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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 2022**

FINANCIAL HIGHLIGHTS

- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the six months ended 30 June 2022 amounted to RMB12,265.0 million
- Revenue for the six months ended 30 June 2022 amounted to RMB9,969.3 million
- Profit for the six months ended 30 June 2022 amounted to RMB185.3 million
- Profit attributable to owners of the Company for the six months ended 30 June 2022 amounted to RMB3.4 million
- Basic earnings per share was RMB0.09 cents for the six months ended 30 June 2022 (30 June 2021: RMB15.02 cents)
- Land bank amounted to 19.9 million sq. m. as at 30 June 2022 (31 December 2021: 22.9 million sq.m.)
- Cash and cash equivalents and restricted cash as at 30 June 2022 amounted to RMB8,396.0 million (31 December 2021: RMB10,857.0 million) and the net debt to equity ratio was 52.9% as at 30 June 2022 (31 December 2021: 52.8%)

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 2022, together with comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	4	9,969,286	9,130,911
Cost of sales		<u>(8,825,506)</u>	<u>(6,866,226)</u>
Gross profit		1,143,780	2,264,685
Other (losses)/gains, net	5	(109,544)	487,227
Selling and marketing expenses		(367,532)	(529,342)
General and administrative expenses		(452,325)	(461,696)
Fair value (loss)/gain on investment properties		(7,957)	15,640
Fair value gain on investment properties upon transfer from properties under development for sales		—	194,856
Operating profit		206,422	1,971,370
Finance income	6	217,926	53,121
Finance costs	6	<u>(9,313)</u>	<u>(9,890)</u>
Finance income, net		208,613	43,231
Share of loss of investments accounted for using the equity method, net		<u>(13,843)</u>	<u>(27,327)</u>
Profit before income tax		401,192	1,987,274
Income tax expense	7	<u>(215,852)</u>	<u>(674,810)</u>
Profit for the period		<u>185,340</u>	<u>1,312,464</u>
Profit attributable to:			
Owners of the Company		3,370	533,521
Non-controlling interests		181,970	778,943
		<u>185,340</u>	<u>1,312,464</u>
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	10	<u>0.09</u>	<u>15.02</u>

**CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	185,340	1,312,464
Other comprehensive (loss)/income		
Item that may not be reclassified to profit or loss		
– Currency translation differences	(522,484)	203,921
Other comprehensive (loss)/income for the period	(522,484)	203,921
Total comprehensive (loss)/income for the period	<u>(337,144)</u>	<u>1,516,385</u>
Total comprehensive (loss)/income for the period attributable to:		
– Owners of the Company	(515,940)	737,100
– Non-controlling interests	178,796	779,285
Total comprehensive (loss)/income for the period	<u>(337,144)</u>	<u>1,516,385</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2022

	<i>Note</i>	30 June 2022	31 December 2021
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment		893,271	923,795
Investment properties		1,978,401	1,992,013
Intangible assets		347,010	352,684
Investments accounted for using the equity method		939,442	1,016,837
Deferred income tax assets		1,033,892	1,122,451
Contract assets		695,239	695,239
		<u>5,887,255</u>	<u>6,103,019</u>
		-----	-----
Current assets			
Completed properties held for sale		9,874,343	7,751,967
Properties under development for sale		44,011,702	50,397,051
Trade and other receivables and deposits	8	4,799,636	4,030,288
Prepayments	8	2,397,364	2,406,921
Amounts due from joint ventures		1,023,132	1,004,533
Amounts due from associates		933,268	933,071
Amounts due from non-controlling interests		4,169,777	4,514,113
Income tax recoverable		1,517,487	1,309,031
Restricted cash		5,472,992	3,322,797
Cash and cash equivalents		2,923,046	7,534,181
		<u>77,122,747</u>	<u>83,203,953</u>
		-----	-----
Total assets		<u><u>83,010,002</u></u>	<u><u>89,306,972</u></u>

	<i>Note</i>	30 June 2022	31 December 2021
		<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		7,310,499	7,761,387
		7,450,131	7,901,019
Non-controlling interests		8,260,324	8,357,891
Total equity		<u>15,710,455</u>	<u>16,258,910</u>
LIABILITIES			
Non-current liabilities			
Borrowings		9,978,596	9,621,483
Deferred income tax liabilities		1,898,658	2,134,348
		11,877,254	11,755,831
Current liabilities			
Trade and other payables	9	16,040,973	16,002,149
Borrowings		6,736,008	9,822,353
Amounts due to non-controlling interests		6,027,822	6,375,100
Amounts due to associates		166,073	98,939
Amounts due to joint ventures		350,746	469,365
Contract liabilities		22,685,230	25,205,116
Income tax liabilities		3,415,441	3,319,209
		55,422,293	61,292,231
Total liabilities		<u>67,299,547</u>	<u>73,048,062</u>
Total equity and liabilities		<u>83,010,002</u>	<u>89,306,972</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 2022 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 2021, 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.

As at 30 June 2022, the Group’s current portion of interest-bearing debts amounted to approximately RMB6,736 million, while its total cash and bank balance amounted to approximately RMB8,396 million. In view of the unfavorable macro market environment in the PRC and slow-down of the real estate industry, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations.

