力高集團
REDCO GROUP

REDCO PROPERTIES GROUP LIMITED
力 高 地 產 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Profit for the year ended 31 December 2018 increased by 30.9% to RMB1,296.4 million
- Profit attributable to owners of the Company for the year ended 31 December 2018 increased by 14.9% to RMB990.7 million
- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the year ended 31 December 2018 increased by 66.6% to RMB21,986.0 million
- Revenue for the year ended 31 December 2018 increased to RMB6,735.9 million
- Land bank increased to 10.00 million sq.m. as at 31 December 2018 (31 December 2017: 4.89 million sq.m.)
- Basic earnings per share was RMB27.90 cents for the year ended 31 December 2018 (31 December 2017: RMB24.28 cents)
- Weighted average interest rate per annum on capitalised borrowings for the year ended 31 December 2018 decreased to 7.13% from 7.49% for the year ended 31 December 2017
- Cash and cash equivalents and restricted cash as at 31 December 2018 totally amounted to RMB7,865.0 million (31 December 2017: RMB4,905.5 million) and the net debt to capital ratio was 32.4% as at 31 December 2018 (31 December 2017: 33.7%)
- The Board recommended a payment of a final dividend of RMB3 cents per share in cash for the year ended 31 December 2018 (year ended 31 December 2017: RMB3 cents) to be paid to shareholders whose names appear on the Register of Members of the Company on 27 June 2019

The board (the "**Board**") of directors (the "**Directors**") of Redco Properties Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**Year ended 31 December 2018** *RMB'000*	**2017** *RMB'000*
Revenue	4	6,735,931	6,734,067
Cost of sales		(4,348,211)	(5,057,627)
Gross profit		2,387,720	1,676,440
Other gains/(losses), net	5	248,469	(15,803)
Selling and marketing expenses		(183,499)	(195,475)
General and administrative expenses		(424,221)	(233,450)
Fair value gain on investment properties		84,172	359,036
Impairment of goodwill		—	(49,535)
Operating profit		2,112,641	1,541,213
Finance income	6	95,025	44,729
Finance costs	6	(71,662)	(70,945)
Finance income/(cost), net		23,363	(26,216)
Share of profit of investments accounted for using the equity method, net		77,468	82,870
Profit before income tax		2,213,472	1,597,867
Income tax expense	7	(917,044)	(607,735)
Profit for the year		1,296,428	990,132
Profit attributable to:			
Owners of the Company		990,747	862,237
Non-controlling interests		305,681	127,895
		1,296,428	990,132
Earnings per share for profit attributable to owners of the Company for the year			
– Basic and diluted (expressed in RMB cents per share)	10	27.90	24.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Profit for the year	1,296,428	990,132
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
– Currency translation differences	(218,452)	171,999
Total other comprehensive (loss)/income	(218,452)	171,999
Total comprehensive income for the year	1,077,976	1,162,131
Total comprehensive income attributable to:		
– Owners of the Company	773,425	1,032,876
– Non-controlling interests	304,551	129,255
Total comprehensive income for the year	1,077,976	1,162,131

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		221,300	36,489
Investment properties		803,899	434,669
Investments accounted for using the equity method		700,294	1,034,521
Prepayments		60,000	475,236
Deferred income tax assets		459,833	238,931
		2,245,326	2,219,846
Current assets			
Completed properties held for sale		2,133,818	1,564,092
Properties under development for sale		15,680,128	5,728,454
Contract assets		700,000	—
Trade and other receivables and deposits	8	3,371,544	3,082,594
Prepayments	8	1,053,610	964,113
Amounts due from joint ventures		4,844	53,123
Amounts due from associates		364,871	32,719
Amounts due from non-controlling interests		1,414,342	672,675
Income tax recoverable		312,821	180,948
Restricted cash		2,186,139	1,318,450
Cash and cash equivalents		5,678,863	3,587,062
		32,900,980	17,184,230
Assets classified as held for sale		—	467,931
		32,900,980	17,652,161
Total assets		35,146,306	19,872,007

	Note	31 December 2018	31 December 2017
		RMB'000	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves		4,237,813	3,672,089
		4,377,445	3,811,721
Non-controlling interests		2,287,973	797,579
Total equity		6,665,418	4,609,300
LIABILITIES			
Non-current liabilities			
Borrowings		4,912,751	3,982,100
Deferred income tax liabilities		286,051	265,604
		5,198,802	4,247,704
Current liabilities			
Trade and other payables	9	6,323,532	2,156,112
Borrowings		6,146,930	3,261,119
Amounts due to non-controlling interests		2,123,659	116,414
Amount due to an associate		66,000	—
Amounts due to joint ventures		23,756	140,209
Contract liabilities		7,169,457	—
Receipts in advance		—	4,507,441
Income tax liabilities		1,428,752	832,164
		23,282,086	11,013,459
Liabilities directly associated with assets classified as held for sale		—	1,544
		23,282,086	11,015,003
Total liabilities		28,480,888	15,262,707
Total equity and liabilities		35,146,306	19,872,007

NOTES:

1 **General information**

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 are principally engaged in property development, property investment and project management business, healthcare service and trading of construction materials 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**").

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

2 **Basis of preparation**

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

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

3 Accounting policies

(a) New and amended standard adopted by the Group

The Group has adopted the following new, revised and amended standards and interpretations to existing standards that have been issued and are effective for the Group's accounting year beginning on or after 1 January 2018:

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
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle

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 3.1.

