廣州富力地產股份有限公司
GUANGZHOU R&F PROPERTIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 2777)

2018 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Contracted sales increased by 47% to RMB56.96 billion.
- Revenue increased by 67% to RMB34.09 billion.
- Core profit increased by 156% to RMB4.12 billion from RMB1.61 billion, after excluding property revaluation, forex effects, and non-operating items.
- Net profit increased by 64% to RMB4.08 billion.
- Significant increase in gross profit margin from sale of properties to 43.2%.
- Overall gross profit margin significantly increased to 38.5%.
- Slight increase in effective cost of borrowings to 5.62%.
- Increase in cash reserves to RMB35.86 billion.
- Interim dividend per share of RMB0.40.

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018. The condensed consolidated interim financial information appended at the end of this announcement forms an integral part of this announcement. The interim results have been reviewed by the audit committee of the Company.

RESULTS AND DIVIDEND

For the six months ended 30 June 2018, the Group's total revenue increased by 67% to RMB34.09 billion and net profit increased by 64% to RMB4.08 billion over the corresponding period last year.

During the period, revenue and net profit from the Group's main business of property development increased by 61% and 90%, respectively, with revenue amounting to RMB29.31 billion and net profit to RMB4.32 billion. The increase in revenue and net profit was mainly due to a significant increase in the delivery of area sold to 2.39 million sq.m., representing an increase of 44% over the corresponding period last year and higher gross margin of 43.2%. Recurring revenue from hotel operations segments recorded a significant growth of 360% during the period to RMB3.33 billion due to the acquisition of 70 hotels. Profitability from property investments continues to provide an important contribution to the Group with net profit margin (excluding revaluation) of 48.1%. The Board have resolved to declare an interim dividend of RMB0.40 per share.

BUSINESS REVIEW

In the first half of 2018, China's property sector saw liquidity tightening that led to developers focusing on financial management and organic growth on the back of more prudent land banking and increased pace of property sales. For the Group, the focus in the first half was on generating a strong momentum in property sales to meet full year contracted sales target of RMB130 billion and higher GFA delivery to consolidate profits after a sustained period of sales growth in 2017 that has carried into 2018. Based on an abundance of saleable resources and robust sales plan, the Group achieved attributable contracted sales in the first half of RMB57 billion, up 47% versus the same period in 2017 which is a historical high for the Group. Similarly, contracted sales achieved in the first half was equivalent to GFA of 4.4 million sq.m., representing growth of 50% versus the same period in 2017. In terms of saleable area completion, it was up 52% to 2.6 million sq.m. in the first half of the year. Another noteworthy trend was the Group maintained a high gross margin profile for the first half of 2018 continuing from the rebound in 2017 with gross margin of 38.5%. The higher gross margin was a result of above 40% gross margin for sale of properties where the main driver was the proper cost control measures of the Group and general increases in average selling prices of property in all tiers. With overall tighter liquidity in the market and the near term maturities resulting from put options from previously issued domestic bonds, land banking was more strategic whilst cash flow was diverted to construction and rebalancing the Group's financial profile.

In the first half, there was a market shift to tighter liquidity which was evidenced by increasing interest rates. In the offshore markets, the rising interest rate environment meant developers ultimately resorted to issuing shorter dated bonds at higher coupons for lessor amounts. The overall volatile financing markets also reduced the availability of possible market windows for bond issuance that led to developers being more cautious when looking to issue new bonds or re-open issuing issuances. In China, increased restrictions imposed on financial institutions and investors that could invest in property related bonds and financing products, have significantly reduced the amount of available liquidity for issuers to refinance near term maturities or raise new capital. The Group had up to RMB26.2 billion of corporate bonds in China that had put options between May to July 2018 such that the Group had to make repayment contingencies if investors exercise the put options. As of now, the Group had repaid the interest and principal for the put options of the corporate bonds.

First half saw continued macro control policies governing the property sector imposed by the regulatory bodies to maintain a stable and sustainable development in the property sector. To address home ownership and encourage supply of property development catering to end users unable to afford purchases today, China's Central Government made a push for rental housing developments. To encourage developers to develop rental housing developments, low financing in the form of bonds or loans were approved for issuance where proceeds were applied to such developments. Another notable announcement was the development of Hainan as a major tourist and leisure region in China. The development of Hainan will create job opportunities and economic development in the region that will benefit nearby property, hotels and leisure services to the region. However, to mitigate property speculation, new purchase restrictions were introduced in Hainan to offset the long-term benefits to the region, but overall, we expect Hainan's development will be positive for the region.

Despite continued property sector related policy restrictions, the Group recorded significant growth in contracted sales over the same period versus 2017 to RMB57 billion, or 47%, at an average price of approximately RMB12,900 per sq.m. For the first half of 2018, the shift to tier-2 and tier-3 or 4 cities became more prominent as the growth in these cities were less prone to policy restrictions and target a wider city demographic. As at 30 June, the Group currently has a presence in 89 cities where onshore tier-2 and tier-3 or 4 cities comprise 28 cities and 49 cities, respectively, with tier-2 cities land bank accounting for over 40% of the Group's total land bank. In line with the proportion of land bank and available projects for sale, tier-2 city projects accounted for approximately 60% of the contracted sales in the first half.