In view of aforementioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group is actively managing its debt structure and looking for funding opportunities; in addition, the Group is actively negotiating with financial institutions to obtain new loans at a reasonable cost. The Group is also actively negotiating with creditors on the renewal of certain indebtedness of the Group;
- (ii) The Group will continue to implement measures to accelerate the pre-sale and sale of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and contract assets;
- (iii) The Group will continuously enhance payment collection progress from customers in respect of the property sales and pre-sales through closely following up with customers and communicate and coordinate with banks for timely grant of individual mortgage loans to the customers;
- (iv) The Group will continue to maintain continuous communication and agree with major constructors and suppliers to arrange payments to these vendors and complete the construction progress as scheduled;
- (v) The Group will continue to actively communicate with relevant banks so that the projects can timely secure necessary project development loans for qualified project development; and
- (vi) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management, which covers a period of 12 months from 30 June 2022. They are of the opinion that, taking into account the above-mentioned status, plans and measures, the Group will have sufficient funds to maintain its operations and to meet its financial obligations as and when they fall due within the next 12 months from 30 June 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) the successful obtaining of additional new sources of financing and refinancing of its existing loans and indebtedness as and when needed to meet its operational need and financial obligations; and
- (ii) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties, speed up the collection of outstanding sales proceeds and contract assets, and control costs and contain capital expenditure so as to generate adequate net cash inflows.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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 2021, 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 2022.

- (a) The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2022 and currently relevant to the Group:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to Annual Improvement Project	Annual Improvements to HKFRS Standards 2018 - 2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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 2022 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 announced by the HKICPA
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	When an entity applies Classification of Liabilities as Current or Non-current – Amendments to HKAS 1

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 2022 (Unaudited)						
Revenue from contracts						
– recognised at a point in time	2,777,339	2,822,699	3,025,478	1,143,978	1,314	9,770,808
– recognised over time	29,627	25	—	208	218,644	248,504
– others	—	—	—	—	12,231	12,231
Less: Inter-segment revenue	—	—	—	(208)	(62,049)	(62,257)
Revenue (from external customers)	<u>2,806,966</u>	<u>2,822,724</u>	<u>3,025,478</u>	<u>1,143,978</u>	<u>170,140</u>	<u>9,969,286</u>
Segment results	(145,686)	65,535	266,562	211,060	(145,633)	251,838
Depreciation and amortisation	<u>(26,631)</u>	<u>(1,616)</u>	<u>(579)</u>	<u>(330)</u>	<u>(16,260)</u>	<u>(45,416)</u>
Operating profit/(loss)	(172,317)	63,919	265,983	210,730	(161,893)	206,422
Share of loss of investments accounted for using the equity method, net	(2,078)	(5,836)	(5,951)	—	22	(13,843)
Finance income	8,162	6,211	20,995	1,379	181,179	217,926
Finance costs	—	—	(47)	(243)	(9,023)	(9,313)
Income tax credit/(expense)	<u>56,483</u>	<u>(79,744)</u>	<u>(86,332)</u>	<u>(91,544)</u>	<u>(14,715)</u>	<u>(215,852)</u>
Profit/(loss) for the period	<u>(109,750)</u>	<u>(15,450)</u>	<u>194,648</u>	<u>120,322</u>	<u>(4,430)</u>	<u>185,340</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 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	<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	1,369,390	374,873	254,825	(80,154)	52,436	1,971,370
Share of (loss)/profit 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)/credit	<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 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
As at 30 June 2022 (Unaudited)						
Total segment assets	<u>23,838,239</u>	<u>27,610,566</u>	<u>19,990,637</u>	<u>8,299,637</u>	<u>3,226,420</u>	82,965,499
Other unallocated corporate assets						<u>44,503</u>
Total assets						<u>83,010,002</u>
Investments accounted for using the equity method	<u>71,414</u>	<u>555,446</u>	<u>87,596</u>	<u>—</u>	<u>224,986</u>	<u>939,442</u>
Additions to:						
Property, plant and equipment	<u>178</u>	<u>233</u>	<u>884</u>	<u>99</u>	<u>8,084</u>	<u>9,478</u>
Total segment liabilities	<u>(18,171,990)</u>	<u>(20,116,723)</u>	<u>(13,757,840)</u>	<u>(5,474,174)</u>	<u>(9,778,820)</u>	<u>(67,299,547)</u>
At 31 December 2021 (Audited)						
Total segment assets	27,369,045	29,227,484	21,419,113	8,174,112	2,976,142	89,165,896
Other unallocated corporate assets						<u>141,076</u>
Total assets						<u>89,306,972</u>
Investments accounting for using the equity method	<u>131,391</u>	<u>572,683</u>	<u>93,548</u>	<u>—</u>	<u>219,215</u>	<u>1,016,837</u>
Additions to:						
Property, plant and equipment	4,056	2,436	1,397	827	53,282	61,998
Investments accounted for using the equity method	260,618	306,273	—	600	—	567,491
Acquisition of subsidiaries						
– Property, plant and equipment	656,986	48	1,998	—	—	659,032
– 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>(20,073,193)</u>	<u>(21,295,506)</u>	<u>(15,891,425)</u>	<u>(5,082,240)</u>	<u>(10,705,698)</u>	<u>(73,048,062)</u>

