengthening excellent land bank and the ability of continuous development

In the first half of 2018, the Group captured opportune time in the market to execute investment strategies effectively. A number of excellent land were obtained by several ways as the acquisition of equity interest and tender, auction and listing-for-sale. The Group has successfully established our presence in Wuhan of Hubei, Ningbo of Zhejiang and Nantong of Jiangsu, and successively attained excellent projects in Tianjin, Nanchang of Jiangxi and Jinan of Shandong. The territories layout is continuously expanding such that our advantage in cities where we have put efforts in development can be strengthened. The aggregate GFA of our newly acquired land bank amounted to 232.9 million square metres (the "**sq.m**"), and the total land bank as at 30 June 2018 is 6.89 million sq.m.

Our financial prudence being recognized by capital markets

The Group has successfully issued USD bond and was granted low-interest USD loans by Bank of East Asia in the first half of 2018. We were listed in the "Hang Seng Stock Connect Big Bay Area Composite Index" in July 2017, demonstrating the pragmatic and efficient overall operating capability of the Company. Our Company highly emphasized the management of cash flow and the reasonableness of financing structures, with a steady net debt to capital ratio maintained at 36.5%.

Enhancing operation level and facilitating standardized development model

During the period, the Group further adjusted our development strategy and established a specific three-year development plan which clearly stated our operation strategies, development strategies, product strategies and Redco standardized development model, laying a firm ground for the future leap-forward development of the Group. The research and development as well as execution of product standardization is further facilitated and quality management system is constantly improved, so as to cope with market demand by providing excellent residential products for customers and adapt to rapid development and replication. In order to provide active response and solution to our customers' demand, the Group has established a unified customer service hotline nationwide, hence further boosting our brand reputation.

Rapidly promoting diversification of business development through active innovation

During the Period, our Group continued to intensify investments in real estate sector. Meanwhile, Redco Dynamic Group was established and diversification of business was developed rapidly. As at the report date, the Group successively entered into strategic cooperation with a wide range of notable corporate organizations such as iZhaoHu (愛照護), Sinocap Cultural Tourism and the Ningbo Institute of Industrial Technology of the Chinese Academy of Sciences, furthering development in health, commercial and cultural tourism industries. Of which since its operation, Redco CP Medical Care and Pension Centre in Nanchang has brought high quality community medical care health management model to flat owners, attaining rapid breakthrough in business development. Model innovation will upgrade our real estate-based business, and at the same time entering industrialized investment development. It constitutes industry interaction with our real estate-based business, creating new business values.

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 2018, the Group was recognised as "2018 PRC Investment Value Real Estate Enterprise" (2018中國年度投資價值地產企業) by Guandian.cn (觀點地產新媒體).
- 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 30 June 2018, the Group's property portfolio comprised 43 property development and investment projects with an aggregate GFA of 6,886,961.9 square metres 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 2018:

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
NANCHANG			
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	14,572.8
Riverside International 濱江國際	37,345.7	204,600.6	8,675.3
Bluelake County 瀾湖郡	135,285.0	286,794.7	20,374.5
Riverlake International 濱湖國際	68,373.0	205,846.3	11,587.9
Imperial Mansion 君御華府	41,993.3	109,826.6	11,179.3
Imperial Metropolis 君御都會	84,093.3	227,119.0	50,748.9
Bluelake International 瀾湖國際	47,151.0	177,260.7	87,492.0
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	150,256.0
The Garden of Spring 十里春風	30,378.0	15,859.5	14,145.4
Scenery Bay 麗景灣	51,919.0	134,567.6	134,567.6
Delight Scenery 悅景台	62,455.0	122,609.9	122,609.9
GANZHOU			
Fifth Avenue 贛州第五大道	107,814.9	623,500.0	623,500.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
TIANJIN			
Sunshine Coast 陽光海岸	481,394.0	1,475,226.0	1,310,984.1
Land Lot Nos. A1 and A2 A1及A2號地塊	69,336.2	55,469.0	55,469.0
Perfection Ocean 理想海	159,465.9	175,339.6	175,339.6
NINGBO			
Cloud Metropolis 雲都會	132,701.0	412,382.5	412,382.5
JINAN			
Splendid the Legend 盛世名門	51,675.2	205,813.6	913.1
Bluelake County 瀾湖郡	68,066.0	237,534.7	58,069.9
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
Redco Visionary II 力高未來城二期	146,203.5	384,636.3	384,636.3
Spring Villa 雍泉府	268,113.0	580,350.0	580,350.0
YANTAI			
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	186,470.8	107,308.9
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

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
HEFEI			
Mix Kingdom Redco 力高 · 共和城	395,596.4	871,735.3	79,560.8
Prince Royal Family 君御世家	88,025.5	299,699.5	53,936.5
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
Tinyue Mansion 天悅府	67,931.0	190,794.8	190,794.8
WUHAN			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	112,217.4
Youthfulness 雍華年	61,450.0	114,470.0	114,470.0
XIANYANG			
Royal City - Phase I 御景灣 - 第一期	69,466.8	237,012.8	68,084.3
Majestic Mansion 天悅華府	88,319.8	171,000.0	171,000.0
SHENZHEN			
Royal International 力高君御花園	33,035.3	177,640.0	11,702.3
NANTONG			
Project Nantong 南通項目	56,499.6	101,210.3	101,210.3
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

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
QUAN ZHOU			
Bayview 觀悅灣	18,306.0	57,700.0	57,700.0
AUSTRALIA			
Prime	15,830.0	56,579.0	56,579.0
TOTAL			**6,886,961.9**

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 2018 decreased by 42.2% to RMB1,738.5 million from RMB3,009.9 million for the six months ended 30 June 2017. Such decrease was primarily attributable to the decrease in our GFA delivered for the residential property for Mix Kingdom Redco and Prince Royal Family in Hefei, Riverlake International in Nanchang and Sunshine Coast in Tianjin, and was partially offset by the increase in the GFA delivered for Imperial Metropolis and Royal Family in Nanchang, and Bluelake County in Jinan. Total GFA delivered decreased by 45.3% to 232,423 sq.m for the six months ended 30 June 2018 from 425,230 sq. m for the six months ended 30 June 2017. The decrease in our total revenue was also offset by the increase in the recognised average selling price (the "**ASP**") for the properties delivered in the six months ended 30 June 2018. The ASP for properties delivered increased to RMB7,344 for the six months ended 30 June 2018 from RMB7,013 for the six months ended 30 June 2017, representing a 4.7% increase which was primarily due to the increase in GFA delivered in Bluelake County in Jinan which recognised a relatively higher ASP as compared with other property development projects of the Group in 2017.

