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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 2021**

FINANCIAL HIGHLIGHTS

- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the six months ended 30 June 2021 increased by 80.6% to RMB23,510.0 million
- Revenue for the six months ended 30 June 2021 increased by 36.2% to RMB9,130.9 million
- Profit for the six months ended 30 June 2021 increased by 78.1% to RMB1,312.5 million
- Profit attributable to owners of the Company for the six months ended 30 June 2021 increased by 19.9% to RMB533.5 million
- Basic earnings per share was RMB15.02 cents for the six months ended 30 June 2021 (30 June 2020: RMB12.53 cents)
- Land bank increased by 1.3% to 23.7 million sq. m. as at 30 June 2021 (31 December 2020: 23.4 million sq.m.)
- Cash and cash equivalents and restricted cash as at 30 June 2021 amounted to RMB15,383.7 million (31 December 2020: RMB13,806.3 million) and the net debt to equity ratio was 51.1% as at 30 June 2021 (31 December 2020: 48.7%)

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 2021, together with comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	4	9,130,911	6,702,984
Cost of sales		<u>(6,866,226)</u>	<u>(5,302,020)</u>
Gross profit		2,264,685	1,400,964
Other gains, net	5	487,227	293,721
Selling and marketing expenses		(529,342)	(247,382)
General and administrative expenses		(461,696)	(354,113)
Fair value gain on investment properties		15,640	1,635
Fair value gain on investment properties upon transfer from properties under development for sales		<u>194,856</u>	<u>—</u>
Operating profit		1,971,370	1,094,825
Finance income	6	53,121	62,239
Finance costs	6	<u>(9,890)</u>	<u>(12,499)</u>
Finance income, net		<u>43,231</u>	<u>49,740</u>
Share of loss of investments accounted for using the equity method, net		<u>(27,327)</u>	<u>(16,338)</u>
Profit before income tax		1,987,274	1,128,227
Income tax expense	7	<u>(674,810)</u>	<u>(391,491)</u>
Profit for the period		<u>1,312,464</u>	<u>736,736</u>
Profit attributable to:			
Owners of the Company		533,521	445,093
Non-controlling interests		<u>778,943</u>	<u>291,643</u>
		<u>1,312,464</u>	<u>736,736</u>
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	10	<u>15.02</u>	<u>12.53</u>

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	1,312,464	736,736
Other comprehensive income/(loss)		
Item that may not be reclassified to profit or loss		
– Currency translation differences	203,921	(141,075)
Other comprehensive income/(loss) for the period	203,921	(141,075)
Total comprehensive income for the period	<u>1,516,385</u>	<u>595,661</u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	737,100	304,603
– Non-controlling interests	779,285	291,058
Total comprehensive income for the period	<u>1,516,385</u>	<u>595,661</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2021

		30 June	31 December
	<i>Note</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment		923,184	264,715
Investment properties		1,934,833	1,027,610
Intangible assets		358,357	364,031
Investments accounted for using the equity method		842,230	916,256
Deferred income tax assets		1,647,814	1,428,001
		<u>5,706,418</u>	<u>4,000,613</u>
Current assets			
Completed properties held for sale		6,843,969	6,165,642
Properties under development for sale		50,269,669	50,085,317
Contract assets		695,239	695,239
Trade and other receivables and deposits	8	4,175,747	2,838,368
Prepayments	8	3,182,818	2,376,585
Amounts due from joint ventures		511,055	119,718
Amounts due from associates		2,208,785	1,470,072
Amounts due from non-controlling interests		4,911,926	4,000,464
Income tax recoverable		584,791	415,878
Restricted cash		4,089,130	4,156,859
Cash and cash equivalents		11,294,539	9,649,423
		<u>88,767,668</u>	<u>81,973,565</u>
Total assets		<u><u>94,474,086</u></u>	<u><u>85,974,178</u></u>

	<i>Note</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves		7,229,832	6,667,423
		7,369,464	6,807,055
Non-controlling interests		7,474,267	6,140,620
Total equity		<u>14,843,731</u>	<u>12,947,675</u>
LIABILITIES			
Non-current liabilities			
Borrowings		14,370,329	13,399,808
Deferred income tax liabilities		2,198,579	1,954,477
		16,568,908	15,354,285
Current liabilities			
Trade and other payables	9	17,297,151	15,352,054
Borrowings		8,592,587	6,711,546
Amounts due to non-controlling interests		5,842,314	6,075,226
Amounts due to associates		898,820	159,274
Amounts due to joint ventures		3,618	50,784
Contract liabilities		27,958,441	26,815,905
Income tax liabilities		2,468,516	2,507,429
		63,061,447	57,672,218
Total liabilities		<u>79,630,355</u>	<u>73,026,503</u>
Total equity and liabilities		<u>94,474,086</u>	<u>85,974,178</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 management services, property investment, project management services and healthcare services 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.

The condensed consolidated financial information has not been audited.

2 Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and any public announcements made by the Company during the interim reporting period.

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 2020, 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 and annual improvement effective for the financial year beginning on or after 1 January 2021.

- (a) The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2021 and currently relevant to the Group:

Amendments to HKFRS 16	Covid-19 – Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

- (b) The following new standards, amendments to existing standards and annual improvement have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Update Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts - Costs of Fulfilling a Contract	1 January 2022
Annual Improvements Project	Annual Improvements 2018-2020 Cycle	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	To be determined

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards, amendments to existing standards and annual improvements. The Group will adopt the new standards, amendments to existing standards and annual improvements when they become effective.

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 five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Greater Bay Area and Others. The Group's construction and sea reclamation services 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), rental income and investment holdings business.

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 loss 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 condensed consolidated financial statements.