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Breakdown of revenue		
Sales of properties	9,769,494	8,973,306
Property management services	137,717	109,338
Project management services	31,203	40,291
Hotel services	16,909	—
Rental income	12,231	6,997
Healthcare services	1,732	979
	<u>9,969,286</u>	<u>9,130,911</u>

5 Other (losses)/gains, net

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(Losses)/gains on disposal of subsidiaries	(103,101)	31,000
Losses on disposal of an associate	(1,010)	—
Gain on disposal of a joint venture	—	79,097
Re-measurement gains on interest in investments accounted for using the equity method	—	372,288
Gains on disposal of property, plant and equipment	655	684
Exchange (losses)/gains	(50,972)	6,234
Compensation income	12,800	—
Gains on exchange of senior notes	17,327	—
Others	14,757	(2,076)
	<u>(109,544)</u>	<u>487,227</u>

6 Finance income and costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income from bank deposits	37,694	45,278
Finance income from loans to non-controlling interests	—	7,843
Gain on repurchase of senior notes	180,232	—
	<u>217,926</u>	<u>53,121</u>
Finance costs on bank and other borrowings	857,738	1,031,624
Less: Finance costs capitalised in qualifying assets	<u>(848,425)</u>	<u>(1,021,734)</u>
	<u>9,313</u>	<u>9,890</u>
Weighted average interest rate on capitalised borrowings (per annum)	<u>9.49%</u>	<u>9.60%</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 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax		
– PRC corporate income tax	289,024	812,483
– PRC land appreciation tax	64,504	148,043
Deferred income tax	<u>(137,676)</u>	<u>(285,716)</u>
	<u>215,852</u>	<u>674,810</u>

8 Trade receivables, other receivables, deposits and other prepayments

	30 June	31 December
	2022	2021
	<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)	195,280	305,352
Less: Provision for impairment on trade receivables	<u>(10,356)</u>	<u>(7,448)</u>
	<u>184,924</u>	<u>297,904</u>
Other receivables	4,360,802	3,423,731
Interest receivables	10,757	10,757
Receivables in relation to the disposal of assets and liabilities held for sales	81,863	81,863
Deposits with local real estate associations	182,186	216,070
Deposits with labour department	14,328	23,189
Deposits with treasury bureau	<u>52,589</u>	<u>64,587</u>
	4,702,525	3,820,197
Less: Provision for impairment on other receivables and deposits	<u>(87,813)</u>	<u>(87,813)</u>
	<u>4,614,712</u>	<u>3,732,384</u>
	<u>4,799,636</u>	<u>4,030,288</u>
Prepayments:		
Prepaid other taxes	1,594,719	1,801,264
Prepayments for construction costs	802,645	581,357
Prepayments for acquisition of subsidiaries	<u>—</u>	<u>24,300</u>
	<u>2,397,364</u>	<u>2,406,921</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
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	87,152	241,673
31 - 60 days	12,213	5,651
61 - 90 days	12,415	6,688
91 – 180 days	26,341	16,526
Over 180 days	57,159	34,814
	<u>195,280</u>	<u>305,352</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. A loss allowance of approximately RMB2,908,000 was provided during the six months ended 30 June 2022, 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 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables (Note a)	6,340,186	6,140,366
Accruals and other payables	6,794,610	6,063,750
Amount due to a shareholder (Note b)	46,790	124,068
Other taxes payables	2,823,892	3,637,173
Dividend payables	4,450	6,935
Salary payables	11,289	15,577
Interest payables	12,848	6,382
Rental deposits received	6,908	7,898
	<u>16,040,973</u>	<u>16,002,149</u>

Note:

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 - 30 days	5,026,539	5,157,615
31 - 60 days	247,657	100,181
61 - 90 days	85,292	76,093
Over 90 days	980,698	806,477
	<u>6,340,186</u>	<u>6,140,366</u>

(b) As at 30 June 2022 and 31 December 2021, the loan from a shareholder is interest-free, unsecured and repayable within 1 year with repayment on demand clause.

(c) 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 2022 and 2021 is calculated based on the profit attributable to owners of the Company.

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to owners of the Company (RMB'000)	<u>3,370</u>	<u>533,521</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>0.09</u>	<u>15.02</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 2022 and 2021.

11 Dividend

No dividend was paid during the six months ended 30 June 2022. The directors did not recommend the declaration and payment of any interim dividends in respect of the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

BUSINESS OVERVIEW

In the first half of 2022, the major changes the world is facing and the complicated international situation, coupled with various factors such as the energy crisis, geopolitical conflicts, the resurgence of the COVID-19 pandemic in the PRC, posed great challenges to the overall economy and the development of various industries in the PRC. The real estate industry has also been undergoing the structural adjustments. In the first half of 2022, the real estate control policies adhered to the general principle of “housing is for living in, not for speculation” and “localisation of real estate policies” and reinforcement of the goal of the stabilization of land prices, housing prices and market expectations, continuously promoting the long-term development for the real estate industry. With the favorable financial leverage gradually fading away, the development pace of the real estate industry will return to a stable level but it is still in a period of slow recovery. Facing with the new situation in the industry, the Group has adjusted its development strategy in a timely and effective manner, adhered to a stable financial strategy, upheld the bottom line of safe and efficient operation, continuously improved its core competitiveness, focusing on the essence of products, and enhanced product strength and delivery capabilities.

