GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777

Interim Report 2015

CORPORATE INFORMATION

Executive Directors	Li Sze Lim, Zhang Li, Zhou Yaonan, Lu Jing
Non-executive Directors	Zhang Lin, Li Helen
Independent Non-executive Directors	Huang Kaiwen (resigned on 29 May 2015), Lai Ming Joseph, Zheng Ercheng, Ng Yau Wah Daniel (appointed on 30 May 2015)
Supervisors	Chen Liangnuan, Liang Yingmei, Zhao Xianglin
Authorized Representatives	Li Sze Lim, Chow Oi Wah Fergus
Company Secretary	Chow Oi Wah Fergus
Registered Office in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Principal Place of Business in the PRC	45-54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
Place of Business in Hong Kong	Room 1103, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong
Auditors	PricewaterhouseCoopers 22/F., Prince's Building, Central, Hong Kong
Legal Advisor as to Hong Kong Law	Sidley Austin 39/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Hong Kong H Share Registrar	Computershare Hong Kong Investor Services Limited 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website	www.rfchina.com

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RESULTS

For the six months ended 30 June 2015, the Group achieved a total turnover of RMB12.72 billion, and net profit of the Group increased by 7% over the corresponding period last year, to RMB1.70 billion.

Turnover and profit from the Group's core business of property development increased by 33% and 55% respectively, with turnover amounted to RMB11.11 billion and net profit RMB1.22 billion. The increase in turnover and profit was mainly due to a significant increase in the delivery of 1,249,100 sq.m. of area sold, representing an increase of 53%. Our gross margin remained satisfactory. Total saleable area of 1,004,000 sq.m. was completed in the period as scheduled, representing approximately 25% of the full-year plan. Revenue from property investments amounted to RMB387 million with net profit RMB751 million which was mainly coming from revaluation gain from investment properties. Operating results for the Group's other key business segment, hotel operations, achieved better turnover than in the same period last year; hotel revenue increased by 11% and achieved EBITDA of RMB126 million. The directors have resolved to declare an interim dividend of RMB0.3 per share.

	Unaudited six months ended 30 June 2015 (RMB'000)	Unaudited six months ended 30 June 2014 (RMB'000)	Percentage changes
Turnover	**12,719,140**	9,822,432	29%
Profit for the half-year attributable to owners of the Company	**1,026,380**	1,068,046	-4%
Basic earnings per share (in RMB)	**0.3186**	0.3336	-4%
Dividend per share (in RMB)	**0.3**	–	N/A

BUSINESS REVIEW

Following a period of low growth, the mainland real estate market began gradually to improve towards the middle of the year, as a result of positive developments on the policy and regulatory fronts which have helped reinforce the underlying strength of the market. The first half of the year saw a progressive easing of regulatory policy, under the Government's stated goal of establishing a regulatory regime that will rely more on market mechanisms than on administrative measures for long-term effectiveness. The easing measures conformed to the two key directives promulgated on 30 March 2015, the "Notice on Issues Concerning the Policies for Personal Housing Loans"《關於個人住房貸款政策有關問題的通知》issued jointly by the People's Bank of China, the Ministry of Housing and Urban-Rural Development and the China Banking Regulatory Commission, and the "Notice Concerning the Policy for Business Tax of the Transfer of Residential Properties by Individual"《關於調整個人住房轉讓營業税政策的通知》issued jointly by the Ministry of Finance and the State Administration of Taxation (together commonly referred to as the "330 Policies"). The new policies specifically make preferential financing terms available to buyers of ordinary standard self-occupied residential units for the improvement of living conditions. For this category of buyers, the minimum mortgage down-payment requirement for a second home was lowered to 40%, from 60% previously. The down-payment requirement for buyers using a housing provident fund was set at 20% for first-time home buyers, and at 30% for second home buyers with no outstanding mortgages. Another significant measure of the new policies was that properties owned for more than two years were exempted from business tax upon transfer. All these policy measures are aimed at creating a steady and healthy long-term development of the property market by supporting mainstream demand for housing. Alongside these changes in regulations, certain market factors provided a steady momentum for change, notably ongoing urbanization and the demand for improved living conditions. These have each played a part in bringing the property market out of its downturn. Given these conditions, and under a generally more relaxed fiscal environment in which three cuts were made to the lending interest rate in the first half of the year, the overall volume of property transactions increased in the period as compared to the previous year's, becoming more noticeable towards the middle of the year. This is an unmistakable sign of the beginning of a revival of the property market.

However, with the recent volatility in the mainland stock market and uncertainties in China's macro environment, the Group has decided to slightly adjust its contracted sales target to be flat to 2014, or approximately RMB55 billion, from previously RMB60 billion for 2015. Its sales performance for the first half of the year was in line with expectations, and with the Group's business plan. Actual contracted sales of RMB20.7 billion for the period represented just over one third of the full-year target, but analysis of the sales data reveals encouraging characteristics as to the quality of the sales and the underlying sales trend. One notable feature was the outstanding showing of many of the newer cities entered more recently by the Group, such as Hongqiao in metropolitan Shanghai, Meizhou, Fuzhou and Baotou and, outside China, Johor in Malaysia. The Group made a promising debut in these cities in 2014, achieving strong sales of its first projects in each of them; these have continued into the current period, reinforcing our confidence in having selected the right markets and offered appropriate products for these markets. The successful opening up of such new markets while a competitive position is maintained in our traditional strongholds is essential to the Group's sustainable growth. Another important characteristic of sales in the period was the trend seen in selling prices, with prices generally stabilizing for the Group's projects. Projects in first-tier cities showed an even clearer pattern of recovery, with the average selling price achieved in the first half for a number of major projects in Beijing, Tianjin and Guangzhou matching or exceeding the average selling price achieved in the previous year. Also in the period, an extra boost was given to total contracted sales by the fact that the Group launched fewer brand-new projects (including new phases of ongoing projects) than in the previous period. Of a planned pipeline of 12 brand-new projects with an estimated sales value of RMB19.4 billion for 2015, only three projects with an estimated sales value of RMB2.0 billion were launched in the first six months. Based on these factors of the sales performance for the period, the Group is satisfied with the contracted sales achieved, which suggest that the Group is on track to meet its revised contracted sales target for the full year.

The amount of contracted sales is not, however, the only gauge of our business performance; though it is perhaps the most easily tracked performance indicator, shedding light on our execution and on how well this is coordinated with other essential functions such as inventory planning, construction and land banking. During the period, the Group completed 1.24 million sq.m. in GFA, and ended the period with 12.9 million sq.m. in GFA at various stages of construction. All of this proceeded according to schedule. The importance to a property developer of a high quality land bank cannot be over-emphasized. Possessing such a land bank, of sufficient size, is critical to the long-term competitiveness and sustained growth of our business. Our land acquisition activities operated at a lower level in the period, with 4 plots of land in 4 cities having been bought for a total of RMB1.4 billion. We began to reduce the pace of our land acquisitions in 2014, a logical step following the preceding accelerated build-up of the land bank which had taken our land bank holdings to 40.3 million sq.m. This land bank is spread out over 28 cities, and is well-balanced among tier-1, tier-2 and tier-3/overseas cities in term of estimated sales value. We are particularly confident that this land bank, having been carefully accumulated over the years, will give us a steady competitive edge and ensure our profitability. We believe the land bank is right for the Group's market positioning, and is accruing deep value to the Group.

Alongside its core business of property development for sale, the Group owns a portfolio of investment properties that bring it the benefits of a stable cash flow and long-term appreciation in asset capital value. We have grown our investment property portfolio at a steady and controlled pace. At the beginning of the year the portfolio was made up of two grade-A office buildings, two shopping malls and eight hotels. During the period, two hotels were opened, namely Holiday Inn Airport Zone in Guangzhou and Pullman Hotel in Taiyuan. Later this year, two new shopping malls will be opened, R&F Haizhu City in Guangzhou and R&F Plaza in Tianjin, both of which are currently at the stage of being leased and both of which have attracted strong interest in the period. These two shopping malls are significant for three reasons. Firstly, they are new additions to our shopping mall portfolio following a gap of almost five years since the Chengdu Tianhui Mall was opened in late 2010, and thus represent another step towards the Group's long-term goal of owning a nationwide chain of malls under the R&F brand name. Secondly, the new shopping malls have adopted a new operation concept, evolved from our experience in continuously refining the Beijing R&F Plaza and turning it into an ideal leisure spot, one not limited to shoppers only. Features of the new concept include a higher weighting of food and beverage outlets, and the provision of a modern cinema for entertainment. Thirdly, the development of these new malls was largely undertaken by the Group's own team of specialized and internally trained personnel, a sign of our internal capabilities and of our preparedness for systematic further expansion. Both Guangzhou R&F Haizhu City and Tianjin R&F Plaza are conveniently situated in tier-1 cities, at sites that are well suited for shopping malls. Such sites are becoming increasingly rare, and the shopping malls will certainly become a valuable part of the Group's investment property portfolio. Meanwhile, the performance of the Group's rental office buildings and its hotel operation was satisfactory. Revenue and profitability levels remained more or less steady despite the respective markets not being especially robust, in a reflection of the slowdown of the wider economy.

