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REDCO PROPERTIES GROUP LIMITED

力高地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

FINANCIAL HIGHLIGHTS

- Profit attributable to owners of the Company for the six months ended 30 June 2019 increased by 10.9% to RMB478.3 million
- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the six months ended 30 June 2019 increased by 79.3% to RMB10,910.9 million
- Revenue for the six months ended 30 June 2019 increased by 2.8% to RMB1,787.3 million
- Profit for the six months ended 30 June 2019 decreased by 8.8% to RMB575.8 million
- Land bank increased by 24.3% to 12.4 million sq. m. as at 30 June 2019 (31 December 2018: 10.0 million sq.m.)
- Basic earnings per share was RMB13.47 cents for the six months ended 30 June 2019 (30 June 2018: RMB12.15 cents)
- Cash and cash equivalents and restricted cash as at 30 June 2019 amounted to RMB10,854.6 million (31 December 2018: RMB7,865.0 million) and the net debt to equity ratio was 39.7% as at 30 June 2019 (31 December 2018: 47.9%)

The board (the “**Board**”) of directors (the “**Directors**”) of Redco Properties Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019, together with comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
	<i>Note</i>	2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	4	1,787,344	1,738,473
Cost of sales		<u>(875,096)</u>	<u>(1,073,118)</u>
Gross profit		912,248	665,355
Other gains, net	5	247,556	310,807
Selling and marketing expenses		(170,737)	(62,683)
General and administrative expenses		(238,755)	(170,679)
Fair value gain on investment properties		<u>110,105</u>	<u>44,751</u>
Operating profit		860,417	787,551
Finance income	6	63,526	44,644
Finance costs	6	<u>(9,088)</u>	<u>(42,504)</u>
Finance income, net		<u>54,438</u>	<u>2,140</u>
Share of (loss)/profit of investments accounted for using the equity method, net		<u>(47,069)</u>	<u>85,372</u>
Profit before income tax		867,786	875,063
Income tax expense	7	<u>(291,982)</u>	<u>(243,865)</u>
Profit for the period		<u><u>575,804</u></u>	<u><u>631,198</u></u>
Profit attributable to:			
Owners of the Company		478,314	431,370
Non-controlling interests		<u>97,490</u>	<u>199,828</u>
		<u><u>575,804</u></u>	<u><u>631,198</u></u>
Earnings per share attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	11	<u><u>13.47</u></u>	<u><u>12.15</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	<u>575,804</u>	<u>631,198</u>
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
– Currency translation differences	<u>22,859</u>	<u>(58,330)</u>
Other comprehensive income/(loss) for the period	<u>22,859</u>	<u>(58,330)</u>
Total comprehensive income for the period	<u><u>598,663</u></u>	<u><u>572,868</u></u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	<u>501,302</u>	<u>373,273</u>
– Non-controlling interests	<u>97,361</u>	<u>199,595</u>
Total comprehensive income for the period	<u><u>598,663</u></u>	<u><u>572,868</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2019

		30 June 2019	31 December 2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment		238,299	221,300
Investment properties		1,007,857	803,899
Intangible asset		160,902	—
Goodwill		175,090	—
Investments accounted for using the equity method		970,070	700,294
Prepayments	8	4,000	60,000
Deferred income tax assets		594,334	459,833
		3,150,552	2,245,326
		3,150,552	2,245,326
Current assets			
Completed properties held for sale		1,728,696	2,133,818
Properties under development for sale		19,964,752	15,680,128
Contract assets		700,000	700,000
Trade and other receivables and deposits	8	3,448,104	3,371,544
Prepayments	8	1,194,435	1,053,610
Amounts due from joint ventures		411,676	4,844
Amounts due from associates		113,850	364,871
Amounts due from non-controlling interests		836,449	1,414,342
Income tax recoverable		468,341	312,821
Restricted cash		2,538,257	2,186,139
Cash and cash equivalents		8,316,373	5,678,863
		39,720,933	32,900,980
		39,720,933	32,900,980
Total assets		42,871,485	35,146,306

		30 June	31 December
	<i>Note</i>	2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves		4,596,351	4,237,813
		<u>4,735,983</u>	<u>4,377,445</u>
Non-controlling interests		<u>2,457,775</u>	<u>2,287,973</u>
Total equity		<u><u>7,193,758</u></u>	<u><u>6,665,418</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings	10	8,166,256	4,912,751
Deferred income tax liabilities		310,349	286,051
		<u>8,476,605</u>	<u>5,198,802</u>
Current liabilities			
Trade and other payables	9	6,828,585	6,323,532
Borrowings	10	5,546,902	6,146,930
Amounts due to non-controlling interests		2,351,687	2,123,659
Amounts due to associates		198,067	66,000
Amounts due to joint ventures		265,827	23,756
Contract liabilities		10,595,534	7,169,457
Income tax liabilities		1,414,520	1,428,752
		<u>27,201,122</u>	<u>23,282,086</u>
Total liabilities		<u><u>35,677,727</u></u>	<u><u>28,480,888</u></u>
Total equity and liabilities		<u><u>42,871,485</u></u>	<u><u>35,146,306</u></u>

NOTES:

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 2019 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 2018, 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 2018, 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 new standard, amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2019 and currently relevant to the Group:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) Int-23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Investment in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements 2015 – 2017 Cycle

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

- (b) The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	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

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, healthcare service 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 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.