During the first half of 2022, the Group attained operating revenue of approximately RMB9,969.3 million, representing a period-on-period increase of 9.2%; gross profit of approximately RMB1,143.8 million, representing a period-on-period decrease of 49.5% and net profit of approximately RMB185.3 million, representing a period-on-period decrease of 85.9%. During the first half of 2022, the contract sales of the Company and its associated entities were approximately RMB12,265 million, and the contract sales area was approximately 1.43 million sq.m.

Continuously cultivating premium cities

In recent years, the Group has insisted on the “1+3+N” global strategic plans, with the Yangtze River Delta city cluster as the “1st” core region to be thoroughly penetrated; 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” reputable city clusters such as the Western Taiwan Straits City Cluster and overseas markets. As of 30 June 2022, the Group’s total land bank amounted to approximately 20 million sq.m., laying a solid foundation for the future long-term development of the Group.

Enhancing in overall product quality and deliverability

In recent years, the Group has been focusing on research and development capabilities of products and rewards its customers with ingenious products, 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 3.0. As the “pioneer” in wellness architecture, NOWA 3.0 products are established based on the rigid demand of customers’ wellness, which firmly provided “high quality” healthy housing for the cities. The latest version 3.0 of NOWA proposes the “4H+” healthy living featured by “Homie, Healthy, Happiness and High Tech” from four perspectives including “core customer group, product design, scene construction and provision of platform services”.

In addition, the Group adheres to the concept of “quality-oriented”, strictly controls the quality of projects, and deepens the advantages of high-end quality. In the first half of 2022, the “Redco high-end Engineering Research Institute (力高精端工程研究所)” has been upgraded and built with the focuses ranging from the dimensions of management organization system, 3456 high-end engineering system, acceptance evaluation system, WELL quality delivery system, and five red line management, which further upgrade project quality control, consolidate quality internal strength, strictly carry out the implementation of high-end projects, continuously improve the core competitiveness of products, and ensure high quality and smooth delivery of projects with the guidance by customer thinking.

Promoting diversified businesses and having the successful listing of Redco Healthy Living on the SEHK

In recent years, while strengthening the property development business, the Group has been keenly promoting the layout of its diversified businesses which are 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. As a people oriented organization, the Group has incubated diversified businesses including but not limited to “healthcare, commerce, technology and property management” from the perspective of the whole life cycle and provided premium services to the customers. During the six months ended 30 June 2022, the Group’s revenue from the segment was approximately RMB170.7 million.

Redco Healthy Living Company Limited (“**Redco Healthy Living**”), a subsidiary of the Group, has established the two brands of UG Property Management (property management) and Yearning Health (community healthcare), which has demonstrated a rapid development with highly recognized brand awareness and service satisfaction. On 31 March 2022, Redco Healthy Living was successfully listed on the Main Board of the SEHK with stock code of 2370.HK. Redco Healthy Living is committed to be a “dual butler” for customers, namely lifestyle butler and healthcare butler. Leveraging the strong technology knowhow of a subsidiary of Healthy Living, Shenzhen Zhongtian Yunlian Technology Development Co., Ltd. (“**Zhongtian Yunlian**”), the intelligent and digitalised technical service platform had been established to continuously improve the operating efficiency and customers experiences.

Advancing with honor and strengthening the brand recognition

In the first half of 2022, the Group continued to improve its product quality and deliverability by virtue of its resilient development. The Group has been widely recognized both inside and outside the industry, and has successively won the awards of the “Excellent Real Estate Enterprises of 2022 (2022房地產卓業企業獎)”, and “2022 Influential Real Estate Enterprise (2022年度影響力地產企業獎)”, “2022 Quality Real Estate Benchmarking Enterprise Award (2022品質地產標桿企業獎)” and other honors. Notably, owing to its continuous deep cultivation and outstanding performance in the green and low-carbon field, the Group was ranked at 6th in the list of “Outstanding ESG performance of Chinese Real Estate Enterprises of 2022 (2022中國房地產ESG發展優秀企業)”, Mount Yuelan, Quanzhou was awarded the “2022 Top Ten Benchmark Healthy Building Projects (2022中國綠色健康標桿項目)” and Leisure’s Mansion in Yantai has won the “Gold Award in the Muse Design Awards 2022 of the U.S. (2022年美國繆斯設計獎金獎)”.

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 30 June 2022, the Group's property portfolio comprised 126 property development and investment projects with an aggregate gross floor area (the "GFA") of 19,942,986.9 square metres under various stages of development remaining unsold in various cities in the PRC. The following table sets forth a summary of our property development and investment projects as at 30 June 2022:

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	3,069.3
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	14,139.9
Riverlake International 濱湖國際	68,373.0	168,752.5	72.5
Imperial Mansion 君御華府	41,993.3	103,594.8	7,020.1
Imperial Metropolis 君御都會	84,093.3	210,142.7	95.3
Bluelake International 瀾湖國際	47,151.0	113,323.0	2,208.2
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.)
Delight Scenery 悦景臺	62,455.0	123,856.6	20,310.3
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,507.2	200,371.8
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	9,609.3
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	82,784.5
Royal City 君譽城	225,296.0	642,093.3	189,818.1
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	44,291.0

