GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777

Interim Report 2017

CONTENTS

CORPORATE INFORMATION

Executive Directors	Li Sze Lim Zhang Li Zhou Yaonan Lu Jing
Non-executive Directors	Zhang Lin Li Helen
Independent Non-executive Directors	Lai Ming Joseph (retired with effect from the conclusion of the annual general meeting on 19 May 2017) Zheng Ercheng Ng Yau Wah Daniel Wong Chun Bong (appointed with effect from the conclusion of the annual general meeting on 19 May 2017)
Supervisors	Chen Liangnuan Liang Yingmei Zhao Xianglin
Authorized Representatives	Li Sze Lim Lee Michael
Joint Company Secretaries	Lee Michael Cheung Sze Yin
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
Principal Place of Business in Hong Kong	Room 1103, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong
Auditor	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

RESULTS AND DIVIDEND

For the six months ended 30 June 2017, the Group achieved a total revenue of RMB20.41 billion, and net profit of the Group increased to RMB2.48 billion over the corresponding period last year.

During the period, revenue from the Group's core business of property development amounted to RMB18.23 billion based on the delivery of 1,654,000 sq.m. of area sold. Net profit from the Group's core business of property development increased by 10% to RMB2.27 billion. The increase in profit was mainly due to a significantly higher gross margin of 38.7%. Total saleable area of 1,361,000 sq.m. was completed from the sale properties in the period. Recurring revenue from property investment and hotel operations segments continued its stable growth of 13% during the period to RMB1,172 million. Profitability from property investments continues to provide an important contribution to the Group with net profit margin (excluding revaluation) of 53%. The Board have resolved to declare an interim dividend of RMB0.33 per share.

BUSINESS REVIEW

In the first half of 2017, the China property market went from strength to strength even as policymakers introduced austerity to curb the market speculation and property price increases. The strength of contracted sales was largely driven by a pick up in volume in third and fourth tier cities where end user demand and urbanisation provided the growth engines. In contrast to previous periods, contracted sales and property markets in first and second tier cities saw relatively slower growth as a result of stricter policies introduced specifically focusing on cooling the property market that curbed sales momentum. During the first half of 2017, there was a clear distinction in the various property markets as policymakers placed restrictions on buyers, selling price, mortgage loan and sales permits in the first tier and second tier cities that saw rapid price growth in 2016, including Guangzhou, Beijing, Shenzhen, Shanghai, Nanjing, Hangzhou, Tianjin, and Chengdu. In contrast, local governments in cities with steady price growth and high housing inventories were less severe to allow continued support for first time buyers and promote rural-to-urban migration.

Despite the introduction of more severe policies to cool China's property market, listed developers exhibited strong year-on-year and month-on-month sales growths. Listed developers saw year-on-year growths in the first half of 2017 of on average 52% over the same period in 2016 (based on observed relevant listed companies). Whilst contracted sales growth in the first half of 2016 was also significant, the growth was on the back of policy easing versus policy tightening, and therefore, the growth in 2017 further shows the depth of how China's property market has developed. On the back of developers beginning to adopt a city diversification strategy through land banking in recent years, many developers set higher contract sales targets in 2017 as a result of having higher sales resources available to capture the resilient property market, these same developers achieved a high proportion of sales of between 35% to 80% of their full year's contracted sales target in the first half of 2017. It was also increasingly becoming clear that these larger developers have increased the pace at which market consolidation was taking place given the pace of their growth had outpaced the market. For the Group, the contracted sales achieved for the first six months was RMB38.81 billion and out beat our expectation. The Company raises full year contracted sales target to RMB80 billion.

In 2016, the Group began to diversify its sales and revenue profile beyond first tier cities which saw a significant increase in GFA sold and recognised at the expense of flat to lower gross margins. This trend in gross margins represented a first entry into new cities and launch of initial phases of projects at lower prices to capture initial sales and stimulate momentum. However, with the strength in sales and established new markets, the Group has seen a recovery in gross margins to 38.7% versus 27.1% for the first half of 2016 and 29.8% for full year 2016. The improvement in gross margin trend signifies the expansion and growth of the Group's scale balances the sustainability of profitability over a long term basis. We expect this margin trend to apply to the remainder of the Group's 2017 sales and earnings.

Amidst the backdrop of the above, the Group also raised its profile amongst its peers in a number of areas. Firstly, the bar for 2017 contracted sales target continued to be raised to RMB80 billion, representing a growth of 31% over the contracted sales target achieved in 2016. Secondly, in order to meet the Group's annual sales target, the monthly contracted sales achieved has increased to RMB6.5 billion per month of which four of the first six months achieved sales in excess of RMB7 billion, which contrasts to previous monthly sales trends of RMB4 billion to RMB6 billion. The consistency of monthly contracted sales that excludes block and lumpy project sales illustrates the Group's ability to deliver on a larger platform. Thirdly, the Group continues to expand regional presence through land bank acquisitions. The Group has grown to 51 cities and areas, of which, non first tier cities exposure has increased from 51% in 2016 to 66% in the first half of 2017 in terms of contracted sales achieved. This continued expansion minimises concentration risk that may be affected by macro or specific policy risks in certain cities or regions.

In order to be able to synchronise our growth objectives and sales strategy whilst ensuring sustainability, the Group has increased land bank acquisitions in line with the strong sales growth to ensure availability of future saleable resources. In the first half of 2017, the Group committed RMB31.6 billion in land purchases equivalent to 11.4 million sq.m. at approximately RMB2,800 per sq.m.. Based on a preliminary assessment, the newly acquired land bank will provide in excess of RMB142 billion of additional saleable resources. After the acquisitions and completion delivery during the period, the Group has approximately 48.5 million sq.m. of land bank.