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended						
30 June 2019 (Unaudited)						
Revenue						
Revenue from contracts						
– recognised at a point in time	169,010	819,252	182,530	67,487	1,187	1,239,466
– recognised over time	1,031	—	256,647	—	290,200	547,878
	<u>170,041</u>	<u>819,252</u>	<u>439,177</u>	<u>67,487</u>	<u>291,387</u>	<u>1,787,344</u>
Profit for the period						
Segment results	142,028	179,810	206,770	(1,349)	342,096	869,355
Depreciation	(1,282)	(1,274)	(836)	(346)	(5,200)	(8,938)
Operating profit/(loss)	140,746	178,536	205,934	(1,695)	336,896	860,417
Share of (loss)/profit of investments accounted for using the equity method, net	(39,185)	(9,342)	—	—	1,458	(47,069)
Finance income	18,183	16,594	6,797	491	21,461	63,526
Finance costs	—	—	—	—	(9,088)	(9,088)
Income tax expense	(89,030)	(96,773)	(63,050)	(4,208)	(38,921)	(291,982)
Profit/(loss) for the period	<u>30,714</u>	<u>89,015</u>	<u>149,681</u>	<u>(5,412)</u>	<u>311,806</u>	<u>575,804</u>

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Pearl River Delta Region	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended						
30 June 2018 (Unaudited)						
Revenue						
Revenue from contracts						
– recognised at a point in time	715,758	222,446	768,733	—	—	1,706,937
– recognised over time	—	—	27,890	—	3,646	31,536
	<u>715,758</u>	<u>222,446</u>	<u>796,623</u>	<u>—</u>	<u>3,646</u>	<u>1,738,473</u>
Profit for the period						
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/(loss)	190,823	35,635	629,374	(26,058)	(42,223)	787,551
Share of profit/(loss) 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/(loss) for the period	<u>215,097</u>	<u>121,735</u>	<u>390,740</u>	<u>1,297</u>	<u>(97,671)</u>	<u>631,198</u>

	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 2019 (Unaudited)						
Total segment assets	<u>8,107,807</u>	<u>11,356,223</u>	<u>14,538,832</u>	<u>1,711,405</u>	<u>6,974,662</u>	42,688,929
Other unallocated corporate assets						<u>182,556</u>
Total assets						<u>42,871,485</u>
Investments accounted for using the equity method	<u>171,140</u>	<u>387,878</u>	<u>—</u>	<u>—</u>	<u>411,052</u>	<u>970,070</u>
Additions to:						
Property, plant and equipment	<u>2,059</u>	<u>463</u>	<u>5,957</u>	<u>155</u>	<u>14,881</u>	<u>23,515</u>
Total segment liabilities	<u>(4,054,030)</u>	<u>(8,252,656)</u>	<u>(10,928,191)</u>	<u>(1,177,565)</u>	<u>(11,265,285)</u>	<u>(35,677,727)</u>
As at 31 December 2018 (Audited)						
Total segment assets	<u>9,710,114</u>	<u>8,631,983</u>	<u>11,979,372</u>	<u>1,281,252</u>	<u>3,374,164</u>	34,976,885
Other unallocated corporate assets						<u>169,421</u>
Total assets						<u>35,146,306</u>
Investments accounted for using the equity method	<u>347,123</u>	<u>217,222</u>	<u>—</u>	<u>—</u>	<u>135,949</u>	<u>700,294</u>
Additions to:						
Property, plant and equipment	<u>4,977</u>	<u>4,512</u>	<u>9,094</u>	<u>648</u>	<u>171,319</u>	<u>190,550</u>
Total segment liabilities	<u>(6,164,843)</u>	<u>(4,601,789)</u>	<u>(9,108,750)</u>	<u>(847,195)</u>	<u>(7,758,311)</u>	<u>(28,480,888)</u>

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Analysis of revenue		
Sales of properties	1,239,466	1,706,937
Construction services	256,491	27,890
Project management services	290,200	3,646
Healthcare service	1,187	—
	<u>1,787,344</u>	<u>1,738,473</u>

5 Other gains, net

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gain on disposal of subsidiaries	112,778	331,425
Re-measurement valuation gain following acquisition of associate to become subsidiary	123,192	—
Gain on bargain purchase arising from acquisition of subsidiaries	12,032	—
Gain on change in fair value of financial assets (note a)	—	43,469
Realised loss on foreign exchange forward contracts	(44,531)	—
Commission	39,836	—
Gains on disposal of property, plant and equipment	88	192
Exchange gain/(losses) (note b)	571	(64,054)
Others	3,590	(225)
	<u>247,556</u>	<u>310,807</u>

Note:

- (a) During the period ended 30 June 2018, the Group has entered into a foreign exchange forward contract which was recognised as a financial assets at fair value through profit or loss as at 30 June 2018, and the change of its fair value was recognised in “other gains, net”.
- (b) The exchange gain/(losses) mainly arose from the period end upon translation of RMB-denominated monetary assets, comprising mainly inter-company balances, on the balance sheets of the Group companies which use HK\$ as their functional currency. The corresponding financial impact will be included in other comprehensive loss under the caption of “Currency transaction differences”.

