

**IMPORTANT NOTE: THIS IS A RESTATEMENT OF AND REPLACES
THE INTERIM REPORT DATED 29 AUGUST 2019
PUBLISHED ON 30 SEPTEMBER 2019**



力高地產集團有限公司

REDCO PROPERTIES GROUP LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE : 1622

2019 INTERIM REPORT



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FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019 RMB' 000	2018 RMB' 000	Change (%)
Revenue	1,503,382	1,738,473	(13.5%)
Gross profit	628,286	665,355	(5.6%)
Profit before income tax	594,252	875,063	(32.1%)
Profit for the period	376,484	631,198	(40.4%)
Profit attributable to owners of the Company	283,654	431,370	(34.2%)
Earnings per share attributable to owners of the Company – Basic and diluted (expressed in RMB cents per share)	7.99	12.15	(34.2%)

	30 June 2019 RMB' 000	31 December 2018 RMB' 000	Change (%)
Total Assets	46,065,253	35,146,306	31.1%
Cash and cash equivalents	9,206,247	5,678,863	62.1%
Total Bank and other borrowings	15,613,158	11,059,681	41.2%

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Yeuk Hung
Mr. HUANG Ruoqing
Mr. TANG Chengyong
Mr. WANG Weifeng (appointed on 15 April 2019)

Independent non-executive directors

Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS
Mr. YIP Tai Him
Mr. CHOW Kwong Fai, Edward JP
(resigned on 26 November 2019)

COMPANY SECRETARY

Mr. CHAN Hing Chau

AUTHORISED REPRESENTATIVES

Mr. HUANG Ruoqing
Mr. CHAN Hing Chau

AUDIT COMMITTEE

Mr. CHOW Kwong Fai, Edward JP (*Chairman, resigned on 26 November 2019*)
Mr. YIP Tai Him (*Chairman, since 26 November 2019*)
Dr. WONG Yau Kar, David GBS, BBS, JP
Mr. CHAU On Ta Yuen SBS, BBS

REMUNERATION COMMITTEE

Mr. YIP Tai Him (*Chairman*)
Mr. CHAU On Ta Yuen
Mr. HUANG Ruoqing

NOMINATION COMMITTEE

Mr. HUANG Ruoqing (*Chairman*)
Dr. WONG Yau Kar, David BBS, JP
Mr. CHAU On Ta Yuen

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISOR

Sidley Austin

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Minsheng Bank
Bank of China (Hong Kong) Limited
Hang Seng Bank
The Bank of East Asia Limited

INVESTOR RELATIONS

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STOCK CODE

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WEBSITE

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BUSINESS OVERVIEW

ACTIVELY RESPOND TO THE MARKET WHILE THE CONTRACTED SALES CONTINUE TO INCREASE

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

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

STRENGTHENING EXCELLENT LAND BANK AND DEEPENED EFFORTS INSIDE ESTABLISHED REGIONS

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

PRUDENT FINANCIAL DISCIPLINE AND REASONABLE FINANCING STRUCTURE

Leveraging on good corporate governance and sound financial management, the Group successfully issued three tranches of US dollar bonds, totaling US\$540 million in the first half of the year and launched an US\$175 million syndicated loan, demonstrating the optimistic view of the industry towards Redco's prospect for its development capacity and potential. The Group attaches great importance to cash flow management, and has set up a reasonable financing structure and stable gearing ratio. As at 30 June 2019, the Group's cash and restricted cash was approximately RMB11.94 billion, as its net debt to equity ratio slightly increased to 51.4%. In May, the Group was appraised as "Top 10 Wealth Creation Ability among Real Estate Companies Listed in Hong Kong in 2019", which highlights the recognition of the Company by the market and industry research institutions.

RECRUIT TALENTS TO BUILD AN ELITE SYSTEM

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

BUSINESS OVERVIEW

DIVERSIFIED BUSINESSES WITH INNOVATIVE LINKAGE AND UPGRADE OF FUNCTIONS

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

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

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

- In 2019, the Group was awarded the title of "2019 TOP10 Hong Kong-listed Mainland China Real Estate Company in terms of Wealth Creation Capability (2019中國大陸在港上市房地產公司財富創造能力TOP10)" and "2019 Real Estate Enterprises Worth Paying Attention to in the Capital Market (2019值得資本市場關注的地產企業)" jointly organized by the Enterprise Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy, while the President of the Group was honoured as one of the "2019 Top 10 CEO of China's Listed Real Estate Enterprises (2019中國房地產上市公司十大金牌CEO)", and Shenzhen UG Property Management Co., Ltd. was ranked 60th among the "2019 Top 100 Property Management Service Enterprises in the PRC".
- In 2019, the Group was awarded the "2019 Most Valuable Investment Award" by China Finance (中國融資) in Hong Kong.
- In 2018, the Group was awarded "Top 10 Professional Leading Brands in Residential Property Development in the PRC – quality residential property", as well as "Top 10 Professional Leading Brands in Southern China Residential Property Development", and our brand is valued at RMB5.083 billion
- In 2018, the Group was recognised as "2018 PRC Investment Value Real Estate Enterprise" (2018中國年度投資價值地產企業) by Guandian.cn (觀點地產新媒體).
- In 2017, the Group was recognised as "Top 100 Comprehensive Strength Listed Real Estate Enterprise of China for 2017" (2017年中國房地產上市公司綜合實力100強) by China Real Estate Association (中國房地產業協會).
- In 2016, the Group was recognised as "Top 100 Real Estate Developers of China for 2015" (2015年度中國房地產卓越100) and "Top 100 Real Estate Developers with Brand Value of China for 2015" (2015年度中國房地產品牌價值卓越100) by Guandian.cn (觀點地產新媒體).

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- In 2015, the Group was recognised as “2015 Top 10 Hong Kong Listed Domestic Developers Worthy of Investment” (2015 中國大陸在港上市房地產公司投資價值 TOP 10) by the Enterprise Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院).
- In 2015, the Group received the “2015 Highest Growth Value Award” (2015 最具成長價值獎) from China Finance Summit Organising Committee (中國財經峰會組委會).
- In 2015, the Group was recognised as one of the “2015 Top 100 PRC Real Estate Companies” in terms of overall strength (2015 年中國房地產業綜合實力 100 強) by Chinese Real Estate Federation (中國房地產業聯合會), China Industry Information Statistics Association (中國行業信息統計協會) and the Centrechina.com (焦點中國網).

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

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

Project	Site area ⁽¹⁾ (sq. m.)	Total GFA ⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold ⁽³⁾ (sq. m.)
NANCHANG REGION			
Spain Standard 力高國際城	466,665.3	908,932.6	2,322.7
Riverside International 濱江國際	37,345.7	204,600.6	1,980.9
Bluelake County 瀾湖郡	135,285.0	286,794.7	18,954.8
Riverlake International 濱湖國際	68,373.0	205,846.3	9,483.1
Imperial Mansion 君御華府	41,993.3	109,826.6	8,370.3
Imperial Metropolis 君御都會	84,093.3	227,119.0	41,198.8
Bluelake International 瀾湖國際	47,151.0	177,260.7	6,387.5
The Garden of Spring 十里春風	30,378.0	15,859.5	13,426.0

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Project	Site area ⁽¹⁾ (sq. m.)	Total GFA ⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold ⁽³⁾ (sq. m.)
Scenery Bay 麗景灣	51,919.0	134,567.6	134,567.6
Delight Scenery 悅景臺	62,455.0	122,609.9	122,609.9
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,057.2	412,057.2
Life Sunshine Town 生命陽光城	33,396.4	50,181.8	50,181.8
The Phoenix 鳳凰新天	16,295.0	89,130.0	89,130.0
Eastern Imperial Garden 東方璽園	49,225.0	164,664.8	164,664.8
Eastern Exquisite 東方玲瓏園	23,209.0	76,100.8	76,100.8
Golden Mansion 金尊府	92,314.0	174,063.8	174,063.8
Royal City 君譽城	225,296.0	641,918.9	641,918.9
Sunshine Capital 陽光首府	93,300.0	248,600.0	248,600.0
Eastern Harmony 東方和園	31,422.0	97,822.4	97,822.4
Eastern Crystal 東方璞園	57,876.0	177,172.6	177,172.6
One Riverside Glory 君譽濱江一期	52,896.0	141,367.0	141,367.0
Two Riverside Glory 君譽濱江二期	42,300.0	113,302.0	113,302.0
Eastern Grand 東方博園	66,667.0	214,244.0	214,244.0
Fifth Avenue 贛州第五大道	107,814.9	623,500.0	623,500.0

BUSINESS OVERVIEW

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	1,475,226.0	1,109,225.7
Land Lot Nos. A1 and A2 A1及A2號地塊	69,336.2	55,469.0	55,469.0
Perfection Ocean 理想海	159,465.9	175,339.6	175,339.6
Luminescence Ocean 拾光海	68,830.4	130,921.7	130,921.7
Eastern Aesthetics 悅麓蘭庭	105,100.0	295,800.0	295,800.0
ZHEJIANG & JIANGSU REGION			
Cloud Metropolis 雲都會	132,701.0	412,382.5	412,382.5
Cloudy Base 雲彩基地	10,900.2	106,978.0	106,978.0
Yuchau Mansion 郁洲府	85,234.0	314,725.2	314,725.2
Peaceful Sea 靜海府	56,499.6	101,210.3	101,210.3
Riviera One 環頤灣	223,245.0	621,366.0	621,366.0
JINAN REGION			
Bluelake County 瀾湖郡	68,066.0	237,534.7	4,950.3
Royal Family 君御世家	30,682.0	134,732.0	92,907.9
Imperial Mansion 君御華府	44,966.0	109,400.0	17,717.4
Redco Visionary 力高未來城一期	90,597.3	317,104.4	317,104.4
Redco Visionary II 力高未來城二期	146,203.5	384,636.3	384,636.3
Spring Villa 雍泉府	268,113.0	580,350.0	580,350.0

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Project	Site area ⁽¹⁾ (sq. m.)	Total GFA ⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold ⁽³⁾ (sq. m.)
YANTAI REGION			
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	186,470.8	103,207.4
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	68,241.9	38,226.4
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,270.1	6,734.4
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,770.0	213,770.0
Cathay Palace 泰和府	57,991.0	182,072.0	182,072.0
HEFEI REGION			
Mix Kingdom Redco 力高・共和城	395,596.4	871,735.3	75,706.3
Prince Royal Family 君御世家	88,025.5	299,699.5	36,264.1
Royal International 君御國際	43,873.0	128,301.1	85,941.4
Bluelake City 瀾湖前城	76,058.8	228,000.0	228,000.0
Majestic Residence 天悅府	67,931.0	190,794.8	190,794.8
Huaan Southern City 南華安城	165,601.0	375,870.6	375,870.6
Huaan Spring City 臨泉華安城	299,888.0	833,522.4	833,522.4
Scholar Residence 狀元府	56,700.0	188,360.0	27,485.2
WUHAN REGION			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	112,217.4
Youthfulness 雍華年	61,450.0	114,470.0	114,470.0
Golden Bridge Horizon 金橋新天地	30,364.0	90,949.8	90,949.8
Intelligence City 智慧城	31,696.0	118,188.0	118,188.0

