力高集團
REDCO GROUP

REDCO PROPERTIES GROUP LIMITED
力高地產集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1622)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Contracted sales of properties for the Group's subsidiaries, associates and joint ventures for the six months ended 30 June 2020 increased by 19.3% to RMB13,018.2 million
- Revenue for the six months ended 30 June 2020 increased by 345.9% to RMB6,703.0 million
- Profit for the six months ended 30 June 2020 increased by 95.7% to RMB736.7 million
- Profit attributable to owners of the Company for the six months ended 30 June 2020 increased by 56.9% to RMB445.1 million
- Basic earnings per share was RMB12.53 cents for the six months ended 30 June 2020 (30 June 2019: RMB7.99 cents)
- Land bank increased by 22.6% to 17.9 million sq. m. as at 30 June 2020 (31 December 2019: 14.6 million sq.m.)
- Cash and cash equivalents and restricted cash as at 30 June 2020 amounted to RMB14,380.9 million (31 December 2019: RMB15,059.5 million) and the net debt to equity ratio was 37.1% as at 30 June 2020 (31 December 2019: 17.9%)

The board (the "**Board**") of directors (the "**Directors**") of Redco Properties Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020, together with comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
	Note	**2020**	**2019**
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	4	6,702,984	1,503,382
Cost of sales		(5,302,020)	(875,096)
Gross profit		1,400,964	628,286
Other gains, net	5	293,721	247,616
Selling and marketing expenses		(247,382)	(173,652)
General and administrative expenses		(354,113)	(246,939)
Fair value gain on investment properties		1,635	47,673
Fair value gain on investment properties upon transfer from properties under development for sales		—	62,432
Operating profit		1,094,825	565,416
Finance income	6	62,239	63,913
Finance costs	6	(12,499)	(9,088)
Finance income, net		49,740	54,825
Share of loss of investments accounted for using the equity method, net		(16,338)	(25,989)
Profit before income tax		1,128,227	594,252
Income tax expense	7	(391,491)	(217,768)
Profit for the period		736,736	376,484
Profit attributable to:			
Owners of the Company		445,093	283,654
Non-controlling interests		291,643	92,830
		736,736	376,484
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	10	12.53	7.99

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	**2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	736,736	376,484
Other comprehensive (loss)/income		
Item that may not be reclassified to profit or loss		
– Currency translation differences	(141,075)	22,859
Other comprehensive (loss)/income for the period	(141,075)	22,859
Total comprehensive income for the period	595,661	399,343
Total comprehensive income for the period attributable to:		
– Owners of the Company	304,603	306,641
– Non-controlling interests	291,058	92,702
Total comprehensive income for the period	595,661	399,343

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

	Note	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		264,269	259,152
Investment properties		1,026,639	1,025,004
Intangible assets		328,512	332,252
Investments accounted for using the equity method		559,101	654,872
Deferred income tax assets		1,100,086	834,614
		3,278,607	3,105,894
Current assets			
Completed properties held for sale		4,816,639	3,037,052
Properties under development for sale		37,308,399	30,969,759
Contract assets		700,000	700,000
Trade and other receivables and deposits	8	2,816,137	2,595,926
Prepayments	8	2,666,595	1,858,769
Amounts due from joint ventures		113,616	59,949
Amounts due from associates		309,786	482,845
Amounts due from non-controlling interests		3,965,599	3,951,248
Income tax recoverable		623,630	788,393
Restricted cash		4,295,370	3,965,210
Cash and cash equivalents		10,085,532	11,094,295
		67,701,303	59,503,446
Total assets		70,979,910	62,609,340

	Note	30 June 2020	31 December 2019
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
EQUITY			
Equity attributable to owners of the Company			
Share capital		139,632	139,632
Reserves		5,241,044	5,041,820
		5,380,676	5,181,452
Non-controlling interests		5,628,453	4,453,096
Total equity		11,009,129	9,634,548
LIABILITIES			
Non-current liabilities			
Borrowings		8,655,564	4,694,786
Deferred income tax liabilities		1,066,298	634,906
		9,721,862	5,329,692
Current liabilities			
Trade and other payables	9	12,491,977	12,020,186
Borrowings		9,808,814	12,087,907
Amounts due to non-controlling interests		5,187,717	5,146,101
Amounts due to associates		723,841	485,280
Amounts due to joint ventures		48,037	50,776
Contract liabilities		19,591,190	15,552,490
Income tax liabilities		2,397,343	2,302,360
		50,248,919	47,645,100
Total liabilities		59,970,781	52,974,792
Total equity and liabilities		70,979,910	62,609,340

NOTES:

1 General information

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

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

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

The condensed consolidated financial information have not been audited.

2 Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA.

3 Accounting policies

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs and annual improvement effective for the financial year beginning on or after 1 January 2020.

(a) The following new standard, amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1 January 2020 and currently relevant to the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual framework for financial reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 39, HKAS 7 and HKFRS 9	Hedge Accounting

The Group has adopted these amendments of standards and annual improvements and the adoption of these 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 and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 16	Covid-19 Related Rent Concession	1 June 2020
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 3	Update Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	To be determined

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

4 Revenue and segment information

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

The Executive Directors consider the business from a geographical perspective and assess the performance of property development in five reportable operating segments, namely Greater Western Taiwan Straits Economic Zone, Central and Western Regions, Bohai Economic Rim, Greater Bay Area and Others. The Group's construction and sea reclamation services are considered together with the property development segments and included in the relevant geographic operating segment. "Others" segment represents provision of design services to group companies, corporate support functions, property management services (services provided to both internal or external customers), rental income and investment holdings business.