6 Finance income and costs

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance income from loans to an associate and non-controlling interests	25,127	29,858
Finance income from bank deposits	27,109	14,786
Finance income from loan to independent third parties	11,290	—
	<u>63,526</u>	<u>44,644</u>
Finance cost on borrowings	598,002	308,226
Less: finance costs capitalised in qualifying assets	<u>(588,914)</u>	<u>(265,722)</u>
	<u>9,088</u>	<u>42,504</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>8.96%</u>	<u>6.99%</u>

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 six months ended 30 June 2019 (six months ended 30 June 2018: 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 2019 (six months ended 30 June 2018: 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 costs.

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax		
-PRC enterprise income tax	260,989	239,145
-PRC land appreciation tax	130,739	131,174
PRC enterprise income tax on disposal of a subsidiary	22,000	99,190
Over provision of PRC land appreciation tax in prior years	—	(150,734)
Deferred income tax	(121,746)	(74,910)
	<u>291,982</u>	<u>243,865</u>

8 Trade and other receivables, deposits and prepayments

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables (note a, b and e)	955,210	263,682
Other receivables (note b and f)	1,019,908	2,119,885
Loan receivable	319,877	212,412
Receivables in relation to the disposal of assets and liabilities held for sale	150,000	150,000
Deposits with local real estate associations (note c)	835,001	555,791
Deposits with labour department	11,810	10,275
Deposits with treasury bureau	221,558	109,759
Less: Provision for impairment on other receivables and deposits	(65,260)	(50,260)
	<u>2,492,894</u>	<u>3,107,862</u>
Trade and other receivables and deposits	<u>3,448,104</u>	<u>3,371,544</u>
Prepaid other taxes	371,637	127,688
Prepayments for construction costs	281,280	29,757
Prepayments for land use rights	496,218	850,865
Prepayments for acquisition of subsidiaries	45,300	45,300
Prepayments for investment in an associate	4,000	60,000
	<u>1,198,435</u>	<u>1,113,610</u>
Less: Non-current portion		
– Prepayments for investment in an associate	(4,000)	(60,000)
	<u>(4,000)</u>	<u>(60,000)</u>
Prepayments	<u>1,194,435</u>	<u>1,053,610</u>
	<u>4,642,539</u>	<u>4,425,154</u>

Note:

- (a) Trade receivables mainly arise from sales of properties. Proceeds in respect of sale of properties are received in accordance with the terms of the related sale and purchase agreements. Credit terms are granted to certain trade customers. Customers are required to settle the receivables according to the sale and purchase agreements.

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

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	437,569	197,142
31 - 60 days	6,997	—
61 - 90 days	292,784	2,370
91 - 180 days	18,242	6,111
Over 180 days	199,618	58,059
	<u>955,210</u>	<u>263,682</u>

As at 30 June 2019, trade receivables of RMB50,455,000 (31 December 2018: RMB46,673,000) were overdue but not impaired.

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

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	35,457	31,920
31 - 60 days	—	311
61 - 90 days	—	—
91 - 180 days	—	370
Over 180 days	14,998	14,072
	<u>50,455</u>	<u>46,673</u>

The Group applies the simplified approach to provide for life time expected credit losses as prescribed by HKFRS 9. As at 30 June 2019, no provision (31 December 2018: Nil) was made against the gross amount of trade receivables.

- (c) The deposits with local real estate associations mainly included: i) deposits made to PRC government bodies for future land development; ii) deposits site clearing for the listing-for-sale (auction) and iii) deposits in connection with the retention money of the quality for property construction.
- (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.
- (f) Other receivables mainly represent receivables for the Group's property development business.

9 Trade and other payables

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables (note a)	2,258,631	2,372,836
Accruals and other payables (note b)	3,249,263	3,079,036
Payable for acquisition of subsidiary	129,383	—
Dividend payables	141,846	52,337
Salary payables	2,850	7,004
Interest payable	202,388	97,881
Rental deposits received	2,274	4,566
Other taxes payables	841,950	709,872
	<u>6,828,585</u>	<u>6,323,532</u>

Note:

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

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 – 30 days	1,714,811	1,984,378
31 - 60 days	68,205	72,850
61 - 90 days	68,982	90,922
Over 90 days	406,633	224,686
	<u>2,258,631</u>	<u>2,372,836</u>

(b) Other payables include payments on account for potential joint venture partners to secure land being acquired for property development.

10 Borrowings

As at 30 June 2019, the Group had borrowings of approximately RMB13,713.2 million (31 December 2018: RMB11,059.7 million).