BUSINESS OVERVIEW

Project	Site area ⁽¹⁾ (sq. m.)	Total GFA ⁽²⁾ (sq. m.)	Total GFA under various stages of development remaining unsold ⁽³⁾ (sq. m.)
XI' AN REGION			
Royal City - Phase I 御景灣 - 第一期	69,466.8	237,012.8	10,263.5
Majestic Mansion 天悅華府	88,319.8	171,000.0	171,000.0
Royal Family 君御世家	27,588.1	78,593.0	78,593.0
SHENZHEN REGION			
Royal International 力高君御花園	33,035.3	177,640.0	11,438.5
Mount Dragon 熙瓏山	66,665.0	286,659.0	286,659.0
GUANGDONG REGION			
Royal Family 君御世家	30,819.5	95,889.0	95,889.0
Bluelake Landmark 瀾湖峯景	28,112.5	75,414.0	68,018.5
Ninjiang New City 寧江新城	42,000.0	136,000.0	136,000.0
Center Mansion 君熙府	17,000.0	71,000.0	71,000.0
Royal Mansion 君譽府	13,611.1	35,704.0	35,704.0
QUANZHOU REGION			
Bayview 觀悅灣	18,306.0	57,700.0	57,700.0
Enjoy Peak 悅峰臺	13,336.0	58,156.6	58,156.6
Leisure' s Mansion 君逸府	40,279.0	151,279.5	151,279.5
OVERSEAS REGION			
Prime	15,830.0	56,579.0	56,579.0
TOTAL			12,426,212.0

BUSINESS OVERVIEW

1. Information for “site area” is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).
2. “Total GFA” is based on surveying reports, construction works commencement permits and/or construction works planning permits or the relevant land grant contract and/or public tender, listing-for-sale or auction confirmation letter.
3. “Total GFA under various stages of development remaining unsold” include the GFA of the completed projects remaining unsold, GFA of projects under development and the GFA of projects for future development.

FINANCIAL REVIEW

Revenue

Revenue for the six months ended 30 June 2019 decreased by 13.5% to RMB1,503.4 million from RMB1,738.5 million for the six months ended 30 June 2018. Such decrease was primarily attributable to the decrease in our GFA delivered for the residential property for Royal Family and Imperial Metropolis in Nanchang and Bluelake County in Jinan, and was partially offset by the increase in the GFA delivered for Imperial Mansion in Jinan. Total GFA delivered decreased by 25.1% to 174,111 sq.m for the six months ended 30 June 2019 from 232,423 sq. m for the six months ended 30 June 2018. The decrease in our total revenue was also because of the decrease in the recognised average selling price (the “ASP”) for the properties delivered in the six months ended 30 June 2019. The ASP for properties delivered decreased to RMB7,118 for the six months ended 30 June 2019 from RMB7,344 for the six months ended 30 June 2018, representing a 3.1% decrease which was primarily due to the decrease in GFA delivered in Bluelake County in Jinan, which recognised a relatively higher ASP, as compared with other property development projects of the Group in the six months ended 30 June 2018.

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

	For the six months ended 30 June					
	2019 Revenue (RMB’ 000)	2018	2019 GFA Delivered (sq. m.)	2018	2019 Recognised ASP (RMB per sq. m.)	2018
Greater Western Taiwan Straits Economic Zone	170,041	715,758	28,506	102,560	5,965	6,979
Central and Western Regions	819,252	222,446	110,222	25,565	7,433	8,701
Bohai Economic Rim						
– Construction service*	256,647	27,891	—	—	—	—
– Properties sales	182,530	768,732	27,811	104,298	6,563	7,371
Pearl River Delta Region	67,487	—	7,572	—	8,913	—
Others						
– Healthcare service	1,187	—	—	—	—	—
– Project management services	6,238	3,646	—	—	—	—
Total	1,503,382	1,738,473	174,111	232,423	7,118	7,344

* Construction service represents the construction service provided by the Group in Jinan

A summary of the segment results is set forth below:

- Greater Western Taiwan Straits Economic Zone: segment revenue for the Greater Western Taiwan Straits Economic Zone decreased significantly by 76.3% to RMB170.0 million for the six months ended 30 June 2019 from RMB715.8 million for the six months ended 30 June 2018. Such decrease was primarily attributable to the decrease in GFA delivered for Royal Family and Imperial Metropolis in Nanchang.
- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 268.4% to RMB819.3 million for the six months ended 30 June 2019 from RMB222.4 million for the six months ended 30 June 2018. Such increase was primarily attributable to the increase in the GFA delivered for Royal International and No.1 Scholar Residence in Hefei.
- Bohai Economic Rim: segment revenue for the Bohai Economic Rim decreased by 44.9% to RMB439.2 million for the six months ended 30 June 2019 from RMB796.6 million for the six months ended 30 June 2018. Such decrease was primarily due to the decrease in the GFA delivered in Bluelake County in Jinan and net-off by the increase in the GFA delivered for Imperial Mansion in Jinan and increase in construction service income.
- Pearl River Delta Region: segment revenue for the Pearl River Delta Region was RMB67.5 million for the six months ended 30 June 2019 compared to nil for the six months ended 30 June 2018. Such amount was mainly due to the GFA delivered for Bluelake Landmark in Zhongshan.
- Others: It mainly represents project management services provided at our headquarters in Shenzhen. The project management services income mainly refers to the daily operating management to our joint venture project company.

Cost of sales

Cost of sales decreased by 18.5% to RMB875.1 million for the six months ended 30 June 2019 from RMB1,073.1 million for the six months ended 30 June 2018. Such decrease was primarily due to the decrease in GFA delivered to 174,111 sq. m. for the six months ended 30 June 2019 from 232,423 sq. m. for the six months ended 30 June 2018; netted off by the increase in average land acquisition cost per sq. m. delivered amounted to RMB1,829 for the six months ended 30 June 2019 from RMB1,344 for the six months ended 30 June 2018. Such increase in average land acquisition cost per sq. m. delivered was primarily due to the increase in the GFA delivered for Imperial Mansion in Jinan with a relatively high land acquisition costs.

Gross profit

Gross profit decreased by 5.6% to RMB628.3 million for the six months ended 30 June 2019 from RMB665.4 million for the six months ended 30 June 2018. Our gross profit margin increased to 41.8% for the six months ended 30 June 2019 from 38.3% for the six months ended 30 June 2018. The increase was primarily attributable to the increase in the portion of the commercial properties during the first half of 2019.

BUSINESS OVERVIEW

Other gains, net

Other gains, decreased to RMB247.6 million for the six months ended 30 June 2019 from RMB310.8 million for the six months ended 30 June 2018. The decrease was primarily attributable to the decrease of the disposal gain of subsidiaries for RMB218.6 million and the realised loss on the foreign exchange contracts for RMB44.5 million, netted off by commission income for RMB39.8 million and Re-measurement valuation gain for RMB123.2 million for the six months ended 30 June 2019.

Selling and marketing expenses

Selling and marketing expenses increased by 177.0% to RMB173.7 million for the six months ended 30 June 2019 from RMB62.7 million for the six months ended 30 June 2018. Selling and marketing expenses mainly represent expenses incurred in the promotion of our properties and the sales commission to the sales agents. Such increase was mainly due to the increase in the marketing promotion activities for the projects and the increase in the sales agency fee as there was an increase in the contracted sales.

General and administrative expenses

General and administrative expenses increased by 44.6% to RMB246.9 million for the six months ended 30 June 2019 from RMB170.7 million for the six months ended 30 June 2018. Such increase was primarily due to the increase in salary expenses, legal and consultancy expenses and office and travelling expenses because of the increase in the number of projects located in different cities.

Fair value gain on investment properties

The fair value gain on investment properties represents the increase in the value on the commercial portion of the culture park in Tianjin and a portion of the Redco Building in Shenzhen which is held for rental. The fair value gain increased by 145.8% to RMB110.1 million for the six months ended 30 June 2019 from RMB44.8 million for the six months ended 30 June 2018. The increase mainly due to the transfer from completed properties to investment properties during the period in the amount of RMB62.4 million.

Operating profit

As a result of the foregoing, operating profit decreased by 28.2% to RMB565.4 million for the six months ended 30 June 2019 from RMB787.6 million for the six months ended 30 June 2018.

Finance income

Finance income increased by 43.3% to RMB63.9 million for the six months ended 30 June 2019 from RMB44.6 million for the six months ended 30 June 2018.

Finance costs

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

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

Share of profit or loss of investments accounted for using the equity method, net reported a loss of RMB26.0 million for the six months ended 30 June 2019 from profit of RMB85.4 million for the six months ended 30 June 2018.

Profit before income tax

As a result of the foregoing, profit before income tax for the six months ended 30 June 2019 decreased to RMB594.3 million from RMB875.1 million for the six months ended 30 June 2018.

Income tax expense

Income tax expense decreased by 10.7% to RMB217.8 million for the six months ended 30 June 2019 from RMB243.9 million for the six months ended 30 June 2018. Such decrease was primarily due to the reversal of an over provision of PRC land appreciation tax of prior years in 2018 of RMB150.7 million and net-off by the increase in PRC enterprise income tax ("EIT") as a result of increased profit of the Group, netted off by the decrease in provision of PRC EIT for the gain on disposal of subsidiaries.

Profit for the six months ended 30 June 2019

As a result of the foregoing, profit for the six months ended 30 June 2019 decreased by 40.4% to RMB376.5 million from RMB631.2 million for the six months ended 30 June 2018. The profit for the six months ended 30 June 2019 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB115.4 million, profit in Central and Western Regions of RMB89.0 million, Bohai Economic Rim of RMB149.7 million, Pearl River Delta Region of loss in RMB5.4 million and profit in the others segment for RMB27.8 million.

Profit for the six months ended 30 June 2019 attributable to owners of the Company

As a result of the foregoing, profit for the six months attributable to owners of the Company decreased by 34.2% to RMB283.7 million for the six months ended 30 June 2019 from RMB431.4 million for the six months ended 30 June 2018. Profit attributable to non-controlling interests decreased by 53.6% to RMB92.8 million for the six months ended 30 June 2019 as compared with profit of RMB199.8 million for the six months ended 30 June 2018 which was mainly due to the decrease in the profit from property development projects in joint venture partnerships.

BUSINESS OVERVIEW

LIQUIDITY AND CAPITAL RESOURCES

Cash Position

The Group had cash and cash equivalents of approximately RMB9,206.2 million (31 December 2018: RMB5,678.9 million) and restricted cash of RMB2,734.7 million (31 December 2018: RMB2,186.1 million) as at 30 June 2019. As at 30 June 2019, the Group's cash and cash equivalents were denominated in Hong Kong dollar ("HK\$"), RMB and United States dollar ("US\$").

Borrowings

As at 30 June 2019, the Group had borrowings of approximately RMB15,613.2 million (31 December 2018: RMB11,059.7 million).