BUSINESS OVERVIEW

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					
	2018	2017	**2018**	2017	**2018**	2017
	Revenue (RMB' 000)		GFA Delivered (sq. m.)		Recognised ASP (RMB per sq. m.)	
Greater Western Taiwan Straits Economic Zone	**715,758**	807,094	**102,560**	98,902	**6,979**	8,161
Central and Western Regions	**222,446**	1,367,105	**25,565**	227,596	**8,701**	6,007
Bohai Economic Rim						
– Construction service*	**27,890**	26,095	**—**	—	**—**	—
– Properties sales	**768,733**	540,930	**104,298**	93,275	**7,371**	5,799
Pearl River Delta Region	**—**	267,102	**—**	5,457	**—**	48,947
Others						
– Property management services	**—**	1,550	**—**	—	**—**	—
– Project management services	**3,646**	—	**—**	—	**—**	—
Total	**1,738,473**	3,009,876	**232,423**	425,230	**7,344**	7,013

* *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 11.3% to RMB715.8 million for the six months ended 30 June 2018 from RMB807.1 million for the six months ended 30 June 2017. Such decrease was primarily attributable to the decrease in GFA delivered for Bluelake County and Imperial Mansion in Nanchang and net-off with the GFA delivered in Imperial Metropolis in Nanchang.
- Central and Western Regions: segment revenue for the Central and Western Regions decreased significantly by 83.7% to RMB222.4 million for the six months ended 30 June 2018 from RMB1,367.1 million for the six months ended 30 June 2017. Such decrease was primarily attributable to the decrease in the GFA delivered for Mix Kingdom Redco and Prince Royal Family in Hefei.
- Bohai Economic Rim: segment revenue of properties sales for the Bohai Economic Rim increased by 42.1% to RMB768.7 million for the six months ended 30 June 2018 from RMB540.9 million for the six months ended 30 June 2017. Such increase was primarily due to the increase in the GFA delivered in Bluelake County in Jinan and net-off by the decrease in the GFA delivered for Sunshine Coast in Tianjin.
- Pearl River Delta Region: segment revenue for the Pearl River Delta Region was nil for the six months ended 30 June 2018 compared to RMB267.1 million for the six months ended 30 June 2017. Such decrease was mainly due to the decrease in the GFA delivered for 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 decreased by 55.5% to RMB1,073.1 million for the six months ended 30 June 2018 from RMB2,414.0 million for the six months ended 30 June 2017. Such decrease was primarily due to the decrease in GFA delivered to 232,423 sq. m. for the six months ended 30 June 2018 from 425,230 sq. m. for the six months ended 30 June 2017; and net-off by the decrease in average land acquisition cost per sq. m. delivered to RMB1,344 for the six months ended 30 June 2018 from RMB1,912 for the six months ended 30 June 2017. 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 11.7% to RMB665.4 million for the six months ended 30 June 2018 from RMB595.9 million for the six months ended 30 June 2017. Our gross profit margin increased to 38.3% for the six months ended 30 June 2018 from 19.8% for the six months ended 30 June 2017. Such increase was primarily attributable to the increase in ASP from the newly obtained project and increase in GFA delivered for the commercial properties and the lower average land acquisition cost as the decrease in the GFA delivered in Royal International in Shenzhen.

Other gains, net

Other gains, net increased to RMB310.8 million for the six months ended 30 June 2018 from RMB0.5 million for the six months ended 30 June 2017. Such increase was primarily attributable to the gain from (a) the disposal of a commercial properties project company for RMB331.4 million and (b) the fair value gain from the USD forward contract of RMB43.5 million and net-off by exchange losses for RMB64.1 million for the six months ended 30 June 2018 which the exchange loss was RMB20.8 million and no gain from disposal of a subsidiary and forward contract in 2017.

Selling and marketing expenses

Selling and marketing expenses decreased by 29.6% to RMB62.7 million for the six months ended 30 June 2018 from RMB89.0 million for the six months ended 30 June 2017. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such decrease was mainly due to the decrease in the marketing promotion activities for the projects and net-off by the increase in the sales agency fee as there was an increase in the contracted sales.

General and administrative expenses

General and administrative expenses increased by 88.8% to RMB170.7 million for the six months ended 30 June 2018 from RMB90.4 million for the six months ended 30 June 2017. Such increase was primarily due to the increase in legal expenses and office and travelling expenses which due to the increase in the number of projects located in different cities.

Fair value gain on investment properties

The fair value gain on investment properties represents the increase in the value on the commercial portion of the culture park which are under construction in Tianjin and a portion of the Redco Building in Shenzhen, which is held to earn rentals. The fair value gain decreased by 86.3% to RMB44.8 million for the six months ended 30 June 2018 from RMB327.0 million for the six months ended 30 June 2017. Such decrease was mainly due to that 2017 is the first year for Tianjin to transfer the culture park to investment property, therefore, the fair value gain was lower for the six month ended 30 June 2018.

Impairment of goodwill

No impairment of goodwill for the six months ended 30 June 2018. The impairment of goodwill amounting to RMB28.3 million for the six months ended 30 June 2017 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 those goodwill are fully impaired in 2017.

Operating profit

As a result of the foregoing, operating profit increased by 10.0% to RMB787.6 million for the six months ended 30 June 2018 from RMB715.7 million for the six months ended 30 June 2017.

Finance income

Finance income increased by 76.3% to RMB44.6 million for the six months ended 30 June 2018 from RMB25.3 million for the six months ended 30 June 2017. Such increase was primarily attributable to the increase in finance income from loans to non-controlling interests and an associate in 2018 and the increase in the interest rate from bank deposit.

Finance costs

Finance costs increased by 1,080.6% to RMB42.5 million for the six months ended 30 June 2018 from RMB3.6 million for the six months ended 30 June 2017. Such increase was mainly due to the increase in interest expense which is not eligible to be capitalised.

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 RMB85.4 million for the six months ended 30 June 2018 from RMB1.1 million for the six months ended 30 June 2017. Such increase was primarily due to (a) the profit increased by the GFA delivery in Bluelake International in Nanchang, which is a joint-controlled real estate development project and; (b) 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 six months ended 30 June 2018 increased to RMB875.1 million from RMB738.4 million for the six months ended 30 June 2017.

Income tax expense

Income tax expense decreased by 33.3% to RMB243.9 million for the six months ended 30 June 2018 from RMB365.6 million for the six months ended 30 June 2017. Such decrease was primarily due to the reversal of a over provision of PRC land appreciation tax in prior years for RMB150.7 million and net-off by the increase in PRC enterprise income tax ("**EIT**") as a result of increased profit of the Group and provision of PRC EIT for the gain on disposal of subsidiary.

Profit for the six months ended 30 June 2018

As a result of the foregoing, profit for the six months ended 30 June 2018 increased by 69.3% to RMB631.2 million from RMB372.8 million for the six months ended 30 June 2017. The profit for the six months ended 30 June 2018 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB215.1 million, Central and Western Regions of RMB121.7 million, Bohai Economic Rim of RMB390.7 million, Pearl River Delta Region of RMB1.3 million which was partially offset by loss of Others segment for RMB97.7 million.

Profit for the six months ended 30 June 2018 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 33.9% to RMB431.4 million for the six months ended 30 June 2018 from RMB322.1 million for the six months ended 30 June 2017. Profit attributable to non-controlling interests increased to RMB199.8 million for the six months ended 30 June 2018 as compared with RMB50.6 million for the six months ended 30 June 2017 which was mainly due to the profit from property development projects with other investors.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB4,953.3 million (31 December 2017: RMB3,587.1 million) and restricted cash of RMB1,560.6 million (31 December 2017: RMB1,318.5 million) as at 30 June 2018. As at 30 June 2018, 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 2018, the Group had borrowings of approximately RMB9,866.3 million (31 December 2017: RMB7,243.2 million).