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	42,301.0	100,623.2	100,623.2
Eastern Grand 東方博園	66,667.0	214,244.0	63,086.8
Fifth Avenue 贛州第五大道	107,814.9	642,971.9	501,072.2
Leisure's Mansion 君逸府	49,335.6	135,797.5	52,885.1
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	817,326.8
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	273,113.2
Luminescence Ocean 拾光海	68,827.0	130,921.7	89,126.6
Eastern Aesthetics 悅麓蘭庭	105,115.2	310,991.2	250,324.4
HUNAN REGION			
Changsha Phoenix 長沙鳳凰新天	18,002.1	128,168.2	106,094.9
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
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	271,948.5
Peach Creek Villa 桃溪雲廬	25,475	61,679.8	61,679.8
Glory Joy Palace 耀悅雲庭	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
Fenghua Garden 峰華苑	64,011.0	163,058.4	163,058.4
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	494,486.2
Jade Grand Mansion 璞悅新邸	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	18,516.7
Imperial Mansion 君御華府	44,966.0	125,742.3	9,051.4
Redco Visionary 力高未來城一期	90,616.9	311,327.2	23,795.1
Redco Visionary II 力高未來城二期	236,992.1	607,995.8	421,871.2
Spring Villa 雍泉府	268,113.0	596,669.4	370,187.0
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	6,593.3
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	34,388.3	1,292.9
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,358.2	2,848.2
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,814.7	93,832.7
Sunshine Coast - Phase V 陽光海岸-第五期	99,194.0	199,574.0	105,047.4
Sunshine Coast - Phase VI 陽光海岸-第六期	60,578.0	286,042.0	286,042.0
Sunshine Coast - Phase VII 陽光海岸-第七期	50,954.0	267,967.0	267,967.0
Cathay Palace 泰和府	57,991.0	182,230.0	98,272.0
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	28,666.3
Royal International 君御國際	43,873.0	114,894.0	14,211.3
Bluelake City 瀾湖前城	76,058.8	229,941.8	34,577.7
Majestic Residence 天悦府	67,931.0	198,138.0	55,802.9
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	43,774.9
Royal Universe 君御天下	83,478.3	147,308.9	16,533.2
Virtuous City 毅德城	363,736.9	880,110.0	387,839.1
Leisure's Mansion 君逸府	47,098.0	123,142.0	38,460.2
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
Leisure' s Mansion 君逸府	107,513.0	217,286.0	217,286.0
HUBEI REGION			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	90,600.4
Youthfulness 雍華年	61,450.2	113,693.4	113,693.4
Redco Majestic Residence 力高天悦府一期	53,392.4	198,071.9	52,674.7
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	119,145.7
Delight Dragon City 悦禧龍城	158,891.0	556,118.5	494,877.4
Royal City - Phase I 御景灣- 第一期	69,466.8	205,541.0	7,350.6
Majestic Mansion 天悦華府	88,319.8	171,000.0	114,306.5

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	90,493.7	2,612.9
Bluelake Landmark 瀾湖峯景	28,113.0	69,275.2	14,176.9
Center Mansion 君熙府	17,428.0	74,617.7	22,980.6
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
Leisure's Mansion (Huizhou) 君逸府(惠州)	24,956.0	100,123.0	100,123.0
Blissful Bay 悦璟灣	71,946.0	258,947.2	217,496.2

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	204,630.8
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	3,048.7
Enjoy Peak 悅峰臺	13,336.0	58,647.7	10,856.4
Leisure's Mansion 君逸府	40,279.0	151,406.0	27,360.2
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	4,845.9

Project	Site area⁽¹⁾ (sq. m.)	Total GFA⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold⁽³⁾ (sq. m.)
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>19,942,986.9</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 2022 increased by 9.2% to approximately RMB9,969.3 million from approximately RMB9,130.9 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in recognized average selling price (the “ASP”) for the six months ended 30 June 2022. The ASP for properties delivered increased by 9.7% to RMB8,526 per sq. m. from RMB7,774 per sq. m. The increase in our total revenue was counteracted by the decrease in the our GFA delivered. Total GFA delivered slightly decreased by 0.7% to 1,145,870 sq. m for the six months ended 30 June 2022 from 1,154,335 sq. m for the six months ended 30 June 2021.

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					
	2022	2021	2022	2021	2022	2021
	<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	2,777,339	5,177,663	357,354	657,984	7,772	7,869
Central and Western						
Regions	2,822,699	2,657,984	292,946	329,230	9,636	8,073
Bohai Economic Rim	3,025,478	1,097,913	375,293	152,367	8,062	7,205
Greater Bay Area	1,143,978	39,746	120,277	14,754	9,511	2,674
Others						
– Healthcare service	1,732	979	—	—	—	—
– Property management services	137,717	109,338	—	—	—	—
– Project management services	31,203	40,291	—	—	—	—
– Rental income	12,231	6,997	—	—	—	—
– Hotel services	16,909	—	—	—	—	—
Total	<u>9,969,286</u>	<u>9,130,911</u>	<u>1,145,870</u>	<u>1,154,335</u>	<u>8,526</u>	<u>7,774</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 decreased significantly by 46.4% to approximately RMB2,777.3 million for the six months ended 30 June 2022 from approximately RMB5,177.7 million for the six months ended 30 June 2021. Such decrease was primarily attributable to the decrease in GFA delivered for projects in Jiangxi.
- Central and Western Regions: segment revenue for the Central and Western Regions increased by 6.2% to approximately RMB2,822.7 million for the six months ended 30 June 2022 from approximately RMB2,658.0 million for the six months ended 30 June 2021. Such increase was primarily attributable to the increase in the GFA delivered for certain project in Hefei.