Contracted sales in the first half was dominated by property sales in China of approximately 96% with the remainder being overseas projects. The average selling price of RMB12,904 per sq.m. remained steady versus RMB12,944 per sq.m. for full year 2017, as a result of more new projects and wider area distribution and product mix. Projects from Northwestern China and Central Southern China saw the highest growth of 120% and 99%, respectively, due to an increase in projects available for sale and resilient end user demand in local markets. Contracted sales from overseas projects also saw significant growth of 50% to RMB2 billion, primarily due to stronger sales in Malaysia and new launch in Cambodia.

In terms of regional distribution for the full year of 2018, the Group has over 180 projects distributed amongst seven key regions of focus; Southern China, Northern China, Northwestern China, Eastern China, Central Southern China, Hainan and Overseas. Based on sales contribution, Southern China comprising of Chongqing, Huizhou, Guangzhou, Guiyang, Zhuhai, Meizhou, Jiangmen, Foshan, Nanning, Chengdu accounts for approximately a quarter of contracted sales generated in the first half of 2018, followed by Eastern China, Northwestern China, and Northern China region. Together, the largest four regions grew 48% and accounted for over 80% of the Group's China contracted sales in the first half. Key cities where contracted sales saw the highest sales growth include Guiyang, Chongqing where sales over tripled and Xian, Baotou, Ningbo, Zhengzhou, Taiyuan where sales doubled.

To maintain sustainable land bank for growth in 2019 and subsequent years, the Group undertook land banking in the first half of 2018 at a slower pace than in the same period in 2017 and acquired approximately RMB21 billion of land bank, or 37% of first half contracted sales versus 71% for full year 2017. The total GFA acquired was 8.4 million sq.m. at an average cost of RMB2,500 per sq.m., and after deducting delivery in the first half, the Group had total attributable GFA of approximately 57 million sq.m. of saleable land bank. The pace of land banking was after taking into consideration the growth of sales, higher cash received from stronger contracted sales, and available financing environment.

Another key strategy adopted by management to offset a tighter financing environment and increase the availability of cash flows has been to accelerate the development cycle and focus on a quicker cash cycle. For the period ending the first half, there were 15 new projects, of which 80% achieved presales within 1-year from acquisition of land with the shortest being 4-months. The increased focus on a shorter development cycle and earlier presales period reduces the amount of capital invested into the project and required financing at the Group level which ultimately improves overall cash efficiency to the Group. The Group maintained a significant cash balance of RMB35.9 billion to meet short-term obligations, fluctuations in financing markets, land banking and also working capital.

The overall financing environment remained tight in the first half of 2018 due to lending restrictions and investors chasing higher yields. To maintain sufficient financial flexibility if markets continue to tighten, the Group took advantage of available market windows to tap funding for capital expenditures and short-term refinancing. The Group issued a total of US$1,250 million of offshore USD bonds in the first half and proactively refinanced US$400 million of bonds falling due in second half of 2018. Amidst a backdrop of tighter onshore funding, the Group was still able to raise up to RMB11 billion through ultra short-term notes, corporate bonds and other financing channels. The Group currently still has additional quota of US$200 million for offshore issuance and RMB37.0 billion of onshore quota to issue China domestic corporate bonds, asset securitization products, medium-term notes, ultra short-term notes and other debt types such that the Group has sufficient liquidity. The Group maintains undrawn credit lines of RMB136.9 billion as additional sources of financial liquidity.

GOING FORWARD

After a strong first half sales growth, the Group will continue to ramp up its project launches and sales pipeline in order to meet the full year contract sales target of RMB130 billion. Going into the second half, the Group has over RMB80 billion of available saleable resources on hand and expects to obtain a further RMB135 billion of saleable resources for presales in 2018 and 2019 such that the Group has sufficient saleable resources to meet its contracted sales target for 2018 and growth in subsequent years. The Group will also focus on meeting its delivery target of 6.5 million sq.m. attributable saleable area such that the expected earnings growth will also be achieved. The remainder of the year will be challenging with macro and global market uncertainty but the Group's strong first half results and solid contracted sales provides a firm base for the Group to deliver significant results for full year 2018.

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2018 increased to RMB4.08 billion, from RMB2.48 billion for the corresponding period last year. Revenue from the Group's main business of property development accounted for 86% of the Group's total revenue and amounted to RMB29.31 billion. Compared to the previous period, net profit from property development increased by 90% to RMB4.32 billion, based on a 44% increase in terms of saleable area of delivery to 2,390,000 sq.m. in the period. Profit from property investment, not including any fair value gain, was RMB251 million. Fair value gain in the period amounted to RMB238 million. Revenue from hotel operations and other segments increased by 146%, compared to the previous period, to RMB4.26 billion mainly due to the acquisition of 70 hotels.