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Long-term bank borrowings, secured	**4,639,203**	3,982,100
Non-current borrowings, secured	**4,639,203**	3,982,100
Short-term bank borrowings, secured	**—**	472,300
Senior Notes due 2018	**1,642,750**	1,622,697
Senior Notes due 2019	**1,970,794**	—
	3,613,544	2,094,997
Portion of term loan from bank, secured		
– due for repayment within one year	**1,448,306**	1,002,286
– due for repayment within one year which contain a repayment on demand clause	**49,574**	24,500
– due for repayment after one year which contain a repayment on demand clause	**115,674**	139,336
Current bank borrowings, secured	**5,227,098**	3,261,119
Total borrowings	**9,866,301**	7,243,219

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Amounts of borrowings that are repayable:		
– Within 1 year	**5,111,425**	3,121,783
– Between 1 and 2 years	**2,784,108**	2,113,509
– Between 2 and 5 years	**1,970,768**	2,007,927
	9,866,301	7,243,219

As at 30 June 2018, the Group's borrowings were denominated in RMB, HK$ and US$.

As at 30 June 2018, the Group was exposed to foreign exchange risk primarily with respect to certain of its borrowings which were denominated in HK$ and US$. RMB experienced certain depreciation against HK$ during the six months ended 30 June 2018 which is the main reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy but entered into a foreign currency exchange contracts hedge part of the foreign exchange risk.

Other performance indicators

Net debt to capital ratio

As at 30 June 2018, the Group's net debt to capital ratio was 36.5% (31 December 2017: 33.7%). It 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 2018, the Group's net current assets amounted to approximately RMB8,275.0 million (31 December 2017: RMB6,637.2 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.5 times as at 30 June 2018 (31 December 2017: 1.6 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 6.99% for the six months ended 30 June 2018 from 7.62% for the six months ended 30 June 2017.

Contingent liabilities

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

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers of the Group' s properties	**6,476,554**	6,052,438

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 2018. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of approximately 1,246 employees (31 December 2017: 950 employees). For the six months ended 30 June 2018, the remuneration of the Group' s employees (including directors' emoluments) amounted to approximately RMB111.4 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 interim report of the Company for the six months ended 30 June 2018. 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 2018.

CHARGE ON ASSETS

As at 30 June 2018, the Group had aggregate banking facilities of approximately RMB9,200.5 million (31 December 2017: RMB7,594.2 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 30 June 2018 amounted to RMB1,106.7 million (31 December 2017: RMB1,472.2 million).

These facilities were secured by bank deposits, certain properties under development held for sale provided by the Group's subsidiaries, the Group's equity interests in certain subsidiaries and corporate guarantee.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 27 February 2018, the Group completed the disposal of 100% equity interest in Shanghai Mingchang Real Estate Company Limited ("**Shanghai Mingchang**") at a consideration of approximately RMB671,798,000 to Shanghai Zhong Da Industry Development Company Limited (上海重達實業發展有限公司), an independent third party. Shanghai Mingchang is principally engaged in the property development in the PRC. Upon the completion of the disposal, the Group lost its control over Shanghai Mingchang and its financial results are not consolidated with the results of the Group.

Save as disclosed, no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2018.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REPORTING PERIOD

On 23 August 2018, the Company issued 11% Senior Notes due in 2020 with an aggregate nominal value of US$200,000,000 at par value (the "**11% Senior Notes due 2020**"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$197,000,000. The 11% Senior Notes due 2020 will mature on 29 August 2020, unless redeemed earlier in accordance with the terms thereof.

Save as disclosed, no other important event affering the Group has taken place since 30 June 2018 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 of significant investments or capital assets as at the date of this report.

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.

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

Hong Kong, 29 August 2018

DISCLOSURE OF INTERESTS

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

As at 30 June 2018, 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 2018, 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 2018, 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 2018, 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 2018 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 2018, 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%**
Times International (Note 2)	Beneficial Owner	924,838,000	Long Position	**26.04%**
Power Ray (Note 3)	Beneficial Owner	351,609,322	Long Position	**9.9%**
Mr. NG Leung Ho (Note 3)	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) 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.

(3) 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 2018, 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 recommended the payment of interim dividend of RMB2.5 cents (equivalent to HK$2.8827 cents) in cash per share, approximately RMB88,790,000 (six months ended 30 June 2017: RMB2 cents) to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 12 September 2018. The interim dividend will be paid to the Shareholders on 9 October 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 for the period.

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 2018, US$145,000,000 and US$207,000,000 remained outstanding under the 2016 Facility Agreement and the 2017 Facility Agreement respectively.

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 2018, 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 2018.

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

On 23 February 2018, the Company issued Senior Notes due in 2019 with principal amount of US$300,000,000 at a coupon rate of 6.375% per annum for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the Senior Notes due 2019 are disclosed in the announcement of the Company dated 24 February 2018.

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 six months ended 30 June 2018.

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 2018.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
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 26 to 64, 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 2018 and the interim condensed consolidated statements of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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.

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CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Revenue	6	**1,738,473**	3,009,876
Cost of sales		**(1,073,118)**	(2,413,970)
Gross profit		**665,355**	595,906
Other gains, net	7	**310,807**	505
Selling and marketing expenses		**(62,683)**	(88,975)
General and administrative expenses		**(170,679)**	(90,446)
Fair value gain on investment properties	11	**44,751**	326,995
Impairment of goodwill		**—**	(28,322)
Operating profit		**787,551**	715,663
Finance income	8	**44,644**	25,304
Finance costs	8	**(42,504)**	(3,623)
Finance income, net		**2,140**	21,681
Share of profit of investments accounted for using the equity method, net		**85,372**	1,053
Profit before income tax		**875,063**	738,397
Income tax expense	9	**(243,865)**	(365,605)
Profit for the period		**631,198**	372,792
Profit attributable to:			
Owners of the Company		**431,370**	322,149
Non-controlling interests		**199,828**	50,643
		631,198	372,792
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	20	**12.15**	9.07

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Profit for the period	631,198	372,792
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
– Currency translation differences	(58,330)	72,488
Other comprehensive (loss)/income for the period	(58,330)	72,488
Total comprehensive income for the period	572,868	445,280
Total comprehensive income for the period attributable to:		
– Owners of the Company	373,273	394,044
– Non-controlling interests	199,595	51,236
Total comprehensive income for the period	572,868	445,280

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**232,519**	36,489
Investment properties	11	**764,291**	434,669
Investments accounted for using the equity method	12	**1,150,253**	1,034,521
Trade and other receivables, deposits and prepayments	13	**—**	475,236
Deferred income tax assets		**310,325**	238,931
		2,457,388	2,219,846
Current assets			
Completed properties held for sale		**1,924,430**	1,564,092
Properties under development for sale		**10,961,702**	5,728,454
Trade and other receivables, deposits and prepayments	13	**5,136,580**	4,046,707
Financial assets at fair value through profit or loss		**43,469**	—
Amounts due from joint ventures	22	**68,440**	53,123
Amounts due from associates	22	**33,580**	32,719
Amounts due from non-controlling interests	21	**900,015**	672,675
Income tax recoverable		**266,793**	180,948
Restricted cash		**1,560,613**	1,318,450
Cash and cash equivalents		**4,953,261**	3,587,062
		25,848,883	17,184,230
Assets classified as held for sale		**—**	467,931
		25,848,883	17,652,161
Total assets		**28,306,271**	19,872,007
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	**139,632**	139,632
Reserves		**3,926,451**	3,672,089
		4,066,083	3,811,721
Non-controlling interests		**1,764,991**	797,579
Total equity		**5,831,074**	4,609,300