- Bohai Economic Rim: segment revenue for the Bohai Economic Rim increased by 175.6% to approximately RMB3,025.5 million for the six months ended 30 June 2022 from approximately RMB1,097.9 million for the six months ended 30 June 2021. Such increase was primarily due to the increase in the GFA delivered for projects in Shandong.
- Greater Bay Area: segment revenue for the Greater Bay Area increased significantly by 2,781.6% to approximately RMB1,144.0 million for the six months ended 30 June 2022 compared to approximately RMB39.7 million for the six months ended 30 June 2021. Such increase was mainly due to the increase in GFA delivered for certain projects in Guandong.
- 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 28.5% to approximately RMB8,825.5 million for the six months ended 30 June 2022 from approximately RMB6,866.2 million for the six months ended 30 June 2021. Such increase was primarily due to increase in the average land acquisition cost per sq. m. delivered to RMB3,511 for the six months ended 30 June 2022 from RMB 2,359 for the six months ended 30 June 2021. Besides, an increase in provision for impairment for property inventories of approximately RMB200.4 million was recognized for the six months ended 30 June 2022 owing to the principle of prudence due to the overall weak performance of macro market in the PRC and the continued impact of the COVID-19 pandemic.

Gross profit

Gross profit decreased by 49.5% to approximately RMB1,143.8 million for the six months ended 30 June 2022 from approximately RMB2,264.7 million for the six months ended 30 June 2021. Our gross profit margin decreased to 11.5% for the six months ended 30 June 2022 from 24.8% for the six months ended 30 June 2021. The decrease was primarily due to the decrease in GFA delivered, increase in the average land acquisition cost per sq. m. of the GFA; and netted off by the increase in ASP of the GFA delivered during the six months ended 30 June 2022.

Other (losses)/gains, net

The Group recognized a net other losses of approximately RMB109.5 million, mainly representing the losses on disposal of subsidiaries and exchanges losses of approximately RMB 51.0 million arising from depreciation of RMB against USD for the six months ended 30 June 2022 as compared to a net other gains of approximately RMB487.2 million for the six months ended 30 June 2021.

The decrease was primarily attributable to the decrease in gain on disposal of subsidiaries by approximately RMB134.1 million and decrease in re-measurement gain by approximately RMB372.3 million and decrease in exchange gain by approximately RMB 57.2 million.

Selling and marketing expenses

Selling and marketing expenses decreased by 30.6% to approximately RMB367.5 million for the six months ended 30 June 2022 from approximately RMB529.3 million for the six months ended 30 June 2021. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales teams. Such decrease was mainly due to decrease in the sales agency fee as there was an decrease in the contracted sales during the six months ended 30 June 2022.

General and administrative expenses

General and administrative expenses decreased slightly by 2.0% to approximately RMB452.3 million for the six months ended 30 June 2022 from approximately RMB461.7 million for the six months ended 30 June 2021. Such decrease was primarily due to the decrease in the number of property development projects located in different cities and the cost saving strategy adopted by the Group during the six months ended 30 June 2022.

Fair value loss/gain on investment properties

The Group recognized a fair value loss of investment properties of approximately RMB8.0 million for six months period ended 30 June 2022 as compared with a fair value gain of investment properties of approximately RMB15.6 million for six months period ended 30 June 2021. The fair value loss on investment properties mainly represented the decrease in the value on the commercial properties of The Phoenix- Phase II in Nanchang for the six months ended 30 June 2022.

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 represented the valuation gain for the commercial properties of The Phoenix - Phase II in Nanchang and Redco Visionary in Jinan when it changed from the properties under development for sales to investment properties during the six months ended 30 June 2021. There was no such transfer during the six months ended 30 June 2022.

Operating profit

As a result of the foregoing, operating profit decreased by 89.5% to approximately RMB206.4 million for the six months ended 30 June 2022 from approximately RMB1,971.4 million for the six months ended 30 June 2021.

Finance income

Finance income increased by 310.4% to approximately RMB217.9 million for the six months ended 30 June 2022 from approximately RMB53.1 million for the six months ended 30 June 2021. Such increase was primarily attributable to the gain on repurchase of senior notes of approximately RMB180.2 million.

Finance costs

Finance costs decreased by 6.1% to approximately RMB9.3 million for the six months ended 30 June 2022 from approximately RMB9.9 million for the six months ended 30 June 2021. 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

Share of loss of investments accounted for using the equity method, net decreased by 49.5% to approximately RMB13.8 million for the six months ended 30 June 2022 from approximately RMB27.3 million for the six months ended 30 June 2021, which was mainly due to the disposal of certain loss making investments accounted for using the equity method held by the Group in the second half of 2021.

Profit before income tax

As a result of the foregoing, profit before income tax for the six months ended 30 June 2022 decreased 79.8% to approximately RMB401.2 million from approximately RMB1,987.3 million for the six months ended 30 June 2021.