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
NON-CURRENT BORROWINGS		
Long-term bank borrowings, secured	4,855,520	3,549,978
11% Senior Notes due August 2020, secured	2,094,475	1,362,773
9.875% Senior Notes due May 2021, secured	1,216,261	—
	<u>8,166,256</u>	<u>4,912,751</u>
Non-current borrowings, secured	8,166,256	4,912,751
CURRENT BORROWINGS		
Short-term bank and other borrowings, secured	124,900	592,540
6.375% Senior Notes due February 2019, secured	—	2,048,688
8% Private Notes due July 2019, secured	109,053	108,534
13.5% Senior Notes due January 2020, secured	1,708,234	—
	<u>1,942,187</u>	<u>2,749,762</u>
Portion of long-term bank and other borrowings, secured		
– due for repayment within one year	3,453,846	3,246,900
– due for repayment within one year which contain a repayment on demand clause	21,553	24,500
– due for repayment after one year which contain a repayment on demand clause	129,316	125,768
	<u>3,604,715</u>	<u>3,407,168</u>
Current borrowings, secured	5,546,902	6,146,930
Total borrowings	<u>13,713,158</u>	<u>11,059,681</u>

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	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Amounts of borrowings that are repayable:		
– Within 1 year	5,417,586	6,021,162
– Between 1 and 2 years	6,761,034	4,553,060
– Between 2 and 5 years	1,534,538	485,459
	<u>13,713,158</u>	<u>11,059,681</u>

As at 30 June 2019, the Group's borrowings were denominated in RMB, HK\$ and US\$.

As at 30 June 2019, 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 depreciation against HK\$ during the six months ended 30 June 2019 which is the main reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy but had entered into foreign currency exchange contracts hedging part of the foreign exchange risk during the year.

11 Earnings per share

The basic earnings per share for the six months ended 30 June 2019 and 2018 is calculated based on the profit attributable to owners of the Company.

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to owners of the Company (RMB'000)	<u>478,314</u>	<u>431,370</u>
Weighted average number of shares in issue	<u>3,551,609,322</u>	<u>3,551,609,322</u>
Basic earnings per share (RMB cents)	<u>13.47</u>	<u>12.15</u>

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the six months ended 30 June 2019 and 2018.

12 Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB2.5 cents).

BUSINESS OVERVIEW

Actively respond to the market while the contracted sales continue to increase

During the first half year of 2019, the global economic environment is full of challenges, yet China's economy remained its overall stability with steady development. The Central Government reiterated the policy of "housing for residential purpose, not for speculation" and maintained its adjustment and control efforts. The Group adopted flexible sales strategies to actively respond to market changes, improved operational management, adhered to quality growth and steady development, and maintained a positive development trend.

Leveraging on the accurate and reasonable investment portfolio and continuous enhancement of the capacity of our marketing system, the contracted sales for the six months ended 30 June 2019 was approximately RMB10.91 billion, representing an increase of 79.3% compared to the last corresponding period; the contracted GFA was approximately 986,000 sq.m., representing an increase of 41.1% compared to the last corresponding period.

Strengthening excellent land bank and deepened efforts inside established regions

During the first half year, the Group seized the favorable opportunity of the market and effectively implemented its investment strategy. It successfully acquired 18 high-quality parcels of land in Guangdong Foshan, Guangdong Qingyuan, Jiangsu Taizhou, Jiangxi Nanchang and Hebei Shijiazhuang through various means such as equity acquisition, land biddings and auctions, which deepened its efforts inside established cities, whereas its urban presence continued to expand, and its land reserve has grown steadily, providing support for the steady growth of the Group's future development. During the first half year, while focusing on strategic cities, the Group is also optimistic in the prospects of synergetic development of urban agglomerations. In the case of Guangdong-Hong Kong-Macao Greater Bay Area, such development would radiate based on the Greater Bay Area. As of 30 June 2019, the Group's total land reserve was approximately 12.4 million sq.m., including the new land reserve of approximately 2.9 million sq.m. acquired in the six months ended 30 June 2019.

Prudent financial discipline and reasonable financing structure

Leveraging on good corporate governance and sound financial management, the Group successfully issued three tranches of US dollar bonds, totaling US\$540 million in the first half of the year and launched an US\$175 million syndicated loan, demonstrating the optimistic view of the industry towards Redco's prospect for its development capacity and potential. The Group attaches great importance to cash flow management, and has set up a reasonable financing structure and stable gearing ratio. As at 30 June 2019, the Group's cash and restricted cash was approximately RMB10.85 billion, as its net debt to equity ratio dropped to 39.7%. In May, the Group was appraised as "Top 10 Wealth Creation Ability among Real Estate Companies Listed in Hong Kong in 2019", which highlights the recognition of the Company by the market and industry research institutions.

Recruit talents to build an elite system

Redco is currently experiencing a period of rapid business development. The steady development of the Group has attracted outstanding talents from benchmark real estate enterprises. In April, Mr. Wang Weifeng, who has extensive experience in property development in Mainland China, joined Redco as an executive director of the Group. At the same time, the Group continued to build its teams of talents. During the year, the Group began to implement the elite training strategy, namely "Leading Elite (領翔)". Through the tailor-made training provided to talents, the Group will build the core elite team which will provide the backbone for the development of the Group.