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	15	**4,639,203**	3,982,100
Deferred income tax liabilities		**262,088**	265,604
		4,901,291	4,247,704
Current liabilities			
Trade and other payables	16	**3,886,758**	2,156,112
Borrowings	15	**5,227,098**	3,261,119
Amounts due to non-controlling interests	21	**1,549,714**	116,414
Amounts due to joint ventures	22	**257,492**	140,209
Contract liabilities	26	**5,872,067**	—
Receipts in advance		**—**	4,507,441
Income tax liabilities		**780,777**	832,164
		17,573,906	11,013,459
Liabilities directly associated with assets classified as held for sale		**—**	1,544
		17,573,906	11,015,003
Total liabilities		**22,475,197**	15,262,707
Total equity and liabilities		**28,306,271**	19,872,007

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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 2018, as previously reported	139,632	1,615,291	2,056,798	3,811,721	797,579	4,609,300
Change in accounting policy (Note 26)	—	—	(22,173)	(22,173)	(9,742)	(31,915)
Balance at 1 January 2018 (restated)	139,632	1,615,291	2,034,625	3,789,548	787,837	4,577,385
Comprehensive income						
Profit for the period	—	—	431,370	431,370	199,828	631,198
Other comprehensive (loss)/income						
Currency translation differences	—	(58,097)	—	(58,097)	(233)	(58,330)
Transfer to statutory reserve	—	47,954	(47,954)	—	—	—
Total comprehensive (loss)/income for the period	—	(10,143)	383,416	373,273	199,595	572,868
Transactions with owners						
Non-controlling interests arising on acquisition of subsidiaries (Note 24)	—	—	—	—	202,079	202,079
Capital injection from non-controlling interests	—	—	—	—	603,830	603,830
Changes in ownership interests in subsidiary without change in control (Note 26)	—	9,810	—	9,810	(28,350)	(18,540)
Dividends relating to 2017 final	—	—	(106,548)	(106,548)	—	(106,548)
Total transaction with owners, recognised directly in equity	—	9,810	(106,548)	(96,738)	777,559	680,821
Balance at 30 June 2018	139,632	1,614,958	2,311,493	4,066,083	1,764,991	5,831,074

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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
Change in accounting policy	—	—	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 interests arising on acquisition of subsidiaries	—	—	—	—	58,163	58,163
Capital injection from non-controlling interests	—	—	—	—	2,800	2,800
Total transaction 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

The above condensed consolidated statement of changed in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities			
Net cash (used in)/generated from operations		(1,753,329)	710,269
Income tax paid		(456,007)	(357,588)
Net cash (used in)/generated from operating activities		(2,209,336)	352,681
Cash flows from investing activities			
Additions of property, plant and equipment		(5,898)	(2,882)
Prepayment for purchase of property, plant and equipment		—	(97,576)
Acquisition of subsidiaries, net of cash (paid)/acquired	24	(470,602)	7,852
Disposal of a subsidiary, net cash outflow	25	(57,733)	—
Prepayment for acquisition of subsidiaries		—	(139,500)
Proceed for disposal of property, plant and equipment		428	571
Capital injection to joint ventures	12	(13,833)	—
Capital injection to an associate	12	(5,357)	(15,225)
Advances to non-controlling interests		(209,982)	—
Advances to joint ventures		(15,317)	—
Advance to an associate		(861)	—
Interest received		14,786	8,373
Net cash used in investing activities		(764,369)	(238,387)
Cash flows from financing activities			
Proceeds from bank borrowings		1,543,959	1,183,014
Repayment of bank borrowings		(956,100)	(707,407)
Issurance of Senior Notes due 2019		1,901,120	—
Advance to a related party		—	(13,348)
Proceeds from capital injection from non-controlling interests		603,830	2,800
Advances from non-controlling interests		1,433,300	—
Repayment of advances from non-controlling interests		—	(742,135)
Advances from joint ventures		117,283	—
Repayment of advances from joint ventures		—	(2,026)
Advance to an associate		—	(3,619)
Interest paid		(251,930)	(140,371)
Dividend paid		(56,976)	—
Net cash generated from/(used in) financing activities		4,334,486	(423,092)
Net increase/(decrease) in cash and cash equivalents		1,360,781	(308,798)
Cash and cash equivalents at beginning of period		3,587,062	2,417,219
Currency translation differences		5,418	(5,877)
Cash and cash equivalents at end of period		4,953,261	2,102,544

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the "Group") are principally engaged in property development, property investment and project management 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").

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 2018 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 (the "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 2017, 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 2017, 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 2018.

(a) The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2018 and currently relevant to the Group:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014 – 2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The impact of the adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") are disclosed in Note 26.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) Int-23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Investment in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

HKFRS 16 “Leases”

HKFRS 16 will result in almost all leases being recognized on the balance sheet, 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 recognized. The only exceptions are short-term and low-value leases.

Impact

Based on management’ s initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in a significant increase in both assets and liabilities in the consolidated balance sheet. The adoption will also front-load the expense recognition in the consolidated statement of profit or loss over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-of-use assets as compared to the rental expenses under existing standard.

Date of adoption by the Group

It 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.

Apart from aforementioned HKFRS 16, the directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Group will adopt the new standards and amendments to standards when they become effective.

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 2017.

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 2017.

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 2018. 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 properties that are measured at fair value.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2018 and 31 December 2017.

	Level 3 As at	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Financial assets at fair value through profit or loss	**43,469**	—

There were no changes in valuation techniques during the period.

There were no transfer between fair value hierarchy levels during the period.

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 assesses 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 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, project 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/(losses) 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.

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 2018 (Unaudited)						
Total revenue	715,758	222,446	796,623	—	4,350	1,739,177
Inter-segment revenue	—	—	—	—	(704)	(704)
Revenue	715,758	222,446	796,623	—	3,646	1,738,473
Segment results	192,188	35,926	630,255	(25,484)	(41,620)	791,265
Depreciation	(1,365)	(291)	(881)	(574)	(603)	(3,714)
Operating profit/(losses)	190,823	35,635	629,374	(26,058)	(42,223)	787,551
Share of profit/(losses) of investments accounted for using the equity method, net	87,251	(1,879)	—	—	—	85,372
Finance income	17,266	18,821	6,197	618	1,742	44,644
Finance costs	(3,012)	—	—	—	(39,492)	(42,504)
Income tax (expense)/credit	(77,231)	69,158	(244,831)	26,737	(17,698)	(243,865)
Profit/(losses) for the period	215,097	121,735	390,740	1,297	(97,671)	631,198
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

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 2018 (Unaudited)						
Total segment assets	4,789,509	6,170,584	12,214,742	1,955,563	2,984,455	28,114,853
Other unallocated corporate assets						191,418
Total assets						28,306,271
Additions to:						
Property, plant and equipment	3,745	654	976	166	190,722	196,263
Total segment liabilities	(3,379,358)	(2,595,465)	(7,139,210)	(943,293)	(8,417,871)	(22,475,197)
As at 31 December 2017 (Audited)						
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)

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Breakdown of revenue		
Sales of properties	1,706,937	2,971,625
Construction services	27,890	26,095
Project management services	3,646	12,156
	1,738,473	3,009,876

7 OTHER GAINS, NET

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Gain on disposal of a subsidiary (Note 25)	**331,425**	—
Gains on disposal of property, plant and equipment	**192**	275
Exchange losses (Note a)	**(64,054)**	(20,858)
Gain on change in fair value of financial assets (Note b)	**43,469**	—
Government subsidy	**—**	19,706
Others	**(225)**	1,382
	310,807	505

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 and the corresponding financial impact will be included in other comprehensive loss under the caption of "Currency transaction differences".