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
NON-CURRENT BORROWINGS		
Long-term bank borrowings, secured	2,701,347	3,549,978
11% Senior Notes due August 2020, secured	2,094,475	1,362,773
9.875% Senior Notes due May 2021, secured	1,216,261	—
Non-current borrowings, secured	6,012,083	4,912,751
CURRENT BORROWINGS		
Short-term bank and other borrowings, secured	124,900	592,540
6.375% Senior Notes due February 2019, secured	—	2,048,688
8% Private Notes due July 2019, secured	109,053	108,534
13.5% Senior Notes due January 2020, secured	1,708,234	—
	1,942,187	2,749,762
Portion of long-term bank and other borrowings, secured		
– due for repayment within one year	4,453,846	3,246,900
– due for repayment within one year which contain a repayment on demand clause	21,553	24,500
– due for repayment after one year which contain a repayment on demand clause	129,316	125,768
– reclassified as current	3,054,173	—
Current borrowings, secured	9,601,075	6,146,930
Total borrowings	15,613,158	11,059,681

BUSINESS OVERVIEW

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 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Amounts of borrowings that are repayable:		
– Within 1 year	9,471,759	6,021,162
– Between 1 and 2 years	5,156,234	4,553,060
– Between 2 and 5 years	985,165	485,459
	<u>15,613,158</u>	<u>11,059,681</u>

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

As at 30 June 2019, the Group was exposed to foreign exchange risk primarily with respect to certain of its borrowings which were denominated in HK\$ and US\$. The RMB experienced depreciation against HK\$ during the six months ended 30 June 2019 which is the main reason for the exchange differences recognised by the Group. The Group does not have a formal hedging policy but entered into foreign currency exchange contracts to hedge part of the foreign exchange risk during the six months ended 30 June 2019.

Other performance indicators

Net debt to equity ratio

As at 30 June 2019, the Group's net debt to equity ratio was 51.4% (31 December 2018: 47.9%). It is calculated as net debt divided by total equity. Net debt is calculated as total borrowing less cash and bank balance (including cash and cash equivalents and restricted cash). Total equity is as shown in the condensed consolidated balance sheet.

Net current assets and current ratio

As at 30 June 2019, the Group's net current assets amounted to approximately RMB10,281.5 million (31 December 2018: RMB9,618.9 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.3 times as at 30 June 2019 (31 December 2018: 1.4 times).

BUSINESS OVERVIEW

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 9.27% for the six months ended 30 June 2019 from 6.99% for the six months ended 30 June 2018.

Contingent liabilities

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

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

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure their obligations of such purchasers for repayment. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificates to the purchasers which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties as applicable.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owned by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the total fair value of financial guarantees is immaterial.

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 30 June 2019. The Directors consider that the subsidiaries are sufficiently financially resourced to settle their obligations.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had approximately 1,034 employees (31 December 2018: 978 employees). For the six months ended 30 June 2019, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB128.3 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted a share option scheme on 14 January 2014. The Company provided on-the-job training, induction courses together with other training programmes for the employees at different positions to raise their professionalism during the six months ended 30 June 2019.

CHARGE ON ASSETS

As at 30 June 2019, the Group had aggregate banking facilities of approximately RMB13,329.0 million (31 December 2018: RMB9,770.3 million) for overdrafts, bank loans and trade financing. The unutilised banking facilities as at 30 June 2019 amounted to RMB1,302.1 million (31 December 2018: RMB1,001.3 million).

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

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

Save as disclosed, no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

IMPORTANT EVENT AFFECTING THE GROUP AFTER 30 JUNE 2019

Subsequent to 30 June 2019, there is restatement of the interim result and interim report for the six months ended 30 June 2019. For detailed effects of the restatement are set out in the announcement dated 29 November 2019 and the updated interim financial information in this report.

BUSINESS OVERVIEW

OUTLOOK

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

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

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

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

Hong Kong, 29 November 2019

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Interest in the Company:

Name of Director	Nature of interest	Total number of Shares	Percentage of the Company's issued share capital
Mr. Wong (Note 2)	Interest in controlled corporation	1,387,258,000(L) (Note 1)	39.06%
Mr. Huang (Note 3)	Beneficiary of a family trust	947,018,000(L) (Note 1)	26.66%
Mr. Wang Weifeng	Beneficial owner	100,000	0.00%

Notes:

- (1) The letters “L” denotes the person's long position in the Shares.
- (2) 1,387,258,000 Shares are registered in the name of Global Universe International Holding Limited (“Global Universe”). As at 30 June 2019, Mr. Wong Yeuk Hung (“Mr. Wong”) beneficially owned 100% of the issued share capital of Global Universe and was therefore deemed to be interested in the 1,387,258,000 Shares held by Global Universe by virtue of the SFO.
- (3) 947,018,000 Shares are registered in the name of Times International Development Company Limited (“Times International”). The entire share capital of Times International Development Company Limited (“Times International”) was held by Honour Family Holdings Limited (“Honour Family”). Honour Family was held as to 100% by UBS Trustees (B.V.I.) Limited. Mr. Huang is the settlor and a beneficiary of the discretionary trust, he was deemed to be interested in the 947,018,000 Shares held by Times International.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 30 June 2019, substantial shareholders' interests or short positions in the shares and underlying shares of the Company, being interests of 5% or more, as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares	Long/ Short position	Percentage of the Company's issued share capital
Global Universe (Note 1)	Beneficial Owner	1,387,258,000	Long Position	39.06%
Times International (Note 2)	Beneficial Owner	947,018,000	Long Position	26.66%
Honour Familyl (Note 2)	Interest in controlled corporation	947,018,000	Long Position	26.66%
UBS Trusteesl (Note 2)	Trustee	947,018,000	Long Position	26.66%
Power Ray (Note 3)	Beneficial Owner	351,609,322	Long Position	9.9%
Mr. NG Leung Ho (Note 3)	Interest in controlled corporation	351,609,322	Long Position	9.9%

Notes:

- (1) As at the date of this report, the entire share capital of Global Universe International Holdings Limited ("**Global Universe**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability, was held by Mr. Wong Yeuk Hung ("**Mr. Wong**"). By virtue of the SFO, Mr. Wong was deemed to be interested in the Shares held by Global Universe.
- (2) The entire share capital of Times International Development Company Limited ("**Times International**") was held by Honour Family Holdings Limited ("**Honour Family**"). Honour Family was held as to 100% by UBS Trustees (B.V.I.) Limited ("**UBS Trustees**"). Mr. Huang is the settlor and a beneficiary of the discretionary trust. By virtue of the SFO, Mr. Huang is deemed to be interested in the Shares held by Times International.
- (3) To the best knowledge of the Directors, the entire share capital of Power Ray Investment Development Limited ("**Power Ray**"), a company incorporated in the BVI with limited liability, was wholly owned by Mr. NG Leung Ho. By virtue of the SFO, Mr. NG Leung Ho is deemed to be interested in the Shares held by Power Ray.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and chief executives of the Company, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION

INTERIM DIVIDEND

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

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 during the six months ended 30 June 2019.

SPECIFIC PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

On 27 March 2019, the Company as borrower entered into a facility agreement (the “2019 Facility Agreement”, together with the 2017 Facility Agreement, the “Facility Agreements”) with a group of financial institutions as lenders, pursuant to which the lenders agreed to make available to the Company a US\$ denominated transferrable term loan facility in an aggregate amount of US\$175 million, with a term of 36 months from the date of the 2019 Facility Agreement and an interest rate equal to LIBOR plus 5.1% per annum.

On 20 July 2017 (after trading hours), the Company (as borrower), certain subsidiaries of the Company (as original guarantors), certain financial institutions (as original mandated lead arrangers) and a facility agent entered into a facility agreement (the “2017 Facility Agreement”) in respect of a US\$202,000,000 transferable term loan facility with a term of 36 months from the date of the Facility agreement and at an interest rate of LIBOR plus 4% per annum. Subject to the terms of the Facility, the total commitment may be increased to not more than US\$220,000,000 as a result of the accession of lender(s).

Under each of the Facility Agreements, it will be an event of default if:

- i. Mr. Huang Ruqing (“Mr. Huang”) and Mr. Wong Yuek Hung (“Mr. Wong”) individually or collectively do not or cease to hold (directly or indirectly) 51% or more of the beneficial shareholding interest, carrying 51% or more of the voting rights, in the issued share capital of the Company or do not or cease to maintain management control over the Company; or
- ii. Mr. Huang is not or ceases to be the president and an executive director of the board of directors of the Company.

On and at any time after the occurrence of an event of default which is continuing, the facility agent may cancel all or part of the commitments, or declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding be immediately due and payable.

As at 30 June 2019, US\$175,950,000 and US\$175,000,000 remained outstanding under the 2017 Facility Agreement and the 2019 Facility Agreement respectively.

The Company will continue to make relevant disclosure in its subsequent interim and annual reports of the Company pursuant to Rule 13.21 of the Listing Rules for as long as circumstances giving rise to the obligation under Rule 13.18 of the Listing Rules continue to exist.

Save as disclosed above, as at 30 June 2019, the Company did not have other disclosure obligations under Rule 13.18 of the Listing Rules.

OTHER INFORMATION

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

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

On 10 January 2019, the Company issued Senior Notes due 2020 with principal amount of US\$250,000,000 at a coupon rate of 13.5% per annum for the purposes of refinancing certain of its indebtedness. Further details relating to the issue of the Senior Notes due 2020 are disclosed in the announcement of the Company dated 11 January 2019.

On 24 January 2019, the Company repurchased 6.375% US\$ notes due 2019 in the aggregate principal amount of US\$32,935,000. The Notes repurchased have been cancelled.

On 23 April 2019, the Company issued Senior Notes due 2021 with principal amount of US\$180,000,000 at a coupon rate of 9.875% per annum for the purposes of refinancing certain of its indebtedness and for other general corporate purposes. Further details relating to the issue of the Senior Notes due 2021 are disclosed in the announcement of the Company dated 24 April 2019.

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities or debt instruments for the six months ended 30 June 2019.