	Greater Western Taiwan Straits Economic Zone RMB'000	Central and Western Regions RMB'000	Bohai Economic Rim RMB'000	Greater Bay Area RMB'000	Others RMB'000	Total RMB'000
Six months ended						
30 June 2021 (Unaudited)						
Revenue from contracts						
– recognised at a point in time	5,177,663	2,657,984	1,097,913	39,746	1,418	8,974,724
– recognised over time	18,255	—	3,173	1,654	220,725	243,807
– others	—	—	—	—	6,997	6,997
Less: Inter-segment revenue	—	—	—	—	(94,617)	(94,617)
Revenue (from external customers)	<u>5,195,918</u>	<u>2,657,984</u>	<u>1,101,086</u>	<u>41,400</u>	<u>134,523</u>	<u>9,130,911</u>
Segment results	1,371,751	376,951	256,248	(79,518)	65,393	1,990,825
Depreciation and amortisation	<u>(2,361)</u>	<u>(2,078)</u>	<u>(1,423)</u>	<u>(636)</u>	<u>(12,957)</u>	<u>(19,455)</u>
Operating profit/(loss)	1,369,390	374,873	254,825	(80,154)	52,436	1,971,370
Share of loss of investments accounted for using the equity method, net	(13,000)	(4,196)	(5,037)	(3,389)	(1,705)	(27,327)
Finance income	9,254	10,158	13,299	1,847	18,563	53,121
Finance costs	—	—	—	—	(9,890)	(9,890)
Income tax expense	<u>(410,358)</u>	<u>(155,929)</u>	<u>(110,882)</u>	<u>16,953</u>	<u>(14,594)</u>	<u>(674,810)</u>
Profit/(loss) for the period	<u><u>955,286</u></u>	<u><u>224,906</u></u>	<u><u>152,205</u></u>	<u><u>(64,743)</u></u>	<u><u>44,810</u></u>	<u><u>1,312,464</u></u>

	Greater Western Taiwan Straits Economic Zone RMB'000	Central and Western Regions RMB'000	Bohai Economic Rim RMB'000	Greater Bay Area RMB'000	Others RMB'000	Total RMB'000
Six months ended						
30 June 2020 (Unaudited)						
Revenue from contracts						
– recognised at a point in time	2,246,787	3,416,030	705,027	233,770	—	6,601,614
– recognised over time	1,554	—	668	—	143,866	146,088
– others	—	—	—	—	6,061	6,061
Less: Inter-segment revenue	—	—	(650)	—	(50,129)	(50,779)
Revenue (from external customers)	<u>2,248,341</u>	<u>3,416,030</u>	<u>705,045</u>	<u>233,770</u>	<u>99,798</u>	<u>6,702,984</u>
Segment results	351,839	574,136	118,598	39,281	22,413	1,106,267
Depreciation	<u>(1,854)</u>	<u>(2,615)</u>	<u>(914)</u>	<u>(291)</u>	<u>(5,768)</u>	<u>(11,442)</u>
Operating profit	349,985	571,521	117,684	38,990	16,645	1,094,825
Share of (loss)/profit of investments accounted for using the equity method, net	(11,506)	(4,853)	—	(353)	374	(16,338)
Finance income	18,084	16,159	6,619	478	20,899	62,239
Finance costs	—	—	—	—	(12,499)	(12,499)
Income tax expense	<u>(17,101)</u>	<u>(244,759)</u>	<u>(112,977)</u>	<u>(6,454)</u>	<u>(10,200)</u>	<u>(391,491)</u>
Profit for the period	<u><u>339,462</u></u>	<u><u>338,068</u></u>	<u><u>11,326</u></u>	<u><u>32,661</u></u>	<u><u>15,219</u></u>	<u><u>736,736</u></u>

	Greater Western Taiwan Straits Economic Zone RMB'000	Central and Western Regions RMB'000	Bohai Economic Rim RMB'000	Greater Bay Area RMB'000	Others RMB'000	Total RMB'000
As at 30 June 2021 (Unaudited)						
Total segment assets	<u>28,547,983</u>	<u>30,230,547</u>	<u>19,704,744</u>	<u>8,936,328</u>	<u>6,555,422</u>	93,975,024
Other unallocated corporate assets						<u>499,062</u>
Total assets						<u>94,474,086</u>
Investments accounted for using the equity method	<u>220,593</u>	<u>329,000</u>	<u>75,806</u>	<u>—</u>	<u>216,831</u>	<u>842,230</u>
Additions to:						
Property, plant and equipment	557	1,078	1,255	1,606	17,751	22,247
Investments accounted for using the equity method	207,920	126,993	—	100	—	335,013
Acquisition of subsidiaries						
- Property, plant and equipment	656,988	48	1,998	—	—	659,034
- Investment property	263,592	—	—	—	—	263,592
- Investments accounted for using the equity method	<u>6,022</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,022</u>
Total segment liabilities	<u>(24,948,648)</u>	<u>(21,684,569)</u>	<u>(14,799,901)</u>	<u>(5,425,560)</u>	<u>(12,771,677)</u>	<u>(79,630,355)</u>
At 31 December 2020 (Audited)						
Total segment assets	26,673,206	24,470,843	19,557,018	6,039,450	9,072,500	85,813,017
Other unallocated corporate assets						<u>161,161</u>
Total assets						<u>85,974,178</u>
Investments accounting for using the equity method	<u>223,765</u>	<u>440,235</u>	<u>—</u>	<u>69,044</u>	<u>183,212</u>	<u>916,256</u>
Additions to:						
Property, plant and equipment	4,940	4,629	1,228	3,542	34,806	49,145
Investments accounted for using the equity method	1,225	271,359	—	66,000	3,500	342,084
Acquisition of subsidiaries						
- Property, plant and equipment	3,985	—	20	139	—	4,144
- Intangible assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>39,260</u>	<u>39,260</u>
Total segment liabilities	<u>(24,597,505)</u>	<u>(17,432,521)</u>	<u>(15,417,286)</u>	<u>(3,327,269)</u>	<u>(12,251,922)</u>	<u>(73,026,503)</u>

Six months ended 30 June

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Breakdown of revenue		
Sales of properties	8,973,306	6,601,614
Property management services	109,338	64,731
Project management services	40,291	29,006
Rental income	6,997	6,061
Healthcare service	979	1,572
	<u>9,130,911</u>	<u>6,702,984</u>

5 Other gains, net**Six months ended 30 June**

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gains on disposal of subsidiaries	31,000	—
Gain on disposal of an associate	—	46,355
Gain on disposal of a joint venture	79,097	—
Re-measurement gains on interest in investments accounted for using the equity method	372,288	233,725
Gains on disposal of property, plant and equipment	684	106
Exchange gains	6,234	8,276
Realised gain on foreign exchange forward contracts	—	5,727
Others	(2,076)	(468)
	<u>487,227</u>	<u>293,721</u>

6 Finance income and costs

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance income from bank deposits	45,278	37,538
Finance income from loans to non-controlling interests	7,843	24,701
	<u>53,121</u>	<u>62,239</u>
Finance costs on bank and other borrowings	1,031,624	786,737
Less: Finance costs capitalised in qualifying assets	<u>(1,021,734)</u>	<u>(774,238)</u>
	<u>9,890</u>	<u>12,499</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>9.60%</u>	<u>8.78%</u>

7 Income tax expense

Subsidiaries established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021 (six months ended 30 June 2020: Nil).