It is crucial that the Group has in place an efficient capital structure and access to adequate financing, in order for it to successfully execute its business plan and achieve continuous healthy growth. In this respect, the Group's position has been or is being enhanced by some important moves made by the Company in the year to date. One option for broadening our capital base available to us as a PRC incorporated company is to undertake an A-share listing. The feasibility of securing an A-share listing has varied over recent years according to the prevailing regulatory and market climate. With the latest change in policy tilting the A-share listing approval process towards a more market-oriented approach, the Group has again begun actively to pursue the option of an A-share listing, and in August 2015 it obtained a refreshed mandate to proceed from its shareholders. If it materializes, the A-share listing will be hugely beneficial to our capital structure. While we will expedite the application process as far as possible, this is likely to be a longer-term endeavor given the many other factors associated with the listing process. Another important action in the period took place in the debt arena. The Company held off from immediate refinancing of a RMB5.5 billion domestic corporate bond that matured last October 2014, taking time instead to decide on the best timing and on an option with the best terms. In July 2015, a new 5-year domestic corporate bond of RMB6.5 billion was issued at a very favorable annual interest rate of 4.95%, with a consequent positive impact on the Group's overall borrowing costs. To take advantage of the attractive interest rates currently available in the domestic corporate bond market, we have also secured shareholders' approval for a further issue of domestic corporate bonds of up to RMB13 billion should we decide to do so.

GOING FORWARD

We expect both the regulatory and market trends of the first half of the year to continue into the second half. Based on this macro environment and on the marketing and sales strategies that the Group plans to execute, we are confident that we will be able to achieve our contracted sales target for the year. Our marketing and sales strategies will focus sharply on those products currently considered to be the most dynamic in the market, namely rigid demand type products, improvement type products and budget low-density residential units. We will be monitoring market signals and continuously fine-tuning our product mix structure. In the second half of the year the Group will be selling 60 projects in 24 cities across China and overseas, of which 9 are brand-new projects, at a steady pace that will be also aim to take advantage of windows of opportunity arising from favourable policy developments. We will also maintain a stable and reasonable product pricing policy, while remaining sufficiently flexible to be able to reduce prices as we see fit to move inventory. Apart from our sales activities, we will continue to engage in other business activities using consistent and proven strategies. To sum up, we are prudently optimistic in respect of the year's prospects, and look forward to another year of healthy progress ahead.

ACKNOWLEDGEMENT

Taking this opportunity, I would like to thank the Company's shareholders, investors, business associates and customers for their confidence and valuable supports as well as our fellow directors and staff for their many contributions to our success.

Li Sze Lim
Chairman

20 August 2015, Hong Kong

OPERATION REVIEW

PROPERTY DEVELOPMENT

The Group's property projects under development span 24 cities and area across China, one city in Malaysia and one city in Australia. During the period, the Group completed sale properties as set out below and made contracted sales equivalent to 38% of the full year target and maintained a sufficient project pipeline.

Completion of Sale Properties

Completion in the period of 1,004,000 sq.m. represented approximately 25% of the Group's expected completion for 2015 of 4,053,000 sq.m. in saleable area, as compared to 23% for the same period in 2014. Expected completion in the second half of 2015 is approximately 3,049,000 sq.m. as shown in the following table:

	2015 1st Half		2015 2nd Half	
Area	Approx. Total GFA (sq.m.)	Approx. Saleable Area (sq.m.)	Approx. Total GFA (sq.m.)	Approx. Saleable Area (sq.m.)
Southern China	359,000	317,000	1,695,000	1,073,000
Western China	301,000	221,000	301,000	235,000
Eastern China	–	–	709,000	527,000
Northern China	539,000	466,000	1,353,000	1,214,000
Total	1,199,000	1,004,000	4,058,000	3,049,000

Contracted Sales

The Group registered contracted sales of RMB20.74 billion and equivalent to 1,700,900 sq.m. in GFA during the six months ended 30 June 2015 distributed in 21 cities and area as follow:

Location	Approximate GFA sold (sq.m.)	Approximate Value (RMB million)
Guangzhou	224,500	4,469.5
Tianjin	159,500	2,833.3
Beijing and vicinity	196,700	2,590.3
Taiyuan	222,000	1,811.2
Shanghai and vicinity	42,500	1,593.4
Hangzhou	56,900	861.7
Hainan	60,800	773.0
Johor Bahru, Malaysia	39,800	688.2
Meizhou	138,100	672.8
Chongqing	135,600	663.3
Fuzhou	34,300	636.4
Nanjing	35,700	601.7
Wuxi	64,800	540.1
Huizhou	81,400	482.4
Harbin	31,500	444.4
Baotou	65,200	359.9
Chengdu	61,100	320.3
Shenyang	22,200	159.3
Xian	8,300	124.5
Datong	15,700	73.4
Guiyang	4,300	42.2
Total	1,700,900	20,741.3

Sale Properties Under Development

Sale properties under development amounted to approximately 12,898,000 sq.m. GFA as at 30 June 2015, details of which are set out below:

Location	Number of Project	Approximate GFA (sq.m.)	Approximate saleable area (sq.m.)
Guangzhou	13	1,763,000	1,354,000
Beijing and vicinity	6	1,410,000	973,000
Taiyuan	4	1,248,000	832,000
Tianjin	7	1,090,000	804,000
Meizhou	1	882,000	666,000
Huizhou	3	860,000	632,000
Harbin	2	762,000	560,000
Hangzhou and vicinity	3	535,000	401,000
Wuxi	3	424,000	307,000
Chongqing	3	372,000	278,000
Baotou	1	366,000	252,000
Hainan	4	310,000	263,000
Fuzhou	2	302,000	225,000
Foshan	1	295,000	223,000
Nanning	1	294,000	166,000
Zhengzhou	1	267,000	193,000
Shanghai and vicinity	3	220,000	134,000
Nanjing	2	195,000	123,000
Chengdu	1	172,000	130,000
Guiyang	1	151,000	113,000
Xian	1	142,000	105,000
Zhuhai	1	135,000	100,000
Datong	1	25,000	0
Shenyang	1	12,000	11,000
Johor Bahru, Malaysia	1	666,000	365,000
Total	67	12,898,000	9,210,000

PROPERTY INVESTMENT

The Group's investment properties portfolio included grade-A office buildings (Guangzhou R&F Center and Beijing R&F Center), shopping malls (Guangzhou R&F Haizhu City, Beijing R&F Plaza, Chengdu R&F Tianhui Mall and Tianjin R&F Plaza) and various retail properties. The combined office and retail space of these properties as at 30 June 2015 exceeded 600,000 sq.m. in total GFA.

The investment property portfolio of the Group also included expanding logistic and storage facilities.

HOTEL OPERATION

The Group currently operates ten hotels, two in Beijing (Renaissance Beijing Capital Hotel and Holiday Inn Express Temple of Heaven Beijing), three in Guangzhou (The Ritz-Carlton Guangzhou, Grand Hyatt Guangzhou and Holiday Inn Guangzhou Airport Zone), Renaissance Huizhou Hotel, Huizhou R&F LN Garden Hot Spring Resort, Hyatt Regency Chongqing, The Ritz-Carlton Chengdu and Pullman Taiyuan R&F Hotel.

LAND BANK

The following four pieces of land were bought during the period:

Location	Site Area (sq.m.)	Attributable GFA (sq.m.)	Attributable Land Cost (RMB million)	Average Land Cost (RMB/sq.m.)
Guangzhou Luogang Bigangcun Project	37,000	143,000	742	5,200
Huzhou R&F City	164,000	362,000	327	900
Shijiazhuang Pingshan Project	178,000	204,000	21	100
Zhengzhou Wulongkou Project	94,000	188,000	261	1,400
Total	473,000	897,000	1,351	1,500

As at 30 June 2015, the Group was in possession of the following land bank:

Area	Approximate GFA (sq.m.)	Approximate saleable area (sq.m.)
Southern China	15,349,000	14,913,000
Western China	5,325,000	5,093,000
Eastern China	2,670,000	2,529,000
Northern China	14,605,000	13,286,000
Overseas	3,825,000	3,825,000
Investment Properties	690,000	673,000
Total	42,464,000	40,319,000

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2015 increased to RMB1.70 billion, from RMB1.58 billion for the corresponding period in the previous year. Profit from the Group's core business of property development accounted for 72% of the Group's total net profit and amounted to RMB1.22 billion. Compared to the previous period, net profit from property development increased by 55%, based on a delivery of 1,249,100 sq.m. in terms of saleable area in the period. Profit from property investment, not including any fair value gain, decreased by RMB44 million to RMB161 million. Fair value gain in the period amounted to RMB787 million. Net loss from the hotel operation decreased to RMB70 million due mainly to improvement in gross margin and decreased finance charges.