Apart from aforementioned HKFRS 9 and HKFRS 15, the other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

(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
Amendments to HKFRS 9	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
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Investment in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvements 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	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 recognised 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 recognised. 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 not 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 and 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.

3.1 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 table shows 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 As previously stated	**HKFRS 9**	**HKFRS 15**	**1 January 2018 (Restated)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet (extract)				
Current assets				
Trade and other receivables and deposits	3,082,594	(31,915)	(700,000)	2,350,679
Contract assets	—	—	700,000	700,000
Current liabilities				
Receipts in advance	4,507,441	—	(4,507,441)	—
Contract liabilities	—	—	4,507,441	4,507,441
Reserves	3,672,089	(22,173)	—	3,649,916
Non-controlling interests	797,579	(9,742)	—	787,837

(b) HKFRS 9 – impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" 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 earnings and non-controlling interests as at 1 January 2018 is as follows:

	31 December 2017 (HKAS 39)	**Increase in provision for impairment of other receivables**	**1 January 2018 (HKFRS 9)**
	RMB'000	*RMB'000*	*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 31 December 2018		
	Amounts without the adoption of HKFRS 9	**Effects of the adoption of HKFRS 9**	**Amounts as reported**
	RMB'000	*RMB'000*	*RMB'000*
Statement of profit or loss (extract)			
Administrative expenses	(405,876)	(18,345)	(424,221)
Profit attributable to:			
– Owners of the Company	1,008,839	(18,092)	990,747
– Non-controlling interest	305,934	(253)	305,681
	1,314,773	(18,345)	1,296,428

Impairment of financial assets

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

- Trade receivables

- Other receivables and deposits (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 assumptions 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 had to assess the probability of default at the initial recognition of each amounts due from joint ventures, associates and non-controlling interests that 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 and deposits (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 amortised 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.

(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 amortised 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 recognised directly in profit or loss and presented in other gains/(losses), 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 recognised 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 recognised as other gains/(losses), 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 other receivables and deposits carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables and contract assets.

(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 table shows the adjustments recognised in the opening balance sheet on 1 January 2018:

	31 December 2017 (As previously stated under HKAS 18 and HKAS 11)	**Reclassifications under HKFRS 15**	**1 January 2018 (Restated under HKFRS 15)**
	RMB'000	*RMB'000*	*RMB'000*
Balance sheet (extract)			
Current assets			
Trade and other receivables and deposits	3,082,594	(700,000)	2,382,594
Contract assets	—	700,000	700,000
Current liabilities			
Receipts in advance	4,507,441	(4,507,441)	—
Contract liabilities	—	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 31 December 2018		
	Amounts without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	RMB'000	*RMB'000*	*RMB'000*
Balance sheet (extract)			
Current assets			
Trade and other receivables and deposits	4,071,544	(700,000)	3,371,544
Contract assets	—	700,000	700,000
Current liabilities			
Receipts in advance	7,169,457	(7,169,457)	—
Contract liabilities	—	7,169,457	7,169,457

(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 (“HKAS 18”) and HKAS 11 Construction contracts (“HKAS 11”) 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.

(e) HKFRS 15 – accounting policies

(i) Accounting for property development activities

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.

(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 assets in relation to sea reclamation service were previously included trade and other receivables and deposits (RMB700,000,000 as at 1 January 2018).

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

4 Revenue and segment information

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

The Executive Directors consider the business from a geographical perspective and assess the performance of property development in 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, property management services (services provided to both internal or external customers) and trading of construction materials.

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

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018						
Revenue from contracts with contracts						
- recognised at a point in time	1,634,976	602,983	4,177,648	3,510	278,387	6,697,504
- recognised over time	701	—	34,215	—	15,712	50,628
Less: Inter-segment revenue	—	—	—	—	(12,201)	(12,201)
Revenue (from external customers)	1,635,677	602,983	4,211,863	3,510	281,898	6,735,931
Segment results	521,751	59,704	1,688,661	(38,562)	(108,582)	2,122,972
Depreciation	(2,877)	(1,907)	(1,712)	(636)	(3,199)	(10,331)
Operating profits/(losses)	518,874	57,797	1,686,949	(39,198)	(111,781)	2,112,641
Share of profit/(loss) of investments accounted for using the equity method, net	78,064	(4,903)	(5,483)	—	9,790	77,468
Finance income	32,783	33,965	16,747	1,186	10,344	95,025
Finance costs	(3,936)	—	—	—	(67,726)	(71,662)
Income tax expense	(208,317)	40,629	(730,546)	28,832	(47,642)	(917,044)
Profit/(loss) for the year	417,468	127,488	967,667	(9,180)	(207,015)	1,296,428
At 31 December 2018						
Total segment assets	9,710,114	8,631,983	11,979,372	1,281,252	3,374,164	34,976,885
Other unallocated corporate assets						169,421
Total assets						35,146,306
Investments accounting for using the equity method	347,123	217,222	—	—	135,949	700,294
Additions to:						
Property, plant and equipment	4,977	4,512	9,094	648	171,319	190,550
Total segment liabilities	(6,164,843)	(4,601,789)	(9,108,750)	(847,195)	(7,758,311)	(28,480,888)