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax		
– PRC corporate income tax	812,483	627,662
– PRC land appreciation tax	148,043	289,443
Deferred income tax	<u>(285,716)</u>	<u>(525,614)</u>
	<u>674,810</u>	<u>391,491</u>

8 Trade receivables, other receivables, deposits and other prepayments

	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables, other receivables and deposits:		
Trade receivables (Note a and b)	142,623	182,013
Less: Provision for impairment on trade receivables	(6,108)	—
	<u>136,515</u>	<u>182,013</u>
Other receivables	3,526,804	1,954,771
Interest receivables	10,947	11,073
Receivables in relation to the disposal of assets and liabilities held for sales	261,336	150,000
Deposits with local real estate associations	200,011	538,804
Deposits with labour department	29,189	29,014
Deposits with treasury bureau	98,758	60,506
	<u>4,127,045</u>	<u>2,744,168</u>
Less: Provision for impairment on other receivables and deposits	(87,813)	(87,813)
	<u>4,039,232</u>	<u>2,656,355</u>
	<u>4,175,747</u>	<u>2,838,368</u>
Prepayments:		
Prepaid other taxes	2,907,895	2,080,975
Prepayments for construction costs	250,623	271,310
Prepayments for acquisition of subsidiaries	24,300	24,300
	<u>3,182,818</u>	<u>2,376,585</u>

Note:

- (a) Trade receivables mainly arise from sales of properties and provision of property management services.

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.

Property management services income are received in accordance with the terms of the relevant services agreements. Service income from property management service is due for payment by the residents upon the issuance of demand note.

Trade receivables from sales of properties are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free.

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

	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	32,510	124,118
31 - 60 days	3,331	5,040
61 - 90 days	13,980	128
91 – 180 days	40,654	1,933
Over 180 days	52,148	50,794
	<u>142,623</u>	<u>182,013</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. A loss allowance of approximately RMB6,108,000 was provided during the six months ended 30 June 2021, mainly attributable to proceeds from property management services. The expected losses rate on proceed from sales of property is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates.

9 Trade and other payables

	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables (Note a)	4,734,957	4,420,000
Accruals and other payables	8,643,732	9,961,301
Other taxes payables	3,489,735	939,816
Dividend payables	182,494	4,970
Salary payables	15,091	15,983
Interest payables	226,756	2,754
Rental deposits received	4,386	7,230
	<u>17,297,151</u>	<u>15,352,054</u>

Note:

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	4,267,189	3,911,635
31 - 60 days	43,483	78,210
61 - 90 days	76,615	78,032
Over 90 days	347,670	352,123
	<u>4,734,957</u>	<u>4,420,000</u>

(b) The carrying amounts of the Group's trade and other payables approximate their fair values due to their short maturities.

10 Earnings per share

The basic earnings per share for the six months ended 30 June 2021 and 2020 is calculated based on the profit attributable to owners of the Company.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	<u>533,521</u>	<u>445,093</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>15.02</u>	<u>12.53</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 2021 and 2020.

11 Dividend

The directors did not recommend the declaration and payment of any interim dividends in respect of the six months ended 30 June 2021.

A final dividend of RMB 5 cents per share for the year ended 31 December 2020 were payable to shareholders who were on the register at 2 July 2021. This final dividend, amounting to approximately RMB177,580,000 has been recognised in shareholders' equity during the six months ended 30 June 2021.

12 Subsequent events

On 6 July 2021, the Company issued 10.5% senior notes due 2023 with an aggregate nominal value of RMB600,000,000 at 99.323% of the principal amount of the Notes (the “**10.5% Senior Notes due 2023**”). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB591,093,000. The 10.5% Senior Notes due 2023 will mature on 6 January 2023, unless redeemed earlier.

On 27 July 2021, the Company issued 11.0% senior notes due 2022 with an aggregate nominal value of US\$100,800,000 at 100.945% of the principal amount of the Notes (the “**11.0% Senior Notes due 2022**”). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately USD106,387,000. The 11.0% Senior Notes due 2022 will mature on 6 August 2022, unless redeemed earlier.

BUSINESS OVERVIEW

In the first half of 2021, complementary to the increase in global vaccination, effective control of COVID-19 pandemic and large-scale fiscal stimulus implemented by the world's major economies, the global economy is gradually recovering. The recovery momentum of the real estate market in the PRC remained strong, and continued to be a strong pillar during the recovery of national economy. In the first half of year, the real estate control policies adhered to the main undertone of “housing is for accommodation but not for speculation” and “localisation of real estate policies”; and continuously stabilised land prices, housing prices and market expectations, leading to tighter overall control policies.

Under the new circumstances, the Group has achieved a stable and quality development with reliance on efficient operation capabilities, stable fiscal strategies, quality products and forward-looking plans for strategic investment. During the interim period, the Group attained revenue of approximately RMB9,130.9 million, a year-on-year increase of 36.2%; gross profit of RMB2,264.7 million, a year-on-year increase of 61.6% and net profit of approximately RMB1,312.5 million, a year-on-year increase of 78.1%.

Continuously cultivating Yangtze River Delta and expanding quality land bank

During the first half of 2021, the Group acquired 16 new pieces of land under its proactive expansion strategy and prudent investment strategy. In recent years, the Group has insisted on the “1+3+N” global strategic layout, with the Yangtze River Delta city cluster as the “1st” core region to be strengthened; the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Midstream City Cluster and the Bohai Economic Rim as the “3” major sub-regions to be expanded; and the “N” popular city clusters such as the Western Taiwan Straits City Cluster and overseas markets. As of 30 June 2021, the Group's total land bank amounted to approximately 23.67 million sq.m., providing a solid foundation to the Group's future development.

Focusing on New Oriental Wellness Architecture and enhancement in overall product quality

The Group always focuses on research and development capabilities of products and rewards its customers with ingenious products. In 2019, with the concept of returning to humanism and upholding the wellness architecture, the Group was dedicated to establishing a new product

system - New Oriental Wellness Architecture (“NOWA”). Currently, NOWA products have now been upgraded to version 2.0. As the “pioneer” in wellness architecture, NOWA 2.0 products are established based on the rigid demand of customers’ wellness, which firmly provided “high quality” healthy housing for the cities.

During the first half of 2021, the Group commercialised its patent technologies and took the lead in developing anti-epidemic products at home and abroad, such as anti-epidemic elevator air purifier, anti-epidemic ventilator and water purifier; and intelligent platform for supervision of healthy environment in living area. Through the intelligent network platform, the “intelligent and healthy” system in term of pandemic prevention, wellness, environment and services, could be achieved continuously among the projects. Meanwhile, the Group has continued to enhance and improve the standard mechanism of wellness architecture, establish a more comprehensive and scientific wellness architecture mechanism with its own intellectual property rights.