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. Turnover increased by 33% to RMB11.11 billion, from RMB8.37 billion in the same period in 2014. The Group completed and delivered properties in 16 cities in the six months ended 30 June 2015. The amount of saleable area sold increased by 53% to 1,249,100 sq.m. from 814,500 sq.m. The overall average selling price decreased by 14%, from RMB10,300 to RMB8,900 per sq.m. This decrease in average selling price was mainly due to the sales mix in the period having included more non-tier 1 cities and proportionally more turnover coming from sales of residential properties being low income housing projects. The top three projects, Tianjin R&F Jinmen Lake, Harbin Jiangwan City and Beijing R&F Shangyue Court, which individually had turnover of around RMB1 billion and a combined turnover of RMB3.0 billion or 27% of total turnover and carried average selling price from RMB10,700 to RMB33,000 per sq.m. On the turnover distribution by cities in the period, there were four more cities compared to same period in 2014 and Beijing continued to be the city with the largest share of total turnover. Mainly with Beijing R&F Shangyue Court, Beijing R&F City and Beijing R&F New Town, turnover of Beijing amounted to RMB2.52 billion or 23% of total turnover. Tianjin ranked second in turnover with large scale delivery of Tianjin R&F Jinmen Lake which increased its turnover to RMB1.65 billion, equivalent to 15% of total. Taiyuan's turnover ranked third the first time with turnover amounted to RMB1.47 billion in the period. These top three cities ranked by turnover in the period, Beijing, Tianjin and Taiyuan, together accounted for 51% of total turnover as compared to 60% from the top three cities (Beijing, Nanjing and Tianjin) in the previous period. The remaining 49% of turnover for this period was contributed by the other thirteen cities in which the Group operated, the more significant of which were Guangzhou, Harbin and Hainan contributed approximately 10% to 8% each.

   The following is the summary of turnover by city:

City	Amount of turnover (in RMB million)	Saleable area sold (sq.m.)	Avg. Selling Price (RMB/sq.m.)
Beijing	2,523	177,900	14,200
Tianjin	1,645	62,500	26,300
Taiyuan	1,469	301,300	4,900
Guangzhou	1,117	154,400	7,200
Harbin	1,026	55,500	18,500
Hainan	931	63,800	14,600
Chongqing	660	140,600	4,700
Chengdu	342	68,600	5,000
Meizhou	337	69,000	4,900
Huizhou	298	51,400	5,800
Xian	277	42,700	6,500
Shenyang	260	37,500	6,900
Shanghai	93	9,900	9,300
Hangzhou	76	4,600	16,600
Datong	34	8,200	4,100
Wuxi	18	1,200	14,700
Total	11,106	1,249,100	8,900

2. Cost of goods sold was made up of land and construction costs, capitalized interest, and sales tax. For the current period, land and construction costs made up 84% of the Group's total costs, as compared to 85% in the previous period. In terms of costs per sq.m., land and construction costs decreased to RMB5,140 from RMB5,630 in the previous period. A main reason for this decrease was that, compared to the previous period, a larger portion of the period's total turnover came from delivery of low income housing projects with lower land or construction costs. Capitalized interest included in the period's cost of sales amounted to RMB512 million, a figure representing approximately 6.7% of total costs, up from RMB314 million and 5.8% for the previous period. As a percentage of turnover from sale of properties, capitalized interest increased from 3.7% to 4.6%. The cost of goods sold also included RMB677 million in business tax, making up 8.9% of costs.

3. Overall gross margin for the period was 31.5%, as compared to 35.5% in the same period in 2014. This change was, on one hand, due to the low gross margin of low income housing projects. On the other hand, the result of four new cities with completion and delivery of properties in this period experienced a slightly lower selling price typical at the beginning to attract customer. There were thirteen projects with sales directly comparable to those in the previous period and there were three projects with increased gross margin, two projects with even gross margin and eight projects with decreased gross margin. The project with top turnover for the period, Tianjin R&F Jinmen Lake, has improved 8% in gross profit margin compared to previous period.

4. Other gains were mainly the result of interest income, which decreased in line with lower average cash on hand.

5. Selling and administrative expenses for the period increased by 8% or RMB99 million, to RMB1,333 million. This increase was in line with selling and marketing activities in more cities. Selling and administrative expenses as a percentage of turnover decreased to 12.0% from 14.7% due to better cost control. With expenses stable while turnover increase in the second half year, selling and administrative expenses as a percentage of turnover will normalize.

6. Finance costs decreased by 30% to RMB512 million (1H 2014: RMB732 million), and were made up of the interest expenses incurred in the period after deduction of the amount capitalized to development costs. Total interest expenses for the period decreased by RMB84 million to RMB2.81 billion, equivalent to a decrease of 3%. This decrease was approximately proportional to the decrease in average outstanding borrowings in the period which dropped by 2% to approximately RMB68.5 billion, from RMB69.8 billion. Of the interest incurred, the amount capitalized for the period was RMB2.51 billion (1H 2014: RMB2.23 billion). Together with previously capitalized interest released to cost of goods sold which amounted to RMB512 million for the period (1H 2014: RMB314 million), aggregate interest costs included in this period's results amounted to RMB1.02 billion (1H 2014: RMB1.05 billion).

7. The share of result of associates was mainly derived from the Group's 20% share in the Guangzhou Asian Games City project. The share of results of joint ventures were mainly 33.34% interest in Gunagzhou Liedecun project, 50% interest in Shanghai New Jiangwan project and 25% interest in Tianjin Jinnan New Town project. These four projects mentioned had a combined turnover of RMB3.8 billion in the period.

8. Land appreciation tax (LAT) of RMB543 million (1H 2014: RMB325 million) and Enterprise Income Tax of RMB498 million brought the Group's total income tax expenses for the period to RMB1.04 billion. As a percentage of turnover, LAT increased to 4.9% from 3.9% for the same period in 2014. This increase mainly came from two high gross margin projects despite lower overall gross margin in the period. The effective enterprise income tax rate was 29% (1H 2014: 31%).

9. Overall, the Group's net profit margin for the period was 13.4%, as compared to 16.1% in the previous period. While the net profit margin of the core property development rose to 11.0% due to the increase in share of results of joint ventures in the period, a smaller revaluation gain reduced the net profit margin.

Financial resources and liquidity

At 30 June 2015, total cash including amounts restricted for specified usage was RMB17.95 billion (31 December 2014: RMB19.83 billion). Cash remained steady in the period. With total borrowings at the end of the period amounted to RMB74.77 billion (31 December 2014: RMB67.66 billion), net debt increased to RMB56.82 billion from RMB47.83 billion at 31 December 2014. Net debt to total equity ratio increased to 119.4% at 30 June 2015 from 91.7% at 31 December 2014.

During the six months ended 30 June 2015, new bank borrowings of RMB9.93 billion have been procured at interest rate ranging from 4.82% to 9.72% while bank borrowings repaid amounted to RMB4.13 billion. The effective interest rate of the total bank borrowings portfolio at 30 June 2015 was 6.75% (31 December 2014: 6.76%). Other than an offshore USD388 million 10.875% notes, an offshore USD600 million 8.75% notes and an offshore USD1 billion 8.50% notes, most of the other borrowings were in RMB and at floating interest rate bench marked to rates published by the People's Bank of China. The Group considered the RMB interest rate environment relatively stable and with the Group's borrowings substantially in RMB that matched income and assets predominantly in RMB, the Group did not consider it necessary to hedge either its interest rate or currency exposure.

Charge on assets

As at 30 June 2015, certain properties and bank deposits were pledged to secure bank and other borrowings amounted to RMB52.09 billion (31 December 2014: RMB45.10 billion).

Contingent liabilities

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties. For guarantees provided in respect of residential properties, the guarantees would be released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2015, such guarantees totalled RMB19.65 billion which increased 6.6% from RMB18.44 billion as at 31 December 2014. In addition, as at 30 June 2015, RMB3.28 billion (31 December 2014: RMB3.89 billion) in guarantee were provided to the Group's joint ventures and associate for their borrowings.

Employee and remuneration policies

As of 30 June 2015, the Group had approximately 26,668 employees (30 June 2014: 25,117). The Group provides competitive remuneration, including fringe benefits such as one-off discount on purchase of properties developed by the Group, and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus system. Job-related training is also provided from time to time.

DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2015 (the "Interim Dividend") of RMB0.3 per share to shareholders whose names appear on the register of members as at 24 September 2015 (the "Record Date"). The Interim Dividend will be paid on 8 October 2015.

According to Article 175 of the Company's articles of association, dividend payable to the holders of H shares shall be paid in Hong Kong dollars, based on an exchange rate which was the average closing exchange rates for Renminbi ("RMB") to Hong Kong dollars announced by the People's Bank of China for the week prior to the date of the declaration of the Interim Dividend. The Interim Dividend is also subject to PRC withholding tax.