The following comments on the components of the income statement, with the exception of #6 (on finance costs) and #9 (on net profit), relate only to property development:

1. Revenue increased by 61% to RMB29.31 billion, from RMB18.23 billion in the same period in 2017. The Group completed and delivered properties in 41 cities in the six months ended 30 June 2018. The amount of saleable area sold increased by 44% to 2,390,000 sq.m. from 1,654,000 sq.m.. The overall average selling price increased by 12%, from RMB11,000 per sq.m. to RMB12,300 per sq.m.. This increase in overall selling price was reflecting the general higher selling price for the majority of the projects compared with the previous period. The top three projects, Tongzhou R&F Center in Beijing, R&F Shangyue Court in Putian and R&F Cambridge Court in Ningbo, which individually had revenue of over RMB1.8 billion and a combined revenue of RMB5.9 billion or 20% of total revenue and carried average selling price from RMB9,100 to RMB42,600 per sq.m.. Based on revenue distribution by cities in the period, Beijing has the highest revenue of all cities where the Group operates. It accounted for 10% of total revenue. In terms of amount, revenue in Beijing amounted to RMB3.0 billion and was mainly derived from Tongzhou R&F Center. Huizhou's revenue ranked second with revenue amounted to RMB2.4 billion in the period, equivalent to 8% in total. Putian ranked third for the first time with revenue amounted to RMB2.0 billion. These top three cities ranked by revenue in the period, Beijing, Huizhou and Putian, together accounted for 25% of total revenue as compared to 42% from the top three cities (Beijing, Huizhou and Guangzhou) in the previous period. The remaining 75% of revenue for this period was contributed by the other 38 cities in which the Group operates, the more significant of which were Ningbo, Hainan, Foshan, Fuzhou, Tianjin and Wuxi contributed approximately 5% to 7% each.

The following is the summary of revenue by city:

City	Amount of turnover *(in RMB million)*	Saleable area sold *(sq.m.)*	Average selling price *(RMB/sq.m.)*
Beijing	2,981	160,800	18,500
Huizhou	2,365	223,900	10,600
Putian	2,045	225,200	9,100
Ningbo	1,920	128,800	14,900
Hainan	1,663	77,600	21,400
Foshan	1,659	88,500	18,800
Fuzhou	1,407	61,800	22,800
Tianjin	1,396	119,000	11,700
Wuxi	1,324	93,400	14,200
Malaysia	1,171	74,700	15,700
Huzhou	1,155	132,600	8,700
Guangzhou	1,136	67,500	16,800
Meizhou	1,104	176,700	6,200
Chongqing	1,074	147,900	7,300
Hangzhou	1,072	63,800	16,800
Shanghai	923	26,900	34,300
Harbin	643	35,200	18,300
Baotou	591	73,500	8,000
Chuzhou	484	83,000	5,800
Xiangtan	432	48,700	8,900
Chengdu	382	49,700	7,700
Nantong	380	43,900	8,700
Taiyuan	364	24,200	15,000
Zhuhai	303	14,000	21,700
Xian	230	26,100	8,800
Shijiazhuang	157	8,800	17,800
Guiyang	152	18,300	8,300
Qinhuangdao	148	16,300	9,100
Nanjing	108	10,100	10,700
Anshan	87	13,800	6,300
Dongying	87	8,000	10,800
Shenyang	67	7,100	9,400
Datong	66	14,000	4,700
Yantai	47	6,300	7,500
Hohhot	39	5,000	7,700
Jiangmen	39	4,000	9,700
Sanming	36	4,300	8,400
Zhangzhou	32	3,000	10,700
Wenzhou	15	800	18,100
Fuyang	14	2,000	7,200
Nanchang	8	800	10,200
Total	29,306	2,390,000	12,300

2. Cost of goods sold consists of land and construction costs, capitalised finance costs and levy and business tax. For the current period, land and construction costs made up 89% of the Group's total costs which was roughly the same level as compared to the previous period. In terms of costs per sq.m., land and construction costs increased to RMB6,180 from RMB5,920 in the previous period. Apart from a general increase in land costs, delivery of the projects such as Tongzhou R&F Center in Beijing and R&F International Finance Corporate in Foshan also pulled up the land and construction costs per sq.m. Tongzhou R&F Center in Beijing and R&F International Finance Corporate in Foshan, which accounted for 12% of the period's total revenue, are commercial development projects in Beijing and Foshan with a land and construction costs per sq.m. of RMB15,500 and RMB8,800 respectively. Capitalised interest included in the period's cost of goods sold amounted to RMB1.60 billion up from RMB1.09 billion, representing approximately 10% of total costs which was also roughly the same level as compared to the previous period. As a percentage of revenue from sale of properties, capitalised interest decreased from 6.0% to 5.4%. The cost of goods sold also included RMB301 million in levy and business tax, making up 2% of costs.

3. Overall gross margin for the period was 43.2%, as compared to 38.7% in the same period in 2017. There were 13 projects with sales directly comparable to those in the previous period and there were 10 projects with increased gross margin, while 3 projects with decreased gross margin.

4. Other income and other gains-net were mainly the result of interest income.

5. Selling and administrative expenses for the period increased by 52% or RMB959 million, to RMB2.81 billion. This increase was in line with the contracted sales growth of 47% higher than the previous period. Selling and administrative expenses as a percentage of revenue decreased to 9.6% from 10.1%.

6. Finance costs increased 184% to RMB2.75 billion for the period (1H 2017: RMB968 million), which includes total interest expenses of RMB4.59 billion, a net foreign exchange loss of RMB558 million and an early redemption premium for senior notes of RMB17 million incurred in the period and after deducting capitalised interest of RMB2.42 billion to development projects. The 45% increase in total interest expenses was related to an increase of average borrowings outstanding to RMB153.1 billion from RMB124.4 billion in the previous corresponding period. Together with RMB1.60 billion (1H 2017: RMB1.09 billion) charged to cost of goods sold related to capitalised interest, the total finance costs incurred during the period amounted to RMB4.35 billion (1H 2017: RMB2.06 billion).