Achieving fast-growing contracted sales and hitting record-high

The concept of the Group’s NOWA has been implemented among the national projects and gained widespread attention from peers and consumers in the market, boosting the contract sales of the Group’s various projects during the first half of year. By fully utilizing the opportunities from effective control of pandemic in the PRC and on-going rebound of market, the Group has carried out proactive and effective marketing strategies; and innovative method of sales including but not limited to strengthening the integration of online and offline sales channels while at the same time, the Group has sped up the pace of development of the projects to secure the supply. During the first half of 2021, the Group achieved contracted sales of approximately RMB23,510.0 million and contracted total floor area of approximately 2,677,400 sq.m., representing a year-on-year increase of 80.6% and 58.3%, respectively, and once again achieved a record-high compared to previous reporting period.

Market recognition to our financial health

The Group is under good and stable financial position. As at the period ended 30 June 2021, the Group had total cash and cash equivalents of approximately RMB15,383.7 million, reflecting our sufficient liquidity; net debt to equity ratio was 51.1%. The Group has actively explored financing channels, enhanced the capital management and improved the efficiency of use of capital. In March 2021, the Group has officially established the Sustainable Development Committee, formulated a Sustainable Finance Framework, and successfully launched the first tranche of sustainable development notes. During the reporting period, the Group has successfully issued US-dollar denominated bonds in an aggregate principal amount US\$285 million and entered into a bilateral loan agreement of interest rate of 6.8% per annum with Nanyang Commercial Bank during the first half of 2021.

During the first half of year, Lianhe Global assigned “BB-” to the Group, Fitch Ratings upgraded the rating to “B+”, and S&P maintained the rating of the Group at “B”, with the outlook given as “Stable”. The ratings reflected the recognition from the rating agencies on the long-term development its remarkable growth on scale of the Group while maintaining a healthy financial leverage and a sufficient land bank to support the further growth of the contracted sales.

Promoting diversified businesses and having the listing application of Redco Healthy Living submitted to the SEHK

In recent years, while strengthening the property development business, the Group has been keenly promoting the layout of its diversified businesses in line with the development trend of the industry, in order to extend its value down the line and incubate the closed-

loop of the entire industry chain. The Group's diversified investment segment has developed and incubated diversified businesses including but not limited to healthcare, commerce, technology, property management, cultural tourism, education from the perspective of the whole life cycle. Among them, the property management segment (the “**UG Property Management**”) of the Group has demonstrated a rapid development with surging number of management service projects. In June 2021, the Group submitted the application to the SEHK for spin-off, listing and trading of shares of Redco Healthy Living Company Limited (“**Redco Healthy Living**”), on the Main Board of the SEHK. Redco Healthy Living is committed to be a “dual bulter” for customers, namely lifestyle bulter and healthcare bulter. Leveraging the intelligent and digitalised technical service platform, the Group continuously improved the operating efficiency and customers experiences.

Advancing with honor and strengthening the brand recognition

In the first half of 2021, the rapid development and outstanding comprehensive strength of the Group has been widely recognised in the industry and abroad. It has won numerous awards and its reputation has grown significantly. The Group has performed well in the ranking lists of various authoritative evaluation institutions. It has been awarded “China's 100 Best Real Estate Enterprises”, “2021 China's Best Real Estate Enterprises with Greatest Growing Potential”, “China Excellent Real Estate Corporation Awards 2021”, “2021 China's 100 Best Listed Real Estate Enterprises”, “Top Ten PRC Listed Real Estate Enterprises in terms of Growth and Development Capability”, “2020 Group Charity Award of the Year”. Royal Redco in Xianyang was rated as the “Best Pre-sale Property of the Year” for the 16th Kinpan Award. UG Property Management, a subsidiary of the Group, was ranked 40th of the “Top 100 Property Management Service Enterprises in the PRC in 2021”, and its managed projects, Redco Visionary in Jinan and Redco Majestic Residence in Hefei were both awarded the “2021 Five-star Property Service Project in the PRC”.

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 30 June 2021, the Group's property portfolio comprised 131 property development and investment projects with an aggregate gross floor area (the "GFA") of 23,665,984.4 square metres under various stages of development remaining unsold in various cities in the PRC. The following table sets forth a summary of our property development and investment projects as at 30 June 2021:

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
JIANGXI REGION			
Spain Standard 力高國際城	466,665.3	861,274.2	4,369.3
Riverside International 濱江國際	37,346.0	163,999.9	1,469.3
Bluelake County 瀾湖郡	135,285.0	286,794.7	14,739.9
Riverlake International 濱湖國際	68,373.0	168,752.5	4,606.4
Imperial Mansion 君御華府	41,993.3	103,594.8	7,470.3
Imperial Metropolis 君御都會	84,093.3	210,142.7	30,711.3
Bluelake International 瀾湖國際	47,151.0	113,323.0	4,105.9
The Garden of Spring 十里春風	30,378.0	15,278.0	11,273.3

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	177,985.0	50,362.9
Delight Scenery 悦景臺	62,455.0	123,856.6	20,456.8
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,507.2	295,246.0
Life Sunshine Town 生命陽光城	33,396.4	50,181.8	50,181.8
The Phoenix – Phase I 鳳凰新天一期	16,295.3	78,177.8	9,998.2
The Phoenix – Phase II 鳳凰新天二期	39,030.5	155,617.8	155,617.8
Eastern Imperial Garden 東方璽園	49,225.0	165,979.0	165,979.0
Eastern Exquisite 東方玲瓏園	23,209.0	75,630.6	75,630.6
Golden Mansion 金尊府	92,314.0	240,346.0	240,346.0
Royal City 君譽城	225,296.0	642,093.3	367,593.3
Eastern Harmony 東方和園	31,422.0	97,757.0	97,757.0
Eastern Crystal 東方璞園	57,876.0	177,645.0	177,645.0
One Riverside Glory 君譽濱江一期	52,896.0	158,124.3	158,124.3

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	42,301.0	100,623.2	100,623.2
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	642,971.9	505,234.2
Leisure's Mansion 君逸府	49,335.6	135,797.5	135,797.5
Rivera Mansion 雍江府	101,008.5	311,874.2	311,874.2
Mid-Levels Villa 半山墅	46,415.4	115,473.7	115,473.7
Zhonghui Acadany House 中輝學府	61,052.7	159,030.3	159,030.3
Royal Impression 君譽印象	49,780.5	148,609.6	148,609.6
Violet Pavilion 紫雲台	134,667.3	191,973.0	191,973.0
River Forest West Side Phase I 江樾府項目西區一期	21,326.9	47,016.4	47,016.4
River Forest East Side Phase I 江樾府項目東區一期	32,708.9	75,302.1	75,302.1
Royal County 尚郡	44,137.0	112,713.0	112,713.0
Royal River Mansion 御江府	23,569.1	45,841.7	45,841.7