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

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

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Greater Bay Area	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2019 (Unaudited)						
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	—	3,415	261,093
– others	—	—	—	—	2,985	2,985
Loss: Inter-segment revenue	—	—	—	—	(162)	(162)
Revenue (from external customers)	170,041	819,252	439,177	67,487	7,425	1,503,382
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	115,358	89,015	149,681	(5,412)	27,842	376,484

	Greater Western Taiwan Straits Economic Zone	Central and Western Regions	Bohai Economic Rim	Greater Bay Area	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2020 (Unaudited)						
Total segment assets	22,805,717	20,562,454	18,809,247	1,420,108	7,195,919	70,793,445
Other unallocated corporate assets						186,465
Total assets						70,979,910
Investments accounted for using the equity method	237,890	173,388	—	14,212	133,611	559,101
Additions to:						
Property, plant and equipment	4,325	1,450	3,596	225	7,472	17,068
Investments accounted for using the equity method	4,000	—	—	—	—	4,000
Total segment liabilities	(17,435,971)	(14,343,475)	(15,718,217)	(823,218)	(11,649,900)	(59,970,781)
At 31 December 2019 (Audited)						
Total segment assets	15,838,618	20,855,984	15,949,653	1,705,719	8,080,099	62,430,073
Other unallocated corporate assets						179,267
Total assets						62,609,340
Investments accounting for using the equity method	299,811	208,901	—	14,565	131,595	654,872
Additions to:						
Property, plant and equipment	11,334	3,801	9,425	589	19,583	44,732
Investments accounted for using the equity method	—	184,200	—	14,900	—	199,100
Acquisition of subsidiaries						
– Property, plant and equipment	—	21,131	6	—	3,462	24,599
– Intangible assets	—	—	—	—	335,992	335,992
– Investments accounting for using the equity method	—	—	—	—	474	474
Total segment liabilities	(12,791,738)	(14,558,290)	(12,083,355)	(930,501)	(12,610,908)	(52,974,792)

	Six months ended 30 June	
	2020	**2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Breakdown of revenue		
Sales of properties	6,601,614	1,239,466
Construction services and sea reclamation services	—	256,491
Property management services	64,731	—
Project management services	29,006	3,253
Rental income	6,061	2,985
Healthcare service	1,572	1,187
	6,702,984	1,503,382

5 Other gains, net

	Six months ended 30 June	
	2020	**2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Gains on bargain purchase arising from acquisition of subsidiaries	—	12,032
Gains on disposal of subsidiaries	—	112,778
Gain on disposal of an associate	46,355	—
Re-measurement gain on interest in investments accounted for using the equity method	233,725	123,192
Gains on disposal of property, plant and equipment	106	88
Exchange gains	8,276	571
Realised gain/(loss) on foreign exchange forward contracts	5,727	(44,531)
Commission	—	39,836
Others	(468)	3.650
	293,721	247,616

6 Finance income and costs

	Six months ended 30 June	
	2020	**2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Finance income from bank deposits	37,538	27,496
Finance income from loans to an associates	—	12,500
Finance income from loans to non-controlling interests	24,701	12,627
Finance income from loans to independent third parties	—	11,290
	62,239	63,913
Finance costs on borrowings	786,737	618,018
Less: Finance costs capitalised in qualifying assets	(774,238)	(608,930)
	12,499	9,088
Weighted average interest rate on capitalised borrowings (per annum)	8.78%	9.27%

7 Income tax expense

Subsidiaries established and operating in the PRC are subject to PRC enterprise income tax at the rate of 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 (six months ended 30 June 2019: 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	
	2020	**2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax		
– PRC enterprise income tax	627,662	260,989
– PRC land appreciation tax	289,443	130,739
PRC enterprise income tax on disposal of subsidiaries	—	22,000
Deferred income tax	(525,614)	(195,160)
	391,491	217,768

8 Trade receivables, other receivables, deposits and other prepayments

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables, other receivables and deposits:		
Trade receivables (Note a, b and c)	167,714	359,763
Other receivables	2,122,219	1,770,236
Loan receivables	12,017	20,744
Deposits with local real estate associations	522,768	401,940
Deposits with labour department	19,872	19,112
Deposits with treasury bureau	59,360	89,391
	2,736,236	2,301,423
Less: Provision for impairment on other receivables and deposits	(87,813)	(65,260)
	2,648,423	2,236,163
	2,816,137	2,595,926
Prepayments:		
Prepaid other taxes	2,060,517	661,907
Prepayments for construction costs	292,958	77,658
Prepayments for land use rights	73,000	924,184
Prepayments for acquisition of subsidiaries	240,120	195,020
	2,666,595	1,858,769

Note:

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

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

	30 June 2020	**31 December 2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 - 30 days	99,052	233,732
31 - 60 days	29,021	73,831
61 - 90 days	9,629	669
91 – 180 days	3,506	511
Over 180 days	26,506	51,020
	167,714	359,763

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The expected losses rate is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. No provision was made against the gross amount of trade receivables (31 December 2019: Nil).

(c) Trade receivables are secured by the properties sold. The carrying amounts of trade receivables approximate their fair values and are interest-free.

9 Trade and other payables

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables (Note a)	2,757,818	3,421,830
Accruals and other payables	7,410,369	7,069,553
Other taxes payables	2,094,967	1,254,228
Dividend payables	123,103	36,392
Salary payables	5,948	13,909
Interest payables	96,315	219,623
Rental deposits received	3,457	4,651
	12,491,977	12,020,186

Note:

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 - 30 days	2,452,890	2,979,396
31 - 60 days	22,996	61,965
61 - 90 days	32,057	94,626
Over 90 days	249,875	285,843
	2,757,818	3,421,830

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

10 Earnings per share

The basic earnings per share for the six months ended 30 June 2020 and 2019 is calculated based on the profit attributable to owners of the Company.