Diversified businesses with innovative linkage and upgrade of functions

While continuing to enhance its investment in the real estate sector, Redco's diversified business segments have been steadily advancing, which support the enhancement of the value and enrichment of the Group's brand. In the new community-based business aspects, Redco has gained rapid and robust development, where its brand of community-based comprehensive healthcare service, Yearning Health Living Room (怡鄰健康客廳), has officially been launched in Yantai and Nanchang. Yearning Health Living Room is a new healthcare brand that is based on the life cycle, with its strategies and direction based on the national health policy. It integrates with the Group's concept of "To build a glorious life (力致美好生活家)", which combines community care, community medical and community services under the brand, and takes the promotion of community functions as a starting point to create a community embedded healthcare service model.

Shenzhen UG Property Management Co., Ltd., a subsidiary of the Group, ranked 60th among the “Top 100 Property Management Service Enterprises in the PRC”. Its management projects, namely Tianjin Redco - Sunshine Coast have won the “2019 China Five Stars Graded property service community” sub-item award. Redco Commercial (力高商業) is also formulating Redco’s unique business strategy, which will enhance the overall positioning of Redco’s real estate projects in the future and further drive sales growth.

After years of brand building and cultivation, the Board believes that the Group has successfully established the “Redco” brand in its operating cities:

- In 2019, the Group was awarded the title of “2019 TOP10 Hong Kong-listed Mainland China Real Estate Company in terms of Wealth Creation Capability (2019中國大陸在港上市房地產公司財富創造能力TOP10)” and “2019 Real Estate Enterprises Worth Paying Attention to in the Capital Market (2019值得資本市場關注的地產企業)” jointly organized by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy, while the President of the Group was honoured as one of the “2019 Top 10 CEO of China’s Listed Real Estate Enterprises (2019中國房地產上市公司十大金牌CEO)”, and Shenzhen UG Property Management Co., Ltd. was ranked 60th among the “2019 Top 100 Property Management Service Enterprises in the PRC”.
- In 2019, the Group was awarded the “2019 Most Valuable Investment Award” by China Finance (中國融資) in Hong Kong.
- In 2018, the Group was awarded “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
- 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 “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)

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 30 June 2019, the Group's property portfolio comprised 71 property development and investment projects with an aggregate GFA of 12,426,212.0 square metres under various stages of development remaining unsold in various cities in the PRC and Australia. The following table sets forth a summary of our property development and investment projects as at 30 June 2019:

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
NANCHANG REGION			
Spain Standard 力高國際城	466,665.3	908,932.6	2,322.7
Riverside International 濱江國際	37,345.7	204,600.6	1,980.9
Bluelake County 瀾湖郡	135,285.0	286,794.7	18,954.8
Riverlake International 濱湖國際	68,373.0	205,846.3	9,483.1
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	41,198.8
Bluelake International 瀾湖國際	47,151.0	177,260.7	6,387.5
The Garden of Spring 十里春風	30,378.0	15,859.5	13,426.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Scenery Bay 麗景灣	51,919.0	134,567.6	134,567.6
Delight Scenery 悦景臺	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	16,295.0	89,130.0	89,130.0
Eastern Imperial Garden 東方璽園	49,225.0	164,664.8	164,664.8
Eastern Exquisite 東方玲瓏園	23,209.0	76,100.8	76,100.8
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
Sunshine Capital 陽光首府	93,300.0	248,600.0	248,600.0
Eastern Harmony 東方和園	31,422.0	97,822.4	97,822.4
Eastern Crystal 東方璞園	57,876.0	177,172.6	177,172.6
One Riverside Glory 君譽濱江一期	52,896.0	141,367.0	141,367.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Two Riverside Glory 君譽濱江二期	42,300.0	113,302.0	113,302.0
Eastern Grand 東方博園	66,667.0	214,244.0	214,244.0
Fifth Avenue 贛州第五大道	107,814.9	623,500.0	623,500.0
TIANJIN REGION			
Sunshine Coast 陽光海岸	481,394.0	1,475,226.0	1,109,225.7
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
Luminescence Ocean 拾光海	68,830.4	130,921.7	130,921.7
Eastern Aesthetics 悅麓蘭庭	105,100.0	295,800.0	295,800.0
ZHEJIANG & JIANGSU REGION			
Cloud Metropolis 雲都會	132,701.0	412,382.5	412,382.5
Cloudy Base 雲彩基地	10,900.2	106,978.0	106,978.0
Yuchau Mansion 郁洲府	85,234.0	314,725.2	314,725.2

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Peaceful Sea 靜海府	56,499.6	101,210.3	101,210.3
Riviera One 環頤灣	223,245.0	621,366.0	621,366.0
JINAN REGION			
Bluelake County 瀾湖郡	68,066.0	237,534.7	4,950.3
Royal Family 君御世家	30,682.0	134,732.0	92,907.9
Imperial Mansion 君御華府	44,966.0	109,400.0	17,717.4
Redco Visionary 力高未來城一期	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 REGION			
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	186,470.8	103,207.4
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	68,241.9	38,226.4
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,270.1	6,734.4