From a financing perspective, the Group has undertaken a number of activities to strengthen the liquidity and cost base despite gearing increasing to 193% versus 160% net debt to equity when compared to December 2016. In January, the Group completed the early redemption of a US$1,000 million 8.5% p.a. coupon senior note maturing in 2019 and a US$600 million 8.75% p.a. coupon senior note maturing in 2020. The early redemption set out to achieve key objectives of lowering the Group's overall finance costs and terming out the maturity profile of debt. To partly refinance the early redemption, the Group also completed a US$725 million 5.75% p.a. coupon senior note issuance in January that marked the lowest cost for an offshore bond financing to date for the Group. As at the end of the first half of 2017, the weighted average cost of financing of all interest bearing debt was 5.04% p.a., significantly lower than that for same period 2016 of 6.57% p.a..

In addition to offshore financing, the Group also continued to take advantage of our financing strength onshore to issue two tranches of RMB2 billion in total of medium-term notes with a domestic rating of AAA. The medium-term notes were issued at 5.25% and 5.50% p.a. with a term of 3 years. As of to date, the Group still has up to RMB5 billion of approved unused quota of medium-term notes as potential issuance to provide necessary liquidity.

On the A-share listing plans, the Group continues to advance the listing process. The Group continues to actively engage and address any follow-up responses from the regulatory bodies in order to be in a position to receive listing approval. The Group continues to remain optimistic in satisfying and meeting the necessary requirements for an onshore A-share listing that will significantly enhance the profile of the Group's capital structure.

GOING FORWARD

With sales being strong in the first half and continuing to see growth going into July, the Group raises its full year contracted sales target to RMB80 billion. Typically, second half contract sales momentum is stronger as a result of seasonality and a disproportionately higher amount of saleable resources and new project and or phase launches that ensure the first half sales trend continues for the remainder of the year. To date, there have only been 4 new project launches with a targeted total of 28 new project launches for the full year that will contribute to saleable resources in 2017 and 2018. Whilst we expect policies to continue to remain strict and get adjusted to address market trends on a city-by-city basis, we believe the effect will be offset by rigid property demands which remains quite robust.

GFA delivery also remains a key focus on achieving our profitability targets. The Group has set a delivery target of 4.8 million sq.m. for 2017, or 14% growth over GFA recognised in 2016 revenue, of which 1.65 million sq.m. was recognised in the first half. When compared to the Group's full year target GFA delivery, as at the end of July, the Group has pre-sold 5.5 million sq.m. for deliver in 2017 and 2018. For the 2017 delivery, over 80% in terms of GFA has been pre-sold. Hence, the Group's delivery plans and contracted sales going forward will set the basis for achieving our profitability targets in 2017.

After making a number of land acquisitions to date and completion of the announced major acquisition of 77 hotel assets from Dalian Wanda Commercial Properties Co., Ltd. on 19 July, the Group will have significantly increased its land bank scale of saleable resources and long-term investment and hotel portfolio to become globally the largest owner of deluxe hotel assets. Management will continue to seek to enlarge the overall scale of the Group and rationalise the new hotel portfolio with our existing portfolio assets to increase the proportion of recurring income and profits. Similarly, the Group will continue to seek land bank to replenish and expand the scale of the Group. Given recent policies that have suppressed growth in average selling prices, we expect price growth of land bank to also be more moderate to create opportunities for the Group to secure land bank with attractive returns.

ACKNOWLEDGEMENTS

Which each stride the Group takes to advance its objectives, the importance of support from investors and all stakeholders is most appreciated. I would like to take this opportunity to thank the Company's shareholders, investors, business associates and customers for their confidence in management's execution of the Group's strategies as well as my fellow directors and all the Group's staff for their many contributions to our success.

Li Sze Lim
Chairman

Hong Kong, 22 August 2017

OPERATION REVIEW

PROPERTY DEVELOPMENT

As at 30 June 2017, the Group's land bank was total attributable saleable area of approximately 48,538,000 sq.m. distributed across 51 cities and regions. During the period, the Group completed sale properties as set out below and made contracted sales equivalent to 49% of the full year target and maintained a sufficient project pipeline.

Completion of Properties

Completion in the period of 1,378,000 sq.m. saleable area represented approximately 25% of the Group's expected completion for 2017 of 5,416,000 sq.m. in saleable area, as compared to 41% for the same period in 2016. Expected completion in the second half of 2017 is approximately 4,038,000 sq.m. as shown in the following table:

	2017 1st Half		2017 2nd Half	
Area	**Approximate Total GFA (sq.m.)**	**Approximate Saleable Area (sq.m.)**	**Approximate Total GFA (sq.m.)**	**Approximate Saleable Area (sq.m.)**
Southern China	830,000	692,000	1,199,000	939,000
Northern China	656,000	532,000	1,628,000	1,452,000
Eastern China	104,000	58,000	638,000	494,000
Western China	105,000	79,000	437,000	328,000
Overseas	0	0	439,000	192,000
Sub-total	1,695,000	1,361,000	4,341,000	3,405,000
JV (Attributable)	6,000	6,000	427,000	258,000
Investment Properties	11,000	11,000	375,000	375,000
Total	1,712,000	1,378,000	5,143,000	4,038,000

Contracted Sales

The Group registered contracted sales of RMB38.81 billion and equivalent to approximately 2,943,700 sq.m. in GFA during the six months ended 30 June 2017 distributed in 29 cities and area as follow:

Location	Approximate Value (RMB million)	Approximate GFA sold (sq.m.)
Hainan	3,996.9	279,400
Hangzhou and vicinity	3,541.8	207,900
Beijing and vicinity	2,941.2	75,700
Guangzhou	2,859.6	135,100
Tianjin	2,818.9	189,100
Taiyuan	2,601.4	269,700
Wuxi	2,369.6	160,800
Huizhou	2,338.3	228,200
Fuzhou and vicinity	1,898.1	133,100
Harbin	1,445.4	112,500
Chongqing	1,314.9	158,000
Johor Bahru, Malaysia	1,115.0	62,900
Shanghai and vicinity	1,087.4	30,900
Meizhou	1,057.7	193,100
Foshan	1,029.3	56,200
Zhuhai	912.6	28,200
Ningbo	796.1	49,700
Xian	724.4	92,100
Datong	681.3	134,000
Chengdu	502.2	65,700
Baotou	472.9	65,000
Zhengzhou	412.0	27,400
Guiyang	374.2	41,900
Shenyang	361.0	45,800
Nanjing and vicinity	338.3	38,900
Changsha and vicinity	324.6	36,700
Brisbane, Australia	259.1	5,600
Nanning	224.8	19,600
Melbourne, Australia	15.2	500
Total	38,814.2	2,943,700

Projects Under Development

Projects under development amounted to approximately 15,858,000 sq.m. GFA as at 30 June 2017, details of which are set out below:

Location	Approximate GFA (sq.m.)	Approximate Saleable Area (sq.m.)
Southern China	5,771,000	4,547,000
Western China	923,000	685,000
Eastern China	2,352,000	1,548,000
Northern China	6,033,000	4,311,000
Overseas	779,000	410,000
Total	15,858,000	11,501,000

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, Guangzhou International Grand City, Viva Beijing R&F Plaza, Chengdu R&F Plaza and Tianjin R&F Plaza) and various retail properties. The Group's investment properties portfolio as at 30 June 2017 exceeded 1,500,000 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 16 hotels, two in Beijing (Renaissance Beijing Capital Hotel and Holiday Inn Express Temple of Heaven Beijing), five in Guangzhou (The Ritz-Carlton Guangzhou, Grand Hyatt Guangzhou, Holiday Inn Guangzhou Airport Zone, Park Hyatt, Guangzhou and Conrad, Guangzhou), Renaissance Huizhou Hotel, Intercontinental Huizhou Resort, Hyatt Regency Chongqing, Holiday Inn Chongqing University Town, The Ritz-Carlton Chengdu, Pullman Taiyuan R&F Hotel, Marriot Resort & Spa Hainan Xiangshui Bay, DoubleTree Resort by Hilton Haikou-Chengmai and Hainan Xiangshui Bay Atour Hotel.

LAND BANK

During the period, the Group acquired 45 plots of land in 28 cities and regions, with attributable saleable area of approximately 11,400,000 sq.m. and attributable land cost of approximately RMB31.6 billion at approximately RMB2,800 per sq.m..

As at 30 June 2017, the Group was in possession of the following land bank:

Area	Approximate GFA (sq.m.)	Approximate Saleable Area (sq.m.)
Southern China	16,168,000	14,684,000
Western China	5,708,000	5,230,000
Eastern China	5,827,000	4,854,000
Northern China	21,035,000	19,329,000
Overseas	5,252,000	2,997,000
Investment Properties	1,625,000	1,444,000
Total	55,615,000	48,538,000

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2017 increased to RMB2.48 billion, from RMB2.42 billion for the corresponding period last year. Net profit from the Group's core business of property development accounted for 92% of the Group's total net profit and amounted to RMB2.27 billion. Compared to the previous period, net profit from property development increased by 10%, based on a delivery of 1,654,000 sq.m. in terms of saleable area in the period. Profit from property investment, not including any fair value gain, was RMB235 million. Fair value gain in the period amounted to RMB479 million. Revenue from hotel operations and other segments increased by 16%, compared to the previous period, to RMB1.73 billion mainly due to increase in revenue of two hotels in Guangzhou and Chongqing and increase in contribution from property management.

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

1. Revenue decreased by 11% to RMB18.23 billion, from RMB20.50 billion in the same period in 2016. The Group completed and delivered properties in 21 cities in the six months ended 30 June 2017. The amount of saleable area sold decreased by 12% to 1,654,000 sq.m. from 1,873,400 sq.m.. The overall average selling price was comparable to the same period in last year at RMB11,000 per sq.m.. However, this stable overall selling price came from a varied sales mix. The top three projects, Beijing R&F New Town, Huizhou R&F Bay Shore and Beijing Tongzhou R&F Centre, which individually had revenue of over RMB1.2 billion and a combined revenue of RMB4.3 billion or 24% of total revenue and carried average selling price from RMB8,500 to RMB42,200 per sq.m.. Based on revenue distribution by cities in the period, Beijing had the highest revenue of all cities where the Group operated. It accounted for 18% of total revenue. In terms of amount, revenue in Beijing amounted to RMB3.33 billion and was mainly derived from the aforementioned Beijing R&F New Town and Beijing Tongzhou R&F Centre. Huizhou's revenue ranked second for the first time with revenue amounted to RMB2.20 billion in the period, equivalent to 12% in total. Guangzhou ranked third in revenue with the delivery of R&F Ying Yao Plaza and increased its revenue to RMB2.11 billion. These top three cities ranked by revenue in the period, Beijing, Huizhou and Guangzhou, together accounted for 42% of total revenue as compared to 34% from the top three cities (Taiyuan, Shanghai and Beijing) in the previous period. The remaining 58% of revenue for this period was contributed by the other eighteen cities in which the Group operated, the more significant of which were Hainan, Taiyuan and Hangzhou contributed approximately 6% to 12% each.