AUDIT COMMITTEE

The Board established an audit committee (the “**Audit Committee**”) which comprises four independent non-executive Directors, namely, Mr. Chow Kwong Fai, Edward, JP, Dr. Wong Yau Kar, David GBS, BBS, JP, Mr. Chau On Ta Yuen, SBS, BBS and Mr. Yip Tai Him. Mr. Chow Kwong Fai, Edward, JP is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results and the unaudited condensed consolidated financial information of the Company and its subsidiaries for the six months ended 30 June 2019.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of Redco Properties Group Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 62, which comprises the interim condensed consolidated balance sheet of Redco Properties Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Revenue	6	1,503,382	1,738,473
Cost of sales		(875,096)	(1,073,118)
Gross profit		628,286	665,355
Other gains, net	7	247,616	310,807
Selling and marketing expenses		(173,652)	(62,683)
General and administrative expenses		(246,939)	(170,679)
Fair value gain on investment properties		110,105	44,751
Operating profit		565,416	787,551
Finance income	8	63,913	44,644
Finance costs	8	(9,088)	(42,504)
Finance income, net		54,825	2,140
Share of (loss)/profit of investments accounted for using the equity method, net		(25,989)	85,372
Profit before income tax		594,252	875,063
Income tax expense	9	(217,768)	(243,865)
Profit for the period		376,484	631,198
Profit attributable to:			
Owners of the Company		283,654	431,370
Non-controlling interests		92,830	199,828
		376,484	631,198
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	20	7.99	12.15

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Profit for the period	376,484	631,198
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
– Currency translation differences	22,859	(58,330)
Other comprehensive income/(loss) for the period	22,859	(58,330)
Total comprehensive income for the period	399,343	572,868
Total comprehensive income for the period attributable to:		
– Owners of the Company	306,641	373,273
– Non-controlling interests	92,702	199,595
Total comprehensive income for the period	399,343	572,868

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10(a)	238,920	221,300
Investment properties	10(b)	1,007,857	803,899
Intangible assets	11	335,992	—
Investments accounted for using the equity method	12	927,198	700,294
Prepayments	13	4,000	60,000
Deferred income tax assets		668,548	459,833
		<u>3,182,515</u>	<u>2,245,326</u>
Current assets			
Completed properties held for sale		1,728,696	2,133,818
Properties under development for sale		22,420,722	15,680,128
Contract assets		700,000	700,000
Trade and other receivables and deposits	13	3,186,052	3,371,544
Prepayments	13	1,199,165	1,053,610
Amounts due from joint ventures	22	86,012	4,844
Amounts due from associates	22	113,850	364,871
Amounts due from non-controlling interests	21	1,038,987	1,414,342
Income tax recoverable		468,341	312,821
Restricted cash		2,734,666	2,186,139
Cash and cash equivalents		9,206,247	5,678,863
		<u>42,882,738</u>	<u>32,900,980</u>
Total assets		<u><u>46,065,253</u></u>	<u><u>35,146,306</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	139,632	139,632
Reserves		4,401,691	4,237,813
		<u>4,541,323</u>	<u>4,377,445</u>
Non-controlling interests		<u>2,600,223</u>	<u>2,287,973</u>
Total equity		<u><u>7,141,546</u></u>	<u><u>6,665,418</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	15	6,012,083	4,912,751
Deferred income tax liabilities		310,349	286,051
		<u>6,322,432</u>	<u>5,198,802</u>
Current liabilities			
Trade and other payables	16	7,296,413	6,323,532
Borrowings	15	9,601,075	6,146,930
Amounts due to non-controlling interests	21	3,027,502	2,123,659
Amounts due to associates	22	204,734	66,000
Amounts due to joint ventures	22	17,265	23,756
Contract liabilities		11,039,766	7,169,457
Income tax liabilities		1,414,520	1,428,752
		<u>32,601,275</u>	<u>23,282,086</u>
Total liabilities		<u>38,923,707</u>	<u>28,480,888</u>
Total equity and liabilities		<u>46,065,253</u>	<u>35,146,306</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital RMB' 000	Reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000		
Balance at 1 January 2019	139,632	1,454,593	2,783,220	4,377,445	2,287,973	6,665,418
Comprehensive income						
Profit for the period	—	—	283,654	283,654	92,830	376,484
Other comprehensive income/(loss)						
Currency translation differences	—	22,987	—	22,987	(128)	22,859
Transfer to statutory reserve	—	29,572	(29,572)	—	—	—
Total comprehensive income for the period	<u>—</u>	<u>52,559</u>	<u>254,082</u>	<u>306,641</u>	<u>92,702</u>	<u>399,343</u>
Transactions with owners						
Non-controlling interest arising on acquisition of subsidiaries (Note 24.1, 24.2 and 24.3)	—	—	—	—	273,390	273,390
Capital injection from non-controlling interests	—	—	—	—	224,643	224,643
Changes in ownership interests in subsidiaries without change in control (Note 24.4)	—	(36,215)	—	(36,215)	(785)	(37,000)
Disposal of subsidiaries (Note 25)	—	—	—	—	(216,158)	(216,158)
Dividends relating to 2018 final	—	—	(106,548)	(106,548)	—	(106,548)
Dividends paid to non-controlling interests	—	—	—	—	(61,542)	(61,542)
Total transaction with owners, recognised directly in equity	<u>—</u>	<u>(36,215)</u>	<u>(106,548)</u>	<u>(142,763)</u>	<u>219,548</u>	<u>76,785</u>
Balance at 30 June 2019	<u>139,632</u>	<u>1,470,937</u>	<u>2,930,754</u>	<u>4,541,323</u>	<u>2,600,223</u>	<u>7,141,546</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at 1 January 2018	139,632	1,615,291	2,034,625	3,789,548	787,837	4,577,385
Comprehensive income						
Profit for the period	—	—	431,370	431,370	199,828	631,198
Other comprehensive (loss)/income						
Currency translation differences	—	(58,097)	—	(58,097)	(233)	(58,330)
Transfer to statutory reserve	—	47,954	(47,954)	—	—	—
Total comprehensive (loss)/income for the period	<u>—</u>	<u>(10,143)</u>	<u>383,416</u>	<u>373,273</u>	<u>199,595</u>	<u>572,868</u>
Transactions with owners						
Non-controlling interest arising on acquisition of subsidiaries (Note 24.1 and 24.2)	—	—	—	—	202,079	202,079
Capital injection from non-controlling interests	—	—	—	—	603,830	603,830
Changes in ownership interests in subsidiary without change in control (Note 24.4)	—	9,810	—	9,810	(28,350)	(18,540)
Dividends relating to 2017 final	—	—	(106,548)	(106,548)	—	(106,548)
Total transaction with owners, recognised directly in equity	<u>—</u>	<u>9,810</u>	<u>(106,548)</u>	<u>(96,738)</u>	<u>777,559</u>	<u>680,821</u>
Balance at 30 June 2018	<u>139,632</u>	<u>1,614,958</u>	<u>2,311,493</u>	<u>4,066,083</u>	<u>1,764,991</u>	<u>5,831,074</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Cash flows from operating activities			
Net cash used in operations		(1,036,839)	(1,753,329)
Income tax paid		(453,833)	(456,007)
Net cash used in operating activities		(1,490,672)	(2,209,336)
Cash flows from investing activities			
Additions of property, plant and equipment		(24,133)	(5,898)
Proceed for disposal of property, plant and equipment		150	428
Payments for acquisition and step acquisition of subsidiaries, net of cash acquired	24	(26,383)	(470,602)
Net inflows/(outflows) of cash in respect of the disposal of subsidiaries	25	99,363	(57,733)
Payments for investment in joint ventures		—	(13,833)
Payments for investment in associates		(174,200)	(5,357)
Advances to non-controlling interests		(131,821)	(209,982)
Advances to joint ventures		(81,168)	(15,317)
Repayment from associates		313,521	(861)
Loan due from a joint venture		(395)	—
Loan due from an associate		(110,392)	—
Loans due from third parties		(100,000)	—
Interest received from bank deposits	8	27,496	14,786
Net cash used in investing activities		(207,962)	(764,369)
Cash flows from financing activities			
Proceeds from bank borrowings		5,297,319	1,543,959
Repayment of bank borrowings		(2,350,684)	(956,100)
Issuance of Senior Notes		3,625,435	1,901,120
Redemption of Senior Note		(2,021,729)	—
Proceeds from capital injection from non-controlling interests		224,643	603,830
Payments for acquisition of ownership interests in subsidiaries without change in control		(37,000)	—
Advances from non-controlling interests		906,058	1,433,300
(Repayment to)/ advance from joint ventures		(6,491)	117,283
Advances from associates		138,734	—
Interest paid		(493,495)	(251,930)
Dividend paid		(78,581)	(56,976)
Net cash generated from financing activities		5,204,210	4,334,486
Net increase in cash and cash equivalents		3,505,576	1,360,781
Cash and cash equivalents at beginning of period		5,678,863	3,587,062
Currency translation differences		21,808	5,418
Cash and cash equivalents at end of period		9,206,247	4,953,261

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together with the Company, referred to as the “Group”) are principally engaged in property development, property investment and project management business in the People’s Republic of China (the “PRC”). The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”).

This condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

2.1 Going concern

During the six months ended 30 June 2019, the Group reported operating cash outflow of approximately RMB1,490,672,000 (six months ended 30 June 2018: RMB2,209,336,000). As at 30 June 2019, the Group had total borrowings of RMB15,613,158,000, amongst which, the current bank borrowings (including non-current bank borrowings which have been reclassified as current liabilities as mentioned below) amounted to RMB9,601,075,000. As at the same date, the Group had cash and cash equivalents of RMB9,206,247,000.

As at 30 June 2019, the Group has failed to comply with a restrictive undertaking clause set out in the loan agreements in connection with the interest coverage ratio for certain bank borrowings amounting to US\$377,000,000 (equivalent to approximately RMB2,577,920,000) (the “Relevant Borrowings”). Such non-compliance constituted an event of default under the loan agreements of the Relevant Borrowings. The lenders would have the rights to demand for immediate repayment if the non-compliance is not waived or rectified. The non-current portion of the Relevant Borrowings amounted to US\$316,400,000 (equivalent to approximately RMB2,154,619,000) with scheduled repayment dates beyond 12 months from 30 June 2019 were classified as current liabilities as at 30 June 2019.

In addition, pursuant to the bank loan agreements of the Group’s short-term bank borrowings of approximately RMB825,393,000 and long-term bank borrowings with scheduled repayment dates beyond 12 months from 30 June 2019 of approximately RMB899,554,000, the lenders have the rights to demand for immediate repayment should there be any default events happened in respect of other borrowings of the Group. Accordingly, the long-term bank borrowings of approximately RMB899,554,000 were classified as current liabilities as at 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2 BASIS OF PREPARATION (CONTINUED)

2.1 *Going concern (Continued)*

In view of such circumstances, 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 resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from 30 June 2019. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- (i) On 25 and 26 November 2019, the Group successfully negotiated with the relevant banks in relation to the Relevant Borrowings and obtained written agreements to revise the restrictive undertaking of interest coverage ratio for the period ended 30 June 2019 and for the period ending 31 December 2019 and to waive their rights arising from the non-compliance under the original clauses of the loan agreement. The Group is able to comply with the revised interest coverage ratio for the period ended 30 June 2019 under the revised terms of the loan agreements;
- (ii) Based on the communications with the banks related to the bank borrowings with cross-default clauses and email confirmations obtained, the directors considered that the banks will not exercise their rights under the relevant cross-default clauses given the Group has successfully obtained waivers and revision of the restrictive undertaking of the Relevant Borrowings as mentioned in (i) above;
- (iii) The Group will monitor closely the process of pre-sales and the construction of its property development projects to ensure that the relevant properties sold under pre-sale arrangement are completed on schedule as planned, the completion certificate from the relevant government authority are successfully obtained and delivered to the customers under the expected timeframe, such that the Group is able to generate sufficient earnings to comply with the interest coverage ratio as specified in the existing and revised agreements of the Relevant Bank Borrowings;

Moreover, the Group will also monitor its level of bank borrowings and interest rate changes. The Group may adjust the pace of the development of new property projects from time to time to maintain its interest expenses or early repay some of the borrowings with its cash surplus such that the interest coverage ratio is complied with.