Income tax expense

Income tax expense decreased by 68.0% to approximately RMB215.9 million for the six months ended 30 June 2022 from approximately RMB674.8 million for the six months ended 30 June 2021. Such decrease was primarily due to the decreased profit of the Group during the first half of 2022.

Profit for the six months ended 30 June 2022

As a result of the foregoing, profit for the six months ended 30 June 2022 decreased by 85.9% to approximately RMB185.3 million from approximately RMB1,312.5 million for the six months ended 30 June 2021. The profit for the six months ended 30 June 2022 was mainly attributable to the profit in Bohai Economic Rim of approximately RMB194.6 million and Greater Bay Area of approximately RMB120.3 million, netted off the losses incurred in Greater Western Taiwan Straits Economic Zone of approximately RMB109.8 million and in Central And Western Regions of approximately RMB 15.5 million.

Profit for the six months ended 30 June 2022 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 decreased by 99.4% to approximately RMB3.4 million for the six months ended 30 June 2022 from approximately RMB533.5 million for the six months ended 30 June 2021. Profit attributable to non-controlling interests decreased to approximately RMB182.0 million for the six months ended 30 June 2022 as compared with approximately RMB778.9 million for the six months ended 30 June 2021. The decrease in profit attributable to owners of the Company and non-controlling interests was mainly attributable to: (1) the unfavorable macro market environment in the PRC and the downturn of the real estate industry, gross profit margin of the projects being recognized during the Period was relatively low; (2) a decrease in gains on disposals of subsidiaries; (3) a decrease in fair value of investment properties and an increase in provision for impairment for property inventories owing to the principle of prudence due to the overall weak performance of macro market in the PRC and the continued impact of the COVID-19 pandemic; and (4) the net exchange loss arising from the depreciation of the RMB against USD.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB2,923.0 million (31 December 2021: RMB7,534.2 million) and restricted cash of approximately RMB5,473.0 million (31 December 2021: RMB3,322.8 million) as at 30 June 2022. As at 30 June 2022, the Group's cash and cash equivalents were mainly denominated in RMB.

Borrowings

As at 30 June 2022, the Group had borrowings of approximately RMB16,714.6 million (31 December 2021: RMB19,443.8 million).

	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Long-term bank borrowings	6,554,756	7,482,264
Senior Notes	<u>3,423,840</u>	<u>2,139,219</u>
Non-current borrowings	<u>9,978,596</u>	<u>9,621,483</u>
Short-term bank and other borrowings	2,876,059	4,250,089
Senior Notes	<u>3,027,827</u>	<u>4,570,053</u>
	5,903,886	8,820,142
Portion of long-term bank borrowings		
– due for repayment within one year	821,930	991,987
– due for repayment over one year		
which contain a repayment on demand clause	1,005	955
– due for repayment over the year		
which contain a repayment on demand clause	<u>9,187</u>	<u>9,269</u>
Current borrowings	<u>6,736,008</u>	<u>9,822,353</u>
Total borrowings	<u><u>16,714,604</u></u>	<u><u>19,443,836</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
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Amounts of borrowings that are repayable:		
– Within 1 year	6,726,821	9,813,084
– Between 1 and 2 years	7,502,450	6,518,710
– Between 2 and 5 years	2,309,323	3,112,042
– Over 5 years	176,010	—
	<u>16,714,604</u>	<u>19,443,836</u>
Total borrowings	<u>16,714,604</u>	<u>19,443,836</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 2022, the Group's net debt to equity ratio was 52.9% (31 December 2021: 52.8%). 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 2022, the Group's net current assets amounted to approximately RMB21,700.5 million (31 December 2021: RMB21,911.7 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.39 times as at 30 June 2021 (31 December 2021: 1.36 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) decreased to 9.49% for the six months ended 30 June 2022 from 9.60% for the six months ended 30 June 2021.

Contingent liabilities

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

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	<u>17,725,989</u>	<u>11,427,242</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 owed 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 2022 and 31 December 2021. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

The Group provided certain joint ventures and associates with guarantees in respect of their borrowings. As at 30 June 2022, the amount of the guarantees utilized by such borrowings drawn down was approximately RMB1,239,308,000 (31 December 2021: RMB1,292,872,000).

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 30 June 2022.

Employees and Remuneration policies

As at 30 June 2022, the Group had approximately 3,325 employees (31 December 2021: 3,620 employees). For the six months ended 30 June 2021, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB393.0 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 2022. The Group 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 2022.

Charge on assets

As at 30 June 2022, the Group had aggregate banking facilities of approximately RMB19,588.5 million (31 December 2021: RMB23,382.4 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 30 June 2022 amounted to approximately RMB3,045.1 million (31 December 2021: RMB3,938.5 million).

As at 30 June 2022 and 31 December 2021, 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 2022.

Future plans for material investments or capital assets

Save as disclosed in this announcement, the Company did not have any plans of significant investments or capital assets as at the date of this announcement.

OUTLOOK

The year of 2022 marks the 30th anniversary of the Group. After 30 years of ups and downs, we still remain true to our original aspiration and maintain our resilience and vitality. The Group overcame various obstacles and challenges over past decades of operation, and will continue to strive to get through trials and hardships in the future and write to a new chapter of development.