The average of the closing exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to 20 August 2015, the date on which the Interim Dividend was declared RMB0.82506 to HK$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK0.363609.

According to the Enterprise Income Tax Law of the PRC and the Implementation Rules of the Enterprise Income Tax Law of the PRC that became effective from 1 January 2008, the Company is required to withhold PRC enterprise income tax at the rate of 10% before paying dividend to non-resident enterprise shareholders which would include HKSCC Nominees Limited. For non-resident individual H shareholders, the Company will withhold payment of PRC individual income tax on the Interim Divdend according to the State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348（國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知）（國稅函[2011]348號）as follows:

- The Company will determine the country of domicile of an individual H shareholder based on the registered address as recorded in the register of its H shareholders as at the Record Date.

- For individual H shareholders who are Hong Kong or Macau residents or whose country of domicile has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10% or less, the Company will withhold and pay PRC individual income tax at the rate of 10% on the Interim Dividend on behalf of the individual H shareholder.

- For other individual H shareholders, the Company will withhold and pay PRC individual income tax at the tax rate as stipulated in the relevant tax regulations or tax treaty on the Interim Dividend on behalf of the individual H shareholder.

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 8 October 2015. Cheques will be dispatched to holders of H shares by ordinary post at their own risk.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 September 2015 (Friday) to 24 September 2015 (Thursday) (both dates inclusive). In order to establish entitlements to the Interim Dividend, all transfers accompanied by relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops, 1712-1716., 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 September 2015 (Thursday).

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the unaudited interim results of the Company for six months ended 30 June 2015. 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.

SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2015 was as follows:

Class of shares	No. of shares	Percentage
Domestic shares	2,207,108,944	68.5%
H shares	1,015,258,400	31.5%
Total	3,222,367,344	100.0%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, so far as the directors are aware, only the following persons (other than the directors, supervisor and chief executive officer of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under division 2 and 3 of part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

Name of shareholder	Type of share	No. of shares (Note)	Percentage of H shares
BlackRock, Inc	H share	101,786,649 (L)	10.03%
Commonweath Bank of Australia	H share	53,233,212 (L) 5,067,768 (S)	5.24% 0.49%
Lehman Brothers Holdings Inc.	H share	51,049,240 (L) 67,663,183 (S)	5.03% 6.66%

Note: The letters "L", "S" and "P" respectively denote a long position, short position and lending pool in the shares.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2015, the beneficial interests and short positions of the directors and supervisors of the Company and any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

Long positions in the shares, underlying shares and debentures of the Company as at 30 June 2015 were as follows:

		Number of Shares			
Director/ Supervisor	**Nature of Interest**	**Personal**	**Spouse or child under 18**	**Total**	**Percentage of the total number of issued shares**
Li Sze Lim	Domestic share H share	1,045,092,672 30,000,000	 5,000,000	 1,080,092,672	 33.52%
Zhang Li	Domestic share H share	1,005,092,672 6,632,800	20,000,000	 1,031,725,472	 32.02%
Lu Jing	Domestic share	35,078,352		35,078,352	1.09%
Zhou Yaonan	Domestic share	22,922,624		22,922,624	0.71%
Li Helen	H share	1,003,600		1,003,600	0.03%
Zheng Ercheng	H share	260,280		260,280	0.008%
Ng Yau Wah, Daniel	H share	22,588,000		22,588,000	0.70%
Chen Liangnuan	Domestic share	20,000,000		20,000,000	0.62%

Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

Director	**Name of associated corporation**	**Type**	**No. of shares**	**Percentage of total issued capital**
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35%
Zhang Li	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35%

Note 1: Guangzhou Tianfu Property Development Co., Ltd. is 15% owned by Century Land Properties Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

Note 2: Beijing Fushengli Investment Consulting Co., Ltd. is 70% owned by Well Bright International Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The following two agreements include a condition imposing specific performance obligations on Mr. Li Sze Lim ("Mr. Li"), a controlling shareholder of the Company who is interested in approximately 33.52% of the issued share capital of the Company as at 30 June 2015:

1. An agreement for a bank borrowing of RMB1.0 billion dated 21 May 2013 entered into by Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. (天津津南新城房地產開發有限公司), owned as to 25% by the Group. This borrowing will be fully repaid in May 2016; and

2. An agreement for a bank borrowing of HK$2.7 billion dated 10 October 2013 entered into by Charm Talent Limited, owned as to 25% by the Group. This borrowing will be fully repaid in October 2016.

For each of the above borrowings, it will be an event of default in the event that Mr. Li ceases to hold directly or indirectly an aggregate beneficial ownership of not less than 30% in the shares of and interests in the Company and in such event (amongst other things), the loan agreements may be terminated by the lenders and the loans may become immediately due and repayable.

BOARD COMPOSITION AND PRACTICE

The Board of the Company consists of nine members, including four executive directors, Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin (the sister of Mr. Zhang Li) and Ms. Li Helen (the sister of Mr. Li Sze Lim); and three independent non-executive directors, Mr. Huang Kaiwen (resigned on 29 May 2015), Mr. Lai Ming, Joseph, Mr. Zheng Ercheng and Mr. Ng Yau Wah, Daniel (appointed on 30 May 2015). Save as disclosed, there is no business or other relationship among members of the Board, and in particular between the chairman and the chief executive officer of the Company. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a mix of balanced skills and expertise to provide effective leadership of the Company.

All directors have entered into letters of appointment with the Company for a specific terms of three years. All directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association of the Company ("Articles of Association").

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have offered sufficient time and effort to serve the business affairs of the Company. All non-executive and independent non-executive directors possess appropriate academic and professional qualifications and related management experience and have contribute to the Board with their professional advice. Pursuant to the requirement of Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualification in accounting and financial management. All independent non-executive directors have confirmed their independence of the Company.

The notice of Board meeting, as stipulated under Article 102 of the Articles of Association, will be given to all directors at least 10 days prior to the date of meeting. All directors are given opportunities to include any matters to be discussed in the agenda. The company secretary is responsible to the Board for ensuring that all board procedures are followed, and detailed minutes of the Board meetings are prepared, circulated and approved. The company secretary is also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeovers and Mergers and Share Repurchases, Company Ordinance, SFO and other applicable laws, rules and regulations.

The Company continuously updates all directors on its latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

The positions of the chairman and the chief executive officer are held by separate individuals with the view to maintaining an effective segregation of duties.

DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of conduct for directors in their dealings in the Company's securities. The Company made specific enquires with each director, and each of them confirmed that he or she had complied with the Model Code during the six months ended 30 June 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other laws and regulations of relevant jurisdictions. In particular, it has observed the rules and principles set out under the Corporate Governance Code and Corporate Governance Report as stated in the Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The audit committee of the Company has been set up with terms of reference in accordance with Appendix 14 of the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationship with external auditors, the Company's financial reporting, the internal control and risk management system. 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. Lai Ming, Joseph (Chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Helen Li who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for six months ended 30 June 2015. 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.

REMUNERATION COMMITTEE

The remuneration committee of the Company has been set up with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises Mr. Zheng Ercheng (Chairman of the remuneration committee), Mr. Li Sze Lim, Mr. Huang Kaiwen (resigned on 29 May 2015) and Mr. Ng Yau Wah, Daniel (appointed on 30 May 2015). The principal responsibilities of the remuneration committee include the reviewing and making of recommendation to the Board on the Company's policies, structure and specific remuneration packages of directors and senior management of the Company.

The remuneration committee has reviewed the compensation payable to all directors and senior managers in accordance with the contractual terms and that such compensation is fair and not excessive to the Company.

NOMINATION COMMITTEE

The nomination committee has been established on 20 March 2012 with written terms of reference. The committee comprised three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Lai Ming, Joseph and Mr. Zheng Ercheng. Mr. Li Sze Lim is chairman of the committee.

The nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implements the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board, identify and nominate candidates to fill causal vacancies of directors, review the time required from directors to perform their duties and make recommendation to the Board in respect of succession planning.