	Six months ended 30 June	
	2020	**2019**
	(Unaudited)	*(Unaudited)*
Profit attributable to owners of the Company (RMB'000)	445,093	283,654
Weighted average number of shares in issue	3,551,609,322	3,551,609,322
Basic earnings per share (RMB cents)	12.53	7.99

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for the six months ended 30 June 2020 and 2019.

11 Dividend

The directors did not recommend the declaration and payment of any interim dividends in respect of the six months ended 30 June 2020.

A final dividend of RMB 3.0 cents per share for the year ended 31 December 2019 were payable to shareholders who were on the register at 26 June 2020. This final dividend, amounting to approximately RMB106,548,000 had been recognised in shareholders' equity during the six months ended 30 June 2020.

12 Subsequent events

On 30 July 2020, the Company issued 11.0% senior notes due 2022 with an aggregate nominal value of US$220,000,000 at 96.784% of the principal amount of the Notes (the "11.0% Senior Notes due 2022"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$210,000,000. The 11.0% Senior Notes due 2022 will mature on 6 August 2022, unless redeemed earlier.

On 11 August 2020, the Company issued 8.5% senior notes due 2021 with an aggregate nominal value of US$300,000,000 at 98.885% of the principal amount of the Notes (the "8.5% Senior Notes due 2021"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$294,000,000. The 8.5% Senior Notes due 2021 will mature on 19 August 2021, unless redeemed earlier.

BUSINESS OVERVIEW

The Group has been upholding the brand philosophy of signature architecture for innovation and enjoyable life (精端著造, 創享生活) and has adopted our global strategy of "3+N+1"through its sound and pragmatic approach to business, the forward-looking plans for strategic investment, quality products and operational efficiency. As at the date of this report, the Group has become a large-scale comprehensive enterprise focusing on real estate development and integrating diversified business in its operations including health care, commerce, technology, property management, cultural tourism and education.

In the first half of 2020, in the face of the new market situation in the real estate industry, the Group achieved high-quality leapfrog development by bolstering its strategic determination, focusing on product quality and services, and continuously improving its core competitiveness. During the interim period, the Group attained a revenue of approximately RMB6,703.0 million, a year-on-year increase of 345.9%; net profit reached approximately RMB736.7 million, a year-on-year increase of 95.7%; gross profit was RMB1,401.0 million, representing a year-on-year increase of 123.0%; contracted sales was approximately RMB13,018.2 million, a year-on-year increase of 19.3%.

Dual-drivers lead to rapid development of diversified business

In recent years, while intensively working on real estate, the Group has followed industry development trends to promote diversified business layout, extend its business value chain and incubate a complete closed-loop business chain. Its diversified investment arms embraced the principle of providing all-round lifestyle services and nurtured diversified businesses of "healthcare, commerce, technology, property management, cultural tourism, education" and so on. Among them, UG Property Management Co., Ltd (the "UG Property Management") has exceeded in growth and the service quality as the number of projects for management services doubled. In the "2020 Top 100 Property Management Service Enterprises in the PRC" rankings evaluated by the China Index Academy, UG Property Management has been ranked among the top 100 for three consecutive years, it has also formed strategic cooperation with Totalbuild Investments Group (共創投集團) and Gold Medal City (金牌市政) to achieve mutual benefit.

Global layout and expansion of high-quality land reserves

Adhering to a proactive expansion strategy and a prudent investment strategy, the Group acquired 14 new parcels of land in the first half of 2020. In recent years, we have adopted the 3+N+1 global layout strategy, focusing on land investment in the three core economic circles of the Bohai Rim, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area, as well as high-value and high-growth cities such as Nanchang and Wuhan, and actively expanding overseas markets. On 18 February 2020, the Group officially announced that it would invest US$112 million in the Makati Metro Superstructure Property Development Project and participate in the development of a total area of approximately 32 hectares of land Makati City, Philippines. As of 30 June, 2020, the total land bank of the Group was approximately 17.9 million square meters, providing a solid foundation for future development.

Quality-oriented, to be the forerunner of healthy buildings

In the post-epidemic era, consumers have new requirements for living condition such as community management, property services and epidemic prevention functions of buildings, ushering in a major development opportunity for "Healthy Buildings". As a forerunner of health-oriented architecture, the Group takes Oriental living aesthetics by heart and combines it with modern technology for healthy residence, forming a distinctive New Oriental Green Building style through continuous innovation. Redco defines healthy buildings by three aspects: healthy environment, health-care facilities and healthy community management, these ideas are complemented by 36 health-related measures in more than 100 living scenarios, and more than 500 health-related techniques. In addition, the Group focuses on product quality, and its four major product lines "villa", "grand", "joy" and "mansion" series have fully met the needs of various types of home buyers.

Financially sound and well recognized by the capital market

Relying on good corporate governance and prudent financial management, the Group successfully issued US$150 million 13.0% senior notes due 2023 on 19 May 2020. At the same time, the Group attaches great importance to cash flow management by adopting a reasonable financing structure and a robust balance sheet. As of 30 June 2020, the Group's cash and bank balance including (cash and cash equivalents and restricted cash) were RMB14.38 billion, and the net debt-to-equity ratio was 37.1%. The international rating agencies Fitch and Standard & Poor's both gave the Group a rating of B with stable outlook, which fully reflects their recognition of the comprehensive strength and future growth of the Group. Consequently, Fitch upgraded the Group's outlook from stable to positive in July.