   The following is the summary of revenue by city:

City	Amount of turnover (in RMB million)	Saleable area sold (sq.m.)	Average Selling Price (RMB/sq.m.)
Beijing	3,327	243,000	13,700
Huizhou	2,203	227,300	9,700
Guangzhou	2,112	71,400	29,600
Hainan	2,101	148,800	14,100
Taiyuan	1,361	162,800	8,400
Hangzhou	1,138	71,100	16,000
Foshan	1,051	103,900	10,100
Tianjin	674	32,100	21,000
Harbin	599	41,300	14,500
Meizhou	532	109,000	4,900
Chongqing	501	87,700	5,700
Chengdu	464	72,700	6,400
Xian	436	64,600	6,700
Baotou	422	73,700	5,700
Shanghai	325	28,000	11,600
Changsha	269	37,500	7,200
Datong	194	35,100	5,500
Shenyang	169	21,900	7,700
Fuzhou	162	6,700	24,100
Nanjing	152	11,800	12,800
Wuxi	43	3,600	12,000
Total	18,235	1,654,000	11,000

2. Cost of goods sold consists of land and construction costs, capitalised finance costs, and business tax. For the current period, land and construction costs made up 88% of the Group's total costs as compared to 87% in the previous period. In terms of costs per sq.m., land and construction costs decreased to RMB5,920 from RMB6,950 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 revenue came from delivery of housing projects with lower land and construction costs. The top two projects, Beijing R&F New Town and Huizhou R&F Bay Share both carried low land and construction costs per sq.m. of average RMB4,210. Capitalised finance costs included in the period's cost of goods sold amounted to RMB1,093 million up from RMB1,047 million, representing approximately 10% of total costs, versus 7% for the previous period. As a percentage of revenue from sale of properties, capitalised finance costs increased from 5.1% to 6.0%. The cost of goods sold also included RMB297 million in business tax, making up 2% of costs.

3. Overall gross margin for the period was 38.7%, as compared to 27.1% in the same period in 2016. The increase was the result of the top three in revenue projects, Beijing R&F New Town, Huizhou R&F Bay Shore and Beijing Tongzhou R&F Centre have gross margin above 41%. There were twelve projects with sales directly comparable to those in the previous period and there were ten projects with increased gross margin, while only two projects with decreased gross margin.

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

5. Selling and administrative expenses for the period increased by 25% or RMB368 million, to RMB1,849 million. This increase was in line with the contracted sales growth of 30% higher than the previous period. Selling and administrative expenses as a percentage of revenue increased to 10.1% from 7.2%.

6. Finance costs decreased 3% to RMB968 million for the period (1H 2016: RMB1,001 million), which includes total interest expenses of RMB3,164 million and net foreign exchange gains of RMB441 million incurred in the period and after deducting capitalised finance costs of RMB1,755 million to development projects. The 2% decrease in total interest expenses was related to a decrease in average interest rate from 6.57% to 5.04% although there was an increase of average borrowings outstanding to RMB124.4 billion from RMB98.6 billion in the previous corresponding period. Together with RMB1,093 million (1H 2016: RMB1,047 million) charged to cost of goods sold related to capitalised finance costs, the total finance costs incurred during the period amounted to RMB2,061 million (1H 2016: RMB2,048 million).

7. The share of results of associates and joint ventures were mainly from a 33.34% interest in Guangzhou Liedecun project, 50% interest in Shanghai New Jiangwan project, 25% interest in Tianjin Jinnan New Town project, 60% interest in Guizhou Da Xi Nan project and 50% interest in Guangzhou Senhua project. These five projects had a combined turnover of RMB1.82 billion in the period.

8. Land appreciation tax (LAT) of RMB1,305 million (1H 2016: RMB705 million) and enterprise income tax of RMB1,004 million brought the Group's total income tax expenses for the period to RMB2,309 million. As a percentage of revenue, LAT increased to 7.2% from 3.4% for the same period in 2016. This increase mainly came from higher overall gross margin in the period. The effective enterprise income tax rate was 31% (1H 2016: 27%).

9. Overall, the Group's net profit margin for the period was 12.2%, as compared to 10.8% in the previous period. While the net profit margin of the core property development rised to 12.5% in line with a higher gross margin from properties sold and delivered.

Financial resources and liquidity

At 30 June 2017, total cash including amounts restricted for specified usage was RMB32.42 billion (31 December 2016: RMB45.97 billion). With total borrowings at the end of the period amounted to RMB123.14 billion (31 December 2016: RMB120.85 billion), net debt increased to RMB90.72 billion from RMB74.88 billion at 31 December 2016. Net debt to total equity ratio increased to 192.9% at 30 June 2017 from 159.9% at 31 December 2016.