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,770.0	213,770.0
Cathay Palace 泰和府	57,991.0	182,072.0	182,072.0
HEFEI REGION			
Mix Kingdom Redco 力高•共和城	395,596.4	871,735.3	75,706.3
Prince Royal Family 君御世家	88,025.5	299,699.5	36,264.1
Royal International 君御國際	43,873.0	128,301.1	85,941.4
Bluelake City 瀾湖前城	76,058.8	228,000.0	228,000.0
Majestic Residence 天悅府	67,931.0	190,794.8	190,794.8
Huaan Southern City 南華安城	165,601.0	375,870.6	375,870.6
Huaan Spring City 臨泉華安城	299,888.0	833,522.4	833,522.4
Scholar Residence 狀元府	56,700.0	188,360.0	27,485.2

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
WUHAN REGION			
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
Golden Bridge Horizon 金橋新天地	30,364.0	90,949.8	90,949.8
Intelligence City 智慧城	31,696.0	118,188.0	118,188.0
XI'AN REGION			
Royal City - Phase I 御景灣- 第一期	69,466.8	237,012.8	10,263.5
Majestic Mansion 天悅華府	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 REGION			
Royal International 力高君御花園	33,035.3	177,640.0	11,438.5
Mount Dragon 熙龍山	66,665.0	286,659.0	286,659.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
GUANGDONG REGION			
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	68,018.5
Ninjiang New City 寧江新城	42,000.0	136,000.0	136,000.0
Center Mansion 君熙府	17,000.0	71,000.0	71,000.0
Royal Mansion 君譽府	13,611.1	35,704.0	35,704.0
QUANZHOU REGION			
Bayview 觀悅灣	18,306.0	57,700.0	57,700.0
Enjoy Peak 悅峰臺	13,336.0	58,156.6	58,156.6
Leisure's Mansion 君逸府	40,279.0	151,279.5	151,279.5
OVERSEAS REGION			
Prime	15,830.0	56,579.0	<u>56,579.0</u>
TOTAL			<u><u>12,426,212.0</u></u>

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 2019 increased by 2.8% to RMB1,787.3 million from RMB1,738.5 million for the six months ended 30 June 2018. Such increase was primarily attributable to the increase in project management service income and net-off by the decrease in our GFA delivered for the residential property for Royal Family and Imperial Metropolis in Nanchang and Bluelake County in Jinan, and was partially offset by the increase in the GFA delivered for Imperial Mansion in Jinan. Total GFA delivered decreased by 25.1% to 174,162 sq.m for the six months ended 30 June 2019 from 232,423 sq. m for the six months ended 30 June 2018. The increase in our total revenue was also offset by the decrease in the recognised average selling price (the “ASP”) for the properties delivered in the six months ended 30 June 2019. The ASP for properties delivered decreased to RMB7,117 for the six months ended 30 June 2019 from RMB7,344 for the six months ended 30 June 2018, representing a 3.1% decrease which was primarily due to the decrease 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 the six months ended 30 June 2018.

The following table analyzes of the Group's revenue, GFA delivered and recognised ASP by geographical segments:

	For the six months ended 30 June					
	2019	2018	2019	2018	2019	2018
	<i>Revenue</i> (RMB'000)		<i>GFA Delivered</i> (sq. m.)		<i>Recognised ASP</i> (RMB per sq. m.)	
Greater Western						
Taiwan Straits						
Economic Zone	170,041	715,758	28,506	102,560	5,965	6,979
Central and Western						
Regions	819,252	222,446	110,222	25,565	7,433	8,701
Bohai Economic Rim						
– Construction service*	256,491	27,890	—	—	—	—
– Properties sales	182,686	768,733	27,811	104,298	6,569	7,371
Pearl River Delta Region	67,487	—	7,572	—	8,913	—
Others						
– Healthcare service	1,187	—	—	—	—	—
– Project management services	290,200	3,646	—	—	—	—
Total	<u>1,787,344</u>	<u>1,738,473</u>	<u>174,111</u>	<u>232,423</u>	<u>7,117</u>	<u>7,344</u>

* 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 significantly by 76.2% to RMB170.0 million for the six months ended 30 June 2019 from RMB715.8 million for the six months ended 30 June 2018. Such decrease was primarily attributable to the decrease in GFA delivered for Royal Family and Imperial Metropolis in Nanchang.

- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 268.4% to RMB819.3 million for the six months ended 30 June 2019 from RMB222.4 million for the six months ended 30 June 2018. Such increase was primarily attributable to the increase in the GFA delivered for Royal International and No.1 Scholar Residence in Hefei.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim decreased by 44.9% to RMB439.2 million for the six months ended 30 June 2019 from RMB796.6 million for the six months ended 30 June 2018. Such decrease was primarily due to the decrease in the GFA delivered in Bluelake County in Jinan and net-off by the increase in the GFA delivered for Imperial Mansion in Jinan and increase in construction service income.
- Pearl River Delta Region: segment revenue for the Pearl River Delta Region was RMB67.5 million for the six months ended 30 June 2019 compared to nil for the six months ended 30 June 2018. Such amount was mainly due to the GFA delivered for Bluelake Landmark in Zhongshan.
- Others: It mainly represents project management services provided at our headquarters in Shenzhen. The project management services income mainly refers to the acquisition advisory service and financing service to our joint venture project company.