SHAREHOLDERS RELATION

The Company has established different communication channels with its shareholders. Apart from annual and special general meetings; annual reports, interim reports, circulars and announcement as required under the Listing Rules, shareholders are encouraged to visit the website of the Company which is updated with the most recent key information of the Group. The Company also holds regular press conferences and briefing meetings with analysts.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2015**	Audited 31 December 2014
ASSETS			
Non-current assets			
Land use rights	7	**1,192,510**	1,198,045
Property, plant and equipment	7	**8,151,776**	7,495,641
Investment properties	7	**18,855,190**	18,047,632
Intangible assets	7	**1,042,089**	977,958
Interests in joint ventures	8	**4,871,286**	4,617,519
Interests in associates	9	**82,679**	86,213
Deferred income tax assets		**3,052,103**	2,927,764
Available-for-sale financial assets		**545,570**	535,477
Trade and other receivables and prepayments	10	**4,486,243**	3,772,884
		42,279,446	39,659,133
Current assets			
Properties under development		**84,766,069**	81,327,691
Completed properties held for sale		**18,251,595**	17,222,116
Inventories		**425,515**	358,831
Trade and other receivables and prepayments	10	**10,627,638**	10,890,728
Tax prepayments		**3,502,937**	2,551,852
Restricted cash	11	**5,958,972**	6,339,497
Cash and cash equivalents		**11,988,489**	13,490,425
		135,521,215	132,181,140
Total assets		**177,800,661**	171,840,273
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**805,592**	805,592
Other reserves		**4,562,081**	4,538,822
Shares held for Share Award Scheme	13	**(106,004)**	(128,711)
Retained earnings			
– Proposed dividends	21	**961,430**	–
– Others		**30,814,608**	30,749,658
		37,037,707	35,965,361
Perpetual capital instruments	14	**10,004,384**	15,648,416
Non-controlling interests		**528,783**	531,785
Total equity		**47,570,874**	52,145,562

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2015**	Audited 31 December 2014
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	**46,828,926**	45,553,602
Accruals and other payables	16	**–**	171,222
Deferred income tax liabilities		**3,625,507**	3,278,908
		50,454,433	49,003,732
Current liabilities			
Accruals and other payables	16	**17,244,345**	19,270,956
Deposits received on sale of properties		**25,448,220**	19,225,725
Current income tax liabilities		**9,145,004**	10,089,230
Short-term borrowings	15	**4,358,096**	3,085,000
Current portion of long-term borrowings	15	**23,579,689**	19,020,068
		79,775,354	70,690,979
Total liabilities		**130,229,787**	119,694,711
Total equity and liabilities		**177,800,661**	171,840,273
Net current assets		**55,745,861**	61,490,161
Total assets less current liabilities		**98,025,307**	101,149,294

The notes on pages 24 to 49 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited Six months ended 30 June 2015**	2014
Revenue	6	**12,719,140**	9,822,432
Cost of sales		**(8,971,554)**	(6,490,438)
Gross profit		**3,747,586**	3,331,994
Other gains – net	17	**862,235**	1,287,079
Selling and marketing costs		**(370,000)**	(344,586)
Administrative expenses		**(1,122,997)**	(1,058,157)
Other operating income	18	**37,750**	83,141
Operating profit		**3,154,574**	3,299,471
Finance costs	19	**(511,925)**	(731,762)
Share of results of joint ventures		**254,564**	14,961
Share of results of associates		**(5,100)**	(14,614)
Profit before income tax		**2,892,113**	2,568,056
Income tax expenses	20	**(1,191,481)**	(983,825)
Profit for the period		**1,700,632**	1,584,231
Profit/(loss) attributable to:			
– Owners of the Company		**1,026,380**	1,068,046
– Holders of perpetual capital instruments		**677,368**	522,377
– Non-controlling interests		**(3,116)**	(6,192)
		1,700,632	1,584,231
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)		**0.3186**	0.3336

The notes on pages 24 to 49 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June **2015**	 2014
Profit for the period		**1,700,632**	1,584,231
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Fair value gains on available-for-sale financial assets, net of tax		**7,570**	–
– Currency translation differences		**8,607**	(544)
Total comprehensive income for the period		**1,716,809**	1,583,687
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		**1,042,443**	1,067,502
– Holders of perpetual capital instruments	14	**677,368**	522,377
– Non-controlling interests		**(3,002)**	(6,192)
		1,716,809	1,583,687

The notes on pages 24 to 49 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total	Perpetual capital instruments	Non-controlling interests	Total equity
Balance at 1 January 2015	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562
Total comprehensive income for the period ended 30 June 2015	–	–	16,063	1,026,380	1,042,443	677,368	(3,002)	1,716,809
Transactions with owners								
Disposals of shares held for Share Award Scheme (Note 13)	–	22,707	7,196	–	29,903	–	–	29,903
Redemptions of perpetual capital instruments (Note 14)	–	–	–	–	–	(5,625,000)	–	(5,625,000)
Distributions to holders of perpetual capital instruments (Note 14)	–	–	–	–	–	(696,400)	–	(696,400)
Total transactions with owners	–	22,707	7,196	–	29,903	(6,321,400)	–	(6,291,497)
Balance at 30 June 2015	805,592	(106,004)	4,562,081	31,776,038	37,037,707	10,004,384	528,783	47,570,874
Balance at 1 January 2014	805,592	(172,563)	4,344,253	27,129,554	32,106,836	1,000,000	375,207	33,482,043
Total comprehensive income for the period ended 30 June 2014	–	–	(544)	1,068,046	1,067,502	522,377	(6,192)	1,583,687
Transactions with owners								
Decrease in ownership interests in a subsidiary without change of control	–	–	–	–	–	–	200,277	200,277
Dividends	–	–	–	(1,600,499)	(1,600,499)	–	–	(1,600,499)
Disposals of shares held for Share Award Scheme (Note 13)	–	43,852	11,307	–	55,159	–	–	55,159
Issuance of perpetual capital instruments (Note 14)	–	–	–	–	–	14,543,912	–	14,543,912
Distributions to holders of perpetual capital instruments (Note 14)	–	–	–	–	–	(422,508)	–	(422,508)
Total transactions with owners	–	43,852	11,307	(1,600,499)	(1,545,340)	14,121,404	200,277	12,776,341
Balance at 30 June 2014	805,592	(128,711)	4,355,016	26,597,101	31,628,998	15,643,781	569,292	47,842,071

The notes on pages 24 to 49 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited Six months ended 30 June 2015	 2014
Cash flows from operating activities		
– Cash generated from/(used in) operations	**4,252,596**	(16,267,528)
– Interest paid	**(2,722,555)**	(2,239,375)
– Enterprise income tax and land appreciation tax paid	**(2,472,984)**	(2,654,086)
Cash flows from operating activities – net	**(942,943)**	(21,160,989)
Cash flows from investing activities		
– Purchases of property, plant and equipment and land use rights	**(633,953)**	(189,922)
– Purchases of intangible assets	**(94,213)**	(112,991)
– Additions in investment properties	**(76,773)**	–
– Proceeds on disposals of property, plant and equipment	**3,295**	14,412
– Proceeds on disposals of investment properties	**43,392**	–
– Prepayment for acquisition of a subsidiary	**(281,990)**	–
– Investments in available-for-sale financial instruments	**–**	(22,500)
– Cash advanced to joint ventures and associates	**(170,970)**	(433,622)
– Interest received	**63,596**	94,379
Cash flows from investing activities – net	**(1,147,616)**	(650,244)
Cash flows from financing activities		
– Proceeds from borrowings, net of transaction costs	**16,928,095**	15,849,968
– (Redemptions)/issuance of perpetual capital instruments	**(5,625,000)**	14,543,912
– Repayments of borrowings	**(9,839,149)**	(8,810,478)
– Repayments of finance lease liabilities	**(25,111)**	(25,111)
– Decrease in guarantee deposits for borrowing	**(190,437)**	1,009,521
– Proceeds from disposals of shares held for Share Award Scheme	**29,903**	58,928
– Proceeds on disposal of equity interests in a subsidiary	**–**	200,277
– Distributions paid to holders of perpetual capital instruments	**(696,400)**	(422,508)
– Dividends paid to owners of the Company	**–**	(1,652,628)
Cash flows from financing activities – net	**581,901**	20,751,881
Net decrease in cash and cash equivalents	**(1,508,658)**	(1,059,352)
Currency transaction adjustment on cash and cash equivalents	**6,722**	23,026
Cash and cash equivalents at beginning of period	**13,490,425**	17,722,162
Cash and cash equivalents at end of period	**11,988,489**	16,685,836

The notes on pages 24 to 49 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

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 service 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 interim condensed consolidated financial information ("Interim Financial Information") is presented in RMB Yuan thousands (RMB'000), unless otherwise stated. This interim condensed consolidated financial information was approved for issue on 20 August 2015.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning on 1 January 2015.