7. The share of result of associates was mainly derived from the Group's 45% share in the Henan Jian Ye project. The share of results of joint ventures were mainly from a 33.34% interests in Guangzhou Liedecun project, 25% interests in Tianjin Jinnan New Town project, 50% interests in Hines Shanghai New Jiangwan project, 60% interests in Guizhou Da Xi Nan project, 50% interests in Nanning Fuya Business Park project and 50% interests in Guangzhou Senhua project. These seven projects mentioned had a combined revenue of RMB3.61 billion.

8. Land appreciation tax (LAT) of RMB2.06 billion (1H 2017: RMB1.31 billion) and Enterprise Income Tax of RMB1.76 billion brought the Group's total income tax expenses for the period to RMB3.82 billion. As a percentage of revenue, LAT stabled at 7.0% when compared to the same period in 2017. The effective enterprise income tax rate was 28.9% (1H 2017: 30.6%).

9. Overall, the Group's net profit margin for the period was 12.0%, as compared to 12.2% in the previous period. While the net profit margin of the property development rised to 14.7% in line with a higher gross margin from properties sold and delivered.

OTHER INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Compliance with the Model Code by Directors and Supervisors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") laid out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the six months ended 30 June 2018.

Compliance with the Corporate Governance Code

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other applicable laws and regulations. In particular, it has observed the principles and code provisions set out under the Corporate Governance Code and Corporate Governance Report as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018.

Audit Committee

The audit committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. There were no disagreements from the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2018. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Interim Dividend Payment and Closure of Register of Members

The Board has declared an interim dividend for the six months ended 30 June 2018 (the "Interim Dividend") of RMB0.40 per share to shareholders whose names appear on the register of members of the Company as at the close of business on 21 September 2018. The Interim Dividend will be paid on 26 October 2018.

The H share register of members of the Company will be closed from 17 September 2018 (Monday) to 21 September 2018 (Friday) (both dates inclusive), during which period no transfer of H shares will be registered. In order to establish entitlements to the Interim Dividend, all the share transfer documents must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 14 September 2018 (Friday).

According to the Company's articles of association, dividend payable to shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to holders of the Company's H shares shall be in Hong Kong Dollar. The exchange rate to be adopted shall be the average closing rate of the one-week period preceding the date of declaration of dividend as announced by the People's Bank of China. The Interim Dividend is also subject to PRC withholding tax.

The average of the closing exchange rates for RMB to Hong Kong Dollar as announced by the People's Bank of China for the one-week period prior to 24 August 2018, the date on which the Interim Dividend was declared, was RMB0.872936 to HK$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK$0.458223.

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations (the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the EIT Law). The Company will distribute the dividend to those non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's H share register should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited in due course, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知) (the "Notice") issued by the State Administration of Taxation on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and Mainland China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual shareholders of H shares whose names appear on the H share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice.

Profit Distribution to Investors of Southbound Trading

For investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the "Southbound Trading"), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited ("China Securities"), pursuant to which, China Securities, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system. The cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui 2014 No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (關於深港股票市場交易互聯互通機制試點有關稅收政策的通

知) (Caishui 2016 No. 127), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

All investors are requested to read this part carefully. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

The Company has appointed Bank of China (Hong Kong) Trustee Limited as the receiving agent in Hong Kong and will pay to the receiving agent the Interim Dividend for payment to holders of H shares on 26 October 2018. Cheques will be dispatched to holders of H shares by ordinary post at their own risk.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank the Company's shareholders, investors, business associates and customers for their confidence and valuable support as we execute our strategy. In addition, I extend my appreciation to the Group's directors, management, and staff whom have stayed focused on internal targets and delivering on our objectives despite macro challenges to ensure the Group's continued successful growth.

By Order of the Board
Guangzhou R&F Properties Co., Ltd.
Li Sze Lim
Chairman

Hong Kong, 24 August 2018

As at the date of this announcement, the executive directors of the Company are Dr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing; the non-executive directors are Ms. Zhang Lin and Ms. Li Helen; and the independent non-executive directors are Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong.

* *For identification purpose only*

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited 30 June 2018**	Audited 31 December 2017
ASSETS			
Non-current assets			
Land use rights		**9,259,223**	9,173,164
Property, plant and equipment		**34,832,306**	34,234,093
Investment properties		**25,052,412**	24,814,323
Intangible assets		**1,075,487**	1,111,274
Interests in joint ventures		**10,305,092**	7,395,522
Interests in associates		**209,821**	229,515
Deferred income tax assets		**7,627,704**	6,417,490
Available-for-sale financial assets		–	527,650
Financial assets at fair value through other comprehensive income		**471,770**	–
Trade and other receivables and prepayments	*6*	**238,034**	526,289
		89,071,849	84,429,320
Current assets			
Properties under development		**133,312,261**	110,865,723
Completed properties held for sale		**33,705,351**	33,449,089
Inventories		**548,244**	419,056
Trade and other receivables and prepayments	*6*	**36,836,878**	33,058,064
Contract assets		**1,975,542**	–
Tax prepayments		**4,761,247**	3,672,939
Restricted cash		**17,083,448**	12,517,580
Cash and cash equivalents		**18,778,157**	19,697,169
		247,001,128	213,679,620
Total assets		**336,072,977**	298,108,940
EQUITY			
Equity attributable to owners of the Company			
Share capital		**805,592**	805,592
Other reserves		**4,501,611**	4,566,257
Retained earnings		**59,288,181**	56,160,504
		64,595,384	61,532,353
Perpetual capital instruments		–	2,404,327
Non-controlling interests		**1,161,956**	956,974
Total equity		**65,757,340**	64,893,654