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017						
Total revenue	1,719,155	2,731,163	1,829,283	449,731	18,000	6,747,332
Less: Inter-segment revenue	—	—	—	—	(13,265)	(13,265)
Revenue (from external customers)	1,719,155	2,731,163	1,829,283	449,731	4,735	6,734,067
Segment results	183,385	702,674	634,102	106,165	(78,516)	1,547,810
Depreciation	(2,512)	(438)	(1,283)	(585)	(1,779)	(6,597)
Operating profits/(losses)	180,873	702,236	632,819	105,580	(80,295)	1,541,213
Share of profit of investments accounted for using the equity method, net	77,822	—	—	—	5,048	82,870
Finance income	10,461	21,904	9,046	1,052	2,266	44,729
Finance costs	—	—	—	—	(70,945)	(70,945)
Income tax expense	(80,269)	(284,012)	(176,731)	(9,837)	(56,886)	(607,735)
Profit/(loss) for the year	188,887	440,128	465,134	96,795	(200,812)	990,132
At 31 December 2017						
Total segment assets	3,380,938	4,648,435	8,948,799	1,305,368	1,587,160	19,870,700
Other unallocated corporate assets						1,307
Total assets						19,872,007
Investments accounting for using the equity method	751,436	188,783	—	213	94,089	1,034,521
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)

(a) The Groups revenue consists of the following:

	2018	2017
	RMB'000	*RMB'000*
Sales of properties	6,419,117	6,324,976
Construction and sea reclamation services	34,215	378,443
Project management	3,952	30,648
Trading of construction materials	277,946	—
Healthcare service	701	—
	6,735,931	6,734,067

(b) Analysis of the Group revenue by geographical market is as follows:

	2018	2017
	RMB'000	*RMB'000*
PRC	6,460,872	6,734,067
Hong Kong	275,059	—
	6,735,931	6,734,067

During the year ended 31 December 2018, revenue recognised in relation to the sales of properties to a customer (the "Customer A") accounted for to 12.4% of the Group's revenue. Customer A is a group of companies under common control by two independent third party individuals and not connected with the Group. These individuals had non-controlling interests in certain subsidiaries of the Group. Both their interests and the subsidiaries are not significant to the Group.

Customer A is also an investment partner of the Group for a potential property development project in the PRC. Please refer to Note 9(b).

(c) Details of contract assets is as follows:

	2018	2017
	RMB'000	*RMB'000*
Accrued contract revenue	700,000	—

As of 31 December 2018, the contract assets of RMB700,000,000 are related to sea reclamation service provided to the PRC government and were previously included in trade and other receivables and deposits.

5 Other gains/(losses), net

	2018	2017
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary (note a)	304,271	1,566
Gain on disposal of investment in a joint venture	—	11,752
Re-measurement gains on interests in investments accounted for using the equity method	14,999	—
Gains on bargain purchase arising from acquisition of subsidiaries	—	1,150
Gain on disposal of property, plant and equipment	351	226
Exchange losses	(126,423)	(33,939)
Realised gain on a foreign exchange forward contract	50,475	—
Penalties income	2,804	2,905
Others	1,992	537
	248,469	(15,803)

Note:

(a) On 27 February 2018, the Group completed the disposal of 100% equity interest in Shanghai Mingchang at a consideration of approximately RMB644,644,000 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 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. A disposal gain of RMB304,271,000 has been recognised in the profit or loss.

6 Finance income and costs

	2018	2017
	RMB'000	*RMB'000*
Finance income from bank deposits	32,512	19,012
Finance income from loans to an associate and non-controlling interests	57,883	25,717
Finance income from a loan to a third party	4,630	—
	95,025	44,729
Finance costs on bank and other borrowings	719,022	351,920
Finance costs on loan from non-controlling interests	20,938	—
Less: finance costs capitalised in qualifying assets	(681,580)	(339,006)
	58,380	12,914
Finance charges on early redemption of senior notes	13,282	58,031
	71,662	70,945
Weighted average interest rate on capitalised borrowings (per annum)	7.13%	7.49%

7 Income tax expense

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the year ended 31 December 2018 (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 year ended 31 December 2018 (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.

	2018	**2017**
	RMB'000	*RMB'000*
Current income tax		
-PRC corporate income tax	747,694	392,597
-PRC land appreciation tax	381,902	179,038
Deferred income tax	(212,552)	36,100
	917,044	607,735

8 Trade receivables, other receivables, deposits and prepayments

	2018	2017
	RMB'000	*RMB'000*
Trade receivables, other receivables and deposits:		
Trade receivables (Note a and b)	263,682	147,910
Accrued contract revenue	—	700,000
	263,682	847,910
Other receivables (Note b)	2,119,885	1,117,961
Loans receivables	212,412	—
Receivables in relation to the disposal of a subsidiary	150,000	—
Deposits with local real estate associations	555,791	1,109,331
Deposits with labour department	10,275	2,645
Deposits with treasury bureau	109,759	4,747
	3,158,122	2,234,684
Less provision for impairment	(50,260)	—
	3,107,862	2,234,684
	3,371,544	3,082,594
Prepayments:		
Prepaid other taxes	127,688	26,623
Prepayments of purchase of property, plant and equipment	—	475,236
Prepayments for construction costs	29,757	4,888
Prepayments for land use rights	850,865	678,602
Prepayments for acquisitions of subsidiaries	45,300	254,000
Prepayments for investment in an associate	60,000	—
	1,113,610	1,439,349
Less: Non-current portion		
- prepayment for purchase of property, plant and equipment	—	(475,236)
- prepayment for investment in an associate	(60,000)	—
	1,053,610	964,113

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.