During the six months ended 30 June 2017, new bank borrowings of RMB16.77 billion have been procured at interest rate ranging from 1.84% to 6.05% while bank borrowings repaid amounted to RMB11.09 billion. The effective interest rate of the total bank borrowings portfolio at 30 June 2017 was 4.46% (31 December 2016: 5.52%). Other than a RMB6.5 billion 4.95% domestic corporate bond, a RMB9.6 billion 3.95% domestic corporate bond, a RMB1.95 billion 3.48% domestic corporate bond, a RMB0.95 billion 3.95% domestic corporate bond, a RMB4.6 billion 5.2% domestic non-public bond, a RMB10.4 billion 5.15% domestic non-public bond, a RMB9.3 billion 5% domestic non-public bond, a RMB5.7 billion 4.39% domestic non-public bond, a RMB1.0 billion 5.25% medium-term notes and an offshore USD725 million 5.75% notes, most of the 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 2017, certain properties and bank deposits were pledged to secure bank and other borrowings amounted to RMB62.24 billion (31 December 2016: RMB54.15 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 2017, such guarantees totalled RMB33.97 billion which increased 1.7% from RMB33.41 billion as at 31 December 2016. In addition, as at 30 June 2017, RMB4.99 billion (31 December 2016: RMB5.51 billion) in guarantee were provided to the Group's joint ventures and associate for their borrowings.

Employee and remuneration policies

As of 30 June 2017, the Group had approximately 23,076 employees (30 June 2016: 20,070). The total staff costs incurred were approximately RMB967 million during the six months ended 30 June 2017. 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.

INTERIM DIVIDEND PAYMENT AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend for the six months ended 30 June 2017 (the "Interim Dividend") of RMB0.33 per share to shareholders whose names appear on the register of members of the Company as at the close of business on 15 September 2017. The Interim Dividend will be paid on 13 October 2017.

The H share register of members of the Company will be closed from 11 September 2017 (Monday) to 15 September 2017 (Friday) (both dates inclusive), during which period no transfer of H shares will be registered. In order to establish entitlements to the Interim Dividend, all the share transfer documents must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 8 September 2017 (Friday).

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

The average of the closing exchange rates for RMB to Hong Kong Dollar as announced by the People's Bank of China for the one-week period prior to 22 August 2017, the date on which the Interim Dividend was declared, was RMB0.853014 to HK$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK$0.386863.

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

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

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

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

PROFIT DISTRIBUTION TO INVESTORS OF SOUTHBOUND TRADING

For investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the "Southbound Trading"), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited ("China Securities"), pursuant to which, China Securities, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system. The cash dividends for the investors of H shares of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2016] No. 127), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

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

The Company has appointed Bank of China (Hong Kong) Trustee Limited as the receiving agent in Hong Kong and will pay to the receiving agent the Interim Dividend for payment to holders of H shares on 13 October 2017. Cheques will be dispatched to holders of H shares by ordinary post at their own risk.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2017. 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 2017 was as follows:

Class of shares	No. of shares	Percentage
Domestic shares	2,207,108,944	68.49%
H shares	1,015,258,400	31.51%
Total	3,222,367,344	100.00%

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

As at 30 June 2017, the beneficial interests and short positions of the directors, chief executive and supervisors of the Company in the shares, underlying shares or debentures of the Company or 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 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 Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 30 June 2017 were as follows:

		Number of shares				Approximate percentage of interests in the total share capital Note
Director/ Supervisor	Class of shares	Personal	Spouse or child under 18	Corporate interest	Total number of shares held at the end of the period	
Li Sze Lim	Domestic share	1,045,092,672				
	H share	30,000,000	5,000,000	6,000,000	1,086,092,672	33.70%
Zhang Li	Domestic share	1,005,092,672	20,000,000			
	H share	6,632,800			1,031,725,472	32.02%
Zhou Yaonan	Domestic share	22,922,624			22,922,624	0.71%
Lu Jing	Domestic share	35,078,352			35,078,352	1.09%
Li Helen	H share	1,003,600			1,003,600	0.03%
Zheng Ercheng	H share	260,280			260,280	0.01%
Ng Yau Wah, Daniel	H share	588,000			588,000	0.02%
Chen Liangnuan	Domestic share	20,000,000			20,000,000	0.62%

Note:

The Company's total number of issued shares as at 30 June 2017 was 3,222,367,344 of which 2,207,108,944 shares are domestic shares held by domestic shareholders, accounting for 68.49% of the total share capital of the Company and 1,015,258,400 shares were held by the holders of H shares, accounting for 31.51% of the total share capital of the Company.

(b) 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. ("Tianfu") (Note 1)	Corporate	N/A	7.50%
	Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli") (Note 2)	Corporate	N/A	34.64%
Zhang Li	Tianfu (Note 1)	Corporate	N/A	7.50%
	Fushengli (Note 2)	Corporate	N/A	34.64%

Notes:

1. Tianfu is 15% and 85% owned by Century Land Properties Limited and the Company respectively. Century Land Properties Limited is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

2. Fushengli is 70% and 30% owned by Well Bright International Limited and Guangzhou Tianli Construction Co., Ltd. respectively. Guangzhou Tianli Construction Co., Ltd. is a subsidiary of the Company. Well Bright International Limited is 51% and 49% owned by Guangdong South China Environmental Protection Investment Co., Ltd. and Sparks Real Estate Holdings Limited respectively. Each of Mr. Li Sze Lim and Mr. Zhang Li owns 49% of Guangdong South China Environmental Protection Investment Co., Ltd. Sparks Real Estate Holdings Limited is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

Save as disclosed above, as at 30 June 2017, none of the directors, chief executive or supervisors of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, so far as the directors are aware, only the following persons (other than the directors, chief executive and supervisors 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 Divisions 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	Number of shares (Note 1)	Approximate percentage of interests in H shares (Note 2)
BlackRock, Inc.	H share	60,895,593 (L) 523,600 (S)	5.99% 0.05%
Citigroup Inc.	H share	55,542,762 (L) 10,728,586 (S) 43,607,214 (P)	5.47% 1.06% 4.30%
Commonwealth 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%

Notes:

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

2. 1,015,258,400 shares were held by the holders of H shares, accounting for 31.51% of the total share capital of the Company.