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
TIANJIN REGION			
Sunshine Coast 陽光海岸	481,394.0	1,445,893.2	821,690.2
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	316,654.0	316,654.0
Luminescence Ocean 拾光海	68,827.0	130,921.7	130,921.7
Eastern Aesthetics 悅麓蘭庭	105,115.2	310,991.2	310,991.2
HUNAN REGION			
Changsha Phoenix 長沙鳳凰新天	18,002.1	128,168.2	128,168.2
Yuelu Green Town 岳麓青城	215,333.0	753,667.0	753,667.0
Yuelu Celebrity Town 岳麓名城	140,000.0	350,000.0	350,000.0
Hangao Academy Mansion 漢高學士府	67,613.7	252,117.1	252,117.1
Royal Terrace 雍璽台	111,027.5	432,514.0	432,514.0
Yuelu Green Town 岳麓青城	241,333.0	675,734.0	675,734.0
Kingdom Forest 江山樾	131,773.8	452,380.0	452,380.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
ZHEJIANG REGION			
Cloud Metropolis 雲都會	132,701.0	467,684.9	277,635.6
Peach Creek Villa 桃溪雲廬	25,475	61,679.8	61,679.8
Glory Joy Palace 耀悦雲庭	78,512.0	241,627.7	241,627.7
Lagoon Palace 潭影雲廬	82,512.2	113,512.2	113,512.2
Hanru Pavilion 翰如府	30,894.0	98,201.4	98,201.4
JIANGSU REGION			
Peaceful Sea 靜海府	56,499.6	108,074.0	22,608.3
Riviera One 環頤灣	223,245.0	645,806.7	645,806.7
Jade Grand Mansion 璞悦新邸	41,533.0	126,600.9	126,600.9
Violet Mist Land 紫雲朗境	88,043.0	244,037.1	244,037.1
Leisure's Maneion 君逸府	199,538.0	515,389.9	515,389.9
Time Spring Palace 時光汎樾	57,962.0	144,394.0	144,394.0

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Yanshan Impression 燕山映	61,021.0	163,483.6	163,483.6
Phoenix Isle 鳳嶼山河	102,511.2	185,928.8	185,928.8
Leisure's Mansion 君逸府	16,402.8	37,171.5	37,171.5
SHANDONG REGION			
Bluelake County 瀾湖郡	68,066.0	256,658.6	1,739.0
Royal Family 君御世家	30,682.0	131,919.7	18,630.1
Imperial Mansion 君御華府	44,966.0	125,742.3	14,238.7
Redco Visionary 力高未來城一期	90,616.9	311,327.2	52,016.4
Redco Visionary II 力高未來城二期	236,992.1	607,995.8	533,062.7
Spring Villa 雍泉府	268,113.0	596,669.4	387,415.6
Jiyang II 濟陽大二期	166,967.4	389,510.0	389,510.0
Grand Mansion 君悅首府	60,940.0	175,440.0	175,440.0
Leisure's Mansion 君逸府	34,290.0	111,702.9	111,702.9

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 I 陽光海岸－第一期	51,693.7	93,512.7	7,468.3
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	34,388.3	1,295.5
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,358.2	3,005.8
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,814.7	98,872.9
Sunshine Coast - Phase V 陽光海岸-第五期	99,194.0	199,574.0	199,574.0
Cathay Palace 泰和府	57,991.0	182,230.0	182,230.0
Imperial Mansion 瑞璽公館	100,511.8	279,024.0	279,024.0
Delight Mansion 清悅華府	133,352.0	375,577.5	375,577.5
Visionary B2 Lot 未來城B2部分地塊	10,734.0	50,489.0	50,489.0
Visionary A7 Lot 未來城A7部分地塊	23,651.0	75,335.0	75,335.0
Leisure's Mansion 君逸府	39,000.0	74,894.5	74,894.5

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
ANHUI REGION			
Mix Kingdom Redco 力高•共和城	395,596.4	823,818.0	65,787.5
Prince Royal Family 君御世家	88,025.5	300,887.9	30,824.2
Royal International 君御國際	43,873.0	114,894.0	15,418.1
Bluelake City 瀾湖前城	76,058.8	229,941.8	35,535.2
Majestic Residence 天悦府	67,931.0	198,138.0	74,845.7
Huaan Southern City 南華安城	165,601.7	496,943.5	496,943.5
Cloud Terrace 雲湖印	47,925.5	130,636.2	130,636.2
Royal Universe 君御天下	83,478.3	147,308.9	147,308.9
Bauhinia Residence 紫荊府	56,185.5	140,610.5	140,610.5
Virtuous City 毅德城	363,736.9	880,110.0	395,676.9
Leisure's Mansion 君逸府	47,098.0	123,142.0	123,142.0
Mingbang Golden Age 錦綉年華	135,994.1	324,232.2	324,232.2

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Prestige Mansion 國賓府	48,580.8	152,541.0	152,541.0
Zhengwu Future 政務未來	61,873.3	194,654.0	194,654.0
HUBEI REGION			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	91,295.5
Youthfulness 雍華年	61,450.2	113,693.4	113,693.4
Golden Bridge Horizon 金橋新天地	30,364.0	91,046.9	91,046.9
Redco Majestic Residence 力高天悦府一期	53,392.4	198,071.9	53,887.1
Redco Majestic Residence II 力高天悦府二期	42,512.8	157,435.2	157,435.2
Scenery Mansion 山水華府	47,012.0	201,516.0	201,516.0
Delight Dragon City 悦禧龍城	158,891.0	556,118.5	556,118.5
Royal City - Phase I 御景灣- 第一期	69,466.8	205,541.0	7,790.6
Majestic Mansion 天悦華府	88,319.8	171,000.0	114,871.5
Royal Family 君御世家	27,588.1	78,431.6	36,370.9