(b) The amounts included in trade receivable of RMB193,343,000 and other receivables of RMB338,143,000 were due from the Customer A disclosed in (Note 4(b)).

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

	2018	**2017**
	RMB'000	*RMB'000*
0 - 30 days	197,142	95,312
31 - 60 days	—	9,130
61 - 90 days	2,370	16,660
91 - 180 days	6,111	7,888
Over 180 days	58,059	18,920
	263,682	147,910

As at 31 December 2018, trade receivables of RMB46,673,000 (2017: RMB140,590,000) were overdue but not impaired. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. These receivables relate to certain customers that are financially viable. The expected losses rate is minimal, given there is no history of significant defaults from customers and in-significant impact from forward-looking estimates. No provision was made against the gross amount of trade receivables (2017: Nil).

The ageing analysis of those trade receivables which were overdue but not impaired was as follows:

	2018	**2017**
	RMB'000	*RMB'000*
0 - 30 days	31,920	88,712
31 - 60 days	311	9,130
61 - 90 days	—	16,660
91 - 180 days	370	7,888
Over 180 days	14,072	18,200
	46,673	140,590

(d) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free and repayable on demand.

(e) The carrying amounts of the Group's trade receivables and other receivables and deposits are denominated in the following currencies.

	2018	**2017**
	RMB'000	*RMB'000*
RMB	3,249,980	3,082,594
HK$	102,564	—
US$	19,000	—
	3,371,544	3,082,594

9 Trade and other payables

	2018	**2017**
	RMB'000	*RMB'000*
Trade payables (Note a)	2,372,836	1,401,828
Accruals and other payables (Note b)	3,079,036	298499
Other taxes payables	709,872	364,314
Deposit received for the sale of a subsidiary	—	67,180
Dividend payables	52,337	6,907
Salary payables	7,004	2,246
Interest payables	97,881	15,138
Rental deposits received	4,566	—
	6,323,532	2,156,112

Note:

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

	2018	2017
	RMB'000	*RMB'000*
0 - 30 days	1,984,378	1,348,561
31 - 60 days	72,850	418
61 - 90 days	90,922	13,859
Over 90 days	224,686	38,990
	2,372,836	1,401,828

(b) The other payables included an advance of RMB1,872,137,000 (2017: Nil) from an investment partner, which is also a customer (Note 4(b)), of the Group for a potential property development project to be developed in the PRC.

The advance is unsecured, non-interest bearing and has no repayment term.

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

10 Earnings per share

The basic earnings per share for the year ended 31 December 2018 is calculated based on the profit attributable to owners of the Company.

	2018	2017
Profit attributable to owners of the Company (RMB'000)	990,747	862,237
Weighted average number of shares in issue	3,551,609,322	3,551,609,322
Basic earnings per share (RMB cents)	27.90	24.28

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the year ended 31 December 2018 and 2017.

11 Dividends

A final dividend for the year ended 31 December 2018 of RMB3 cents (2017: RMB3 cents) per ordinary share, totally approximately RMB106,548,000 (2017: RMB106,548,000) has been recommended by the Board for approval at the forthcoming annual general meeting of the Company. The proposed final dividend has not been dealt with as dividend payable as at 31 December 2018.

12 Subsequent events

On 10 January 2019, the Company issued 13.5% senior notes due 2020 with an aggregate nominal value of US$250,000,000 at par value (the "**13.5% 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$247,000,000. The 13.5% Senior Notes due 2020 will mature on 21 January 2020, unless redeemed earlier.

On 27 March 2019, the Company entered into a facility agreement with certain financial institutions in respect of a US$175,000,000 term loan facility with a term of 36 months from the date of the facility agreement and at an interest rate of London Inter-bank Offered Rate plus 5.1% per annum.

BUSINESS OVERVIEW

Overview

In 2018, the Group responded to market changes, adopted a proactive investment strategy, improved product construction capabilities and marketing capabilities, and achieved good sales performance, showing a strong and healthy development trend.

The contracted sales of the Group and its associated entities Companies in 2018 reached approximately RMB21.99 billion, and the contracted sales area was approximately 2.49 million sq.m, representing an increase of 66.6% and 99.7% compared to the corresponding period respectively.

For the years ended 31 December 2017 and 2018, the Group recorded a revenue of RMB6,734.1 million and RMB6,735.9 million respectively. Profit attributable to owners of the Company for the years ended 31 December 2017 and 2018 was RMB862.2 million and RMB990.7 million, respectively. The increase in revenue is mainly attributable to the increase in gross floor area ("**GFA**") delivered and the increase in averege sales price.

The Group has consistently adopted a prudent financial strategy to maintain a reasonable capital structure and gearing level. As at 31 December 2018 and 31 December 2017, the Group's cash and cash equivalents were RMB5,678.9 million and RMB3,587.1 million, respectively, and the net debt to capital ratio was 32.4% and 33.7%, respectively.

Increase reserve of quality land to achieve leap-forward corporate development

Land reserve has become an important competitive power of enterprises. The Group adheres to its urban layout strategy, seised market opportunities during the year and implemented investment strategies efficiently. During the year, we extended our operation into four developing cities, namely Wuhan, Hubei, Ningbo, Zhejiang, Suzhou, Jiangsu and Nantong, Jiangsu. We obtained a number of quality projects and increased our reserve of quality land significantly. As of 31 December 2018, the Group's total land reserve is approximately 10.0 million sq.m.