Advancing with honor and strengthening the brand recognition

In the first half of 2020, the rapid development and outstanding comprehensive strength of the Group has been widely recognized by the industry and the public. It has won numerous awards and its reputation has grown significantly. The Group has performed well in the ranking lists of various authoritative evaluation institutions. It has been rated as a "real estate company worthy of the capital market's attention in 2020", a "leading company in product strength of China's listed real estate companies in 2020-healthy housing", an "outstanding enterprise in China's real estate products in 2020", and named "Annual Innovative Real Estate Enterprise" in the Boao 2020 China Real Estate Fashion Awards, UG Property Management, a subsidiary of the Group, was listed as one of the "Top 100 Property Management Service Enterprises in the PRC in 2020". Our President Mr. Huang Ruoqing was honoured as one of the "2020 Top 10 CEO of China's Listed Real Estate Enterprises"and "Influential Real Estate Person of the Year" in the Boao 2020 China Real Estate Fashion Awards. Royal International in Shenzhen and Royal Family in Xianyang, both projects invested and managed by the Group, won the awards of "2020 China Five-star Property Service Community".

PROPERTY DEVELOPMENT AND INVESTMENT PROJECTS

As at 30 June 2020, the Group's property portfolio comprised 102 property development and investment projects with an aggregate GFA of 17,878,920.0 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 2020:

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	861,274.2	4,055.6
Riverside International 濱江國際	37,346.0	163,999.9	1,900.9
Bluelake County 瀾湖郡	135,285.0	286,794.7	15,119.9
Riverlake International 濱湖國際	68,373.0	168,752.5	5,626.4
Imperial Mansion 君御華府	41,993.3	103,594.8	7,470.3
Imperial Metropolis 君御都會	84,093.3	210,142.7	37,777.4
Bluelake International 瀾湖國際	47,151.0	113,323.0	5,696.7
The Garden of Spring 十里春風	30,378.0	15,278.0	12,613.3

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Scenery Bay 麗景灣	51,919.0	177,985.0	177,985.0
Delight Scenery 悅景薹	62,455.0	123,856.6	29,671.3
YONG Lake Scenic Center 雍湖景畔	132,505.0	412,507.2	412,507.2
Life Sunshine Town 生命陽光城	33,396.4	50,181.8	50,181.8
The Phoenix – Phase I 鳳凰新天一期	16,295.3	78,177.8	17,849.3
The Phoenix – Phase II 鳳凰新天二期	39,030.5	155,617.8	155,617.8
Eastern Imperial Garden 東方璽園	49,225.0	165,979.0	165,979.0
Eastern Exquisite 東方玲瓏園	23,209.0	75,630.6	75,630.6
Golden Mansion 金尊府	92,314.0	240,346.0	240,346.0
Royal City 君譽城	225,296.0	642,093.3	642,093.3
Sunshine Capital 陽光首府	93,824.1	208,170.4	208,170.4
Eastern Harmony 東方和園	31,422.0	97,757.0	97,757.0
Eastern Crystal 東方璞園	57,876.0	177,645.0	177,645.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
One Riverside Glory 君譽濱江一期	52,896.0	158,124.3	158,124.3
Two Riverside Glory 君譽濱江二期	42,301.0	100,623.2	100,623.2
Eastern Grand 東方博園	66,667.0	214,244.0	214,244.0
Fifth Avenue 贛州第五大道	107,814.9	642,971.9	532,214.5
Leisure's Mansion 君逸府	49,335.6	135,797.5	135,797.5
Rivera Mansion 雍江府	101,008.5	312,544.0	312,544.0
TIANJIN REGION			
Sunshine Coast 陽光海岸	481,394.0	1,445,893.2	1,011,944.0
Land Lot Nos. A1 and A2 A1及A2號地塊	69,336.2	55,469.0	55,469.0
Perfection Ocean 理想海	159,465.9	316,654.0	316,654.0
Luminescence Ocean 拾光海	68,827.0	130,921.7	130,921.7
Eastern Aesthetics 悅麓蘭庭	105,115.2	310,991.2	310,991.2

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
CHANGSHA REGION			
Changsha Phoenix 長沙鳳凰新天	18,002.1	128,168.2	128,168.2
Yuelu Green Town 岳麓青城	215,333.0	753,667.0	753,667.0
Yuelu Celebrity Town 岳麓名城	140,000.0	350,000.0	350,000.0
ZHEJIANG & JIANGSU REGION			
Cloud Metropolis 雲都會	132,701.0	411,708.1	411,708.1
Peaceful Sea 靜海府	56,499.6	108,074.0	24,238.1
Riviera One 璟頤灣	223,245.0	645,806.7	645,806.7
Peach Creek Villa 桃溪雲廬	25,475	61,679.8	61,679.8
YuYao Project 余姚項目	78,512.0	242,818.0	242,818.0
JINAN REGION			
Bluelake County 瀾湖郡	68,066.0	256,658.6	2,844.9
Royal Family 君御世家	30,682.0	131,919.7	21,239.4
Imperial Mansion 君御華府	44,966.0	125,742.3	14,622.6

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Redco Visionary 力高未來城一期	90,616.9	311,327.2	93,374.0
Redco Visionary II 力高未來城二期	236,992.1	607,995.8	607,995.8
Spring Villa 雍泉府	268,113.0	596,669.4	596,669.4
Jiyang II 濟陽大二期	166,967.4	389,510.0	389,510.0
Grand Mansion 君悦首府	60,940.0	175,440.0	175,440.0
Leisure's Mansion 君逸府	34,290.0	111,702.9	111,702.9
YANTAI REGION			
Sunshine Coast - Phase I 陽光海岸－第一期	51,693.7	93,512.7	8,699.3
Sunshine Coast - Phase II 陽光海岸－第二期	21,371.0	34,388.3	1,721.4
Sunshine Coast - Phase III 陽光海岸－第三期	33,142.0	81,358.2	3,933.8
Sunshine Coast - Phase IV 陽光海岸－第四期	63,411.0	213,814.7	213,814.7
Sunshine Coast - Phase V 陽光海岸－第五期	99,194.0	199,574.0	199,574.0
Cathay Palace 泰和府	57,991.0	182,230.0	182,230.0