Save as disclosed above, as at 30 June 2017, no other persons' (other than the directors', chief executive's and supervisors') interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

BOARD COMPOSITION AND PRACTICE

The Board consists of nine members, including four executive directors: Mr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and chief executive officer, 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. Lai Ming, Joseph (retired with effect from the conclusion of the annual general meeting on 19 May 2017), Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong (appointed with effect from the conclusion of the annual general meeting on 19 May 2017). 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 expertises to provide effective leadership of the Company according to the board diversity policy of the Company.

All directors have entered into a service contract with the Company for a specific term of three years. They are all subject to retirement from office by rotation and re-election at the general meeting once every three years in accordance with the 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 directors and independent non-executive directors possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional advice. Pursuant to the requirement of Rule 3.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the Company has three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. The Company has received from each of the independent non-executive directors an annual confirmation of independence.

The notice of Board meeting will be given to all directors at least 14 days prior to the date of meeting. All directors are given opportunities to include any matters they would like to discuss in the agenda. The joint company secretaries are 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 joint company secretaries are also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, SFO and other applicable laws, rules and regulations.

The Company continuously updates all directors on the 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.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND SUPERVISORS OF THE COMPANY

The Company has adopted the Model Code laid out in Appendix 10 to the Listing Rules as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the six months ended 30 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other applicable laws and regulations. In particular, it has observed the principles and code provisions set out under the Corporate Governance Code and Corporate Governance Report as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017, save for the deviation on Code E.1.2. Mr. Lai Ming, Joseph, the chairman of audit committee of the Company at that time, was unable to attend the Company's annual general meeting held on 19 May 2017 as he had other important business engagement.

AUDIT COMMITTEE

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

The audit committee comprises Mr. Wong Chun Bong (chairman of the audit committee) (appointed on 19 May 2017), Mr. Lai Ming, Joseph (ex-chairman of the audit committee) (ceased to act with effect from 19 May 2017) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2017. 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 was established with written 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, and Mr. Ng Yau Wah, Daniel. 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 management in accordance with the contractual terms and that such compensation is fair and not excessive to the Company.

NOMINATION COMMITTEE

The nomination committee of the Company was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Lai Ming, Joseph (ceased to act with effect from 19 May 2017), Mr. Zheng Ercheng and Mr. Wong Chun Bong (appointed on 19 May 2017). 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 implementing the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board according to the Board diversity policy, identify and nominate candidates to fill causal vacancies of directors and make recommendations to the Board in respect of succession planning.

SHAREHOLDERS RELATION

The Company has established different communication channels with its shareholders. Apart from general meetings, annual reports, interim reports, circulars and announcements 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.

CHANGE IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B of the Listing Rules, there is a change in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the directors', supervisors' and chief executive's term of office. The change of information on directors is as follow:

1. Mr. Li Sze Lim, the Chairman of the Company, was appointed as the president of New Home Association Limited on 1 June 2017.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2017**	Audited 31 December 2016
ASSETS			
Non-current assets			
Land use rights	8	**2,164,766**	1,933,706
Property, plant and equipment	8	**11,458,691**	10,928,178
Investment properties	8	**22,995,277**	22,068,681
Intangible assets	8	**1,037,045**	1,079,572
Interests in joint ventures	9	**6,962,734**	6,795,392
Interests in associates	10	**181,990**	166,908
Deferred income tax assets		**5,107,848**	4,253,861
Available-for-sale financial assets		**532,500**	710,130
Trade and other receivables and prepayments	11	**297,820**	97,420
		50,738,671	48,033,848
Current assets			
Properties under development		**102,988,154**	81,134,542
Completed properties held for sale		**27,138,655**	26,783,018
Inventories		**267,022**	325,932
Trade and other receivables and prepayments	11	**26,750,862**	21,582,812
Tax prepayments		**3,387,622**	2,582,245
Restricted cash	12	**16,737,481**	20,663,067
Cash and cash equivalents		**15,683,689**	25,306,015
		192,953,485	178,377,631
Total assets		**243,692,156**	226,411,479

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2017**	Audited 31 December 2016
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**805,592**	805,592
Other reserves		**4,525,596**	4,679,469
Retained earnings		**38,440,072**	38,293,091
		43,771,260	43,778,152
Perpetual capital instruments	14	**2,403,933**	2,404,327
Non-controlling interests		**850,640**	653,718
Total equity		**47,025,833**	46,836,197
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	**97,803,332**	87,170,166
Deferred income tax liabilities		**5,360,676**	4,930,892
		103,164,008	92,101,058
Current liabilities			
Accruals and other payables	16	**25,199,175**	21,951,465
Deposits received on sale of properties		**30,535,114**	19,546,810
Current income tax liabilities		**12,429,166**	12,294,031
Short-term borrowings	15	**9,448,199**	10,631,230
Current portion of long-term borrowings	15	**15,890,661**	23,050,688
		93,502,315	87,474,224
Total liabilities		**196,666,323**	179,575,282
Total equity and liabilities		**243,692,156**	226,411,479