Cost of sales

Cost of sales decreased by 18.5% to RMB875.1 million for the six months ended 30 June 2019 from RMB1,073.1 million for the six months ended 30 June 2018. Such decrease was primarily due to the decrease in GFA delivered to 174,162 sq. m. for the six months ended 30 June 2019 from 232,423 sq. m. for the six months ended 30 June 2018; netted off by the increase in average land acquisition cost per sq. m. delivered amounted to RMB1,829 for the six months ended 30 June 2019 from RMB1,344 for the six months ended 30 June 2018. Such increase in average land acquisition cost per sq. m. delivered was primarily due to the increase in the GFA delivered for Imperial Mansion in Jinan with a relatively high land acquisition costs.

Gross profit

Gross profit increased by 37.1% to RMB912.2 million for the six months ended 30 June 2019 from RMB665.4 million for the six months ended 30 June 2018. Our gross profit margin increased to 51.0% for the six months ended 30 June 2019 from 38.3% for the six months ended 30 June 2018. The increase was primarily attributable to the increase in construction service and project management services income. Other than those income, the gross profit margin of property development projects was stably maintained at a level higher than 30%.

Other gains, net

Other gains, decreased to RMB247.6 million for the six months ended 30 June 2019 from RMB310.8 million for the six months ended 30 June 2018. The decrease was primarily attributable to the decrease of the disposal gain of subsidiaries and the realised loss on the foreign exchange contracts for RMB44.5 million, netted off by commission income for RMB39.8 million and Re-measurement valuation gain for RMB123.2 million for the six months ended 30 June 2019.

Selling and marketing expenses

Selling and marketing expenses increased by 172.4% to RMB170.7 million for the six months ended 30 June 2019 from RMB62.7 million for the six months ended 30 June 2018. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such increase was mainly due to the increase in the marketing promotion activities for the projects and the increase in the sales agency fee as there was an increase in the contracted sales.

General and administrative expenses

General and administrative expenses increased by 39.9% to RMB238.8 million for the six months ended 30 June 2019 from RMB170.7 million for the six months ended 30 June 2018. Such increase was primarily due to the increase in salary expenses, legal and consultancy expenses and office and travelling expenses because of 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 in Tianjin and a portion of the Redco Building in Shenzhen which is held for rental. The fair value gain increased by 146.0% to RMB110.1 million for the six months ended 30 June 2019 from RMB44.8 million for the six months ended 30 June 2018. The increase mainly due to the transfer from completed properties to investment properties during the period in the amount of RMB62.4 million.

Operating profit

As a result of the foregoing, operating profit increased by 9.3% to RMB860.4 million for the six months ended 30 June 2019 from RMB787.6 million for the six months ended 30 June 2018.

Finance income

Finance income increased by 42.4% to RMB63.5 million for the six months ended 30 June 2019 from RMB44.6 million for the six months ended 30 June 2018.

Finance costs

Finance costs decreased by 78.6% to RMB9.1 million for the six months ended 30 June 2019 from RMB42.5 million for the six months ended 30 June 2018. Such decrease was mainly due to the decrease in interest expense which is not eligible to be capitalised to projects under development.

Share of (loss)/profit of investments accounted for using the equity method, net

Share of profit of investments accounted for using the equity method, net reported a loss of RMB47.1 million for the six months ended 30 June 2019 from profit of RMB85.4 million for the six months ended 30 June 2018.

Profit before income tax

As a result of the foregoing, profit before income tax for the six months ended 30 June 2019 decreased to RMB867.8 million from RMB875.1 million for the six months ended 30 June 2018.

Income tax expense

Income tax expense increased by 19.7% to RMB292.0 million for the six months ended 30 June 2019 from RMB243.9 million for the six months ended 30 June 2018. Such increase was primarily due to the reversal of an over provision of PRC land appreciation tax of prior years in 2018 of RMB150.7 million and the increase in PRC enterprise income tax (“EIT”) as a result of increased profit of the Group, netted off by the decrease in provision of PRC EIT for the gain on disposal of subsidiaries.

Profit for the six months ended 30 June 2019

As a result of the foregoing, profit for the six months ended 30 June 2019 decreased by 8.8% to RMB575.8 million from RMB631.2 million for the six months ended 30 June 2018. The profit for the six months ended 30 June 2019 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB30.7 million, Central and Western Regions of RMB89.0 million, Bohai Economic Rim of RMB149.7 million, Pearl River Delta Region of loss in RMB5.4 million and the others segment for RMB311.8 million.

Profit for the six months ended 30 June 2019 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 10.9% to RMB478.3 million for the six months ended 30 June 2019 from RMB431.4 million for the six months ended 30 June 2018. Profit attributable to non-controlling interests decreased to RMB97.5 million for the six months ended 30 June 2019 as compared with RMB199.8 million for the six months ended 30 June 2018 which was mainly due to the decrease in the profit from property development projects in joint venture partnerships.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB8,316.4 million (31 December 2018: RMB5,678.9 million) and restricted cash of RMB2,538.2 million (31 December 2018: RMB2,186.1 million) as at 30 June 2019. As at 30 June 2019, 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 2019, the Group had borrowings of approximately RMB13,713.2 million (31 December 2018: RMB11,059.7 million).