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Ruilon Project 瑞龍項目	100,511.8	279,024.0	279,024.0
Delight Mansion 清悅華府	133,352.0	375,577.5	375,577.5
HEFEI REGION			
Mix Kingdom Redco 力高 • 共和城	395,596.4	823,818.0	67,837.1
Prince Royal Family 君御世家	88,025.5	300,887.9	32,505.2
Royal International 君御國際	43,873.0	114,894.0	22,295.6
Bluelake City 瀾湖前城	76,058.8	229,941.8	40,143.9
Majestic Residence 天悅府	67,931.0	198,138.0	198,138.0
Huaan Southern City 南華安城	165,601.7	496,943.5	496,943.5
Scholar Residence 狀元府	56,722.2	184,894.4	26,455.9
Cloud Terrace 雲湖印	47,925.5	130,636.2	130,636.2
Royal Universe 君御天下	83,478.3	125,217.5	125,217.5
Golden County 金色南郡	83,966.0	250,019.3	25,662.4

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Bauhinia Residence 紫荊府	56,185.5	140,610.5	140,610.5
Virtuous City 毅德城	363,736.9	880,110.0	689,910.0
Leisure's Mansion 君逸府	47,098.0	117,827.3	117,827.3
WUHAN REGION			
Redco Courtyard 雍湖灣	100,411.0	112,217.4	92,543.3
Youthfulness 雍華年	61,450.2	113,693.4	113,693.4
Golden Bridge Horizon 金橋新天地	30,364.0	91,046.9	91,046.9
Intelligence City 智慧城	31,696.3	118,039.0	118,039.0
Redco Majestic Residence 力高天悅府一期	53,392.4	198,071.9	56,680.4
Redco Majestic Residence II 力高天悅府二期	42,512.8	157,435.2	157,435.2
Fortune East 瑞錦東城	46,666.9	71,815.0	71,815.0
Scenery Mansion 山水華府	47,012.0	201,516.0	201,516.0
Delight Dragon City 悅禧龍城	158,891.0	556,118.5	556,118.5

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	205,541.0	9,690.6
Majestic Mansion 天悅華府	88,319.8	171,000.0	117,964.4
Royal Family 君御世家	27,588.1	78,431.6	78,431.6
Royal Redco 力高君樾	46,855.5	90,131.7	90,131.7
SHENZHEN REGION			
Royal International 力高君御花園	33,035.3	138,833.9	11,360.1
GUANGDONG REGION			
Royal Family 君御世家	30,819.6	95,493.7	17,975.3
Bluelake Landmark 瀾湖峯景	28,113.0	69,275.2	19,656.7
Center Mansion 君熙府	17,428.0	74,617.7	74,617.7

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Royal Mansion 君譽府	13,611.1	36,217.4	36,217.4
Bluelake Mansion 瀾湖公館	12,543.8	41,452.0	41,452.0
Sky Palace 雲築花園	48,179.0	220,954.9	220,954.9
Sky Terrace 雲峰閣	27,820.0	85,791.7	85,791.7
Huizhou Leisure's Mansion 惠州君逸府	24,956.0	100,123.0	100,123.0
Blissful Bay 悅璟灣	71,946	262,489.7	262,489.7
Jiangmen Leisure's Mansion 江門君逸府	65,359.0	231,427.0	231,427.0
QUANZHOU REGION			
Putian Causeway Bay Plaza 莆田銅鑼灣廣場	170,330.7	450,075.0	450,075.0
Bayview 觀悅灣	18,306.0	53,034.1	3,802.8
Enjoy Peak 悅峰薹	13,336.0	58,647.7	58,647.7
Leisure's Mansion 君逸府	40,279.0	151,406.0	151,406.0
Mount Yuelan 樾瀾山	186,656	458,808.6	458,808.6

Project	Site area[1] (sq. m.)	Total GFA[2] (sq. m.)	Total GFA under various stages of development remaining unsold[3] (sq. m.)
Royal Central 君譽中央	15,376.0	48,596.1	48,596.1
OVERSEAS REGION			
Prime	15,830.0	56,579.0	18,948.0
TOTAL			**17,878,920.0**

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

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

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

Financial Review

Revenue

Revenue for the six months ended 30 June 2020 increased by 345.9% to RMB6,703.0 million from RMB1,503.4 million for the six months ended 30 June 2019. Such increase was primarily attributable to the increase in our GFA delivered for the residential property for Fifth

Avenue and The Phoenix in Nanchang, Bluelake City in Hefei , Redco Visionary in Jinan and Peaceful Sea in Jiangsu. Total GFA delivered increased by 256.5% to 620,736 sq.m for the six months ended 30 June 2020 from 174,111 sq. m for the six months ended 30 June 2019. The increase in our total revenue was also contributed by the increase in the recognised average selling price (the "ASP") for the properties delivered in the six months ended 30 June 2020. The ASP for properties delivered increased to RMB10,635 for the six months ended 30 June 2020 from RMB7,118 for the six months ended 30 June 2019, representing a 49.4% increase which was primarily due to the increase in GFA delivered in Fifth Avenue in Nanchang and Peaceful Sea in Jiangsu, which recognised a relatively higher ASP, as compared with other property development projects of the Group.