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Royal Redco 力高君樾	46,855.5	90,131.7	90,131.7
Yangxin Causeway Bay Plaza 陽新銅鑼灣廣場	161,064.9	485,260.3	485,260.3
GUANGDONG REGION			
Royal International 力高君御花園	33,035.3	138,833.9	11,271.4
Royal Family 君御世家	30,819.6	95,493.7	3,232.8
Bluelake Landmark 瀾湖峯景	28,113.0	69,275.2	15,392.0
Center Mansion 君熙府	17,428.0	74,617.7	74,617.7
Royal Mansion 君譽府	13,611.1	36,217.4	36,217.4
Bluelake Mansion 瀾湖公館	12,543.8	41,452.0	41,452.0
Sky Palace 雲築花園	48,179.0	220,954.9	220,954.9
Sky Terrace 雲峰閣	27,820.0	85,791.7	85,791.7
Huizhou Leisure's Mansion 惠州君逸府	24,956.0	100,123.0	100,123.0
Blissful Bay 悦璟灣	71,946.0	258,947.2	258,947.2

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Jiangmen Leisure's Mansion 江門君逸府	65,359.0	228,798.2	228,798.2
Riverside One 濱湖壹號	340,175.6	969,560.0	969,560.0
Zengcheng Project 增城項目	29,306.0	153,177.0	153,177.0
Eco Garden 頤尚嘉園	51,714.1	193,458.0	193,458.0
Pearl Mira 印玥萬璟	74,745.9	246,418.0	246,418.0
FUJIAN REGION			
Putian Causeway Bay Plaza 莆田銅鑼灣廣場	170,330.7	430,888.8	430,888.8
Bayview 觀悅灣	18,306.0	53,034.1	3,287.6
Enjoy Peak 悅峰臺	13,336.0	58,647.7	58,647.7
Leisure's Mansion 君逸府	40,279.0	151,406.0	30,614.4
Mount Yuelan 樾瀾山	186,656	518,725.2	518,725.2
Royal Central 君譽中央	15,376.0	48,596.1	48,596.1

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
Tang Dynasty 大唐世家	83,199.0	250,000.0	250,000.0
Royal Glory 雍錦源	28,381.0	117,230.0	117,230.0
Emperor Palace 君樽府	30,108.0	70,182.2	70,182.2
Qianxihui Square 仟喜薈廣場	154,359.1	473,504.5	473,504.5
TOTAL			<u>23,665,984.4</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” includes 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 2021 increased by 36.2% to RMB9,130.9 million from RMB6,703.0 million for the six months ended 30 June 2020. Such increase was primarily attributable to the increase in our GFA delivered for the residential and commercial properties for Royal City and Yong Lake Scenic Center in Jiangxi, Leisure's Mansion in Fujian, Sunshine Coast in Tianjian and Cloud Metropolis in Zhejiang. Total GFA delivered increased by 85.96% to 1,154,335 sq.m for the six months ended 30 June 2021 from 620,736 sq. m for the six months ended 30 June 2020. The increase in our total revenue was also counteracted by the decrease in the recognised average selling price (the “ASP”) for the properties delivered in the six months ended 30 June 2021. The ASP for properties delivered decreased to RMB7,774 for the six months ended 30 June 2021 from RMB10,635 for the six months ended 30 June 2020, representing a 26.9% decrease which was primarily due to the increase in GFA delivered in Royal City and Yong Lake Scenic Center in Jiangxi, which recognised a relatively lower ASP, as compared with other property development projects of the Group.

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

	For the six months ended 30 June					
	2021	2020	2021	2020	2021	2020
	<i>Revenue</i>		<i>GFA Delivered</i>		<i>Recognised ASP</i>	
	<i>(RMB'000)</i>		<i>(sq. m.)</i>		<i>(RMB per sq. m.)</i>	
	<i>(Unaudited)</i>					
Greater Western						
Taiwan Straits						
Economic Zone	5,177,663	2,246,787	657,984	169,043	7,869	13,291
Central and Western						
Regions	2,657,984	3,416,030	329,230	314,092	8,073	10,876
Bohai Economic Rim	1,097,913	705,027	152,367	112,312	7,205	6,277
Greater Bay Area	39,746	233,770	14,754	25,289	2,694	9,244
Others						
– Healthcare service	979	1,572	—	—	—	—
– Property management services	109,338	64,731	—	—	—	—
– Project management services	40,291	29,006	—	—	—	—
– Rental income	6,997	6,061	—	—	—	—
Total	<u>9,130,911</u>	<u>6,702,984</u>	<u>1,154,335</u>	<u>620,736</u>	<u>7,774</u>	<u>10,635</u>

A summary of the segment results set forth below:

- Greater Western Taiwan Straits Economic Zone: segment revenue for the Greater Western Taiwan Straits Economic Zone increased significantly by 130.4% to RMB5,177.7 million for the six months ended 30 June 2021 from RMB2,246.8 million for the six months ended 30 June 2020. Such increase was primarily attributable to the increase in GFA delivered for Royal City and Yong Lake Scenic Center in Jiangxi.

- Central and Western Regions: segment revenue for the Central and Western Regions decreased by 22.2% to RMB2,658.0 million for the six months ended 30 June 2021 from RMB3,416.0 million for the six months ended 30 June 2020. Such decrease was primarily attributable to the decrease in the GFA delivered for Bluelake City in Hefei and Peaceful Sea in Jiangsu.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim increased by 55.7% to RMB1,097.9 million for the six months ended 30 June 2021 from RMB705.0 million for the six months ended 30 June 2020. Such increase was primarily due to the increase in the GFA delivered in Sunshin Coast in Tianjin.
- Greater Bay Area: segment revenue for the Greater Bay Area decreased significantly by 83.0% to RMB39.7 million for the six months ended 30 June 2021 compared to RMB233.8 million for the six months ended 30 June 2020. Such decrease was mainly due to the decrease in GFA delivered for Royal Family in Zhongshan.
- Others: It mainly represents property management services provided by UG Property Management, which is principally engaged in the provision of property management services to the Group's projects, value-added services to non-property owners and community value-added services. The project management services income mainly refers to the acquisition advisory service and financing service to our joint venture project companies.

Cost of sales

Cost of sales increased by 29.5% to RMB6,866.2 million for the six months ended 30 June 2021 from RMB5,302.0 million for the six months ended 30 June 2020. Such increase was primarily due to the increase in GFA delivered to 1,154,335 sq. m. for the six months ended 30 June 2021 from 620,736 sq. m. for the six months ended 30 June 2020; netted off by the decreased in the average land acquisition cost per sq. m. delivered to RMB2,359 for the six months ended 30 June 2021 from RMB4,522 for the six months ended 30 June 2020. Such decrease in average land acquisition cost per sq. m. delivered was primarily due to the increase in the GFA delivered for Royal City and Yong Lake Scenic Center in Jiangxi, Cloud Metropolis in Zhejiang; and Sunshine Coast in Tianjian with relatively low land acquisition costs.