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2018**	Audited 31 December 2017
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**114,256,639**	113,829,411
Deferred income tax liabilities		**7,126,290**	6,720,368
		121,382,929	120,549,779
Current liabilities			
Accruals and other payables	7	**49,334,955**	39,439,990
Contract liabilities		**36,408,953**	–
Deposits received on sale of properties		–	29,058,143
Current income tax liabilities		**16,608,074**	15,752,952
Dividend payable		**1,699,474**	–
Short-term borrowings		**21,010,417**	15,360,224
Current portion of long-term borrowings		**23,870,835**	13,054,198
		148,932,708	112,665,507
Total liabilities		**270,315,637**	233,215,286
Total equity and liabilities		**336,072,977**	298,108,940

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	Note	**2018**	2017
Revenue	*5*	**34,087,108**	20,413,922
Cost of sales		**(20,950,374)**	(13,021,536)
Gross profit		**13,136,734**	7,392,386
Other income	*8*	**320,008**	199,002
Other gains – net	*9*	**383,717**	532,687
Selling and marketing costs		**(1,053,541)**	(723,874)
Administrative expenses		**(2,724,860)**	(1,514,901)
Gains on bargain purchase		**319,711**	–
Operating profit		**10,381,769**	5,885,300
Finance costs	*10*	**(2,746,438)**	(968,381)
Share of results of associates		**(51,247)**	24,921
Share of results of joint ventures		**140,094**	(70,874)
Profit before income tax		**7,724,178**	4,870,966
Income tax expenses	*11*	**(3,644,111)**	(2,390,213)
Profit for the period		**4,080,067**	2,480,753
Profit attributable to:			
– Owners of the Company		**3,923,067**	2,402,638
– Holders of perpetual capital instruments		**33,433**	71,193
– Non-controlling interests		**123,567**	6,922
		4,080,067	2,480,753
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)		**1.2174**	0.7456

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2018	2017
Profit for the period	**4,080,067**	2,480,753
Other comprehensive loss		
Items that may not be reclassified to profit or loss		
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**(41,910)**	–
Items that may be reclassified to profit or loss		
– Fair value losses on available-for-sale financial assets, net of tax	–	(133,223)
– Currency translation differences	**(22,736)**	(22,528)
Other comprehensive loss for the period, net of tax	**(64,646)**	(155,751)
Total comprehensive income for the period	**4,015,421**	2,325,002
Total comprehensive income for the period attributable to:		
– Owners of the Company	**3,858,421**	2,246,887
– Holders of perpetual capital instruments	**33,433**	71,193
– Non-controlling interests	**123,567**	6,922
	4,015,421	2,325,002

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of the Company						
	Share capital	Other reserves	Retained earnings	Total	Perpetual capital instruments	Non-controlling interests	Total equity
Balance at 31 December 2017 as originally presented	**805,592**	**4,566,257**	**56,160,504**	**61,532,353**	**2,404,327**	**956,974**	**64,893,654**
Adjustment on adoption of HKFRS 9, net of tax	**–**	**–**	**(177,290)**	**(177,290)**	**–**	**(150)**	**(177,440)**
Adjustment on adoption of HKFRS 15, net of tax	**–**	**–**	**1,863,123**	**1,863,123**	**–**	**29,872**	**1,892,995**
Restated total equity at 1 January 2018	**805,592**	**4,566,257**	**57,846,337**	**63,218,186**	**2,404,327**	**986,696**	**66,609,209**
Total comprehensive income for the period ended 30 June 2018	**–**	**(64,646)**	**3,923,067**	**3,858,421**	**33,433**	**123,567**	**4,015,421**
Transactions with owners							
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**45,243**	**45,243**
Capital contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**6,450**	**6,450**
Dividends for the year	**–**	**–**	**(2,481,223)**	**(2,481,223)**	**–**	**–**	**(2,481,223)**
Redemptions of perpetual capital instruments	**–**	**–**	**–**	**–**	**(2,400,000)**	**–**	**(2,400,000)**
Distributions to holders of perpetual capital instruments	**–**	**–**	**–**	**–**	**(37,760)**	**–**	**(37,760)**
Total transactions with owners	**–**	**–**	**(2,481,223)**	**(2,481,223)**	**(2,437,760)**	**51,693**	**(4,867,290)**
Balance at 30 June 2018	**805,592**	**4,501,611**	**59,288,181**	**64,595,384**	**–**	**1,161,956**	**65,757,340**
Balance at 1 January 2017	805,592	4,679,469	38,293,091	43,778,152	2,404,327	653,718	46,836,197
Total comprehensive income for the period ended 30 June 2017	–	(155,751)	2,402,638	2,246,887	71,193	6,922	2,325,002
Transactions with owners							
Changes in ownership interests in subsidiaries without change of control	–	1,878	–	1,878	–	(15,973)	(14,095)
Acquisition of subsidiaries	–	–	–	–	–	174,573	174,573
Capital contributions from non-controlling interests	–	–	–	–	–	31,400	31,400
Dividends for the year	–	–	(2,255,657)	(2,255,657)	–	–	(2,255,657)
Distributions to holders of perpetual capital instruments	–	–	–	–	(71,587)	–	(71,587)
Total transactions with owners	–	1,878	(2,255,657)	(2,253,779)	(71,587)	190,000	(2,135,366)
Balance at 30 June 2017	805,592	4,525,596	38,440,072	43,771,260	2,403,933	850,640	47,025,833

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are mainly engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2018.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2017 financial statements as described therein.