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

	For the six months ended 30 June					
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	Revenue (RMB'000) (Unaudited)		*GFA Delivered (sq. m.)*		*Recognised ASP (RMB per sq. m.)*	
Greater Western Taiwan Straits Economic Zone	2,246,787	170,041	169,043	28,506	13,291	5,965
Central and Western Regions	3,416,030	819,252	314,092	110,222	10,876	7,433
Bohai Economic Rim						
– Construction service*	—	256,647	—	—	—	—
– Properties sales	705,027	182,530	112,312	27,811	6,277	6,563
Greater Bay Area	233,770	67,487	25,289	7,572	9,244	8,913
Others						
– Healthcare service	1,572	1,187	—	—	—	—
– Property management services	64,731	6,238	—	—	—	—
– Trading of construction materials	—	—	—	—	—	—
– Project management services	29,006	—	—	—	—	—
– Rental income	6,061	—	—	—	—	—
Total	6,702,984	1,503,382	620,736	174,111	10,635	7,118

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

A summary of the segment results set forth below:

- Greater Western Taiwan Straits Economic Zone: segment revenue for the Greater Western Taiwan Straits Economic Zone increased significantly by 1,221.6% to RMB2,246.8 million for the six months ended 30 June 2020 from RMB170.0 million for the six months ended 30 June 2019. Such increase was primarily attributable to the increase in GFA delivered for Fifth Avenue and The Phoenix in Nanchang.

- Central and Western Regions: segment revenue for the Central and Western Regions increased significantly by 316.9% to RMB3,416.0 million for the six months ended 30 June 2020 from RMB819.3 million for the six months ended 30 June 2019. Such increase was primarily attributable to the increase in the GFA delivered for Bluelake City in Hefei and Peaceful Sea in Jiangsu.

- Bohai Economic Rim: segment revenue for the Bohai Economic Rim increased by 60.52% to RMB705.0 million for the six months ended 30 June 2020 from RMB439.2 million for the six months ended 30 June 2019. Such increase was primarily due to the increase in the GFA delivered in Redco Visionary in Jinan.

- Greater Bay Area: segment revenue for the Greater Bay Area increased a 246.4% to RMB233.8 million for the six months ended 30 June 2020 compared to RMB67.5 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in GFA delivered for Royal Family in Zhongshan.

- Others: It mainly represents property management services provided by our subsidiary, UG Property Management, which was mainly to provide property management services to our group projects and project management services at our headquarters in Shenzhen. The project management services income mainly refers to the acquisition advisory service and financing service to our joint venture project company.

Cost of sales

Cost of sales increased by 505.9% to RMB5,302.0 million for the six months ended 30 June 2020 from RMB875.1 million for the six months ended 30 June 2019. Such increase was primarily due to the increase in GFA delivered to 620,736 sq. m. for the six months ended 30 June 2020 from 174,111 sq. m. for the six months ended 30 June 2019; and also increased by the increase in average land acquisition cost per sq. m. delivered amounted to RMB4,522 for the year ended 30 June 2020 from RMB1,829 for the year ended 30 June 2019. Such increase in average land acquisition cost per sq. m. delivered was primarily due to the increase in the GFA delivered for Fifth Avenue in Nanchang and Peaceful Sea in Jiangsu with a relatively high land acquisition costs.

Gross profit

Gross profit increased by 123.0% to RMB1,401.0 million for the six months ended 30 June 2020 from RMB628.3 million for the six months ended 30 June 2019. Our gross profit margin decreased to 20.9% for the six months ended 30 June 2020 from 41.8% for the six months ended 30 June 2019. The decrease was primarily attributable to the increase in average land acquisition cost during the same period from RMB1,829 per sq.m. to RMB4,531 per sq.m. and netting off by the increase in ASP from RMB7,118 to RMB10,635 for the same period in 2019 and 2020.

Other gains, net

Other gains, increased 18.6% to RMB293.7 million for the six months ended 30 June 2020 from RMB247.6 million for the six months ended 30 June 2019. The increase was primarily attributable to the increase of gain on re-measurement gain from RMB123.2 million in six months ended 30 June 2019 to RMB233.7 million for the six months ended 30 June 2020 and change of the realised loss on the foreign exchange contracts for RMB44.5 million in six month ended 30 June 2019 to gain RMB5.7 million for the six months ended 30 June 2020 and net-off by the decrease of gain on disposal of subsidiaries from RMB112.8 million for the six months ended 30 June 2019 to nil for the six months ended 30 June 2020.

Selling and marketing expenses

Selling and marketing expenses increased by 42.5% to RMB247.4 million for the six months ended 30 June 2020 from RMB173.7 million for the six months ended 30 June 2019. 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 43.4% to RMB354.1 million for the six months ended 30 June 2020 from RMB246.9 million for the six months ended 30 June 2019. 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 decreased by 96.6% to RMB1.6 million for the six months ended 30 June 2020 from RMB47.7 million for the six months ended 30 June 2019.

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

The fair value gain on investment properties upon transfer from properties under development for sales represents the valuation gain for the commercial properties of Sunshine Coast in Tianjin when it changed from the properties under development for sales to investment properties. The amount is zero during this period as it is only an one-off event.

Operating profit

As a result of the foregoing, operating profit increased by 93.6% to RMB1,094.8 million for the six months ended 30 June 2020 from RMB565.4 million for the six months ended 30 June 2019.