(b) During the period ended 30 June 2018, the Group has entered into a foreign exchange forward contract which was recognised as financial assets at fair value through profit or loss as at 30 June 2018. The change of its fair value was recognised in "other gains, net". The notional principal amount of the foreign exchange forward contract at 30 June 2018 was US$300,000,000 (31 December 2017: Nil).

8 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Finance income from loans to an associate and non-controlling interests (Note 12 (a) and Note 21)	**29,858**	16,931
Finance income from bank deposits	**14,786**	8,373
	44,644	25,304
Finance cost on borrowings	**308,226**	140,371
Less: finance costs capitalised in qualifying assets	**(265,722)**	(136,748)
	42,504	3,623
Weighted average interest rate on capitalised borrowings (per annum)	**6.99%**	7.62%

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 2018 (six months ended 30 June 2017: 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 2018 (six months ended 30 June 2017: 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	
	2018	2017
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Current income tax		
– PRC enterprise income tax	**239,145**	142,077
– PRC land appreciation tax	**131,174**	166,754
PRC enterprise income tax on disposal of a subsidiary (Note 25)	**99,190**	—
Over provision of PRC land appreciation tax in prior years	**(150,734)**	—
Deferred income tax	**(74,910)**	56,774
	243,865	365,605

10 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2018	2017
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Opening net book amount at 1 January	**36,489**	31,423
Additions	**196,263**	2,882
Disposals	**(236)**	(296)
Depreciation	**(3,714)**	(3,481)
Acquisition of subsidiaries (Note 24)	**3,725**	387
Exchange differences	**(8)**	—
Closing net book amount at 30 June	**232,519**	30,915

11 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
At 1 January	434,669	—
Transfer from properties under development for sale at fair value	—	402,497
Additions	284,871	—
Fair value gain	44,751	—
At 30 June	764,291	402,497

(a) Fair value measurement

As at 30 June 2018 and 2017, the fair value of the investment properties 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.

(b) Valuation process of investment properties

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 properties 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 2018, and will be held at least once every six months going forward, in line with the Group' s interim and annual reporting dates.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Interests in associates

	30 June 2018 RMB' 000 (Unaudited)	30 June 2017 RMB' 000 (Unaudited)
At beginning of the period	**318,193**	27,983
Additions (Note (i))	**5,357**	15,225
Share of profit, net		
– Gain on bargain purchase (Note (i))	**28,588**	—
– Others	**(13,501)**	672
At end of the period	**338,637**	43,880
A loan due from an associate (Note (ii))	**255,893**	—
	594,530	43,880

Note:

(i) The Group acquired additional 10% equity interest of Ganzhou Baoherun Co., Ltd. ("Ganzhou Baoherun") (贛州葆和潤實業有限公司) from an independent third party at a consideration of RMB5,357,000. The transaction was completed on 30 January 2018.

The gain on bargain purchase was mainly resulted from the fact that the Group would bring in industry expertise to the associate.

(ii) The loan due from Ganzhou Baoherun Co., Limited bears interest of 10% per annum, unsecured and repayable on demand. The carrying amount approximates its fair value and is denominated in RMB.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Interests in joint ventures

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
At beginning of the period	**401,886**	338,185
Capital injection to joint ventures	**13,833**	—
Share of profit, net	**70,285**	381
Net asset attributable to the Group's interest	**486,004**	338,566
Unrealised gain from the transaction with a joint venture (Note (i))	**(22,860)**	(23,280)
At end of the period	**463,144**	315,286
Amounts due from joint ventures (Note (ii))	**92,579**	28,811
	555,723	344,097

Note:

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

(ii) The loans due from joint ventures, Hui Gao Investments Development Limited and Power Out International Holding Limited, are interest-free, unsecured and have no fixed repayment terms. The carrying amounts approximate their fair values and are denominated in HKD.

13 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
Trade receivables (Note a)	66,282	147,910
Accrued contract revenue (Note b)	700,000	700,000
	766,282	847,910
Other receivables	1,466,484	1,117,961
Receivable in relation to the disposal of a subsidiary (Note 25)	604,618	–
Deposits with local real estate associations (Note c)	727,104	1,109,331
Deposits with labour department	500	2,645
Deposits with treasury bureau	44,560	4,747
Less: provision for impairment (Note 26(b))	(33,996)	—
	2,809,270	2,234,684
Prepaid taxes	104,179	26,623
Prepayment for purchase of property, plant and equipment	—	475,236
Prepayment for construction costs	86,450	4,888
Prepayment for land use rights	1,340,399	678,602
Prepayment for acquisition of subsidiaries	30,000	254,000
	4,370,298	3,674,033
Less: Non-current portion		
Prepayment for purchase of property, plant and equipment	—	(475,236)
	4,370,298	3,198,797
	5,136,580	4,046,707

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

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 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
0 – 30 days	**41,532**	95,312
31 – 60 days	**—**	9,130
61 – 90 days	**1,280**	16,660
91 – 180 days	**1,470**	7,888
Over 180 days	**22,000**	18,920
	66,282	147,910

As at 30 June 2018, trade receivables of RMB20,808,000 (31 December 2017: RMB140,590,000) were overdue but not impaired.

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

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
0 – 30 days	**—**	88,712
31 – 60 days	**—**	9,130
61 – 90 days	**1,280**	16,660
91 – 180 days	**1,470**	7,888
Over 180 days	**18,058**	18,200
	20,808	140,590

The Group applies the simplified approach to provide for life time expected credit losses as prescribed by HKFRS 9. As at 30 June 2018, no provision (31 December 2017: Nil) was made against the gross amount of trade receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a diversified number of customers. Trade receivables are secured by the properties sold.

(b) Accrued contract revenue arises from the Group' s sea reclamation service to the PRC government. The sea reclamation service provided to the customer was completed and the corresponding receivable balance is not yet billed due to certain administrative procedures in progress as at 30 June 2018 and 31 December 2017.

(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.

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

Note: (Continued)

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

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

14 SHARE CAPITAL

	Number of Share	Par value per share	Share Capital HK$' 000	Share Capital RMB' 000
Authorised:				
As at 31 December 2017 and 30 June 2018	10,000,000,000	HK$0.05	500,000	418,899
Issued and fully paid:				
As at 31 December 2017 and 30 June 2018	3,551,609,322	HK$0.05	177,580	139,632

15 BORROWINGS

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
Long-term bank borrowings, secured	**4,639,203**	3,982,100
Non-current borrowings, secured	**4,639,203**	3,982,100
Short-term bank borrowings, secured	—	472,300
Senior Notes due 2018	**1,642,750**	1,622,697
Senior Notes due 2019	**1,970,794**	—
	3,613,544	2,094,997
Portion of term loan from bank, secured		
– due for repayment within one year	**1,448,306**	1,002,286
– due for repayment within one year which contain a repayment on demand clause	**49,574**	24,500
– due for repayment after one year which contain a repayment on demand clause	**115,674**	139,336
Current bank borrowings, secured	**5,227,098**	3,261,119
Total borrowings	**9,866,301**	7,243,219

15 BORROWINGS (CONTINUED)

The Group's borrowings as at 30 June 2018 of RMB2,893,049,000 (31 December 2017: RMB2,425,680,000), were secured by certain properties under development for sale of the Group with the carrying values of RMB4,173,148,000 (31 December 2017: RMB2,963,928,000) and bank deposits of RMB97,800,000 (31 December 2017: Nil). The Group's borrowings as at 30 June 2018 of RMB6,973,252,000 (31 December 2017: RMB4,817,539,000) were guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries.