(a) New and amended standards and interpretation adopted by the Group

The following new or amended standards are mandatory for the first time for the financial year beginning on 1 January 2018.

Standards	**Subject**
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 1 (Amendment)	First Time Adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 4 below. The other standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) New and amended standards not yet adopted by the Group

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2018 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group, except that set out in Note (i).

Standards	Subject	Effective for annual periods beginning on or after
HKFRS 9 (Amendment)	Repayment Features with Negative Compensation	1 January 2019
HKAS 19 (Amendments)	Employee Benefits	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in an Associate or Joint Ventures	1 January 2019
HKFRS 16 (Note (i))	Leases	1 January 2019
Annual Improvements to 2015-2017 Cycle	Improvements to HKFRSs	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB115,584,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(c) Taxes on income in the interim periods are accrued using the average tax rate that would be applicable to expected total annual taxable profit.

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the Group's financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	As at 1 January 2018			
	As originally presented	**HKFRS 15**	**HKFRS 9**	**Restated**
Consolidated balance sheet (extract)				
Non-current assets				
Deferred income tax assets	6,417,490	(366,920)	44,929	6,095,499
Available-for-sale financial assets ("AFS")	527,650	–	(527,650)	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	527,650	527,650
Current assets				
Properties under development	110,865,723	(3,953,084)	–	106,912,639
Trade and other receivables and prepayments	33,058,064	477,842	(221,080)	33,314,826
Contract assets	–	1,529,685	(15,297)	1,514,388
Tax prepayments	3,672,939	(110,971)	–	3,561,968
Total assets	298,108,940	(2,423,448)	(191,448)	295,494,044
Non-current liabilities				
Deferred income tax liabilities	6,720,368	297,599	(14,008)	7,003,959
Current liabilities				
Accruals and other payables	39,439,990	313,159	–	39,753,149
Contract liabilities	–	23,851,243	–	23,851,243
Deposits received on sale of properties	29,058,143	(29,058,143)	–	–
Current income tax liabilities	15,752,952	279,699	–	16,032,651
Total liabilities	233,215,286	(4,316,443)	(14,008)	228,884,835
Equity				
Retained earnings	56,160,504	1,863,123	(177,290)	57,846,337
Non-controlling interests	956,974	29,872	(150)	986,696
Total equity	64,893,654	1,892,995	(177,440)	66,609,209

(b) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS18") and HKAS 11 Construction contracts ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as deposits received on sale of properties.

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets.

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Details of the accounting policies under HKFRS 15 are disclosed in Note 4(c).

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised.

(All amounts in RMB Yuan thousands unless otherwise stated)

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2018		
	As originally presented	**Effects of adoption of HKFRS 15**	**Restated**
Consolidated balance sheet (extract)			
Deferred income tax assets	6,417,490	(366,920)	6,050,570
Properties under development	110,865,723	(3,953,084)	106,912,639
Trade and other receivables and prepayments	33,058,064	477,842	33,535,906
Contract assets	–	1,529,685	1,529,685
Tax prepayments	3,672,939	(110,971)	3,561,968
Accruals and other payables	39,439,990	313,159	39,753,149
Contract liabilities	–	23,851,243	23,851,243
Deposits received on sale of properties	29,058,143	(29,058,143)	–
Current income tax liabilities	15,752,952	279,699	16,032,651
Deferred income tax liabilities	6,720,368	297,599	7,017,967
Retained earnings	56,160,504	1,863,123	58,023,627
Non-controlling interests	956,974	29,872	986,846

(c) HKFRS 15 Revenue from Contracts with Customers – Accounting Policies

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(All amounts in RMB Yuan thousands unless otherwise stated)

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and subsequently amortised when the related revenue is recognised.

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

(d) HKFRS 9 Financial Instruments – Impact of adoption

As explained above, the Group has adopted HKFRS 9 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The accounting policies were changed to comply with HKFRS 9. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures.