Established clear development goals and efficient operating system

2018 is the first year of Redco's three-year development plan. The Group has formulated a clear and concrete business strategy, development strategy, product strategy, and Redco's standardised development model, laying a solid foundation for the Group's leap-forward development in the future. Management standards were strengthened during the year, various professional management systems were also improved and upgraded. Leveraging these advancements, an efficient operation management framework is successfully established to enhance the operational efficiency of the Company.

Brand upgrade achieved as corporate reputation enhanced

On the "2018 China real estate brand value study findings press conference" jointly organised by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy, the Redco Group was honored with two prestigious ranking: "Top 10 Professional Leading Brands in Residential Property Development in the PRC – quality residential property", as well as "Top 10 Professional Leading Brands in Southern China Residential Property Development", and our brand is valued at RMB5.083 billion. Shenzhen UG Property Management Co., Ltd., a subsidiary of the Group, ranked 68th among the "Top 100 Property Management Service Enterprises in the PRC". Royal Family, the Hefei project managed by UG was recognised as a "2018 Five-star Property Service Community in the PRC".

During the year, the Group held a brand launch conference of "Good Life Home (美好生活家)", and communicated the core spirit and clear brand development strategy of "finely creating and enjoying life" to the community, which further enhanced the Company's reputation. In the future, the accumulation of brand value and influence of the Redco Group will continue to drive the healthy and steady development of the Company.

Vigorous diversified business development

This year, the Group will continue to invest in the real estate sector while expanding its real estate extension business. We officially established the Redco Dynamic Investment Group as part of our rapid diversified business expansion efforts. During the year, the Group has established strategic co-operation with a number of well-known enterprises, such as the Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Sciences, and continuously instill new energy into the steady development of the Company. Our healthcare takes the construction and operation of community healthcare comprehensive service platform as the entry point, and introduce the high-quality community healthcare management model to the property owners. The model gradually becoming an independent and complete advanced healthcare service business operation model and creating new business value, adding value to our core business.

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 31 December 2018, the Group and its associated entities property portfolio comprised 56 property development and investment projects with an aggregate GFA of 9,996,412.8 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 31 December 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			
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	2,412.5
Bluelake County 瀾湖郡	135,285.0	286,794.7	20,055.3
Riverlake International 濱湖國際	68,373.0	205,846.3	10,262.2
Imperial Mansion 君御華府	41,993.3	109,826.6	8,370.3
Imperial Metropolis 君御都會	84,093.3	227,119.0	42,730.7
Bluelake International 瀾湖國際	47,151.0	177,260.7	8,021.6
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	66,338.9

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
The Garden of Spring 十里春風	30,378.0	15,859.5	13,616.4
Scenery Bay 麗景灣	51,919.0	134,567.6	134,567.6
Delight Scenery 悦景台	62,455.0	122,609.9	122,609.9
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,057.2	412,057.2
Life Sunshine Town 生命陽光城	33,396.4	50,181.8	50,181.8
The Phoenix 鳳凰新天	16,295	89,130	89,130
Golden Mansion 金尊府	92,314.0	174,063.8	174,063.8
Royal City 君譽城	225,296.0	641,918.9	641,918.9
GANZHOU			
Fifth Avenue 贛州第五大道	107,814.9	623,500.0	623,500.0
TIANJIN			
Sunshine Coast 陽光海岸	481,394.0	1,475,226.0	1,110,766.5
Land Lot Nos. A1 and A2 A1及A2號地塊	69,336.2	55,469.0	55,469.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Perfection Ocean 理想海	159,465.9	175,339.6	175,339.6
Luminescence Ocean 拾光海	68,830.4	130,921.7	130,921.7
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	—
Bluelake County 瀾湖郡	68,066.0	237,534.7	13,654.0
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	33,303.9
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

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
YANTAI			
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	186,470.8	103,722.4
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	68,241.9	38,813.3
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,270.1	7,612.8
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,770.0	213,770.0
HEFEI			
Mix Kingdom Redco 力高•共和城	395,596.4	871,735.3	79,496.4
Prince Royal Family 君御世家	88,025.5	299,699.5	41,277.8
Royal International 君御國際	43,873.0	128,301.1	128,301.1
Bluelake City 瀾湖前城	76,058.8	228,000.0	228,000.0
Royal View City 御景前城	67,931	190,794.8	190,794.8
FU YANG			
Funan Huaan City 阜南華安城	165,601.0	375,870.6	375,870.6
Linquan Huaan City 臨泉華安城	299,888.0	833,522.4	833,522.4

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
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	14,907.1
Majestic Mansion 天悦華府	88,319.8	171,000.0	171,000.0
Royal Family 君御世家	27,588.1	78,593.0	78,593.0
SHENZHEN			
Royal International 力高君御花園	33,035.3	177,640.0	11,615.2
Xilong 熙瓏山	66,665.0	286,659.0	286,659.0
NANTONG			
Jinhai Mansion 靜海府	56,499.6	101,210.3	101,210.3

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
ZHONGSHAN			
Royal Family 君御世家	30,819.5	95,889.0	95,889.0
Bluelake Landmark 瀾湖峯景	28,112.5	75,414.0	75,414.0
QUAN ZHOU			
Bayview 觀悅灣	18,306.0	57,700.0	57,700.0
SUZHOU			
雲彩基地	10,900.2	106,978.0	106,978.0
LIANYUENGANG			
Yuchau Mansion 郁洲府	85,234.0	314,725.2	314,725.2
MEIZHOU			
Ninjiang New City 寧江新城	42,000.0	136,000.0	136,000.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
AUSTRALIA			
Prime	15,830.0	56,579.0	56,579.0
TOTAL			**9,996,412.8**

1. Information for "site area" is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).

2. "Total GFA" is based on surveying reports, construction works commencement permits and/or construction works planning permits or the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.