Gross profit

Gross profit increased by 61.7% to RMB2,264.7 million for the six months ended 30 June 2021 from RMB1,401.0 million for the six months ended 30 June 2020. Our gross profit margin increased to 24.8% for the six months ended 30 June 2021 from 20.9% for the six months ended 30 June 2020. The increase was primarily due to the increase in GFA delivered, decrease in the average land acquisition cost per sq. m. of the GFA delivered during the reporting period; and netted off by the decrease in ASP.

Other gains, net

Other gains, increased by 65.9% to RMB487.2 million for the six months ended 30 June 2021 from RMB293.7 million for the six months ended 30 June 2020. The increase was primarily attributable to the increase of gain on re-measurement gain from RMB233.7 million in six months ended 30 June 2020 to RMB372.3 million for the six months ended 30 June 2021 and increase in gain on disposal of subsidiaries and a joint venture by RMB110.1 million for the six months ended 30 June 2021.

Selling and marketing expenses

Selling and marketing expenses increased by 114.0% to RMB529.3 million for the six months ended 30 June 2021 from RMB247.4 million for the six months ended 30 June 2020. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales teams. 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 during the six months ended 30 June 2021.

General and administrative expenses

General and administrative expenses increased by 30.4% to RMB461.7 million for the six months ended 30 June 2021 from RMB354.1 million for the six months ended 30 June 2020. 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 property development projects located in different cities; and the professional fee incurred for the spin-off of Redco Healthy Living.

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 856.6% to RMB15.6 million for the six months ended 30 June 2021 from RMB1.6 million for the six months ended 30 June 2020.

Fair value gain on investment properties upon transfer from properties under development for sales

The fair value gain on investment properties upon transfer from properties under development for sales represents the valuation gain for the commercial properties of The Phoenix - Phrase II in Nanchang and Redco Visionary in Jinan when it changed from the properties under development for sales to investment properties. There was no such transfer during the six months ended 30 June 2020.

Operating profit

As a result of the foregoing, operating profit increased by 80.1% to RMB1,971.4 million for the six months ended 30 June 2021 from RMB1,094.8 million for the six months ended 30 June 2020.

Finance income

Finance income decreased by 14.6% to RMB53.1 million for the six months ended 30 June 2021 from RMB62.2 million for the six months ended 30 June 2020. Such decrease was primarily attributable to the decrease in the interest income from the loan to non-controlling interest due to the repayment of balance by the non-controlling interest in the first half of 2020 and counteracted by the increase in bank deposit interest during the period.

Finance costs

Finance costs decreased by 20.9% to RMB9.9 million for the six months ended 30 June 2021 from RMB12.5 million for the six months ended 30 June 2020. Such decrease was mainly due to the increase in interest expense which is eligible to be capitalised to projects under development.

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

Increase in share of loss of investments accounted for using the equity method, by 67.5% to RMB27.3 million for the six months ended 30 June 2021 from RMB16.3 million for the six months ended 30 June 2020, which was mainly due to the decrease in GFA delivered for Prime in Australia.

Profit before income tax

As a result of the foregoing, profit before income tax for the six months ended 30 June 2021 increased 76.1% to RMB1,987.3 million from RMB1,128.2 million for the six months ended 30 June 2020.

Income tax expense

Income tax expense increased by 72.4% to RMB674.8 million for the six months ended 30 June 2021 from RMB391.5 million for the six months ended 30 June 2020. Such increase was primarily the increase in PRC corporate income tax (“CIT”) by RMB184.8 million as a result of increased profit of the Group during the first half of 2021.

Profit for the six months ended 30 June 2021

As a result of the foregoing, profit for the six months ended 30 June 2021 increased by 78.1% to RMB1,312.5 million from RMB736.7 million for the six months ended 30 June 2020. The profit for the six months ended 30 June 2021 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB955.3 million, Central and Western Regions of RMB224.9 million, Bohai Economic Rim of RMB152.2 million, the others segment for RMB44.8 million, netted off by the loss in Zhongshan and Shenzhen of Greater Bay Area of RMB64.7 million.

Profit for the six months ended 30 June 2021 attributable to owners of the Company and non-controlling interests

As a result of the foregoing, profit for the six months attributable to owners of the Company increased by 19.9% to RMB533.5 million for the six months ended 30 June 2021 from RMB445.1 million for the six months ended 30 June 2020. Profit attributable to non-controlling interests increased to RMB778.9 million for the six months ended 30 June 2021 as compared with RMB291.6 million for the six months ended 30 June 2020 which was mainly due to the increase in the profit from property development projects which the Group owns less than 50% of effective interest.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB11,294.5 million (31 December 2020: RMB9,649.4 million) and restricted cash of RMB4,089.1 million (31 December 2020: RMB4,156.9 million) as at 30 June 2021. As at 30 June 2021, the Group's cash and cash equivalents were mainly denominated in Hong Kong dollar (“**HK\$**”), RMB and United States dollar (“**US\$**”) and Australian Dollar (“**AUD**”).

Borrowings

As at 30 June 2021, the Group had borrowings of approximately RMB22,962.9 million (31 December 2020: RMB20,111.4 million).

	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Long-term bank borrowings	10,482,526	9,390,276
Senior Notes due 2022, 2023 and 2024	<u>3,887,803</u>	<u>4,009,532</u>
Non-current borrowings	<u>14,370,329</u>	<u>13,399,808</u>
Short-term bank and other borrowings	4,420,477	3,077,546
8% Senior Notes due 2022	1,810,732	—
8.5% Senior Notes due 2021	1,929,803	1,934,289
9.875% Senior Notes due 2021	<u>—</u>	<u>746,814</u>
	8,161,012	5,758,649
Portion of long-term bank borrowings		
– due for repayment within one year	429,703	952,897
– due for repayment over one year		
which contain a repayment on demand clause	<u>1,872</u>	<u>—</u>
Current borrowings	<u>8,592,587</u>	<u>6,711,546</u>
Total borrowings	<u>22,962,916</u>	<u>20,111,354</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
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Amounts of borrowings that are repayable:		
– Within 1 year	8,590,715	6,711,546
– Between 1 and 2 years	7,909,790	5,331,643
– Between 2 and 5 years	<u>6,462,411</u>	<u>8,068,165</u>
Total borrowings	<u><u>22,962,916</u></u>	<u><u>20,111,354</u></u>

The carrying amounts of the Group's bank borrowings approximate their fair values as the impact of discounting is not significant or the borrowings carrying floating rate of interests.