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	**2017**	2016
Revenue	6	**20,413,922**	22,389,435
Cost of sales		**(13,021,536)**	(16,706,704)
Gross profit		**7,392,386**	5,682,731
Other income	17	**199,002**	127,550
Other gains – net	18	**532,687**	851,391
Selling and marketing costs		**(723,874)**	(521,826)
Administrative expenses		**(1,514,901)**	(1,270,808)
Operating profit		**5,885,300**	4,869,038
Finance costs	19	**(968,381)**	(1,000,874)
Share of results of associates		**24,921**	(14,854)
Share of results of joint ventures		**(70,874)**	178,463
Profit before income tax		**4,870,966**	4,031,773
Income tax expenses	20	**(2,390,213)**	(1,607,614)
Profit for the period		**2,480,753**	2,424,159
Profit/(loss) attributable to:			
– Owners of the Company		**2,402,638**	2,225,015
– Holders of perpetual capital instruments	14	**71,193**	199,917
– Non-controlling interests		**6,922**	(773)
		2,480,753	2,424,159
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)		**0.7456**	0.6925

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	**2017**	2016
Profit for the period		**2,480,753**	2,424,159
Other comprehensive loss			
Items that may be reclassified to profit or loss			
– Fair value losses on available-for-sale financial assets, net of tax		**(133,223)**	(115,763)
– Currency translation differences		**(22,528)**	(65,111)
Other comprehensive loss for the period, net of tax		**(155,751)**	(180,874)
Total comprehensive income for the period		**2,325,002**	2,243,285
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		**2,246,887**	2,044,141
– Holders of perpetual capital instruments	14	**71,193**	199,917
– Non-controlling interests		**6,922**	(773)
		2,325,002	2,243,285

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM 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 2017	805,592	–	4,679,469	38,293,091	43,778,152	2,404,327	653,718	46,836,197
Total comprehensive income for the period ended 30 June 2017	–	–	(155,751)	2,402,638	2,246,887	71,193	6,922	2,325,002
Transactions with owners								
Changes in ownership interests in subsidiaries without change of control	–	–	1,878	–	1,878	–	(15,973)	(14,095)
Acquisition of subsidiaries	–	–	–	–	–	–	174,573	174,573
Capital contributions from non-controlling interests	–	–	–	–	–	–	31,400	31,400
Dividends for the year	–	–	–	(2,255,657)	(2,255,657)	–	–	(2,255,657)
Distributions to holders of perpetual capital instruments (Note 14)	–	–	–	–	–	(71,587)	–	(71,587)
Total transactions with owners	–	–	1,878	(2,255,657)	(2,253,779)	(71,587)	190,000	(2,135,366)
Balance at 30 June 2017	805,592	–	4,525,596	38,440,072	43,771,260	2,403,933	850,640	47,025,833
Balance at 1 January 2016	805,592	(88,947)	4,590,948	35,404,023	40,711,616	7,977,869	527,895	49,217,380
Total comprehensive income for the period ended 30 June 2016	–	–	(180,874)	2,225,015	2,044,141	199,917	(773)	2,243,285
Transactions with owners								
Acquisition of subsidiaries	–	–	–	–	–	–	(218,755)	(218,755)
Capital contributions from non-controlling interests	–	–	–	–	–	–	10,000	10,000
Disposals of shares held for Share Award Scheme	–	88,947	44,570	–	133,517	–	–	133,517
Additions of perpetual capital instruments (Note 14)	–	–	–	–	–	2,400,000	–	2,400,000
Redemptions of perpetual capital instruments (Note 14)	–	–	–	–	–	(7,900,000)	–	(7,900,000)
Distributions to holders of perpetual capital instruments (Note 14)	–	–	–	–	–	(273,719)	–	(273,719)
Total transactions with owners	–	88,947	44,570	–	133,517	(5,773,719)	(208,755)	(5,848,957)
Balance at 30 June 2016	805,592	–	4,454,644	37,629,038	42,889,274	2,404,067	318,367	45,611,708

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited Six months ended 30 June 2017	2016
Cash flows from operating activities		
– Cash (used in)/generated from operations	**(2,114,290)**	4,136,858
– Interest paid	**(3,541,115)**	(2,706,815)
– Enterprise income tax and land appreciation tax paid	**(3,012,306)**	(2,664,662)
Net cash used in operating activities	**(8,667,711)**	(1,234,619)
Cash flows from investing activities		
– Purchases of property, plant and equipment and land use rights	**(978,516)**	(467,738)
– Purchases of intangible assets	**(32,613)**	(101,017)
– Addition of investment properties	**(111,996)**	–
– Proceeds on disposals of property, plant and equipment	**3,437**	29,819
– Proceeds on disposals of intangible assets	**96,000**	128,000
– Proceeds on disposals of an associate	**240,623**	–
– Acquisition of subsidiaries, net of cash acquired	**(894,121)**	(115,165)
– Prepayment for acquisition of a subsidiary	**(200,400)**	–
– Cash advances relating to acquisitions of subsidiaries	**(1,540,000)**	–
– Investments in available-for-sale financial assets, joint ventures and associates	**(533,398)**	(122,100)
– Cash advanced to joint ventures and associates	**(862,952)**	–
– Cash repayments from joint ventures and associates	**1,901,402**	–
– Dividends received on available-for-sale financial assets and an associate	**42,070**	13,204
– Decrease in time deposits	**–**	392,279
– Interest received	**116,364**	78,965
Net cash used in investing activities	**(2,754,100)**	(163,753)
Cash flows from financing activities		
– Proceeds from borrowings, net of transaction costs	**25,800,988**	40,310,909
– Proceeds from issuance of perpetual capital instruments	**–**	2,400,000
– Redemptions of perpetual capital instruments	**–**	(7,900,000)
– Repayments of borrowings	**(24,352,914)**	(18,132,030)
– Repayments of finance lease liabilities	**(25,854)**	(25,111)
– Decrease/(increase) in guarantee deposits for borrowing	**2,779,074**	(30,911)
– Proceeds from disposals of shares held for Share Award Scheme	**–**	133,517
– Capital contributions from non-controlling interests	**31,400**	10,000
– Purchases of non-controlling interests	**(1,500)**	–
– Dividends paid to owners of the Company	**(2,255,657)**	–
– Distributions paid to holders of perpetual capital instruments	**(71,587)**	(273,719)
Net cash generated from financing activities	**1,903,950**	16,492,655
Net (decrease)/increase in cash and cash equivalents	**(9,517,861)**	15,094,283
Cash and cash equivalents at the beginning of the period	**25,306,015**	13,970,313
Exchange losses	**(104,465)**	(88,988)
Cash and cash equivalents at the end of the period	**15,683,689**	28,975,608

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 services in the People's Republic of China (the "PRC").