Standards/Interpretations	Subject of amendment
Amendment to HKAS 19	Defined benefit plans
Annual improvements 2012	Annual improvements 2010-2012 cycle
Annual improvements 2013	Annual improvements 2011-2013 cycle

The adoption of the above new and amended standards and interpretations did not have a material impact on the Interim Financial Information.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

(b) New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2016 and have not been early adopted by the Group

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Annual improvements 2014	Annual improvements 2012-2014 cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

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

4. ESTIMATES

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

In preparing this interim condensed consolidated financial information, significant judgements were made by management in applying the Group's accounting policies and the key sources of estimation. The areas involving uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

There have been no changes in any risk management policies since 31 December 2014.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 30 June 2015					
Borrowings (excluding finance lease liabilities) (Note (1))	**32,765,235**	**20,093,704**	**27,222,349**	**9,006,611**	**89,087,899**
Finance lease liabilities	**50,222**	**37,668**	**–**	**–**	**87,890**
Financial liabilities as included in accruals and other payables	**6,646,740**	**–**	**–**	**–**	**6,646,740**
Guarantees in respect of borrowings of joint ventures and an associate	**1,724,330**	**1,434,981**	**495,534**	**–**	**3,654,845**
At 31 December 2014					
Borrowings (excluding finance lease liabilities) (Note (1))	26,581,659	20,684,070	24,312,303	10,093,814	81,671,846
Finance lease liabilities	50,222	50,222	12,557	–	113,001
Financial liabilities as included in accruals and other payables	6,106,915	171,222	–	–	6,278,137
Guarantees in respect of borrowings of joint ventures and an associate	769,838	2,073,870	1,636,191	–	4,479,899

Note:

(1) Interest on borrowings is calculated on borrowings held as at 30 June 2015 and 31 December 2014 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2015 and 31 December 2014 respectively.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital markets or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

The gearing ratio is calculated as follows:

	As at	
	30 June 2015	31 December 2014
Total borrowings (Note 15)	**74,766,711**	67,658,670
Less: cash and cash equivalents	**(11,988,489)**	(13,490,425)
restricted cash	**(5,958,972)**	(6,339,497)
Net debt	**56,819,250**	47,828,748
Total equity	**47,570,874**	52,145,562
Gearing ratio	**119.4%**	91.7%

5.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, categorised into three different levels within a fair value hierarchy based on the type of input to valuation techniques used to estimate the fair value. The different levels have been defined as follows:

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

As at 30 June 2015 and 31 December 2014, the Group's financial assets that are measured at fair value are available-for-sale financial assets, which are categorised as level 3.

There were no transfers between Levels 1, Levels 2 and Levels 3 and no changes in valuation techniques during this period.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 Fair value estimation (continued)

Level 3 financial instruments

	Six months ended 30 June	
	2015	2014
Available-for-sale financial assets		
Opening balance	**535,477**	281,400
Additions	**–**	22,500
Fair value gains recognised as other comprehensive income	**10,093**	–
Closing balance	**545,570**	303,900

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair values and carrying amounts of borrowings are as follows:

	30 June 2015		31 December 2014	
	Fair value	**Carrying amount**	Fair value	Carrying amount
Non-current	**48,360,631**	**46,828,926**	46,046,801	45,553,602
Current	**28,090,610**	**27,937,785**	22,219,153	22,105,068
	76,451,241	**74,766,711**	68,265,954	67,658,670

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Restricted cash
- Cash and cash equivalents
- Accruals and other payables

(All amounts in RMB Yuan thousands unless otherwise stated)

6. 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.

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2015 and 2014 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2015					
Segment revenue	11,112,495	412,884	582,187	689,596	12,740,817
Inter-segment revenue	(6,889)	(26,314)	(14,129)	(30,690)	(21,677)
Revenue from external customers	11,105,606	386,570	568,058	658,906	12,719,140
Profit/(loss) for the period	1,223,308	751,195	(69,835)	(204,036)	1,700,632
Finance costs	(255,936)	(58,735)	(122,897)	(74,357)	(511,925)
Share of results of joint ventures	254,564	–	–	–	254,564
Share of results of associates	(4,770)	–	–	(330)	(5,100)
Income tax (expenses)/credits	(1,040,996)	(250,398)	23,278	76,635	(1,191,481)
Depreciation and amortisation	(94,681)	–	(96,474)	(29,666)	(220,821)
(Allowance for)/reversal of impairment losses	(3,156)	–	213	511	(2,432)
Fair value gains on investment properties – net of tax	–	590,029	–	–	590,029

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2014					
Segment revenue	8,368,948	439,586	534,488	527,884	9,870,906
Inter-segment revenue	–	(26,270)	(20,659)	(1,545)	(48,474)
Revenue from external customers	8,368,948	413,316	513,829	526,339	9,822,432
Profit/(loss) for the period	787,884	1,084,469	(148,089)	(140,033)	1,584,231
Finance costs	(468,540)	(66,343)	(162,717)	(34,162)	(731,762)
Share of results of joint ventures	14,961	–	–	–	14,961
Share of results of associates	(14,306)	–	–	(308)	(14,614)
Income tax (expenses)/credits	(675,857)	(361,489)	49,363	4,158	(983,825)
Depreciation and amortisation	(135,958)	–	(82,280)	(26,777)	(245,015)
(Allowance for)/reversal of impairment losses	(870)	(1,764)	134	(94)	(2,594)
Fair value gains on investment properties – net of tax	–	879,648	–	–	879,648

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 income statement.

	Property development	**Property investment**	**Hotel operations**	**All other segments**	**Group**
As at 30 June 2015					
Segment assets	**147,897,478**	**18,855,190**	**6,391,974**	**1,058,346**	**174,202,988**
Segment assets include:					
Interests in joint ventures	**4,871,286**	**–**	**–**	**–**	**4,871,286**
Interests in associates	**31,949**	**–**	**–**	**50,730**	**82,679**
Addition to non-current assets (other than financial instruments and deferred tax assets)	**469,812**	**76,773**	**269,955**	**79,885**	**896,425**
Segment liabilities	**41,699,977**	**–**	**277,823**	**714,765**	**42,692,565**
As at 31 December 2014					
Segment assets	143,397,989	18,047,632	6,085,875	845,536	168,377,032
Segment assets include:					
Interests in joint ventures	4,617,519	–	–	–	4,617,519
Interests in associates	35,153	–	–	51,060	86,213
Addition to non-current assets (other than financial instruments and deferred tax assets)	475,914	559,319	108,049	167,268	1,310,550
Segment liabilities	37,777,761	–	307,688	582,454	38,667,903

(All amounts in RMB Yuan thousands unless otherwise stated)

7. CAPITAL EXPENDITURE

	Intangible assets	Investment properties	Property, plant and equipment: Owned assets	Property, plant and equipment: Assets acquired under finance lease	Land Use rights
Six months ended 30 June 2015					
At 1 January 2015	977,958	18,047,632	7,167,364	328,277	1,198,045
Additions	94,213	76,773	722,639	–	2,800
Transfers from properties under development	–	–	116,412	–	13,404
Disposals	–	(55,920)	(2,109)	–	–
Fair value gains (included in other gains – net)	–	786,705	–	–	–
Depreciation and amortisation	(30,082)	–	(168,236)	(12,571)	(21,739)
At 30 June 2015	1,042,089	18,855,190	7,836,070	315,706	1,192,510
Six months ended 30 June 2014					
At 1 January 2014	897,836	15,888,187	6,213,251	353,420	1,098,345
Additions	112,991	397,899	198,004	–	613
Transfers from properties under development	–	–	244,076	–	58,668
Transfers to properties under development	–	–	(8,641)	–	–
Disposals	–	–	(15,088)	–	–
Fair value gains (included in other gains – net)	–	1,172,864	–	–	–
Depreciation and amortisation	(23,973)	–	(195,392)	(12,571)	(21,774)
At 30 June 2014	986,854	17,458,950	6,436,210	340,849	1,135,852

(a) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent, professionally qualified valuers to determine the fair values of the investment properties as at 30 June 2015, 30 June 2014 and 31 December 2014. The fair value gains or losses are included in "other gains – net" (Note 17).

As at 30 June 2015, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

(b) Valuation processes of the Group

The Group's investment properties were revalued on 30 June 2015 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

7. CAPITAL EXPENDITURE (continued)

(b) Valuation processes of the Group (continued)

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and the independent valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each reporting date the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(c) Valuation techniques

For completed office and retail buildings, valuations are based on the term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting the term rates and the reversionary income potential with appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison method. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

For investment properties under construction, valuation are carried out on the basis that they will be developed and completed in accordance with the Group's latest development plans. Valuations are based on residual method, which is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

There were no changes to the valuation techniques during the period.

(All amounts in RMB Yuan thousands unless otherwise stated)

7. CAPITAL EXPENDITURE (continued)

(d) Information about fair value measurements using significant unobservable inputs (level 3)

- Term yield, revisionary yield and market rent

  For completed investment properties, increase in term yield and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

- Budgeted construction costs to be incurred, developer's profit margin and discount rate

  For investment properties under construction, increase in budgeted construction costs to be incurred may result in decrease in fair value. Increase in the developer's profit may result in decrease in fair value. Increase in discount rate may result in lower fair value.

8. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2015	2014
At 1 January	**4,617,519**	4,258,931
Acquisition of remaining equity interest in a joint venture	**–**	(34,108)
Share of results	**254,564**	14,961
Elimination of unrealised profits	**(797)**	–
At 30 June	**4,871,286**	4,239,784

9. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2015	2014
At 1 January	**86,213**	122,600
Share of results	**(3,534)**	(13,245)
At 30 June	**82,679**	109,355

(All amounts in RMB Yuan thousands unless otherwise stated)

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2015	31 December 2014
Trade receivables – net	**4,030,073**	4,823,718
Other receivables – net	**5,353,830**	4,717,407
Prepayments (Note 25(i))	**1,722,610**	1,373,880
Due from joint ventures (Note 25(i))	**1,567,991**	1,709,230
Due from an associate (Note 25(i))	**2,439,377**	2,039,377
Total	**15,113,881**	14,663,612
Less: non-current portion	**(4,486,243)**	(3,772,884)
Current portion	**10,627,638**	10,890,728

The carrying amounts of the Group's trade and other receivables and prepayments are denominated in RMB.