Other performance indicators

Net debt to equity ratio

As at 30 June 2021, the Group's net debt to equity ratio was 51.1% (31 December 2020: 48.7%). 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 2021, the Group's net current assets amounted to approximately RMB25,706.2 million (31 December 2020: RMB24,301.3 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.41 times as at 30 June 2021 (31 December 2020: 1.42 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 9.60% for the six months ended 30 June 2021 from 8.78% for the six months ended 30 June 2020.

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
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>17,274,819</u>	<u>9,694,814</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 carrying values of the 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 2021 and 31 December 2020. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 30 June 2021.

Employees and Remuneration policies

As at 30 June 2021, the Group had approximately 3,780 employees (31 December 2020: 3,247 employees). For the six months ended 30 June 2020, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB191.7 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 2021. 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 2021.

Charge on assets

As at 30 June 2021, the Group had aggregate banking facilities of approximately RMB27,630.4 million (31 December 2020: RMB21,762.8 million) for overdrafts and bank loans. The unutilised banking facilities as at 30 June 2021 amounted to RMB4,557.5 million (31 December 2020: RMB1,557.0 million).

As at 30 June 2021 and 31 December 2020, the borrowings of the Group were secured by (i) corporate guarantees of the Company; (ii) certain land and properties under development for sale provided by the Group's subsidiaries; (iii) an investment property; and (iv) the Group's equity interests in certain subsidiaries.

The Group's senior notes are guaranteed by certain subsidiaries of the Company which are located in the PRC and secured by shares of certain subsidiaries of the Company which are incorporated outside the PRC.

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 2021.

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 2021

On 6 July 2021, the Company issued 10.5% senior notes due 2023 with an aggregate nominal value of RMB600,000,000 at 99.323% of the principal amount of the Notes (the "**10.5% Senior Notes due 2023**"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB591,093,000. The 10.5% Senior Notes due 2023 will mature on 6 January 2023, unless redeemed earlier.

On 27 July 2021, the Company issued 11.0% senior notes due 2022 with an aggregate nominal value of US\$100,800,000 at 100.945% of the principal amount of the Notes (the "**11.0% Senior Notes due 2022**"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately USD106,387,000. The 11.0% Senior Notes due 2022 will mature on 6 August 2022, unless redeemed earlier.

Outlook

Currently, the property industry remains as the foundation and stabilizer of China's economy. Under the keynote of "housing is not for speculation", the era of favorable land and financial policies has gone, and now reaches an era of stable market and policies. In the second half of 2021, it is expected that "stability" would remain as the main theme of property industry policies while the fundamental idea still being "housing without speculation and tailor implementation of policies". Regulators will reinforce and implement the control objectives of stabilizing land prices, housing prices and market expectations, with an aim to facilitate continuous healthy and balanced development of the property market. The government increases the construction of rental housing and provides further support to it, while continues to strengthen the supervision of property finance and tighten the property financial policies

Under the background of overall deleveraging of the property industry, it is expected that the general strategies for all property developers would be risk management. Developers will need to actively adapt to new policies and market environment, bolster advantageous areas and geographical exposure, continue to further optimize the landbank structure and improve the efficiency of corporate operation and management in order to achieve sustainable, stable and quality development for the companies.

With the focus on new strategic objectives, positioning and its own quality development, the Group has launched a development theme of "Innovation and Accumulation" in 2021. To achieve the 3-year strategic goal, the Group will continue to expand its quality land reserve, and insist on the "1+3+N" development strategy, with an accent on the Yangtze River Delta city cluster while exploring other premium regions that offer opportunities to continuously drive the Group to quality development and dedicate ourselves to offering healthy living to every city. The Group will also put more effort in market tracking and research on key regions together with precise product positioning, as well as prudent land acquisition in accordance with stringent investment principles.

For the second half of year 2021, the Group will continue to insist on high-quality development, focusing on the quality and efficiency of business operations, retaining talents, promoting innovation and efficiency. We will also continue to invest in the research and development of wellness architecture and its implementation based on our principle of “hard technology + soft services”, in order to set an industry benchmark, and build up the core competitiveness of our products and entry barrier to protect our enterprise development.

Based on our NOWA products, the Group’s diversified industries investment arm will focus on the development in property management, healthcare, and its core strengths and capabilities in the fields of digitalization, technology research, commercial and cultural tourism and education, in order to set the tone for the industry and create a new strategy of multi vertical business units under the umbrella of property development.

Before the 30th anniversary of the founding of the Group, we are pleased to have continuously created value for shareholders and provided customers with a healthy living environment. Looking forward, we will steadfastly gather the wisdom and strength of our employees, continue to strive for the best without forgetting our intentions, continue to prioritize product quality, and improve our operational competitiveness to achieve stable and solid growth, jointly build the Company as the leader of healthy building and the most valuable comprehensive real estate holding group in China. Meanwhile, the Group adheres to the corporate culture of “hard work, product quality and mutual benefit” and continues to create a better living experience based on craftsmanship and cultural heritage. With a stable and long-term development being our foundation and focus, we will thrive together with our vibrant cities and towns and witness a brighter and healthier future together.

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 2021.

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 2021.

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

On 14 April 2021, the Company issued US\$220 million 8.0% senior notes due 2022 (the “**Notes Due 2022**”). The Notes Due 2022 are listed on the Singapore Exchange Securities Trading Limited. Details of the issue of the Notes Due 2022 were disclosed in the announcements of the Company dated 7 April 2021 and 8 April 2021.

On 14 May 2021, the Company issued US\$65 million 8% additional senior notes due 2022 (the “**Additional Notes Due 2022**”), which was consolidated and formed a single series with The Notes Due 2022. The Additional Notes Due 2022 are listed on the Singapore Exchange Securities Trading Limited. Details of the issue of the Additional Notes Due 2022 were disclosed in the announcements of the Company dated 7 May 2021.

On 28 June 2021, the Company together with certain subsidiary guarantors entered into a purchase agreement with Standard Chartered Bank in relation to the issuance of RMB600,000,000 10.5% senior notes due 2023 (the “**Notes Due 2023**”). The Notes Due 2023 are listed on the Singapore Exchange Securities Trading Limited. Details of the issue of the Notes Due 2023 were disclosed in the announcement of the Company dated 28 June 2021.

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2021.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the financial statements of the Company for the six months ended 30 June 2021. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim results of the Group for the Period under review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE 2021 INTERIM RESULTS ANNOUNCEMENT AND 2021 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 2021 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, 27 August 2021

As at the date of this announcement, the executive Directors are Mr. Wong Yeuk Hung JP, Mr. Huang Ruoqing and Mr. Tang Chengyong and the independent non-executive Directors are Mr. Chau On Ta Yuen SBS, BBS, Dr. Tam Kam Kan GBS, SBS, JP and Mr. Yip Tai Him.