3. "Total GFA under various stages of development remaining unsold" include the GFA of the completed projects remaining unsold, GFA of projects under development and the GFA of projects for future development.

Financial Review

Revenue

Revenue for the year ended 31 December 2018 increased to RMB6,735.9 million from RMB6,734.1 million for the year ended 31 December 2017. Such increase was primarily attributable to the increase in our GFA delivered for the residential property for Bluelake County and Imperial Mansion in Jinan, Royal Family in Nanchang and Sunshine Coast in Tianjin, and was partially offset by the decrease in the GFA delivered for Mix Kingdom Redco and Prince Royal family in Hefei and Riverlake International in Nanchang. Total GFA delivered increased by 1.2% to 868,680 sq.m for the year ended 31 December 2018 from 858,197 sq. m for the year ended 31 December 2017. The increase in our total revenue was also increased by the recognised average selling price (the "**ASP**") for the properties delivered in the year ended 31 December 2018. The ASP for properties delivered increased to RMB7,430 for the year ended 31 December 2018 from RMB7,370 for the year ended 31 December 2017, representing a 0.8% increase which was primarily due to the increase in GFA delivered in Bluelake County in Jinan and Sunshine Coast in Tianjin which recognised a relatively higher ASP as compared with other property development projects of the Group in 2017.

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

	For the year ended 31 December					
	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						
– Properties Sales	1,634,976	1,693,241	230,541	208,859	7,095	8,107
– Project management services	—	25,914	—	—	—	—
Central and Western Regions						
– Properties sales	602,983	2,731,163	91,604	395,956	6,582	6,898
Bohai Economic Rim						
– Primary land development	—	269,118	—	—	—	—
– Construction service*	34,215	109,324	—	—	—	—
– Properties sales	4,177,648	1,450,841	546,369	243,760	7,709	5,952
Pearl River Delta Region						
– Properties sales	3,510	449,731	166	9,622	21,184	46,741
Others						
– Project management services	3,952	4,735	—	—	—	—
– Trading of construction materials	277,946	—	—	—	—	—
– Healthcare service	701	—	—	—	—	—
Total	6,735,931	6,734,067	868,680	858,197	7,430	7,370

* *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 0.3% to RMB1,635.0 million for the year ended 31 December 2018 from RMB1,693.2 million for the year ended 31 December 2017. Such decrease was primarily attributable to the decrease in ASP for the properties delivered for Royal Family in Nanchang and net-off with the increase in GFA delivered in Royal Family in Nanchang.

- Central and Western Regions: segment revenue for the Central and Western Regions decreased significantly by 77.9% to RMB603.0 million for the year ended 31 December 2018 from RMB2,731.2 million for the year ended 31 December 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 for the Bohai Economic Rim increased by 187.9% to RMB4,177.6 million for the year ended 31 December 2018 from RMB1,450.8 million for the year ended 31 December 2017. Such increase was primarily due to the increase in the GFA delivered in Bluelake County and Imperial Mansion in Jinan and Sunshine Coast in Tianjin and also the increase in ASP for Bluelake County in Jinan.

- Pearl River Delta Region: segment revenue for the Pearl River Delta Region decreased by 99.2% to RMB3.5 million for the year ended 31 December 2018 compared to RMB449.7 million for the year ended 31 December 2017. Such decrease was mainly due to the decrease in the GFA delivered for Royal International in Shenzhen.

- Others: It mainly represents the trading of construction materials, the rental income and the service income from the project management service.

Cost of sales

Cost of sales decreased by 14.0% to RMB4,348.2 million for the year ended 31 December 2018 from RMB5,057.6 million for the year ended 31 December 2017. Such decrease was primarily due to the decrease in average land acquisition cost per sq. m. delivered to RMB1,114 for the year ended 31 December 2018 from RMB2,173 for the year ended 31 December 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 and the increase in the GFA delivered for Sunshine Coast in Jianjin with a relatively lower land acquisition costs.

Gross profit

Gross profit increased by 42.4% to RMB2,387.8 million for the year ended 31 December 2018 from RMB1,676.4 million for the year ended 31 December 2017. Our gross profit margin increased to 35.4% for the year ended 31 December 2018 from 24.9% for the year ended 31 December 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/(losses), net

Other gains/(losses), net increased to a net gain of RMB248.5 million for the year ended 31 December 2018 from a net loss of RMB15.8 million for the year ended 31 December 2017. Such increase was primarily attributable to the gain from (a) the disposal gain of a commercial properties project company for RMB304.3 million and (b) the realised gain from the US$ forward contract of RMB50.5 million and net-off by exchange losses for RMB126.4 million for the year ended 31 December 2018 which the exchange loss was RMB33.9 million and no gain from disposal of a subsidiary and forward contract in 2017.