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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Amounts of borrowings that are repayable:		
– Within 1 year	**5,111,425**	3,121,783
– Between 1 and 2 years	**2,784,108**	2,113,509
– Between 2 and 5 years	**1,970,768**	2,007,927
	9,866,301	7,243,219

On 15 November 2017, the Company issued 7% senior notes due in 2018 with an aggregate nominal value of US$250,000,000 at par value (the "Senior Notes due 2018"). The interest is payable semi-annually in arrears. The Senior Notes due 2018 will mature on 14 November 2018, unless redeemed earlier.

On 23 February 2018, the Company issued 6.375% senior notes due in 2019 with an aggregate nominal value of US$300,000,000 at par value (the "Senior Notes due 2019"). The interest is payable semi-annualy in arrears. The Senior Notes due 2019 will mature on 27 February 2019 unless redeemed earlier.

The Company, at its option, can redeem the Senior Notes due 2018 and Senior Notes due 2019 in whole or in party prior to their maturity at the redemption price as defined in the agreements of these senior notes.

The Senior Notes due 2018 and Senior Notes due 2019 are listed on the Singapore Exchange Securities Trading Limited and are secured by the shares of certain subsidiaries of the Company which are incorporated outside the PRC.

The early redemption options of Senior Notes due 2018 and Senior Notes due 2019 are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption option was insignificant on initial recognition and at 30 June 2018.

16 TRADE AND OTHER PAYABLES

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
Trade payables (Note a)	**1,414,556**	1,401,828
Accruals and other payables	**1,913,119**	298,499
Deposit received for the sale of a disposal company	**—**	67,180
Dividend payables	**49,572**	6,907
Interest payable	**56,296**	15,138
Other taxes payables	**452,202**	364,314
Salary payables	**1,013**	2,246
	3,886,758	2,156,112

Note:

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

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
0 – 30 days	**1,289,432**	1,348,561
31 - 60 days	**9,597**	418
61 - 90 days	**5,072**	13,859
Over 90 days	**110,455**	38,990
	1,414,556	1,401,828

17 COMMITMENTS

Capital commitments

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
Contracted but not provided for:		
– Property development expenditures	2,806,048	2,244,062
– Land use right	254,854	—
– Leasehold improvement	2,095	—
– Acquisition of subsidiaries	22,570	146,446
– Capital injection to a joint venture and an associate	8,000	5,357
	3,093,567	2,395,865

Operating lease commitments

At 30 June 2018, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office as follows:

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
No later than one year	136	904
Later than one year and no later than 5 years	272	272
	408	1,176

18 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees on mortgage facilities

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

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers of the Group' s properties	**6,476,554**	6,052,438

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 2018 and 31 December 2017. 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 2018 (31 December 2017: Nil)

(c) The Company provides a subsidiary of Power Out International Ltd., a joint venture of the Group with a corporate guarantee of a loan facility of AUD70,000,000 which was fully utilised as at 30 June 2018 (31 December 2017: same). The directors of the Company are of the opinion that it is not probable that the above guarantee will be called upon and the fair value of this corporate guarantee is immaterial.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 30 June 2018 and 31 December 2017.

19 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30 June 2018, the Group had aggregate banking facilities of approximately RMB9,200,520,000 (31 December 2017: RMB7,594,228,000) for overdrafts, bank loans and trade financing. Unused facilities as at the same date amounted to RMB1,106,700,000 (31 December 2017: RMB1,472,200,000).

As at 30 June 2018 and 31 December 2017, the borrowings of the Group were secured by (i) corporate guarantees of the Company; (ii) certain land and properties under development for sale provided by the Group' s subsidiaries; (iii) bank desposits; and (iv) the Group' s equity interests in certain subsidiaries.

The Senior Notes due 2018 are secured by shares of certain subsidiaries of the Company which are incorporated outside the PRC.

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

20 EARNINGS PER SHARE

The basic earnings per share for the six months ended 30 June 2018 and 2017 is calculated based on the profit attributable to owners of the Company.

	Six months ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Profit attributable to owners of the Company (RMB' 000)	**431,370**	322,149
Weighted average number of shares in issue	**3,551,609,322**	3,551,609,322
Basic earnings per share (RMB cents)	**12.15**	9.07

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 2018 and 2017.

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

Except for amounts due from a non-controlling interest of approximately RMB215,357,717 and RMB15,000,000 (31 December 2017: RMB267,517,939 and RMB15,000,000) which bears interest of 10% and 11% per annum (31 December 2017: 10% and 11%) and are secured by their shareholdings 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.

22 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.

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

Related parties	Relationship with the Company
Top Glory International Holdings Ltd. and its subsidiaries	An associate
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd. 江西昌大瑞豐科技發展有限公司	An associate
Jiangxi Life Sunshine City Investment Co., Ltd. 江西生命陽光城投資股份有限公司	An associate
Ganzhou Baoherun Co., Ltd. 贛州葆和潤實業有限公司	An associate
Xianyang Baorong Co., Ltd. 咸陽保榮實業有限公司	An associate
Fengcheng Xin Fei Property Development Co., Ltd. 豐城市欣飛房地產開發有限公司	A joint venture
Redco Industry (Jiangxi) Co., Ltd. 力高實業(江西)有限公司	A joint venture
Nanchang Guogao Property Development Co., Ltd. 南昌國高房地產置業有限公司	A joint venture
Jiangxi Po Hu Feng Qing Property Development Co., Ltd. 江西鄱湖風情置業有限公司	A joint venture
Hui Gao Investments Development Ltd. and its subsidiary 匯高投資發展有限公司	A joint venture
Power Out International Holding Ltd. and its subsidiaries 力澳國際控股有限公司	A joint venture
Shenzhen Redco Hongye Property Development Co., Ltd. 深圳力高宏業地產開發有限公司	A joint venture
Wong Yeuk Hung (“Mr. Wong”) 黃若虹	A major shareholder and director of the Group
Huang Ruoqing (“Mr. Huang”) 黃若青	A major shareholder and director of the Group

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Amounts due from joint ventures

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)	Nature	Interest (per annum)	Currency
Redco Industry (Jiangxi) Co., Ltd.	**27,911**	27,911	Non-trade	N/A	RMB
Jiangxi Po Hu Feng Qing Property Development Co., Ltd.	**34,221**	25,212	Non-trade	N/A	RMB
Power Out International Holding Ltd. and its subsidiaries	**6,308**	—	Non-trade	N/A	HKD
	68,440	53,123			