In addition, the Group will continue to monitor its compliance with the restrictive undertaking requirements. Should the Group be unable to comply with any covenant requirement, management of the Company will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirement from the lenders, if needed.

- (iv) The Group is in the process of arranging certain long-term borrowings for the settlement of its existing financial obligations and capital expenditures. In addition, the Group will negotiate with banks to obtain project loans to finance the construction cost of new property projects. Based on the past experience of the Group, the directors are confident that they will be able to obtain such borrowings from banks and other financial institutions.

Based on the cash flow projections and taking into account the Group's operating performance to generate adequate operating cashflows and earnings from the sales and delivery of property units in the expected timeframe, continuous compliance of the restrictive undertaking requirements of its borrowings, availability of exiting bank facilities and the additional financing to be obtained as and when needed, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2019. Accordingly, the directors consider that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new standards or amendments to HKFRSs effective for the financial year beginning on or after 1 January 2019.

- (a) The following new standard, amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2019 and currently relevant to the Group:

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

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

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

		Effective for accounting periods beginning on or after
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest rate risks), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no changes in the risk management policies since year end.

5.2 *Liquidity risk*

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 *Fair value estimation*

Level of the inputs to valuation techniques used to measure fair value of the Group's financial instruments as at 30 June 2019. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See Note 10(b) for disclosures of the investment properties that are measured at fair value.

6 REVENUE AND SEGMENT INFORMATION

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

The Executive Directors consider the business from a geographical perspective and assess the performance of property development in four reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Pearl River Delta Region and Others. The Group's construction and sea reclamation services and hotel operations are considered together with the property development segments and included in the relevant geographic operating segment. "Others" segment represents provision of design services to group companies, corporate support functions, property management services, healthcare service and investment holdings 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 profit of investments accounted for using the equity method, 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 annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB' 000	Central and Western Regions RMB' 000	Bohai Economic Rim RMB' 000	Pearl River Delta Region RMB' 000	Others RMB' 000	Total RMB' 000
Six months ended 30 June 2019 (Unaudited)						
Revenue						
Revenue from contracts						
– recognised at a point in time	169,010	819,252	182,530	67,487	1,187	1,239,466
– recognised over time	1,031	—	256,647	—	6,238	263,916
	<u>170,041</u>	<u>819,252</u>	<u>439,177</u>	<u>67,487</u>	<u>7,425</u>	<u>1,503,382</u>
Profit for the period						
Segment results	131,038	179,810	206,770	(1,349)	58,134	574,403
Depreciation	(1,331)	(1,274)	(836)	(346)	(5,200)	(8,987)
Operating profit/(loss)	129,707	178,536	205,934	(1,695)	52,934	565,416
Share of (loss)/profit of investments accounted for using the equity method, net	(18,105)	(9,342)	—	—	1,458	(25,989)
Finance income	18,570	16,594	6,797	491	21,461	63,913
Finance costs	—	—	—	—	(9,088)	(9,088)
Income tax expense	(14,814)	(96,773)	(63,050)	(4,208)	(38,923)	(217,768)
Profit/(loss) for the period	<u>115,358</u>	<u>89,015</u>	<u>149,681</u>	<u>(5,412)</u>	<u>27,842</u>	<u>376,484</u>
Six months ended 30 June 2018 (Unaudited)						
Revenue from contracts						
– recognised at a point in time	715,758	222,446	768,732	—	—	1,706,936
– recognised over time	—	—	27,891	—	3,646	31,537
	<u>715,758</u>	<u>222,446</u>	<u>796,623</u>	<u>—</u>	<u>3,646</u>	<u>1,738,473</u>
Profit for the period						
Segment results	192,188	35,926	630,255	(25,484)	(41,620)	791,265
Depreciation	(1,365)	(291)	(881)	(574)	(603)	(3,714)
Operating profit/(losses)	190,823	35,635	629,374	(26,058)	(42,223)	787,551
Share of profit/(losses) of investments accounted for using the equity method, net	87,251	(1,879)	—	—	—	85,372
Finance income	17,266	18,821	6,197	618	1,742	44,644
Finance costs	(3,012)	—	—	—	(39,492)	(42,504)
Income tax (expense)/credit	(77,231)	69,158	(244,831)	26,737	(17,698)	(243,865)
Profit/(losses) for the period	<u>215,097</u>	<u>121,735</u>	<u>390,740</u>	<u>1,297</u>	<u>(97,671)</u>	<u>631,198</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Greater Western Taiwan Straits Economic Zone RMB' 000	Central and Western Regions RMB' 000	Bohai Economic Rim RMB' 000	Pearl River Delta Region RMB' 000	Others RMB' 000	Total RMB' 000
As at 30 June 2019 (Unaudited)						
Total segment assets	<u>11,597,918</u>	<u>11,356,223</u>	<u>14,538,832</u>	<u>1,711,405</u>	<u>6,678,319</u>	45,882,697
Other unallocated corporate assets						<u>182,556</u>
Total assets						<u>46,065,253</u>
Investments accounted for using the equity method	<u>128,268</u>	<u>387,878</u>	<u>—</u>	<u>—</u>	<u>411,052</u>	<u>927,198</u>
Additions to: Property, plant and equipment	<u>2,677</u>	<u>463</u>	<u>5,957</u>	<u>155</u>	<u>14,881</u>	<u>24,133</u>
Total segment liabilities	<u>(7,300,010)</u>	<u>(8,252,656)</u>	<u>(10,928,191)</u>	<u>(1,177,565)</u>	<u>(11,265,285)</u>	<u>(38,923,707)</u>
As at 31 December 2018 (Audited)						
Total segment assets	<u>9,710,114</u>	<u>8,631,983</u>	<u>11,979,372</u>	<u>1,281,252</u>	<u>3,374,164</u>	34,976,885
Other unallocated corporate assets						<u>169,421</u>
Total assets						<u>35,146,306</u>
Investments accounted for using the equity method	<u>347,123</u>	<u>217,222</u>	<u>—</u>	<u>—</u>	<u>135,949</u>	<u>700,294</u>
Additions to: Property, plant and equipment	<u>4,977</u>	<u>4,512</u>	<u>9,094</u>	<u>648</u>	<u>171,319</u>	<u>190,550</u>
Total segment liabilities	<u>(6,164,843)</u>	<u>(4,601,789)</u>	<u>(9,108,750)</u>	<u>(847,195)</u>	<u>(7,758,311)</u>	<u>(28,480,888)</u>
	Six months ended 30 June					
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)				
Analysis of revenue						
Sales of properties	<u>1,239,466</u>	1,706,937				
Construction services	<u>256,491</u>	27,890				
Project management services	<u>6,238</u>	3,646				
Healthcare service	<u>1,187</u>	—				
	<u>1,503,382</u>	<u>1,738,473</u>				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 OTHER GAINS, NET

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Gains on disposal of subsidiaries (Note 25)	112,778	331,425
Re-measurement valuation gain following acquisition of associate to become subsidiary (Note 24)	123,192	—
Gains on bargain purchase arising from acquisition of subsidiaries (Note 24)	12,032	—
Gain on change in fair value of financial assets (Note a)	—	43,469
Realised loss on a foreign exchange forward contract	(44,531)	—
Commission	39,836	—
Gains on disposal of property, plant and equipment	88	192
Exchange gains/(losses) (Note b)	571	(64,054)
Others	3,650	(225)
	247,616	310,807

Note:

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

8 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Finance income from loans to an associate and non-controlling interests	25,127	29,858
Finance income from bank deposits	27,496	14,786
Finance income from loans to independent third parties	11,290	—
	63,913	44,644
Finance cost on borrowings	618,018	308,226
Less: Finance costs capitalised in qualifying assets	(608,930)	(265,722)
	9,088	42,504
Weighted average interest rate on capitalised borrowings (per annum)	9.27%	6.99%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 INCOME TAX EXPENSE

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

No provision has been made for Hong Kong profits tax as the companies in Hong Kong did not generate any assessable profits for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Current income tax		
– PRC enterprise income tax	260,989	239,145
– PRC land appreciation tax	130,739	131,174
PRC enterprise income tax on disposal of subsidiaries (Note 25)	22,000	99,190
Over provision of PRC land appreciation tax in prior years	—	(150,734)
Deferred income tax	(195,960)	(74,910)
	<u>217,768</u>	<u>243,865</u>

10 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) *Property, plant and equipment*

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Opening net book amount at 1 January	221,300	36,489
Additions	24,133	196,263
Disposals	(62)	(236)
Depreciation	(8,987)	(3,714)
Acquisition of subsidiaries (Note 24)	375	3,725
Transfer from associates (Note 24)	3,463	—
Disposal of subsidiaries (Note 25)	(1,297)	—
Exchange differences	(5)	(8)
Closing net book amount at 30 June	<u>238,920</u>	<u>232,519</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (CONTINUED)

(b) Investment properties

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
At 1 January	803,899	434,669
Additions	—	284,871
Transfer from properties under development for sale at fairness (Note iii)	156,285	—
Fair value gain	47,673	44,751
At 30 June	<u>1,007,857</u>	<u>764,291</u>

(i) Fair value measurement

As at 30 June 2019 and 2018, the fair value of the investment properties was measured at level 3 of fair value hierarchy using significant unobservable inputs.

There were no transfers between levels 1, 2 and 3 during the period.

(ii) Valuation process of investment properties

The Group engages an external, independent and qualified valuer, Jiangxi Hengfang Real Estate and Land Valuation Consultancy Co., Ltd. (江西恒方房地產土地估價諮詢有限公司) to determine the fair value of the investment properties at the reporting date.

Discussions of valuation processes and results have been held between the management and the valuer in respect of the valuation as at 30 June 2019, and will be held at least once every six months going forward, in line with the Group's interim and annual reporting dates.

(iii) During the six months ended 30 June 2019, the Group has entered into a rental agreement with an independent third party for property under development for sale, indicating a change in the intended use of the property under development for sale. As a result, the property under development for sale was reclassified as investment property carried at fair value. At the date of transfer, its fair value of approximately RMB156,285,000, including its cost of approximately RMB93,853,000 and fair value gain of approximately RMB62,432,000, has been transferred to investment property.