Selling and marketing expenses

Selling and marketing expenses decreased by 6.1% to RMB183.5 million for the year ended 31 December 2018 from RMB195.5 million for the year ended 31 December 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 control in the marketing promotion activities expenses 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 81.7% to RMB424.2 million for the year ended 31 December 2018 from RMB233.5 million for the year ended 31 December 2017. Such increase was primarily due to the increase in legal expenses, staff cost 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 rental income. The fair value gain decreased by 76.6% to RMB84.2 million for the year ended 31 December 2018 from RMB359.0 million for the year ended 31 December 2017. Such decrease mainly due to the first year for Tianjin culture park transferred to the investment property in 2017, therefore, the fair value gain was smaller for the year ended 31 December 2018.

Impairment of goodwill

No impairment of goodwill for the year ended 31 December 2018. The impairment of goodwill amounting to RMB49.5 million for the year ended 31 December 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 this goodwill was fully impaired in 2017.

Operating profit

As a result of the foregoing, operating profit increased by 37.1% to RMB2,112.6 million for the year ended 31 December 2018 from RMB1,541.2 million for the year ended 31 December 2017.

Finance income

Finance income increased by 112.5% to RMB95.0 million for the year ended 31 December 2018 from RMB44.7 million for the year ended 31 December 2017. Such increase was primarily attributable to the increase in finance income from loans to non-controlling interests, an associate and a third party in 2018 and the increase in the interest income from bank deposits.

Finance costs

Finance costs increased by 1% to RMB71.7 million for the year ended 31 December 2018 from RMB70.9 million for the year ended 31 December 2017. Such slightly 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 decreased to RMB77.5 million for the year ended 31 December 2018 from RMB82.9 million for the year ended 31 December 2017. Such decrease was primarily due to (a) the profit decreased by the GFA delivery in Bluelake International in Nanchang, which was a joint-controlled real estate development project and becomes a subsidiary of the Group from 1 July 2018 and; (b) the decrease in share of profit in relation to the fair value gain from the investment property held by Redco Industry (Jiangxi) Co., Ltd..

Profit before income tax

As a result of the foregoing, profit before income tax for the year ended 31 December 2018 increased to RMB2,213.5 million from RMB1,597.9 million for the year ended 31 December 2017.

Income tax expense

Income tax expense increased by 50.9% to RMB917.0 million for the year ended 31 December 2018 from RMB607.7 million for the year ended 31 December 2017. Such increase was primarily due to the reversal of a over provision of PRC land appreciation tax in prior years 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 the disposal of a subsidiary.

Profit for the year ended 31 December 2018

As a result of the foregoing, profit for the year ended 31 December 2018 increased by 30.9% to RMB1,296.4 million from RMB990.1 million for the year ended 31 December 2017. The profit for the year ended 31 December 2018 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB417.5 million, Central and Western Regions of RMB127.5 million and Bohai Economic Rim of RMB967.7 million, which was partially off set by loss of Pearl River Delta Region of RMB9.2 million and Others segment for RMB207.1 million.

Profit for the year ended 31 December 2018 attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of the Company increased by 14.9% to RMB990.7 million for the year ended 31 December 2018 from RMB862.2 million for the year ended 31 December 2017. Profit attributable to non-controlling interests increased to RMB305.7 million for the year ended 31 December 2018 as compared with RMB127.9 million for the year ended 31 December 2017 which was mainly due to the increase in the profit from property development projects with other investors.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB5,678.9 million (31 December 2017: RMB3,587.1 million) and restricted cash of RMB2,186.1 million (31 December 2017: RMB1,318.5 million) as at 31 December 2018. As at 31 December 2018, the Group's cash and cash equivalents were denominated in Hong Kong dollar ("**HK$**"), RMB, United States dollar ("**US$**") and Australian dollar ("**AUD**").

Borrowings

As at 31 December 2018, the Group had borrowings of approximately RMB11,059.7 million (31 December 2017: RMB7,243.2 million).

	2018	2017
	RMB'000	*RMB'000*
Long-term bank borrowings, secured	3,549,978	3,982,100
11% Senior Notes due 2020, secured	1,362,773	—
Non-current borrowings, secured	4,912,751	3,982,100
Short-term bank borrowings, secured	592,540	472,300
7% Senior Notes due 2018, secured	—	1,622,697
6.375% Senior Notes due 2019 , secured	2,048,688	—
8% Private Notes due August 2019, secured	108,534	—
	2,749,762	2,094,997
Portion of term loan from bank, secured		
– due for repayment within one year	3,246,900	1,002,286
– due for repayment within one year which contain a repayment on demand clause	24,500	24,500
– due for repayment after one year which contain a repayment on demand clause	125,768	139,336
Current bank borrowings, secured	6,146,930	3,261,119
Total borrowings	11,059,681	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:

	2018	**2017**
	RMB'000	*RMB'000*
Amounts of borrowings that are repayable:		
– Within 1 year	6,021,162	3,121,783
– Between 1 and 2 years	4,553,060	2,113,509
– Between 2 and 5 years	485,459	2,007,927
	11,059,681	7,243,219

As at 31 December 2018, the Group's borrowings were denominated in RMB, HK$ and US$.

As at 31 December 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 year ended 31 December 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 31 December 2018, the Group's net debt to capital ratio was 32.4% (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 consolidated balance sheet, plus net debt.