The carrying amounts of trade and other receivables, net of provision for impairment, approximate their fair values.

As at 30 June 2015, trade receivables mainly arose 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 2015	31 December 2014
Trade receivables – current portion	**3,972,172**	4,688,168
Less: allowance for impairment	**(1,818)**	(1,818)
	3,970,354	4,686,350
Trade receivables – non-current portion	**59,719**	137,368
	4,030,073	4,823,718

At 30 June 2015 and 31 December 2014, the ageing analysis of trade receivables – current portion is as follows:

	As at	
	30 June 2015	31 December 2014
0 to 90 days	**1,829,569**	2,981,140
91 to 180 days	**501,742**	272,507
181 to 365 days	**532,707**	897,737
1 year to 2 years	**803,354**	201,356
Over 2 years	**304,800**	335,428
	3,972,172	4,688,168

11. RESTRICTED CASH

	As at 30 June 2015	As at 31 December 2014
Guarantee deposits for construction of pre-sold properties (Note (a))	**4,718,123**	5,185,277
Guarantee deposits for resettlement costs (Note (b))	**41,693**	116,982
Guarantee deposits for construction payables (Note (c))	**50,744**	60,115
Guarantee deposits for mortgage loans provided to customers (Note (d))	**96,654**	25,816
Guarantee deposits for interest of senior notes (Note (e))	**549,357**	549,831
Others (Note (f))	**502,401**	401,476
	5,958,972	6,339,497

Notes:

(a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.

(c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.

(d) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

(e) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after payment of interest.

(f) Others mainly include guarantee deposits for letters of credit and salary payments for construction workers.

12. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 30 June 2015 and 31 December 2014		
– Domestic shares	2,207,109	551,777
– H shares*	1,015,258	253,815
	3,222,367	805,592

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

As at 30 June 2015 and 31 December 2014, the registered, issued and fully paid capital of the Company was RMB 805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

(All amounts in RMB Yuan thousands unless otherwise stated)

13. SHARES HELD FOR SHARE AWARD SCHEME

	Six months ended 30 June	
	2015	2014
At 1 January	**128,711**	172,563
Disposals of shares held for Share Award Scheme	**(22,707)**	(43,852)
At 30 June	**106,004**	128,711

On 23 August 2011, a Share Award Scheme (the "Scheme") was approved and adopted by the Board of Directors of the Company. The Scheme was terminated on 25 November 2013. No shares were awarded to eligible employees upon or prior to the termination of the Scheme.

As at 30 June 2015, 17,600,000 H shares (31 December 2014: 21,370,000 H shares) held by the Group were recorded as 'Shares held for Share Award Scheme' within equity.

14. PERPETUAL CAPITAL INSTRUMENTS

	Six months ended 30 June	
	2015	2014
At 1 January	**15,648,416**	1,000,000
Additions	**–**	14,543,912
Redemptions	**(5,625,000)**	–
Profit attributable to holders of perpetual capital instruments	**677,368**	522,377
Distributions to holders of perpetual capital instruments	**(696,400)**	(422,508)
At 30 June	**10,004,384**	15,643,781

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledges of the shares of certain subsidiaries. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS

	As at 30 June 2015	31 December 2014
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
– Secured (Note (e))	**33,806,226**	28,833,786
– Unsecured (Note (f))	**5,271,330**	5,327,900
	39,077,556	34,161,686
Senior notes (Note (b))		
– Secured	**12,009,227**	11,987,708
Other borrowings (Note (c))		
– Secured (Note (e))	**17,188,526**	16,268,944
– Unsecured (Note (f))	**2,050,000**	2,050,000
	19,238,526	18,318,944
Finance lease liabilities (Note (d))		
– Secured	**83,306**	105,332
Less: current portion of long-term borrowings	**(23,579,689)**	(19,020,068)
	46,828,926	45,553,602
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
– Unsecured (Note (f))	**1,258,096**	377,000
Other borrowings (Note (c))		
– Secured (Note (e))	**1,100,000**	–
– Unsecured (Note (f))	**2,000,000**	2,708,000
	3,100,000	2,708,000
	4,358,096	3,085,000
Current portion of long-term borrowings	**23,579,689**	19,020,068
Total borrowings	**74,766,711**	67,658,670

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(a) Bank borrowings

(i) Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2015	2014
At 1 January	**34,538,686**	31,136,167
Additions	**9,928,095**	6,420,427
Repayments	**(4,131,129)**	(5,698,458)
Amortisation of transaction costs	**–**	25,315
At 30 June	**40,335,652**	31,883,451

(b) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB963,828,000.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandum of the 2012 Notes at the redemption date.

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 at par (the "Original Notes").

On 6 February, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes"). The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandum of the 2013 Notes.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(b) Senior notes (continued)

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes") at par. The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandum of the 2014 Notes.

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by shares of certain subsidiaries.

The effective interest rate of senior notes ranged from 8.87% to12.25%.

The movements of senior notes are set out below:

	Six months ended 30 June	
	2015	2014
At 1 January	**11,987,708**	8,521,961
Issuance of the 2014 Notes	**–**	5,991,541
Redemption of the 2011 Notes	**–**	(2,612,000)
Interest charged (Note 19)	**560,392**	622,173
Interest included in other payables	**(528,170)**	(594,236)
Foreign exchange (gains)/losses	**(10,703)**	106,894
At 30 June	**12,009,227**	12,036,333

The fair value of the senior notes as at 30 June 2015 amounted to RMB12,084,032,204 (31 December 2014: RMB11,704,025,000). The value is determined directly by reference to the price quotations published by Bloomberg on the last trading date of June 2015.

(c) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

One of the Trustees is managed by 廣州盛安創富投資管理有限公司, which is an associate of the Company and in which certain directors of the Company are also the minority shareholders.

The effective interest rate of these funding arrangements ranged from 6.25% to 12.33%.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(c) Other borrowings (continued)

The movements of other borrowings are set out below:

	Six months ended 30 June	
	2015	2014
At 1 January	**21,026,944**	16,143,577
Additions	**7,000,000**	3,438,000
Repayments	**(5,708,020)**	(500,020)
Interest charged (Note 19)	**954,409**	951,097
Interest included in other payables	**(934,807)**	(920,020)
At 30 June	**22,338,526**	19,112,634

(d) Finance lease liabilities

In April 2012, a subsidiary of the Company (the "Lessee") entered into an aircraft rental agreement with an independent third party under financial lease (the "Arrangement"). Under the Arrangement, the Lessee leased an aircraft for an agreed term of five years commencing 15 April 2012. Upon the maturity date of the lease, the Lessee has an option to purchase the aircraft for a consideration of RMB 94,830,000.

	As at	
	30 June 2015	31 December 2014
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**50,222**	50,222
Later than 1 year and no later than 5 years	**37,668**	62,779
	87,890	113,001
Future finance charges on finance leases	**(4,584)**	(7,669)
Present value of finance lease liabilities	**83,306**	105,332
The present value of finance lease liabilities is as follows:		
No later than 1 year	**46,902**	45,677
Later than 1 year and no later than 5 years	**36,404**	59,655
	83,306	105,332

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(e) As at 30 June 2015, bank and other borrowings totalling RMB52,094,752,000 (31 December 2014: RMB45,102,730,000) of the Group are secured by the following:

	As at 30 June 2015	31 December 2014
Land use rights	629,725	581,083
Property, plant and equipment	4,764,643	4,309,544
Investment properties	11,271,136	6,853,499
Properties under development	28,543,142	20,461,480
Completed properties held for sale	701,819	1,325,493
Equity investments in subsidiaries	3,205,002	2,859,000
	49,115,467	36,390,099

(f) The majority of unsecured bank and other borrowings are supported by guarantees issued by the Company or subsidiaries. Details are as follows:

	As at 30 June 2015	31 December 2014
Guarantors:		
– The Company	6,615,000	6,254,900
– Subsidiaries	1,531,096	1,214,000
	8,146,096	7,468,900

(All amounts in RMB Yuan thousands unless otherwise stated)

16. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2015	31 December 2014
Amounts due to joint ventures (Notes (a) and 25(i))	**1,889,655**	1,801,864
Construction payables (Note (b))	**8,228,581**	10,498,573
Other payables and accrued charges (Note (c))	**7,126,109**	7,141,741
Total	**17,244,345**	19,442,178
Less: non-current portion	**–**	(171,222)
Current portion	**17,244,345**	19,270,956