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

	Notes	
Opening retained earnings – HKAS 39		56,160,504
Increase in provision for trade and other receivables, net of tax	*(ii)*	(165,875)
Increase in provision for contract assets, net of tax	*(ii)*	(11,565)
Share by non-controlling interests, net of tax	*(ii)*	150
Adjustment to retained earnings from adoption of HKFRS 9		(177,290)
Opening retained earnings – HKFRS 9		55,983,214

(All amounts in RMB Yuan thousands unless otherwise stated)

(i) Classification and measurement

Management has assessed the business models and the contractual terms of the cash flows applied to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured at fair value through other comprehensive income, or through profit or loss and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

At 1 January 2018	**AFS**	**FVOCI**
Opening balance – HKAS 39	527,650	–
Reclassify non-trading unlisted securities from AFS to FVOCI	(527,650)	527,650
Opening balance – HKFRS 9	–	527,650

The main effects resulting from this reclassification on the Group's equity are as follows:

At 1 January 2018	**Effect on AFS reserves**	**Effect on FVOCI reserves**
Opening balance – HKAS 39	271,548	–
Reclassify non-trading unlisted securities from AFS to FVOCI	(271,548)	271,548
Opening balance – HKFRS 9	–	271,548

Equity investments in two companies with a fair value of RMB527,650,000 were reclassified from AFS to FVOCI and the accumulated fair value gains of RMB271,548,000 were reclassified from the AFS reserves to the FVOCI reserves on 1 January 2018.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(All amounts in RMB Yuan thousands unless otherwise stated)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade and other receivables
- contract assets

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note 4(d) above.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade receivables (excluding trade receivables due from joint ventures and associates) and contract assets, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and contract assets. RMB177,290,000 was recognised in retained earnings as at 1 January 2018 for those trade receivables (excluding trade receivables due from joint ventures and associates) and contract assets whose credit risk has been assessed as other than low.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and aging. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for both trade receivables (excluding amounts due from joint ventures and associates) and contract assets:

	Within 1 year	**1 year to 2 years**	**2 year to 3 years**	**Over 3 years**	**Total**
At 1 January 2018					
Expected loss rate	1.00%	5.00%	5.00%	30.00%	
Gross carrying amount	8,311,438	454,870	165,370	512,260	9,443,938
Loss allowance provision	83,114	22,744	8,269	153,678	267,805

For trade receivables due from joint ventures and associates and other receivables (including amounts due from joint ventures and associates), management makes periodic collective assessments as well as individual assessment on the recoverability of trade receivables due from joint ventures and associates and other receivables (including amounts due from joint ventures and associates) based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of trade receivables due from joint ventures and associates and other receivables (including amounts due from joint ventures and associates). There was no material impact on the retained earnings as at 1 January 2018 for trade receivables due from joint ventures and associates and other receivables (including amounts due from joint ventures and associates).

(e) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

(All amounts in RMB Yuan thousands unless otherwise stated)

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2018 and 2017 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2018					
Segment revenue	**29,305,594**	**582,295**	**3,367,210**	**1,107,577**	**34,362,676**
Recognised at a point in time	**16,143,975**	**–**	**–**	**–**	**16,143,975**
Recognised over time	**13,161,619**	**–**	**3,367,210**	**1,107,577**	**17,636,406**
Revenue from other sources – rental income	**–**	**582,295**	**–**	**–**	**582,295**
Inter-segment revenue	**–**	**(59,437)**	**(39,431)**	**(176,700)**	**(275,568)**
Revenue from external customers	**29,305,594**	**522,858**	**3,327,779**	**930,877**	**34,087,108**
Profit/(loss) for the period	**4,318,295**	**429,917**	**(184,147)**	**(483,998)**	**4,080,067**
Finance costs	(2,254,495)	(119,967)	(365,425)	(6,551)	(2,746,438)
Share of results of joint ventures	140,161	–	–	(67)	140,094
Share of results of associates	(45,730)	–	–	(5,517)	(51,247)
Income tax (expenses)/credits	(3,815,692)	(143,200)	159,150	155,631	(3,644,111)
Gains on bargain purchase	26,409	–	293,302	–	319,711
Depreciation and amortisation of property, plant and equipment, intangible assets and land use rights	(80,518)	–	(800,403)	(33,612)	(914,533)
Amortisation of incremental costs for obtaining contracts with customers	(61,336)	–	–	–	(61,336)
Allowance for impairment losses of receivables and contract assets	(32,671)	–	(3,022)	(3,526)	(39,219)
Fair value gains on investment properties – net of tax	–	178,646	–	–	178,646

(All amounts in RMB Yuan thousands unless otherwise stated)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2017					
Segment revenue	18,234,991	496,472	751,220	1,073,393	20,556,076
Inter-segment revenue	–	(48,685)	(27,438)	(66,031)	(142,154)
Revenue from external customers	18,234,991	447,787	723,782	1,007,362	20,413,922
Profit/(loss) for the period	2,272,740	595,269	(89,027)	(298,229)	2,480,753
Finance costs	(760,865)	(70,486)	(120,857)	(16,173)	(968,381)
Share of results of joint ventures	(70,874)	–	–	–	(70,874)
Share of results of associates	25,485	–	–	(564)	24,921
Income tax (expenses)/credits	(2,309,411)	(197,960)	29,676	87,482	(2,390,213)
Depreciation and amortisation	(123,608)	–	(163,719)	(35,586)	(322,913)
Allowance for impairment losses of receivables	(9,425)	–	(1,090)	(772)	(11,287)
Fair value gains on investment properties – net of tax	–	359,792	–	–	359,792

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim income statement.