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

(b) Amounts due to joint ventures

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)	Nature	Interest (per annum)	Currency
Shenzhen Redco Hongye Property Development Co., Ltd	**2,737**	12,737	Non-trade	N/A	RMB
Hui Gao Investments Development Ltd. and its subsidiary	**9,061**	8,701	Non-trade	N/A	HKD
Power Out International Holding Ltd. and its subsidiaries	**—**	2,108	Non-trade	N/A	HKD
Nanchang Guogao Property Development Co., Ltd	**245,694**	116,663	Non-trade	N/A	RMB
	257,492	140,209			

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

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Amounts due from associates

	30 June 2018 RMB' 000 (Unaudited)	31 December 2017 RMB' 000 (Audited)	Nature	Interest (per annum)	Currency
Top Glory International Holdings Ltd. and its subsidiaries	**7,580**	6,719	Non-trade	N/A	RMB
Jiangxi Life Sunshine City Investment Co., Ltd.	**16,000**	16,000	Non-trade	N/A	RMB
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd.	**10,000**	10,000	Non-trade	N/A	RMB
	33,580	32,719			

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

(d) Transactions with related parties

(i) During the period ended 30 June 2018, the Group purchased property management service amounting to approximately RMB 5,772,000 (six months ended 30 June 2017: RMB13,990,000) from its associate, at prices mutually agreed by contracted parties.

(ii) During the period ended 30 June 2018, the Group provided project management consultancy service amounting to RMB275,000 (six months ended 30 June 2017: Nil) to its associate.

(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	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
Salaries, bonus and other benefits	**11,040**	3,276
Pension costs - defined contribution plan	**233**	110
	11,273	3,386

Save as disclosed aboved, the Group had no material transactions and outstanding balances with related parties during the six months ended 30 June 2018 and 2017.

23 DIVIDEND

An interim dividend of RMB2.5 cents per share for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB2 cents) is payable to shareholders who are on the register at 12 September 2018. This proposed interim dividend, amounting to approximately RMB 88,790,000 (six months ended 30 June 2017: RMB71,032,000), has not been dealt with as dividend payable as at 30 June 2018. It will be recognised in shareholders' equity in the year ending 31 December 2018.

24 ASSETS ACQUISITIONS

(a) Acquisition of Wuhan Feng Xiang Dao Property Development Co., Ltd.

On 11 January 2018, the Group completed the acquisition of 70% equity interest of Wuhan Feng Xiang Dao Property Development Co., Ltd. (武漢鳳翔島房地產開發有限公司) ("Wuhan Feng Xiang Dao") at a consideration of approximately RMB140,000,000. Wuhan Feng Xiang Dao is principally engaged in property development in Wuhan and holds a parcel of land in Cai Dian District, Wuhan.

(b) Acquisition of Hefei Tong Zhu Property Co., Ltd.

On 17 January 2018, the Group completed the acquisition of 100% equity interest of Hefei Tong Zhu Property Co., Ltd. (合肥同鑄置業有限公司) ("Hefei Tong Zhu") at a consideration of approximately RMB132,240,000. Hefei Tong Zhu is principally engaged in property development in Anhui Province and holds a parcel of land in Hefei East Economic Development District, Hefei.

(c) Acquisition of Wuhan Tong Xin Yi Property Co., Ltd.

On 12 June 2018, the Group completed the acquisition of 40% equity interest of Wuhan Tong Xin Yi Property Co., Ltd. (武漢同信益置業有限公司) ("Wuhan Tong Xin Yi") at a consideration of approximately RMB20,000,000. Wuhan Tong Xin Yi is principally engaged in property development in Wuhan and hold a parcel of land in Dong Hu High Technology Development Zone, Wuhan. As the 11% shareholder of Wuhan Tong Xin Yi has granted its voting rights to the Group, the Group owns more than half of the voting rights in Wuhan Tong Xin Yi and appoints 2 out of 3 directors of the board of Wuhan Tong Xin Yi. The decisions are made by simple majority. It follows that the Group should consolidate Wuhan Tong Xin Yi as a subsidiary in the Group's financial statements.

(d) Acquisitions of Ningbo Yu Yao Sheng Ming Property Development Co., Ltd., Ningbo Yu Yao Sheng Ye Machinery Technology Co., Ltd. and Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd.

On 26 June 2018, the Group completed the acquisitions of 62% equity interest of Ningbo Yu Yao Sheng Ming Property Development Co., Ltd. (寧波余姚晟明房地產開發有限公司) ("Ningbo Sheng Ming"), Ningbo Yu Yao Sheng Ye Machinery Technology Co., Ltd. (寧波余姚晟業機器人科技有限公司) ("Ningbo Sheng Ye") and Ningbo Yu Yao Yun Sheng Machinery Technology Co., Ltd. (寧波余姚雲晟機器人科技有限公司) ("Ningbo Yun Sheng") at consideration of approximately RMB205,460,000, RMB72,060,00 and RMB94,810,000 respectively. They are principally engaged in property development in Ningbo and holds a parcel of land in China Yun Sheng District, Ningbo.

As the above newly acquired companies did not operate any business prior to the date of acquisition, the Group considers the nature of the acquisitions as acquisitions of assets in substance and the consideration should be attributable to the individual assets acquired and liabilities assumed.

24 ASSETS ACQUISITIONS (CONTINUED)

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	Wuhan Feng Xiang Dao RMB' 000	Hefei Tong Zhu RMB' 000	Wuhan Tong Xin Yi RMB' 000	Ningbo Sheng Ming RMB' 000	Ningbo Sheng Ye RMB' 000	Ningbo Yun Sheng RMB' 000	Total RMB' 000
Consideration paid and payable as at acquisition date	140,000	132,240	20,000	205,460	72,060	94,810	664,570
Recognised amounts of identifiable assets acquired and liabilities assumed:							
Property, plant and equipment	3,677	—	—	48	—	—	3,725
Prepayments, deposits and other receivable	37,707	90,829	—	440	12	15	129,003
Properties under development	262,939	783,358	122,840	442,993	158,365	132,215	1,902,710
Cash and cash equivalents	954	636	5,160	4,962	9	7	11,728
Borrowings	(71,873)	—	—	—	—	—	(71,873)
Other payables	(43,871)	(742,583)	(78,000)	(180,630)	(63,560)	—	(1,108,644)
Total identifiable net assets acquired	189,533	132,240	50,000	267,813	94,826	132,237	866,649
Less: Non-controlling interest initially recognised as at acquisition date	(49,533)	—	(30,000)	(62,353)	(22,766)	(37,427)	(202,079)
Net assets acquired	140,000	132,240	20,000	205,460	72,060	94,810	664,570
Analysis of net outflow/(inflow) of cash and cash equivalents in respect of acquisition of subsidiaries:							
Cash consideration paid	140,000	132,240	20,000	205,460	72,060	94,810	664,570
Less: Prepayment for acquisition paid in prior year	(50,000)	(132,240)	—	—	—	—	(182,240)
Less: Cash and cash equivalents acquired	(954)	(636)	(5,160)	(4,962)	(9)	(7)	(11,728)
Net cash outflow/(inflow)	89,046	(636)	14,840	200,498	72,051	94,803	470,602

25 DISPOSAL OF A SUBSIDIARY

On 1 January 2018, the Group purchased 10% equity interest of Shanghai Mingchang Real Estate Company Limited (上海明昌置業有限公司) ("Shanghai Mingchang") from the non-controlling interest at a consideration of approximately RMB18,540,000. The Group recorded a decrease in non-controlling interest of approximately RMB28,350,000 and a credit balance in reserves of approximately RMB9,810,000 upon the completion of the purchase of 10% equity interest of Shanghai Mingchang.