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

17. OTHER GAINS – NET

	Six months ended 30 June	
	2015	2014
Fair value gains on investment properties-net	**786,705**	1,172,864
Gains/(losses) on disposals of property, plant and equipment	**1,186**	(676)
Losses on disposals of investment properties	**(12,528)**	–
Interest income	**63,596**	94,379
Others	**23,276**	20,512
	862,235	1,287,079

18. OPERATING PROFIT

The following items which are unusual because of their nature, size or incidence, have been (credited)/charged to the operating profit during the period:

	Six months ended 30 June	
	2015	2014
Crediting:		
Reversal of impairment of doubtful debts	**(27,653)**	(21,139)
Charging:		
Allowance for impairment of doubtful debts	**30,085**	23,733

(All amounts in RMB Yuan thousands unless otherwise stated)

19. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
Interest expense:		
– bank borrowings	**1,296,058**	1,125,092
– corporate bonds	**–**	195,664
– senior notes (Note 15 (b))	**560,392**	622,173
– other borrowings (Note 15 (c))	**954,409**	951,097
– finance lease liabilities	**3,397**	4,541
	2,814,256	2,898,567
Net foreign exchange losses	**209,215**	58,986
Less: finance costs capitalised	**(2,511,546)**	(2,225,791)
	511,925	731,762

20. INCOME TAX EXPENSES

	Six months ended 30 June	
	2015	2014
Current income tax		
– PRC enterprise income tax (Note (b))	**428,515**	687,989
Deferred income tax	**219,737**	(29,452)
	648,252	658,537
Current PRC land appreciation tax (Note (c))	**543,229**	325,288
Total income tax expenses	**1,191,481**	983,825

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the six months ended 30 June 2015 (30 June 2014: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the six months ended 30 June 2015, except for certain companies in the Group which were taxed at 2%~3% (30 June 2014: 2.5%-3.5%) on their revenue, other businesses within the Group were primarily taxed at 25% (30 June 2014: 25%) on their profits.

(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 sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(All amounts in RMB Yuan thousands unless otherwise stated)

21. DIVIDENDS

	Six months ended 30 June	
	2015	2014
Interim dividend of RMB0.3 (2014: Nil) per ordinary share	**966,710**	–
Less: dividends for shares held by Share Award Scheme	**(5,280)**	–
	961,430	–

No final dividend in respect of 2014 was proposed by the Board of Directors.

An interim dividend in respect of the six months ended 30 June 2015 of RMB0.3 per ordinary share, totalling RMB966,710,000 was proposed by the board of directors (six months ended 30 June 2014: Nil), of which RMB5,280,000 is to be paid for shares held by Share Award Scheme as at 30 June 2015. 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 ending 31 December 2015.

22. FINANCIAL GUARANTEE CONTRACTS

	As at	
	30 June 2015	31 December 2014
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**19,648,137**	18,438,122
Guarantees in respect of borrowings of joint ventures and an associate (Notes (b) and 25(h))	**3,282,557**	3,894,686
	22,930,694	22,332,808

Notes:

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgagee is issued and submitted to the banks. The Executive Directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) The balance represents the maximum exposure of the guarantee provided for joint ventures and an associate for their borrowings.

(All amounts in RMB Yuan thousands unless otherwise stated)

23. COMMITMENTS

(a) Expenditure commitments

	As at 30 June 2015	31 December 2014
Authorised but not contracted for	**9,330,597**	8,314,109
Contracted but not provided for	**30,498,334**	27,064,273
	39,828,931	35,378,382

(b) Operating lease commitments

At 30 June 2015, the Group had future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases under non-cancellable operating leases as follows:

	As at 30 June 2015	31 December 2014
Not later than one year	**36,537**	34,449
Later than one year and not later than five years	**47,771**	55,825
Over five years	**54,767**	56,901
	139,075	147,175

24. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 30 June 2015, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	As at 30 June 2015	31 December 2014
Not later than one year	**695,928**	750,879
Later than one year and not later than five years	**1,287,862**	1,339,177
Over five years	**757,760**	826,835
	2,741,550	2,916,891

(All amounts in RMB Yuan thousands unless otherwise stated)

25. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr Li Sze Lim and Mr Zhang Li, who own 33.52% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Provision of lease of properties

	Six months ended 30 June	
	2015	2014
Common shareholders:		
廣州金貝殼投資有限公司(“廣州金貝殼”)	**754**	708

(b) Key management compensation

	Six months ended 30 June	
	2015	2014
Salaries and welfare benefits	**8,946**	8,822

(c) Provision of property management services

	Six months ended 30 June	
	2015	2014
Common shareholders:		
廣州金貝殼	**111**	111
A joint venture:		
天津津南新城房地產開发有限公司(“津南新城”)	**3,762**	–

(d) Purchases of decoration services

	Six months ended 30 June	
	2015	2014
Joint ventures:		
廣州市富景房地產開發有限公司(“廣州富景”)	**46,454**	–
貴州大西南房地產開發有限公司(“貴州大西南”)	**6,550**	–
	53,004	–

(All amounts in RMB Yuan thousands unless otherwise stated)

25. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(e) Provision of design services

	Six months ended 30 June	
	2015	2014
Joint ventures:		
廣州富景	**2,615**	1,668
津南新城	**351**	–
	2,966	1,668

(f) Provision of construction services

	Six months ended 30 June	
	2015	2014
A joint venture:		
廣州富景	**40,529**	–

(g) Lease of an aircraft under operating lease

	Six months ended 30 June	
	2015	2014
Common shareholders:		
Power Ease Investments Limited	**6,857**	8,164

(All amounts in RMB Yuan thousands unless otherwise stated)

25. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(h) Provision of guarantees for borrowings

The Group and certain other shareholders of the joint ventures and the associate have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and an associate for project development purpose. As at 30 June 2015, the Group's guarantees for borrowings provided to its joint ventures and associate are shown as follows:

(i) Bank borrowings

	As at 30 June 2015	As at 31 December 2014
Joint ventures:		
廣州市森華房地產有限公司(“森華房地產”)	**283,000**	250,000
津南新城	**183,654**	206,085
Charm Talent Limited (“Charm Talent”)	**476,063**	528,261
貴州大西南	**36,000**	–
廣州富景	**–**	76,360
	978,717	1,060,706
An associate:		
廣州利合房地產開發有限公司(“廣州利合”)	**473,840**	503,980
	1,452,557	1,564,686

(ii) Other borrowings

	As at 30 June 2015	As at 31 December 2014
A joint venture:		
上海城投悦城置業有限公司(“上海悦城”)	**500,000**	600,000
An associate:		
廣州利合	**1,330,000**	1,730,000
	1,830,000	2,330,000

(All amounts in RMB Yuan thousands unless otherwise stated)

25. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(i) Balances with related parties

As at 30 June 2015, the Group had the following significant balances with related parties:

	As at	
	30 June 2015	31 December 2014
Due from:		
Joint ventures		
– Non-trade balances		
津南新城	**1,133,175**	1,133,176
Hines Shanghai New Jiangwan Development Co., Ltd.	**155,168**	155,346
貴州大西南	**141,480**	141,480
廣州市騰順投資有限公司	**138,165**	118,205
廣西富雅投資有限公司	**3**	–
森華房地產	**–**	126,845
和榮有限公司(“和榮”)	**–**	34,178
	1,567,991	1,709,230
Due from:		
An associate		
– Non-trade balance		
廣州利合	**2,439,377**	2,039,377
Due to:		
Joint ventures		
– Non-trade balances		
上海悅城	**1,022,000**	934,000
廣州富景	**442,062**	442,062
和榮	**325,593**	425,802
森華房地產	**100,000**	–
	1,889,655	1,801,864
Prepayment to:		
– Mr Li Sze Lim & Mr. Zhang Li	**281,990**	–

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and settled according to contract terms.

26. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 15 July 2015, the Company issued 4.95% 65,000,000 domestic corporate bonds with an aggregate principal amount of RMB6.5 billion in the PRC (the “Bonds”). The Bonds will mature after five years from the date of issue.

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the period ended 30 June 2015 in accordance with China Accounting Standards for Business Enterprises ("CAS"). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit for the period ended 30 June		Total equity as at	
			30 June	31 December
	2015	2014	**2015**	2014
As stated in accordance with CAS	**1,719,431**	1,584,231	**47,527,226**	52,083,117
Impact of HKFRS adjustments:				
1. Amortisation of revaluation gain arising from business combinations	**(3,256)**	–	**58,197**	61,451
2. Deferred taxation	**(15,543)**	–	**(14,549)**	994
As stated in accordance with HKFRS	**1,700,632**	1,584,231	**47,570,874**	52,145,562

Notes:

1. The Group adopted SSAP27 "Accounting for Group Reconstructions" for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" in November 2005. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.

2. It refers to the effects of deferred tax arising from the above adjustments and recognition of deferred tax due to tax rate difference.