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2018					
Segment assets	**263,266,270**	**23,582,247**	**40,304,917**	**820,069**	**327,973,503**
Segment assets include:					
Interests in joint ventures	10,304,909	–	–	183	10,305,092
Interests in associates	132,703	–	–	77,118	209,821
Additions to non-current assets (other than financial instruments and deferred tax assets)	623,882	–	1,112,499	30,202	1,766,583
Segment liabilities	**83,206,722**	**–**	**1,552,007**	**985,179**	**85,743,908**
As at 31 December 2017					
Segment assets	226,502,464	23,360,591	40,021,783	1,278,962	291,163,800
Segment assets include:					
Interests in joint ventures	7,395,522	–	–	–	7,395,522
Interests in associates	146,880	–	–	82,635	229,515
Additions to non-current assets (other than financial instruments and deferred tax assets)	774,049	1,964,970	30,606,386	88,978	33,434,383
Segment liabilities	65,966,881	–	2,424,804	106,448	68,498,133

(All amounts in RMB Yuan thousands unless otherwise stated)

6. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2018	31 December 2017
Trade receivables-net	**8,490,165**	7,921,310
Other receivables-net	**17,744,481**	16,006,437
Prepayments	**7,948,027**	5,452,544
Capitalised costs to obtain sales contracts	**539,178**	–
Due from joint ventures	**2,066,052**	3,994,073
Due from associates	**287,009**	209,989
Total	**37,074,912**	33,584,353
Less: non-current portion	**(238,034)**	(526,289)
Current portion	**36,836,878**	33,058,064

As at 30 June 2018, trade receivables were mainly derived from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

	As at	
	30 June 2018	31 December 2017
Trade receivables-current portion		
– Due from third parties	**8,771,010**	7,914,253
– Due from joint ventures	**2,065**	2,485
– Due from an associate	**–**	36,000
	8,773,075	7,952,738

	As at	
	30 June 2018	31 December 2017
Trade receivables – current portion	**8,773,075**	7,952,738
Less: allowance for impairment	**(282,910)**	(31,428)
	8,490,165	7,921,310

At 30 June 2018 and 31 December 2017, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2018	31 December 2017
Up to 1 year	**7,623,556**	6,820,238
1 year to 2 years	**417,446**	454,870
2 years to 3 years	**135,200**	165,370
Over 3 years	**596,873**	512,260
	8,773,075	7,952,738

(All amounts in RMB Yuan thousands unless otherwise stated)

7. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2018	31 December 2017
Amounts due to joint ventures (Note (a))	**5,787,339**	4,615,028
Amounts due to an associate (Note (a))	**77,576**	160,276
Amounts due to an entity controlled by same common shareholders (Note (a))	**60,000**	–
Construction payables (Note (b))	**19,871,225**	14,566,401
Other payables and accrued charges (Note (c))	**23,538,815**	20,098,285
	49,334,955	39,439,990

(a) The amounts are unsecured, interest free and repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade payables is presented.

(c) The balance mainly represents interest payables, temporary receipts, accruals and other taxes payable excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair values.

8. OTHER INCOME

	Six months ended 30 June 2018	2017
Interest income	**156,543**	116,364
Other operating income	**163,465**	72,405
Dividends received on available-for-sale financial assets	**–**	10,233
	320,008	199,002

9. OTHER GAINS – NET

	Six months ended 30 June 2018	2017
Fair value gains on investment properties – net	**238,089**	479,260
Gains on disposal of a joint venture	**54,987**	–
Gains on disposals of intangible assets	**16,116**	51,783
Gains on disposals of property, plant and equipment	**402**	322
Losses on disposal of an associate	**–**	(13,459)
Others	**74,123**	14,781
	383,717	532,687

(All amounts in RMB Yuan thousands unless otherwise stated)

10. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
Interest expenses:		
– bank borrowings	**2,144,917**	1,251,002
– domestic bonds	**1,231,064**	1,220,190
– medium-term notes	**54,448**	9,438
– senior notes	**586,335**	197,473
– other borrowings	**566,083**	479,130
– finance lease liabilities	**4,936**	7,002
	4,587,783	3,164,235
Early redemption premium for senior notes	**16,730**	–
Net foreign exchange losses/(gains)	**557,852**	(440,915)
Less: finance costs capitalised	**(2,415,927)**	(1,754,939)
	2,746,438	968,381

11. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
Current income tax		
– enterprise income tax (Note (b))	**2,972,310**	1,483,624
Deferred income tax	**(1,384,986)**	(398,815)
	1,587,324	1,084,809
Current PRC land appreciation tax (Note (c))	**2,056,787**	1,305,404
Total income tax expenses	**3,644,111**	2,390,213

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the period (six months ended 30 June 2017: Nil).

(b) Enterprise income tax

The enterprise income tax is computed according to the relevant laws and regulations enacted in the countries where the Group operated and generated taxable income.

In respect of the applicable income tax rates for the six months ended 30 June 2018, all of the companies in the PRC were primarily taxed at 25% (six months ended 30 June 2017: 25%) on their profits.

(All amounts in RMB Yuan thousands unless otherwise stated)

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

12. DIVIDENDS

	Six months ended 30 June	
	2018	2017
Interim dividend of RMB0.40 (2017: RMB0.33) per ordinary share	**1,288,947**	1,063,381

An interim dividend in respect of the six months ended 30 June 2018 of RMB0.40 per ordinary share, totalling RMB1,288,947,000 was proposed by the board of directors (six months ended 30 June 2017: RMB1,063,381,000). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ended 31 December 2018.