Finance income

Finance income decreased by 2.6% to RMB62.2 million for the six months ended 30 June 2020 from RMB63.9 million for the six months ended 30 June 2019. Such decrease was primarily attributable to the decrease in the interest income from the loan to independent person and and net-off by the increase in bank deposit interest during the period.

Finance costs

Finance costs increased by 37.5% to RMB12.5 million for the six months ended 30 June 2020 from RMB9.1 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in interest expense which is not eligible to be capitalised to projects under development.

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

Share of profit of investments accounted for using the equity method, net reported a loss of RMB16.3 million for the six months ended 30 June 2020 from profit of RMB26.0 million for the six months ended 30 June 2019, which mainly due to the completion of GFA delivery of Prime in Australia, delivery of which was started in the second half of 2019.

Profit before income tax

As a result of the foregoing, profit before income tax for the six months ended 30 June 2020 increased 89.9% to RMB1,128.2 million from RMB594.3 million for the six months ended 30 June 2019.

Income tax expense

Income tax expense increased by 79.8% to RMB391.5 million for the six months ended 30 June 2020 from RMB217.8 million for the six months ended 30 June 2019. Such increase was primarily the increase in PRC enterprise income tax ("**EIT**") for RMB366.7 million as a result of increased profit of the Group and increase in the PRC land appreciation tax for RMB158.7 million due to the increase in the gross profit for the GFA delivered, netted off by the decrease in deferred income tax for the Group.

Profit for the six months ended 30 June 2020

As a result of the foregoing, profit for the six months ended 30 June 2020 increased by 95.7% to RMB736.7 million from RMB376.5 million for the six months ended 30 June 2019. The profit for the six months ended 30 June 2020 was mainly attributable to the profit in the Greater Western Taiwan Straits Economic Zone of RMB339.5 million, Central and Western Regions of RMB338.1 million, Bohai Economic Rim of RMB11.3 million, Greater Bay Area of RMB32.6 million and the others segment for RMB15.2 million.

Profit for the six months ended 30 June 2020 attributable to owners of the Company

As a result of the foregoing, profit for the six months attributable to owners of the Company increased by 56.9% to RMB445.1 million for the six months ended 30 June 2020 from RMB283.7 million for the six months ended 30 June 2019. Profit attributable to non-controlling interests increased to RMB291.6 million for the six months ended 30 June 2020 as compared with RMB92.8 million for the six months ended 30 June 2019 which was mainly due to the increase in the profit from property development projects with other investors.

Liquidity and Capital Resources

Cash Position

The Group had cash and cash equivalents of approximately RMB10,085.5 million (31 December 2019: RMB11,094.3 million) and restricted cash of RMB4,295.4 million (31 December 2019: RMB3,965.2 million) as at 30 June 2020. As at 30 June 2020, the Group's cash and cash equivalents were mainly denominated in Hong Kong dollar ("**HK$**"), RMB and United States dollar ("**US$**").

Borrowings

As at 30 June 2020, the Group had borrowings of approximately RMB18,464.4 million (31 December 2019: RMB16,782.7 million).

	30 June 2020	**31 December 2019**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Long-term bank borrowings	7,629,883	3,451,066
13% Senior Notes due 2023	1,025,681	—
9.875% Senior Notes due 2021	—	1,243,720
Non-current borrowings	8,655,564	4,694,786
Short-term bank and other borrowings	775,484	3,152,063
9.875% Senior Notes due 2021	1,273,240	—
11% Senior Notes due 2020	1,332,512	2,150,741
13.5% Senior Notes due 2020	—	1,746,112
11.5% Senior Notes due 2020	1,773,612	1,733,549
	5,154,848	8,782,465
Portion of long-term bank borrowings		
– due for repayment within one year	4,519,696	3,173,759
– due for repayment within one year which contain a repayment on demand clause	134,270	131,683
Current borrowings	9,808,814	12,087,907
Total borrowings	18,464,378	16,782,693

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 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Amounts of borrowings that are repayable:		
– Within 1 year	9,808,814	12,087,907
– Between 1 and 2 years	4,888,663	2,558,545
– Between 2 and 5 years	3,550,039	2,136,241
– Over 5 years	216,862	—
Total borrowings	18,464,378	16,782,693

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

Other performance indicators

Net debt to equity ratio

As at 30 June 2020, the Group's net debt to equity ratio was 37.1% (31 December 2019: 17.9%). 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 2020, the Group's net current assets amounted to approximately RMB17,452.4 million (31 December 2019: RMB11,858.3 million). The Group's current ratio, which is calculated as current assets divided by current liabilities, was approximately 1.35 times as at 30 June 2020 (31 December 2019: 1.25 times).

Cost of borrowings

The Group's average cost of borrowings (calculated by dividing total interest expenses incurred, including interest capitalised by average borrowings during this period) decreased to 8.78% for the six months ended 30 June 2020 from 9.27% for the six months ended 30 June 2019.

Contingent liabilities

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

	30 June 2020	**31 December 2019**
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	11,200,348	9,001,924

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

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is obliged to repay the outstanding mortgage principal together with accrued interest and penalties owned by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and to take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The Directors consider that the carrying values of the financial guarantees is immaterial.

There are certain corporate guarantees provided by the Group's subsidiaries for each other in respect of borrowings as at 30 June 2020 and 31 December 2019. The Directors consider that the subsidiaries are sufficiently financially resourced to fulfil their obligations.

As at 31 December 2019, the Company provides a corporate guarantee of AUD70,000,000 to a subsidiary of Power Out International Ltd., a joint venture of the Group, for a loan facility which was fully utilised by the joint venture. The loan has been fully paid during the period. The directors of the Company are of the opinion that the carrying value of the guarantee is immaterial.