Currently, the real estate sector has entered a stage where the industry size will be constrained and favorable policies need to be well managed. Faced with the contraction of supply and demand stagnation, it is expected that for the second half of 2022, “stability” would remain as the main theme of property industry policies. In the context of upholding the fundamental undertone and the control objectives, the industry policies are expected to be more easing, with an aim to support the virtuous circle and healthy development of the real estate industry from both the supply and demand sides. The Group will also proactively respond to changes in the development of the property and appropriately adjust its development and sales strategies to adapt to the new policy and market environment by seeking innovation from thinking of transformation and reform, and practicing the long-term development model for both heavy and light assets.

The Group will adhere to the goal of high-quality development, closely center around operating benefits, focus on advantageous areas and further optimize the structure of its land bank. Being committed to customer satisfaction, the Group will continuously improve the product quality of New Oriental Wellness Architecture (NOWA) and the service quality of “Dual Butler” system, and make further efforts in research and development (“R&D”) and implementation in order to gain a foothold as a pioneer in the industry with excellent products and outstanding services. We strive to assume our corporate responsibility, fulfill the good promises, and deliver projects with guaranteed quality on time. We will take a solid and firm path towards high-quality development. With comprehensive and refined management requirements, the Group will further improve the Company’s operation and management level and enhance the efficiency of capital use. By innovating mechanism and retaining talents, the Group will further enhance the performance per individual and achieve steady and quality sustainable development.

Looking toward the second half of 2022, the Group will create further achievements in a new form of thinking under new situation with more stable strategic focus and stronger resilience. Amid uncertainty, we will embrace reform, build consensus and stick to the goals.

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 2022.

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 2022.

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

- (i) On 22 March 2022, US\$184,944,000 of the 8.0% senior notes issued in April 2021 (the “**April 2021 Notes**”) (ISIN: XS2331603774), representing approximately 93.89% of the aggregate principal amount of the outstanding April 2021 Notes, has been validly tendered and accepted for purchase pursuant to the Offer to Purchase (“**OTP**”).

On 25 March 2022, all the conditions precedent to the OTP with respect to the April 2021 Notes have been fulfilled and the OTP with respect to the April 2021 Notes has been completed. The aggregate April 2021 Notes consideration price, comprised (i) US\$1,849,440 as the April 2021 Notes cash consideration, (ii) an issue of US\$184,944,000 8% senior notes (“**March 2023 I New Notes**”), and (iii) US\$6,657,984 as capitalized interest, resulting in a total amount of US\$191,601,984 of March 2023 I New Notes issued, to eligible holders who have validly tendered their April 2021 Notes pursuant to the OTP.

The March 2023 I New Notes is listed on Singapore Exchange Trading Limited and will be due on 25 March 2023. US\$184,944,000 of the April 2021 Notes validly tendered and accepted pursuant to the OTP have been cancelled. Details of the conduction of OTP with respect to April 2021 Notes and the issue of the March 2023 I New Notes were disclosed in the announcement of the Company dated 14 March 2022, 18 March 2022, 23 March 2022 and 25 March 2022.

- (ii) On 30 March 2022, (i) US\$262,288,000 of the 11% senior notes issued in August 2020 (the “**August 2020 Notes**”) (ISIN: XS2204388644) representing approximately 85.94% of the aggregate principal amount of the outstanding August 2020 Notes, and (ii) US\$146,720,000 of the 13.0% senior notes issued in May 2020 (the “**May 2020 Notes**”) (ISIN: XS2178382318), representing approximately 97.81% of the aggregate principal amount of the outstanding May 2020 Notes, have been validly tendered and accepted for purchase pursuant to the OTP.

On 8 April 2022, all the conditions precedent to the OTP with respect to the August 2020 Notes and May 2020 Notes have been fulfilled and the OTP with respect to the August 2020 Notes and May 2020 Notes have been completed.

The aggregate August 2020 Notes consideration price, comprised (i) US\$2,622,880 as the August 2020 Notes cash consideration, (ii) an issue of 11% US\$262,288,000 of senior note (“**August 2023 New Notes**”), and (iii) US\$4,968,792 as capitalized Interest, resulting in a total amount of US\$267,256,792 of the August 2023 New Notes issued, to eligible holders who have validly tendered their August 2020 Notes pursuant to the OTP. The August 2023 New Notes (ISIN:XS2459381104) is listed on Singapore Exchange Trading Limited and will be due on 6 August 2023. US\$262,288,000 of the August 2020 Notes validly tendered and accepted pursuant to the OTP have been cancelled.

The aggregate May 2020 Notes consideration price, comprised (i) US\$1,467,200 as the May 2020 Notes cash consideration, (ii) an issue of 13% US\$146,720,000 of senior notes (“**March 2023 II New Notes**”), and (iii) US\$6,940,649 as capitalized interest, resulting in a total amount of US\$153,660,649 of the March 2023 II New Notes issued, to eligible holders who have validly tendered their May 2020 Notes pursuant to the OTP. The March 2023 II New Notes (ISIN:XS2459381443) is listed on Singapore Exchange Trading Limited and will be due on 27 May 2023. US\$146,720,000 of the May 2020 Notes validly tendered and accepted pursuant to the OTP have been cancelled.

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 2022.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited interim report for the six months ended 30 June 2022.

PUBLICATION OF THE 2022 INTERIM RESULTS ANNOUNCEMENT AND 2022 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 2022 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, 31 August 2022

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.