On 27 February 2018, the Group completed the disposal of 100% equity interest in Shanghai Mingchang at a consideration of approximately RMB671,798,000 to Shanghai Zhong Da Industry Development Company Limited (上海重達實業發展有限公司) ("Shanghai Zhong Da"), an independent third party. Shanghai Mingchang is principally engaged in property development in the PRC. Upon the completion of the disposal, the Group lost its control over Shanghai Mingchang and its financial results are not consolidated with the results of the Group.

An analysis on the gain on disposal of a subsidiary is as follows:

	RMB' 000
Consideration satisfied by:	
– Cash consideration	671,798
Less: Net assets disposed of:	
– Property, plant and equipment	(466)
– Properties under development	(462,216)
– Deferred income tax assets	(2,194)
– Trade and other receivables, deposits and prepayments	(2,428)
– Cash and cash equivalents	(4,726)
– Amounts due to group companies	184,603
– Trade and other payables	61
	(287,366)
Less: Individual income tax paid for ex-shareholders for the acquisition in year 2016	(53,007)
Gain on disposal of a subsidiary, pre-tax	331,425
Less: PRC enterprise income tax payable upon disposal of a subsidiary	(99,190)
Gain on disposal of a subsidiary, net of tax	232,235

An analysis on net cash flows arising from the disposal:

Net cash consideration	671,798
Less: Receivable from Shanghai Zhong Da	(604,618)
Less: Deposit received from Shanghai Zhong Da in year 2017	(67,180)
Less: Individual income tax paid for ex-shareholders for the acquisition in year 2016	(53,007)
Less: Cash and cash equivalents disposed	(4,726)
Net cash outflow	(57,733)

26 EFFECTS OF THE ADOPTION OF HKFRS 9 AND HKFRS 15

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior period.

(a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 December 2017 RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 (Restated) RMB'000
Balance sheet (extract)				
Current assets				
Trade and other receivables, deposits and prepayments	4,046,707	(31,915)	—	**4,014,792**
Total assets	19,872,007	(31,915)	—	**19,840,092**
Current liabilities				
Receipts in advance	4,507,441	—	(4,507,441)	—
Contract liabilities	—	—	4,507,441	**4,507,441**
Total liabilities	15,262,707	—	—	**15,262,707**
Net assets	4,609,300	(31,915)	—	**4,577,385**
Reserves	3,672,089	(22,173)	—	**3,649,916**
Non-controlling interests	797,579	(9,742)	—	**787,837**
Total equity	4,609,300	(31,915)	—	**4,577,385**

26 EFFECTS OF THE ADOPTION OF HKFRS 9 AND HKFRS 15 (CONTINUED)

(b) HKFRS 9 – impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The total impact on the Group' s retained profits as at 1 January 2018 is as follows:

	31 December 2017 (HKAS 39) RMB' 000	Increase in provision for impairment of other receivables RMB' 000	**1 January 2018 (HKFRS 9) RMB' 000**
Retained earnings	2,056,798	(22,173)	**2,034,625**
Non-controlling interests	797,579	(9,742)	**787,837**
	2,854,377	(31,915)	**2,822,462**

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 9 as compared to HKAS 39 that was previously in effect before the adoption of HKFRS 9 is as follows:

	As at 30 June 2018		
	Amounts without the adoption of HKFRS 9 RMB' 000	Effects of the adoption of HKFRS 9 RMB' 000	**Amounts as reported RMB' 000**
Statement of profit or loss (extract)			
Administrative expenses	(168,598)	(2,081)	**(170,679)**
Profit at-tributable to:			
– Owners of the Company	434,334	(2,964)	**431,370**
– Non-controlling interest	198,945	883	**199,828**
	633,279	(2,081)	**631,198**

26 EFFECTS OF THE ADOPTION OF HKFRS 9 AND HKFRS 15 (CONTINUED)

(b) HKFRS 9 – impact of adoption (Continued)

Impairment of financial assets

The Group has three types of financial assets at amortised cost subject to HKFRS 9's new expected credit loss model:

- Trade receivables
- Other receivables (excluding prepayments)
- Amounts due from joint ventures, associates and non-controlling interests

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group makes estimates and assumption concerning the futures which are discussed below:

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For amounts due from joint ventures, associates and non-controlling interests already in place at 1 January 2018, the Group has determined that reliably assessing the probability of default at the initial recognition of each amounts due from joint ventures, associates and would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised.

For other receivables (excluding prepayments), the provision for impairment of RMB31,915,000 was recognised as at 1 January 2018.

(c) HKFRS 9 – accounting policies

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

26 EFFECTS OF THE ADOPTION OF HKFRS 9 AND HKFRS 15 (CONTINUED)

(c) HKFRS 9 – accounting policies (Continued)

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains, net, together with foreign exchange gains and losses.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized other gains, net in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

26 EFFECTS OF THE ADOPTION OF HKFRS 9 AND HKFRS 15 (CONTINUED)

(d) HKFRS 15 – impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group applied the modified retrospective approach to adopt HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised in the opening balance sheet on 1 January 2018:

	31 December 2017 (As previously stated under HKAS 18 and HKAS 11) RMB' 000	Reclassifications under HKFRS 15 RMB' 000	**1 January 2018 (Restated under HKFRS 15) RMB' 000**
Balance sheet (extract)			
Receipts in advance	4,507,441	(4,507,441)	—
Contract liabilities	—	4,507,441	**4,507,441**
	4,507,441	—	**4,507,441**

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 30 June 2018		
	Amounts without the adoption of HKFRS 15 RMB' 000	Effects of the adoption of HKFRS 15 RMB' 000	**Amounts as reported RMB' 000**
Balance sheet (extract)			
Receipts in advance	5,872,067	(5,872,067)	—
Contract liabilities	—	5,872,067	**5,872,067**
	5,872,067	—	**5,872,067**

26 EFFECTS OF THE ADOPTION OF HKFRS 9 AND HKFRS 15 (CONTINUED)

(e) HKFRS 15 – accounting policies

(i) Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS18") and HKAS 11 Construction contracts ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

Under HKFRS 15, revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group' s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

(ii) Accounting for costs to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commission incurred directly attributable for obtaining a pre-sale property contract, if recoverable, are capitalised.

(iii) Accounting for significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant.

(iv) Accounting for project management and construction service

For services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group' s performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for these type of contracts. The service contracts do not have a fixed term.

26 EFFECTS OF THE ADOPTION OF HKFRS 9 AND HKFRS 15 (CONTINUED)

(f) HKFRS 15 – Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the balance sheet to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to property sales contracts were previously presented as receipts in advance from customers (RMB4,507,441,000 as at 1 January 2018).

27 SUBSEQUENT EVENT

On 23 August 2018, the Company issued 11% senior notes due in 2020 with an aggregate nominal value of US$200,000,000 at par value (the "11% senior notes due 2020"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$197,000,000. The 11% Senior Notes due 2020 will mature on 29 August 2020, unless redeemed earlier.