Save as disclosed above, the Group and the Company had no other significant contingent liabilities as at 30 June 2020.

Employees and Remuneration policies

As at 30 June 2020, the Group had approximately 2,688 employees (31 December 2019: 2,966 employees). For the six months ended 30 June 2020, the remuneration of the Group's employees (including directors' emoluments) amounted to approximately RMB191.7 million. The remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits. The Group's remuneration policy for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. Further, the Group adopted a share option scheme on 14 January 2014. Further information of such share option scheme is available in the interim report of the Company for the six months ended 30 June 2020. 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 2020.

Charge on assets

As at 30 June 2020, the Group had aggregate banking facilities of approximately RMB15,988.1 million (31 December 2019: RMB11,969.4 million) for overdrafts and bank loans. The unutilised banking facilities as at 30 June 2020 amounted to RMB2,928.8 million (31 December 2019: RMB2,060.8 million).

As at 30 June 2020 and 31 December 2019, the borrowings of the Group were secured by (i) corporate guarantees of the Company; (ii) certain land and properties under development for sale provided by the Group's subsidiaries; (iii) an investment property; (iv) bank deposits; and (v) the Group's equity interests in certain subsidiaries.

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.

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 2020.

Future plans for material investments or capital assets

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

Important event affecting the Group after 30 June 2020

On 30 July 2020, the Company issued 11.0% senior notes due 2022 with an aggregate nominal value of US$220,000,000 at 96.784% of the principal amount of the Notes (the "11.0% Senior Notes due 2022"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$210,000,000. The 11.0% Senior Notes due 2022 will mature on 6 August 2022, unless redeemed earlier.

On 11 August 2020, the Company issued 8.5% senior notes due 2021 with an aggregate nominal value of US$300,000,000 at 98.885% of the principal amount of the Notes (the "8.5% Senior Notes due 2021"). The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately US$294,000,000. The 8.5% Senior Notes due 2021 will mature on 19 August 2021, unless redeemed earlier.

OUTLOOK

In the first half of 2020, in response to the central government's overall requirements of "no speculation in housing" and promoting stable and healthy development of the real estate market, the Group actively handled the sudden outbreak of the Covid-19 epidemic by launching an online home purchase platform "Redco UG" to explore new business channels. We also created differentiated products for healthy buildings, achieved rapid growth in various performance indicators, and kept a steady growth in profitability.

As the epidemic is gradually brought under control, China's economy has shown signs of recovery. At the same time, with the steady release of the pent-up housing demand, the real estate industry also ushered in a recovery period in the second quarter. Having a forward-looking mindset, the Group will use "innovation + openness" to break through and to upgrade company strategies. From product innovation, to model innovation and to innovation in mindset, we aim to operate the company with an open mind and to achieve a win-win situation with partners and stakeholders of the Group.

Affected by the 2020 epidemic and the government's development plan for healthy building strategy, the Group strives to produce the product to meet customers' needs and values. We will take the lead to create harmonious New Oriental healthy buildings. In the second half of the year, we will maintain our original intention of providing excellent products and services, apply our research on New Oriental healthy buildings to enhance the competitiveness of differentiated products, give our customers the best and show the beauty of outstanding residences.

At the same time, the Group adheres to the dual-driven development model of "real estate + diversification", and will continue to develop in real estate, cultural tourism, education, technology, healthcare and other fields. In the next five years, the Group will make every effort to build the New Oriental Health Building IP, which improves the Group's position in the industry. Moreover, the Group expects to launch more subdivided IP contents to promote our diversified business.

On this common ground, the Group will build a platform of "land + capital + talents" to achieve win-win cooperation. Our property business will continue to focus on high value and high growth core regions such as the Yangtze River Delta, the Pearl River Delta and Bohai Rim, while actively focus on expanding a number of key cities in Midwest China, supplemented with opportunities in overseas markets such as Australia and the Philippines. Furthermore, the Group has always valued the nurturing of corporate culture and will continue to do so. In the future, the Group will continue to implement and inherit the concept of "pragmatic endeavor, quality-oriented and win-win sharing" for the purpose of high-quality development.

Looking back on the 28 years that Redco has gone through, we are pleased to have created value for shareholders and provide customers with a healthy living environment. Looking forward, we will take each step mindfully. We will continue to prioritize product quality, and improve our operational competitiveness to achieve stable and solid growth. We shall edge ahead, one steady step at a time. We will continue to be competitive and further invest in China's strongest city clusters and major cities in order to attain stable and sustainable growth.

THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2020.

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

On 19 May 2020, the Company issued US$150 million 13.0% senior notes due 2023 (the “**Notes Due 2023**”). The Notes Due 2023 are listed on the Singapore Exchange Securities Trading Limited. Details of the issue of the Notes Due 2023 were disclosed in the announcements of the Company dated 19 May 2020 and 20 May 2020.

On 28 May 2020, the Company has accepted the tender of the Company's 11.0% senior notes due 2020 of principal amount of US$138.6 million (the "**Relevant Notes due 2020**") with the consideration of US$138.6 million, pursuant to the terms of the offer to purchase for cash by the Company (the "**Offer**"). The Company has subsequently cancelled the Relevant Notes due 2020 on 1 June 2020. Details of the Offer were disclosed in the announcements of the Company dated 19 May 2020, 20 May 2020, 28 May 2020 and 2 June 2020.

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased or sold or redeemed any of the Company’s listed securities for the six months ended 30 June 2020.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the financial statements of the Company for the six months ended 30 June 2020. PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim results of the Group for the Period under review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE 2020 INTERIM RESULTS ANNOUNCEMENT AND 2020 INTERIM REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.redco.cn). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 2020

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