11 INTANGIBLE ASSETS

(a) Customer relationship

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
At 1 January	—	—
Acquisition of subsidiaries (Note 24)	30,138	—
Exchange differences	—	—
At 30 June	<u>30,138</u>	<u>—</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 INTANGIBLE ASSETS (CONTINUED)

(b) Trademark

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
At 1 January	—	—
Acquisition of subsidiaries (Note 24)	34,626	—
Exchange differences	—	—
At 30 June	<u>34,626</u>	<u>—</u>

(c) Goodwill

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
At 1 January	—	—
Acquisition of subsidiaries (Note 24)	271,228	—
At 30 June	<u>271,228</u>	<u>—</u>

Goodwill arising from the acquisition of Top Glory International Holding Ltd (“Top Glory”) and its subsidiaries is allocated to the Group’s CGUs identified according to operating segments.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Interests in associates

	30 June 2019 RMB' 000 (Unaudited)	30 June 2018 RMB' 000 (Unaudited)
At beginning of the period	383,463	318,193
Additions (Note (i) and (ii))	180,200	5,357
Additions upon step acquisition of subsidiaries (Note 24.3)	474	—
Derecognition of investment in associates upon step acquisition of subsidiaries (Note 24.3)	(38,808)	—
Share of (loss)/profit, net		
– Gain on bargain purchase	—	28,588
– Others	(28,287)	(13,501)
At end of the period	<u>497,042</u>	<u>338,637</u>
A loan due from an associate (Note (iii))	<u>110,394</u>	<u>255,893</u>
	<u>607,436</u>	<u>594,530</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Interests in associates (Continued)

Note:

- (i) The Group acquired 20% equity interest of Funan Anhua Shidai Real Estate Development Co., Ltd. (阜南安華時代房地產開發有限公司) from an independent third party at a consideration of RMB10,000,000. The transaction was completed on 1 January 2019.
- (ii) The Group injected RMB170,000,000 and RMB200,000 to subscribe for 55% and 20% equity interests of Tibet Yunyi Enterprise Management Partnership (Limited Partnership) (西藏運禧企業管理合夥企業 (有限合夥)) and Love Care Redco (Shanghai) Care Service Co., Ltd. (愛照護力高 (上海) 養老服務有限公司).
- (iii) The loan bore interest of 10% per annum, unsecured and had no fixed repayment terms. The carrying value approximated its fair value and was denominated in RMB. Subsequent to 30 June 2019, RMB100,000,000 has been repaid by the associate and the remaining balance has been reclassified to amounts due from associates (Note 22 (c)).

(b) Interests in joint ventures

	30 June 2019 RMB' 000 (Unaudited)	30 June 2018 RMB' 000 (Unaudited)
At beginning of the period	241,046	401,886
Capital injection to joint ventures	—	13,833
Share of (loss)/profit, net	2,298	70,285
Net asset attributable to the Group's interest (Note (i))	243,344	486,004
Unrealised gain from the transaction with a joint venture	(22,500)	(22,860)
At end of the period	220,844	463,144
Amounts due from joint ventures (Note (ii))	98,918	92,579
	319,762	555,723

Note:

- (i) The amount represents the unrealised gain on the properties sold by a subsidiary of the Group to a joint venture, Redco Industry (Jiangxi) Co., Limited.
- (ii) The loans due from joint ventures, Hui Gao Investments Development Limited and Power Out International Holding Limited, are interest-free, unsecured and have no fixed repayment terms. The carrying amounts approximate their fair values and are denominated in HK\$.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Trade receivables (Note a, b, c, f, g and h)	671,248	263,682
Other receivables (Note g and h)	1,041,818	2,119,885
Loan receivable (Note d)	319,877	212,412
Receivables in relation to the disposal of assets and liabilities held for sale	150,000	150,000
Deposits with local real estate associations (Note e)	835,001	555,791
Deposits with labour department	11,810	10,275
Deposits with treasury bureau	221,558	109,759
Less: Provision for impairment on other receivables and deposits	(65,260)	(50,260)
	2,514,804	3,107,862
Trade and other receivables and deposits	3,186,052	3,371,544
Prepaid other taxes	376,184	127,688
Prepayments for construction costs	281,463	29,757
Prepayments for land use rights	496,218	850,865
Prepayments for acquisition of subsidiaries	45,300	45,300
Prepayments for investment in an associate	4,000	60,000
	1,203,165	1,113,610
Less: Non-current portion		
– Prepayments for investment in an associate	(4,000)	(60,000)
Prepayments	1,199,165	1,053,610

Note:

- Trade receivables mainly arise from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements. Credit terms are general granted to certain customers and the customers are required to settle the receivables according the sales and purchase agreements.
- Included in trade receivables are amounts due from a specific customer, which is a group of companies under common control by two independent third party individuals and not connected with the Group, of RMB191,244,000 (31 December 2018: RMB193,343,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

Note: (Continued)

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

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
0 – 30 days	437,569	197,142
31 – 60 days	6,997	—
61 – 90 days	8,822	2,370
91 – 180 days	18,242	6,111
Over 180 days	199,618	58,059
	<u>671,248</u>	<u>263,682</u>

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

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

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

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

- (d) During the year ended 31 December 2018, the Group granted an unsecured loan of HK\$100,000,000 (equivalent to RMB87,620,000) to an independent third party for a term of 12 months at interest rates of 11% per annum from 25 July 2018 to 31 October 2018 and 14.875% per annum from 1 November 2018 to 31 December 2018. Included in loan receivables amount is an interest receivable of RMB7,014,000 as at 30 June 2018.

During the year ended 31 December 2018, the Group granted loans of RMB100,000,000 and RMB20,000,000 to 2 independent third parties respectively. The loans are interest-free, repayable within 12 months from the date of grant and secured by the pledge of 20% equity interest of an entity held by these third parties.

During the six months ended 30 June 2019, the Group further granted loan of RMB100,000,000 to one of the abovementioned independent third party. The loan is interest-free, repayable within 12 months from the date of grant and secured by the pledge of 20% equity interest of an entity held by the third party.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

Note: (Continued)

- (e) The deposits with local real estate associations mainly included deposits made to PRC government bodies for future land development and site clearing for the listing-for-sale or in connection with the retention of the quality for properties construction as required by the relevant regulations in respect of the Group's property development projects.
- (f) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximates their fair values and are interest-free.
- (g) The carrying amounts of trade receivables, other receivables and deposits approximate their fair values and are unsecured, interest-free and repayable on demand.
- (h) The carrying amounts of the Group's trade receivables and other receivables are denominated in the following currencies:

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
RMB	2,958,630	3,249,980
HK\$	111,444	102,564
US\$	115,978	19,000
	<u>3,186,052</u>	<u>3,371,544</u>

14 SHARE CAPITAL

	Number of Share	Par value per share	Share Capital	
			HK\$' 000	RMB' 000
Authorised:				
As at 31 December 2018 and 30 June 2019	<u>10,000,000,000</u>	HK\$0.05	<u>500,000</u>	418,899
Issued and fully paid:				
As at 31 December 2018 and 30 June 2019	<u>3,551,609,322</u>	HK\$0.05	<u>177,580</u>	139,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 BORROWINGS

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Long-term bank borrowings, secured	2,701,347	3,549,978
11% Senior Notes due 2020, secured	2,094,475	1,362,773
9.875% Senior Notes due 2021, secured	1,216,261	—
	<u>6,012,083</u>	<u>4,912,751</u>
Non-current borrowings, secured		
Short-term bank borrowings, secured	124,900	592,540
6.375% Senior Notes due 2019, secured	—	2,048,688
8% Derivate Notes due 2019, secured	109,053	108,534
13.5% Senior Notes due 2020, secured	1,708,234	—
	<u>1,942,187</u>	<u>2,749,762</u>
Portion of long-term bank borrowings, secured		
– due for repayment within one year	4,453,846	3,246,900
– due for repayment within one year which contain a repayment on demand clause	21,553	24,500
– due for repayment after one year which contain a repayment on demand clause	129,316	125,768
– reclassified as current (Note)	3,054,173	—
	<u>9,601,075</u>	<u>6,146,930</u>
Current borrowings, secured		
Total borrowings	<u>15,613,158</u>	<u>11,059,681</u>

Note: As at 30 June 2019, the Group has failed to comply with the restrictive undertaking clauses set out in the loan agreements in connection with the interest coverage ratio for certain bank borrowings amounting to US\$377,000,000 (equivalent to approximately RMB2,577,920,000) (the “Relevant Bank Borrowings”). Such non-compliance constituted an event of default under the agreements of the Relevant Bank Borrowings. The borrowers would have the rights to demand for immediate repayment if the non-compliance is not waived or rectified. The non-current portion of the Relevant Borrowings amounted to US\$316,400,000 (equivalent to approximately RMB2,154,619,000) with scheduled repayment dates beyond 12 months were classified as current liabilities as at 30 June 2019.

In addition, pursuant to the bank loan agreements of the Group’s short-term bank borrowings of approximately RMB825,393,000 and long-term bank borrowings with scheduled repayment dates beyond 12 months after 30 June 2019 of approximately RMB899,554,000, the borrowers have the rights to demand for immediate repayment should there be any default events happened in respect of other borrowings of the Group. Accordingly, the long-term bank borrowings of approximately RMB899,554,000 were classified as current liabilities as at 30 June 2019.

The Group’s bank borrowings as at 30 June 2019 of RMB6,765,117,000 (31 December 2018: RMB4,703,953,000), were secured by certain properties under development for sale of the Group with the carrying values of RMB14,298,559,000 (31 December 2018: RMB8,913,463,000), an investment property of RMB338,893,000 (31 December 2018: RMB480,777,000) and bank deposits of nil (31 December 2018: RMB97,800,000). The Group’s bank and other borrowings as at 30 June 2019 of RMB3,429,070,000 (31 December 2018: RMB2,835,733,000) were guaranteed by the Company and secured by the Group’s equity interests in certain subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 BORROWINGS (CONTINUED)

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 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Amounts of borrowings that are repayable:		
– Within 1 year	9,471,759	6,021,162
– Between 1 and 2 years	5,156,234	4,553,060
– Between 2 and 5 years	985,165	485,459
	<u>15,613,158</u>	<u>11,059,681</u>

On 11 January 2019, the Company issued 13.5% Senior Notes due in 2020 with an aggregate nominal value of US\$250,000,000 at par value (the “13.5% Senior Notes due 2020”). The interest is payable semi-annually in arrears. The 13.5% Senior Notes due 2020 will mature on 21 January 2020, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.

On 24 April 2019, the Company issued 9.875% Senior Notes due in 2021 with an aggregate nominal value of US\$180,000,000 at par value (the “9.875% Senior Notes due 2021”). The interest is payable semi-annually in arrears. The 9.875% Senior Notes due 2021 will mature on 2 May 2021, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.

On 23 February 2018, the Company issued 6.375% senior notes due in 2019 with an aggregate nominal value of US\$300,000,000 at par value (the “6.375% Senior Notes due 2019”). The interest is payable semi-annually in arrears. The 6.375% Senior Notes due 2019 matured on 27 February 2019 unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited.

On 1 August 2018, the Company issued 8% private notes due in 2019 with an aggregate nominal value of US\$15,800,000 at par value (the “8% Private Notes due 2019”). The interest is payable semi-annually in arrears. The 8% Private Notes due 2019 will mature on 31 August 2019 unless redeemed earlier.