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
NON-CURRENT BORROWINGS		
Long-term bank borrowings, secured	4,855,520	3,549,978
11% Senior Notes due August 2020, secured	2,094,475	1,362,773
9.875% Senior Notes due May 2021, secured	1,216,261	—
	<u>8,166,256</u>	<u>4,912,751</u>
Non-current borrowings, secured		
CURRENT BORROWINGS		
Short-term bank and other borrowings, secured	124,900	592,540
6.375% Senior Notes due February 2019, secured	—	2,048,688
8% Private Notes due July 2019, secured	109,053	108,534
13.5% Senior Notes due January 2020, secured	1,708,234	—
	<u>1,942,187</u>	<u>2,749,762</u>
Portion of long-term bank and other borrowings, secured		
– due for repayment within one year	3,453,846	3,246,900
– due for repayment within one year which contain a repayment on demand clause	21,553	24,500
– due for repayment after one year which contain a repayment on demand clause	129,316	125,768
	<u>5,546,902</u>	<u>6,146,930</u>
Current borrowings, secured		
Total borrowings	<u><u>13,713,158</u></u>	<u><u>11,059,681</u></u>

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	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Amounts of borrowings that are repayable:		
– Within 1 year	5,417,586	6,021,162
– Between 1 and 2 years	6,761,034	4,553,060
– Between 2 and 5 years	<u>1,534,538</u>	<u>485,459</u>
	<u><u>13,713,158</u></u>	<u><u>11,059,681</u></u>

As at 30 June 2019, the Group's borrowings were denominated in RMB, HK\$ and US\$.

As at 30 June 2019, the Group was exposed to foreign exchange risk primarily with respect to certain of its borrowings which were denominated in HK\$ and US\$. The RMB experienced depreciation against HK\$ during the six months ended 30 June 2019 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 foreign currency exchange contracts to hedge part of the foreign exchange risk during the six months ended 30 June 2019.

Other performance indicators

Net debt to equity ratio

As at 30 June 2019, the Group's net debt to equity ratio was 39.7% (31 December 2018: 47.9%). It is calculated as net debt divided by total equity. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalents and restricted cash). Total equity is as shown in the condensed consolidated balance sheet.

Net current assets and current ratio

As at 30 June 2019, the Group's net current assets amounted to approximately RMB12,519.8 million (31 December 2018: RMB9,618.9 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 2019 (31 December 2018: 1.4 times).

Cost of borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses incurred, including interest capitalised by average borrowings during this period) increased to 8.96% for the six months ended 30 June 2019 from 6.99% for the six months ended 30 June 2018.

Contingent liabilities

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

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>6,240,526</u>	<u>5,932,804</u>

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 with the period ranging from 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 2019. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

Employees and Remuneration policies

As at 30 June 2019, the Group had approximately 1,034 employees (31 December 2018: 978 employees). For the six months ended 30 June 2019, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB128.3 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 2019. 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 2019.

Charge on assets

As at 30 June 2019, the Group had aggregate banking facilities of approximately RMB10,629.0 million (31 December 2018: RMB9,770.3 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 30 June 2019 amounted to RMB502.1 million (31 December 2018: RMB1,001.3 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

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 2019.

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.

Important event affecting the Group after 30 June 2019

No important event affecting the Group has taken place since 30 June 2019 up to the date of this announcement.

Outlook

Looking forward to the second half of year 2019, there remains certain pressures on the economy. Stabilizing expectations and controlling risks will remain the policy direction of the Central Government. The fundamentals of financial regulatory policies remain cautious and strict, and the land procurement market will become more rational, where the differentiation of regional markets shall intensify.

Going forward, the Group will follow the national control policies and market changes, and continue to maintain a steady and prudent financial strategy, while expanding on multi-channel financing, and build up a solid foundation for the Group's expansion in business scale and sustainable development. We will continue to firmly implement our real estate investment strategy, attach great importance to the deepening of our existing businesses in the strong second-tier cities, further refine the city portfolio, optimize the land reserve structure, and take into account the turnover, portfolio and product structure to support future business growth. The Group shall continue to improve the operation management, adhere to the development of business scale, profit growth and stable finance which forms the "iron triangle" to support the Group's sustainable development.

As consumption returns to rationality and competition intensifies, Redco shall adhere to customer care and product quality development to maintain the long-term vitality of high-quality development of the enterprise, as well as enhance product competitiveness and continue to deliver competitive products as the major task in the future. The Group shall develop its competitive model of products to actively promote diversified business development, so as to serve our customers well, as well as to realize the co-development of products and services, thus enhancing the brand value.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 to the shareholders of the Company (the "**Shareholders**") (six months ended 30 June 2018: RMB2.5 cents).

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 six months ended 30 June 2019.

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 six months ended 30 June 2019.

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

Neither the Company nor any of its subsidiaries had purchased or sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2019.

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 interim results for the six months ended 30 June 2019.

PUBLICATION OF THE 2019 INTERIM RESULTS ANNOUNCEMENT AND 2019 INTERIM REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The interim report of the Company for the six months ended 30 June 2019 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 August 2019

As at the date of this announcement, the executive Directors are Mr. Wong Yeuk Hung, Mr. Huang Ruoqing, Mr. Tang Chengyong and Mr. Wang Weifeng 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.