Net current assets and current ratio

As at 31 December 2018, the Group's net current assets amounted to approximately RMB9,618.9 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 1.4 times as at 31 December 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 7.13% for the year ended 31 December 2018 from 7.49% for the year ended 31 December 2017.

Contingent liabilities

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

	2018	**2017**
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	5,932,804	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 31 December 2018 and 2017. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

The Company provides a corporate guarantee of AUD70,000,000 to a joint venture of the Group for a loan facility which was fully utilised by the joint venture. The Directors of the Company are of the opinion that it is not probable that the above guarantee will be called upon and the guarantee measured at fair value is immaterial.

Employees and Remuneration policies

As at 31 December 2018, the Group had a total of approximately 978 employees (31 December 2017: 950 employees). For the year ended 31 December 2018, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB303.2 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted a share option scheme on 14 January 2014. Further information of such share option scheme is available in the annual report of the Company for the year ended 31 December 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 year ended 31 December 2018.

Charge on assets

As at 31 December 2018, the Group had aggregate banking facilities of approximately RMB13,295.4 million (31 December 2017: RMB7,944.2 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 31 December 2018 amounted to RMB1,340.7 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 RMB644,644,000 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. A disposal gain of RMB304.3 million has been recognised in the profit or loss.

Save as disclosed, no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2018.

Important event affecting the group after the reporting period

On 10 January 2019, the Company issued 13.5% senior notes due 2020 with an aggregate nominal value of US$250,000,000 at par value (the "13.5% 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$247,000,000. The 13.5% Senior Notes due 2020 will mature on 21 January 2020, unless redeemed earlier.

On 27 March 2019, the Company entered into a facility agreement with certain fiancial institutions in respect of a US$175,000,000 term loan facility with a term of 36 months from the date of the facility agreement and at an interest rate of London Inter-bank offered Rate plus 5.1% per annum.

Save as disclosed, no other important event affecting the Group has taken place since 31 December 2018 and up to the date of this announcement.

Future plans for material investments or capital assets

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

Outlook

Under the Central Government's regulation and central objective of "no speculation of residential properties", it is expected that the real estate market development will remain stable in 2019 with occasional volatility. In 2019, the Group will develop around the dual themes of "Constant" and "Dynamic". We shall remain constant on our business philosophy of "focusing on capital-based operation and achieving high turnover of quality products". At the same time, we shall be "Dynamic" as to maintain our "sensitivity" in the face of ever-changing market environment, adjusting our response and roll out corresponding business strategies.

The Group will continue to firmly implement its real estate investment strategy, attach great importance to the in-depth exploration of opportunities in the key second-tier cities where we have established our businesses. We shall increase investment in Greater Bay Area and make land acquisition through a combination of various methods. Financially, we shall toe a prudent and steady line, explore multi-channel financing and lay a solid foundation for the Company's growth in business scale and sustainable development. We shall continue to aim for diversification of our properties, adhere to the principle of diversified light-weight assets development, adopt a variety of flexible mechanisms to further our development progress.

Our assessment and incentive mechanism stresses performance-based merits, and aim to promote the enthusiasm and motivation of our project companies as the Group's frontline congregations. Moreover, products need to be constantly upgraded to improve their core competitiveness, whereas customer service system shall be refined to lift customer's level of satisfaction. We share enhance the echelon formation, continuously implement talent programmes, optimize organization structure, as well as enhance the efficiency of each staff menber. All these measures will further stimulate the growth of the Redco Group, setting it on the path of high-speed development.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB3 cents per share for the year ended 31 December 2018 (year ended 31 December 2017: RMB3 cents) to the Shareholders whose names appear on the Register of Members of the Company on 27 June 2019. The final dividend is subject to the approval of the Shareholder at annual general meeting to be held on 21 June 2019 ("**AGM**") and will be payable on or around 9 July 2019. The proposed final dividend shall be declared in RMB and paid in HK$. The final dividend payable in HK$ will be converted from RMB at the average exchange rate of HK$ against RMB announced by the People's Bank of China on 21 June 2019.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming AGM to be held on Friday, 21 June 2019, the register of members of the Company will be closed on Tuesday, 18 June 2019 to Friday, 21 June 2019, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 17 June 2019.

(b) For the purpose of determining shareholders of the Company who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 27 June 2019. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 26 June 2019.

THE CORPORATE GOVERNANCE CODE

The Company has 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 year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

On 23 August 2018, the Company issued Senior Notes due 2020 with principal amount of US$200,000,000 at a coupon rate of 11.0% per annum for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the Senior Notes due 2020 are disclosed in the announcements of the Company dated 24 August 2018.

On 17 September 2018, the Company redeemed US$200,000,000 in principal amount of the 7% Senior Notes due 2018 (the "Partial Redemption"). Upon completion of the Partial Redemption, the outstanding principal amount of the 7% Senior Notes due 2018 was US$50,000,000 was mature and repaid on 14 November 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 year ended 31 December 2018.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") which comprises four Independent Non-Executive Directors, namely, Mr. Chow Kwong Fai, Edward, JP, Dr. Wong Yau Kar, David GBS, BBS, JP, Mr. Chau On Ta Yuen SBS, BBS and Mr. Yip Tai Him. Mr. Chow Kwong Fai, Edward, JP is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results for the year ended 31 December 2018.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE 2018 FINAL RESULTS ANNOUNCEMENT AND 2018 ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2019

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