On 23 August 2018, the Company issued 11% Senior Notes due in 2020 with an aggregate nominal value of US\$200,000,000 at par value (the “11% Senior Notes due 2020”). The interest is payable semi-annually in arrears. The 11% Senior Notes due 2020 will mature on 29 August 2020, unless redeemed earlier. It is listed on the Singapore Exchange Securities Trading Limited. The Senior Notes has further increase US\$110,000,000 to an aggregate nominal value of US\$310,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 BORROWINGS (CONTINUED)

The Company, at its option, can redeem the 6.375% Senior Notes due 2019, the 8% Private Notes due 2019, the 11% Senior Notes due 2020, the 13.5% Senior Notes due 2020 and the 9.875% Senior Notes due 2021 in whole or in part prior to their maturity at the redemption price as defined in the agreements of these notes.

The early redemption option of the 6.375% Senior Notes due 2019, the 8% Private Notes due 2019, the 11% Senior Notes due 2020, the 13.5% Senior Notes due 2020 and the 9.875% Senior Notes due 2021 is regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on recognition as at 30 June 2019.

The Group's senior notes as at 30 June 2019 totalling RMB5,128,023,000 (31 December 2018: RMB3,519,995,000) are guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries, and subject to the fulfilment of covenants relating to certain of the Group's financial indicators. The Group regularly monitors its compliance with these covenants.

16 TRADE AND OTHER PAYABLES

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Trade payables (Note a)	2,258,631	2,372,836
Accruals and other payables (Note b)	3,717,091	3,079,036
Payable for acquisition of subsidiaries	129,383	—
Dividend payables	141,846	52,337
Salary payables	2,850	7,004
Interest payable	202,388	97,881
Rental deposits received	2,274	4,566
Other taxes payables	841,950	709,872
	7,296,413	6,323,532

Note:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 TRADE AND OTHER PAYABLES (CONTINUED)

- (b) The other payables included an advance of RMB1,928,936,000 (31 December 2018: RMB1,872,137,000) from a customer for investing a potential property development project to be developed in the PRC with the Group. The advance is unsecured, non-interest bearing and has no fixed repayment term.
- (c) The carrying amounts of the Group's trade and other payables approximate their fair values due to their short maturities.
- (d) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
RMB	7,067,411	6,323,532
US\$	229,002	—
	<u>7,296,413</u>	<u>6,323,532</u>

17 COMMITMENTS

Capital commitments and property development commitments

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Contracted but not provided for:		
– Land use right	1,018,949	414,387
– Building improvement	44,501	1,628
– Property development expenditures	<u>8,395,334</u>	<u>6,045,822</u>

Operating lease commitments

At 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office as follows:

	31 December 2018 RMB' 000 (Audited)
No later than one year	2,274
Later than one year and no later than 5 years	<u>4,611</u>
	<u>6,885</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

(a) Guarantees on mortgage facilities

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

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	6,272,736	5,932,804

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchasers for repayment. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchasers which will generally occur within an average period of six months to three years from the completion of the guarantee registration; or (ii) the satisfaction of mortgage loans by the purchasers of the properties as applicable.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the total fair value of financial guarantees is immaterial.

- (b) There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings (Note 15) as at 30 June 2019 and 31 December 2018. The directors consider that the subsidiaries are sufficiently financially resourced to settle their obligations.
- (c) The Company provides a subsidiary of Power Out International Ltd., a joint venture of the Group with a corporate guarantee of a loan facility of AUD70,000,000 which was fully utilised as at 30 June 2019 (31 December 2018: same). The directors of the Company are of the opinion that it is not probable that the above guarantee will be called upon and the fair value of this financial guarantees is immaterial.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 30 June 2019 and 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30 June 2019, the Group had aggregate banking facilities of approximately RMB13,328,991,000 (31 December 2018: RMB9,770,255,000) for overdrafts, bank loans and trade financing. Unused facilities as at the same date amounted to RMB1,302,082,000 (31 December 2018: RMB1,001,256,000).

As at 30 June 2019 and 31 December 2018, 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; and (iii) the Group's equity interests in certain subsidiaries. (Note 18)

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

20 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Profit attributable to owners of the Company (RMB' 000)	283,654	431,370
Weighted average number of shares in issue	3,551,609,322	3,551,609,322
Basic earnings per share (RMB cents)	7.99	12.15

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

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

Except for amounts due from non-controlling interest of RMB48,512,000 and RMB65,000,000 which bear interest of 8.5% and 24% per annum respectively (31 December 2018: RMB32,270,000, RMB50,000,000 and RMB15,000,000 which bear interest of 8.5%, 18% and 11% per annum respectively) and are secured by their interests in the Group's subsidiaries, the amounts due from non-controlling interests are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

Except for amounts due to non-controlling interest of RMB368,337,000 as at 31 December 2018 which bears interest of 4.75% per annum, the amounts due to non-controlling interests are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values and are denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 RELATED PARTY TRANSACTIONS

The amounts due from/(to) related parties, associates and joint ventures are unsecured, interest-free and repayable on demand. The fair values approximate their carrying values and are denominated in RMB.

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

Related parties	Relationship with the Company
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd. 江西昌大瑞豐科技發展有限公司	An associate
Ganzhou Baoherun Co., Ltd. 贛州葆和潤實業有限公司	An associate
Xianyang Baorong Co., Ltd. 咸陽保榮實業有限公司	An associate
Lianyungang Hengrun Real Estate Co., Ltd 連雲港恒潤置業有限公司	An associate
Fengcheng Xin Fei Property Development Co., Ltd. 豐城市欣飛房地產開發有限公司	An associate
Fengcheng Liding Property Development Co., Ltd 豐城市力鼎房地產開發有限公司	An associate
Fengcheng Hending Property Development Co., Ltd 豐城市恆鼎房地產開發有限公司	An associate
Tibet Yunyi Enterprise Management Partnership (Limited Partnership) 西藏運禧企業管理合夥企業 (有限合夥)	An associate
Nanchang Junyu Meijia Property Service Co., Ltd 南昌君譽美家物業服務有限公司	An associate
Jiangxi Guogao Property Service Co., Ltd 江西省國高物業服務有限公司	An associate
Nanchang Yingmei Property Management Co., Ltd 南昌盈美物業有限公司	An associate
Funan Anhua Shidai Real Estate Development Co., Ltd 阜南安華時代房地產開發有限公司	An associate
Love Care Redco (Shanghai) Care Service Co., Ltd 愛照護力高 (上海) 養老服務有限公司	An associate
Redco Industry (Jiangxi) Co., Ltd. 力高實業 (江西) 有限公司	A joint venture
Hui Gao Investments Development Ltd. and its subsidiary 匯高投資發展有限公司及其附屬公司	A joint venture
Power Out International Holding Ltd. and its subsidiaries 力澳國際控股有限公司及其附屬公司	A joint venture

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties	Relationship with the Company
Shenzhen Redco Hongye Property Development Co., Ltd. 深圳力高宏業地產開發有限公司	A joint venture
Wong Yeuk Hung ("Mr. Wong") 黃若虹	A major shareholder and director of the Group
Huang Ruoqing ("Mr. Huang") 黃若青	A major shareholder and director of the Group

(a) Amounts due from joint ventures

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)	Nature	Interest (per annum)	Currency
Power Out International Holding Ltd. and its subsidiaries	63,874	4,844	Non-trade	N/A	HK\$
Hui Gao Investments Development Ltd. And its subsidiaries	22,138	—	Non-trade	N/A	HK\$
	<u>86,012</u>	<u>4,844</u>			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due to joint ventures

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)	Nature	Interest (per annum)	Currency
Shenzhen Redco Hongye Property Development Co., Ltd	5,676	2,737	Non-trade	N/A	RMB
Hui Gao Investments Development Ltd. and its subsidiary	—	9,830	Non-trade	N/A	HK\$
Redco Industry (Jiangxi) Co., Ltd.	11,589	11,189	Non-trade	N/A	RMB
	<u>17,265</u>	<u>23,756</u>			

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

(c) Amounts due from associates

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)	Nature	Interest (per annum)	Currency
Top Glory International Holdings Ltd. and its subsidiaries	—	7,818	Non-trade	N/A	RMB
Jiangxi Chang Da Rui Feng Technology Development Co., Ltd.	—	10,000	Non-trade	N/A	RMB
Lianyungang Hengrun Real Estate Co., Ltd	37,783	146,660	Non-trade	N/A	RMB
Ganzhou Baoherun Co., Ltd	—	168,393	Non-trade	N/A	RMB
Fengcheng Liding Property Development Co., Ltd	—	18,667	Non-trade	N/A	RMB
Fengcheng Hengding Property Development Co., Ltd	6,667	13,333	Non-trade	N/A	RMB
Funan Anhua Times Property Development Co., Ltd	69,400	—	Non-trade	N/A	RMB
	<u>113,850</u>	<u>364,871</u>			

The carrying amounts approximate their fair values and are unsecured and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due to associates

	30 June 2019 RMB' 000	31 December 2018 RMB' 000	Nature	Interest	Currency
Xianyang Baorong Co., Ltd	95,000	66,000	Non-trade	N/A	RMB
Fengcheng Liding Property Development Co., Ltd	69,333	—	Non-trade	N/A	RMB
Fengcheng Hengding Property Development Co., Ltd	7,667	—	Non-trade	N/A	RMB
Fengcheng Xinfei Property Development Co., Ltd	32,734	—	Non-trade	N/A	RMB
	<u>204,734</u>	<u>66,000</u>			

The carrying amount approximates its fair value and is unsecured and repayable on demand.

(e) Transactions with related parties

During the period ended 30 June 2019, the Group purchased property management service amounting to approximately RMB15,953,000 (six months ended 30 June 2018: RMB5,772,000) from one of its associates, at prices mutually agreed by the contracted parties.

(f) Key management compensation

Key management includes directors and top management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Salaries, bonus and other benefits	12,269	11,040
Pension costs - defined contribution plan	283	233
	<u>12,552</u>	<u>11,273</u>

Save as disclosed above and the transactions and balances detailed in the above to the condensed consolidated financial information, the Group had no other material transactions and outstanding balances with related parties during the six months ended and at 30 June 2019 and 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23 DIVIDEND

The directors did not recommended the declaration and payment of any interim dividends in respect of the six months ended 30 June 2019.

An interim dividend of RMB2.5 cents per share for the six months ended 30 June 2018 was payable to shareholders who were on the register at 12 September 2018. This interim dividend, amounting to approximately RMB88,790,000, had been recognised in shareholders' equity in the year ended 31 December 2018.

24 ACQUISITIONS OF SUBSIDIARIES**24.1 Assets acquisitions***(a) Acquisition of Hebei Aohong Real Estate Development Co., Ltd.*

On 1 February 2019, the Group completed the acquisition of 40% equity interest of Hebei Aohong Real Estate Development Co., Ltd. (河北澳鴻房地產開發有限公司) ("Hebei Aohong") at a consideration of approximately RMB82,000,000. Hebei Aohong is principally engaged in property development in Hebei province and holds a parcel of land in Shijiazhuang, Hebei. As the 11% shareholder of Hebei Aohong has granted its voting rights to the Group, the Group controls more than half of the voting rights in Hebei Aohong and appointed 3 out of 5 directors of the board of Hebei Aohong. As the passing of all resolutions of the board of directors of Hebei Aohong only requires a simple majority decision, the Group is deemed to have control over Hebei Aohong and classified its investment in Hebei Aohong as a subsidiary with its results being consolidated.

(b) Acquisition of Taizhou Jiakai Real Estate Development Co., Ltd.

On 10 June 2019, the Group completed the acquisition of 30% equity interest of Taizhou Jiakai Real Estate Development Co., Ltd. (泰州嘉凱房地產開發有限公司) ("Taizhou Jiakai") at a consideration of approximately RMB30,000,000. Taizhou Jiakai is principally engaged in property development in Jiangsu province and holds a parcel of land in Jiangyan District, Jiangsu. As the 21% shareholder of Taizhou Jiakai has granted its voting rights to the Group, the Group controls more than half of the voting rights in Taizhou Jiakai and appointed 3 out of 5 directors of the board of Taizhou Jiakai. As the passing of all resolutions of the board of directors of Taizhou Jiakai only requires a simple majority decision, the Group is deemed to have control over Taizhou Jiakai and classified its investment in Taizhou Jiakai as a subsidiary with its results being consolidated.

(c) Acquisition of Hunchun Fudi Business Management Co., Ltd.

On 18 June 2019, the Group completed the acquisition of 20% equity interest of Qichun Jiahua Properties Co., Ltd. (蘄春嘉華置業有限公司) ("Hunchun Fudi") at a consideration of approximately RMB4,000,000. Hunchun Fudi is principally engaged in property development in Hubei province and holds a parcel of land in Hunchun District, Hubei. As the 31% shareholder of Hunchun Fudi has granted its voting rights to the Group, the Group controls more than half of the voting rights in Hunchun Fudi and appointed 2 out of 3 directors of the board of Hunchun Fudi. As the passing of all resolutions of the board of directors of Hunchun Fudi only requires a simple majority decision, the Group is deemed to have control over Hunchun Fudi and classified its investment in Hunchun Fudi as a subsidiary with its results being consolidated.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

24.1 Assets acquisitions (Continued)

The following table summarises the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at proportionate share in the recognised amounts of net identifiable assets as at the acquisition date.

	Hebei Aohong RMB' 000	Taizhou Jiakai RMB' 000	Qichun Jiahua RMB' 000	Total RMB' 000
Consideration paid and payable as at acquisition date	82,000	30,000	4,000	116,000
<u>Recognised amounts of identifiable assets acquired and liabilities assumed:</u>				
Property, plant and equipment	6	268	49	323
Deferred income tax assets	93	164	29	286
Prepayments, deposits and other receivable	77,986	432,590	36,349	546,925
Properties under development	553,322	805,360	83,231	1,441,913
Cash and cash equivalents	4,803	36,317	174	41,294
Other payables	(427,228)	(1,175,188)	(99,919)	(1,702,335)
Total identifiable net assets acquired	208,982	99,511	19,913	328,406
Less: Non-controlling interest initially recognised as at acquisition date	(125,389)	(69,656)	(15,930)	(210,975)
Less: Gains on bargain purchase (Note 7)	(1,593)	—	—	(1,593)
Net assets acquired	<u>82,000</u>	<u>29,855</u>	<u>3,983</u>	<u>115,838</u>
<u>Analysis of net outflow/(inflow) of cash and cash equivalents in respect of acquisition of subsidiaries:</u>				
Cash consideration paid	82,000	30,000	4,000	116,000
Less: Cash and cash equivalents acquired	(4,803)	(36,317)	(174)	(41,294)
Net cash outflow/(inflow)	<u>77,197</u>	<u>(6,317)</u>	<u>3,826</u>	<u>74,706</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

24.2 Business combination

(a) Acquisition of Linquan Huaxin Real Estate Development Co., Ltd.

On 2 April 2019, the Group completed the acquisition of 20% equity interest of Linquan Huaxin Real Estate Development Co., Ltd. (臨泉縣華鑫房地產開發有限公司) ("Linquan Huaxin") at a consideration of approximately RMB4,000,000. Linquan Huaxin is principally engaged in property development in Anhui province and has a property project developing in Linquan District, Anhui. As the 31% shareholder of Linquan Huaxin has granted its voting rights to the Group, the Group controls more than half of the voting rights in Linquan Huaxin and appointed 2 out of 3 directors of the board of Linquan Huaxin. As the passing of all resolutions of the board of directors of Linquan Huaxin only requires a simple majority decision, the Group is deemed to have control over Linquan Huaxin and classified its investment in Linquan Huaxin as a subsidiary with its results being consolidated.

The following table summarises the consideration paid for the acquisition of Linquan Huaxin, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at proportionate share in the recognised amounts of net identifiable assets as at the acquisition date.

	Linquan Huaxin RMB' 000
Consideration paid and payable as at acquisition date	4,000
<u>Recognised amounts of identifiable assets acquired and liabilities assumed:</u>	
Property, plant and equipment	52
Prepayments, deposits and other receivable	85,119
Properties under development	356,039
Cash and cash equivalents	52,963
Other payables	(420,966)
Deferred income tax liabilities	(1,017)
Total identifiable net assets acquired	72,190
Less: Non-controlling interest initially recognised as at acquisition date	(57,751)
Less: Gains on bargain purchase (Note 7)	(10,439)
Net assets acquired	<u>4,000</u>
<u>Analysis of net inflow of cash and cash equivalents in respect of acquisition of the subsidiary:</u>	
Cash consideration paid	4,000
Less: Cash and cash equivalents acquired	(52,963)
Net cash inflow	<u>(48,963)</u>

Gains on bargain purchase were mainly due to the fact that the sellers had the intention to develop long term strategic business relationship in future with an experienced property developer who can bring in industry expertise.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

24.3 Step acquisition*(a) Step acquisition of Top Glory International Holdings Ltd. and its subsidiaries*

Top Glory International Holdings Ltd. ("Top Glory") and its subsidiaries were 45% associates of the Group before the step acquisition respectively.

On 26 June 2019, the Group acquired the remaining 55% equity interest of Top Glory and its subsidiaries at a consideration of RMB198,000,000.

The following table summarises the consideration paid for the step acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at proportionate share in the recognised amounts of net identifiable assets as at the acquisition date.

	Top Glory and its subsidiaries RMB' 000
<u>Consideration:</u>	
Consideration paid and payable as at acquisition date	198,000
Fair value of the shares held by the Group	162,000
	<u>360,000</u>
<u>Recognised amounts of identifiable assets acquired and liabilities assumed:</u>	
Property, plant and equipment	3,463
Intangible assets	64,764
Investments accounted for using the equity method (Note 12(a))	474
Trade and other receivables and deposits	11,271
Cash and cash equivalents	67,977
Contract assets	(18,911)
Trade and other payables	(35,602)
	<u>93,436</u>
Total identifiable net assets acquired	93,436
Goodwill	271,228
Less: Non-controlling interest initially recognised as at acquisition date	(4,664)
	<u>360,000</u>
<u>Re-measurement gain on interests in associates</u>	
Fair value of interests in associates	162,000
Less: Interests in associates (Note 12(a))	(38,808)
	<u>123,192</u>
<u>Analysis of net outflow of cash and cash equivalents in respect of acquisition of the subsidiary:</u>	
Cash consideration paid	198,000
Less: Payable to the ex-shareholder	(129,383)
Less: Cash and cash equivalents acquired	(67,977)
	<u>640</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24 ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

24.4 Changes in ownership interests in subsidiaries without change in control

- (a) *Acquisition of remaining equity interests of Nanchang Litou Real Estate Development Co., Ltd. and Nanchang Gaoyuan Real Estate Development Co., Ltd.*

On 19 April 2019, the Group completed the purchase of remaining 10% equity interests of Nanchang Litou Real Estate Development Co., Ltd. (南昌力投房地產開發有限公司) (“Nanchang Litou”) and Nanchang Gaoyuan Real Estate Development Co., Ltd. (南昌高遠房地產開發有限公司) (“Nanchang Gaoyuan”) from the non-controlling interest at a consideration of approximately RMB25,280,000 and RMB11,720,000 respectively. The Group recorded a decrease in non-controlling interest of approximately RMB785,000 and a decrease in the balance in reserves of approximately RMB36,215,000 upon the completion of the purchase.

25 DISPOSAL OF SUBSIDIARIES

- (a) *Disposal of Jiangxi Nayu Industrial Co., Ltd.*

On 3 January 2019, the Group completed the disposal of 51% equity interest in Jiangxi Nayu Industrial Co., Ltd. (江西納裕實業有限公司) (“Jiangxi Nayu”) at a consideration of approximately RMB149,200,000 to the non-controlling interests. The Disposal Company is principally engaged in property development in the PRC. Upon the completion of the disposal, the Group lost its control over the Disposal Company and its financial results are not consolidated with the results of the Group.

- (b) *Disposal of Nanchang Xinrong Real Estate Development Co., Ltd.*

On 23 April 2019, the Group completed the disposal of 30% equity interest in Nanchang Xinrong Real Estate Development Co., Ltd. (南昌欣榮房地產開發有限公司) (“Nanchang Xinrong”) at a consideration of approximately RMB19,438,000 to the non-controlling interests. The Disposal Company is principally engaged in property development in the PRC. Upon the completion of the disposal, the Group lost its control over the Disposal Company and its financial results are not consolidated with the results of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25 DISPOSAL OF SUBSIDIARIES (CONTINUED)

An analysis on the gains on disposal of subsidiaries is as follows:

	Jiangxi Nayu RMB' 000	Nanchang Xinrong RMB' 000	Total RMB' 000
Consideration satisfied by:			
– Cash consideration	149,200	19,438	168,638
Less: Net assets disposed of:			
– Property, plant and equipment	(1,044)	(253)	(1,297)
– Properties under development	(431,768)	—	(431,768)
– Deferred income tax (assets)/liabilities	(10,810)	—	(10,810)
– Trade and other receivables, deposits and prepayments	(206,115)	(323,406)	(529,521)
– Cash and cash equivalents	(68,008)	(1,267)	(69,275)
– Amounts due from group companies	(149,200)	(76,797)	(225,997)
– Amounts due (from)/to non-controlling interests	(519,803)	2,215	(517,588)
– Trade and other payables	90,372	87,389	177,761
– Income tax liabilities	—	129,742	129,742
– Contract liabilities	1,206,735	—	1,206,735
	59,559	(162,939)	(103,380)
Add: Non-controlling interests disposed of	37,514	178,644	216,158
Gain on disposal of a subsidiary, pre-tax (Note 7)	97,073	15,705	112,778
Less: PRC enterprise income tax payable upon disposal of subsidiaries (Note 9)	(22,000)	—	(22,000)
Gains on disposal of subsidiaries, net of tax	75,073	15,705	90,778
An analysis on net cash flows arising from the disposal:			
Cash consideration	149,200	19,438	168,638
Less: Cash and cash equivalents disposed	(68,008)	(1,267)	(69,275)
Net cash inflow	81,192	18,171	99,363