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

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

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 22 August 2017.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

(a) Amended standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning on 1 January 2017.

Standards	**Subject of amendment**
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKAS 7	Disclosure initiative
Amendments to HKFRS 12	Disclosure of interest in other entities

The adoption of the above amended standards did not have a material impact on the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

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

New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2018 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group, except those set out in Note (i), (ii) and (iii).

Standards	Subject	Effective for annual periods beginning on or after
HKFRS 15 (Note (i))	Revenue from contracts with customers	1 January 2018
HKFRS 9 (Note (ii))	Financial instruments	1 January 2018
Amendments to HKFRS 4	Insurance contracts	1 January 2018
Amendment to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16 (Note (iii))	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 15 Revenue from contracts with customers

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

3. ACCOUNTING POLICIES (continued)

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

(ii) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- A FVOCI election is available for the equity instruments which are currently classified as available-for-sale (AFS) financial asset; and

- The Group does not have any other financial assets affected by the new guidance.

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

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(iii) HKFRS 16 Leases

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

The accounting for lessors will not significantly change.

3. ACCOUNTING POLICIES (continued)

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

(iii) HKFRS 16 Leases (continued)

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB108,983,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

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

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 condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

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 condensed consolidated interim 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 2016.

There have been no changes in the risk management policies since 31 December 2016.

(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 banks, adjusting project development timetable to adapt to 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 2017					
Borrowings (excluding finance lease liabilities) (Note (1))	**30,644,456**	**22,198,907**	**69,235,018**	**22,198,589**	**144,276,970**
Finance lease liabilities	**99,729**	**95,517**	**91,305**	**–**	**286,551**
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	**13,839,259**	**–**	**–**	**–**	**13,839,259**
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**33,972,483**	**–**	**–**	**–**	**33,972,483**
Guarantees in respect of borrowings of joint ventures and associates	**400,761**	**1,049,905**	**2,038,341**	**1,497,306**	**4,986,313**
At 31 December 2016					
Borrowings (excluding finance lease liabilities) (Note (1))	39,530,372	21,535,523	49,794,689	27,174,137	138,034,721
Finance lease liabilities	114,391	97,623	138,538	–	350,552
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	18,231,502	–	–	–	18,231,502
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	33,406,812	–	–	–	33,406,812
Guarantees in respect of borrowings of joint ventures and associates	870,485	1,464,407	2,316,888	862,576	5,514,356

Note:

(1) Interest on borrowings is calculated on borrowings held as at 30 June 2017 and 31 December 2016 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2017 and 31 December 2016 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.

Consistent with others in the industry, 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 condensed consolidated interim balance sheet) less cash and cash equivalents and restricted cash.

The gearing ratio is calculated as follows:

	As at	
	30 June 2017	31 December 2016
Total borrowings (Note 15)	**123,142,192**	120,852,084
Less: cash and cash equivalents	**(15,683,689)**	(25,306,015)
restricted cash	**(16,737,481)**	(20,663,067)
Net debt	**90,721,022**	74,883,002
Total equity	**47,025,833**	46,836,197
Gearing ratio	**192.9%**	159.9%

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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 2017 and 31 December 2016, 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 level 1, level 2 and level 3 and no changes in valuation techniques during the period.

Level 3 financial instruments

	Six months ended 30 June	
	2017	2016
Available-for-sale financial assets		
Opening balance	**710,130**	645,140
Additions	**–**	102,100
Fair value losses recognised as other comprehensive loss	**(177,630)**	(154,350)
Closing balance	**532,500**	592,890

The fair value of the Group's major available-for-sale financial assets was revalued on 30 June 2017 by an independent and professionally qualified valuer. The valuation is performed based on the market approach by reference to quoted market prices for similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. The available-for-sale financial assets were included in level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for these unquoted equity investments. The fair value loss on the equity investments was included in "other comprehensive loss".

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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

The fair values and carrying amounts of domestic bonds, medium-term notes and senior notes are disclosed in Note 15.

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
- Borrowings except for domestic bonds, medium-term notes and senior notes
- Financial lease liabilities

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.

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2017 and 2016 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2017					
Segment revenue	18,234,991	496,472	751,220	1,073,393	20,556,076
Inter-segment revenue	-	(48,685)	(27,438)	(66,031)	(142,154)
Revenue from external customers	18,234,991	447,787	723,782	1,007,362	20,413,922
Profit/(loss) for the period	2,272,740	595,269	(89,027)	(298,229)	2,480,753
Finance costs	(760,865)	(70,486)	(120,857)	(16,173)	(968,381)
Share of results of joint ventures	(70,874)	-	-	-	(70,874)
Share of results of associates	25,485	-	-	(564)	24,921
Income tax (expenses)/credits	(2,309,411)	(197,960)	29,676	87,482	(2,390,213)
Depreciation and amortisation	(123,608)	-	(163,719)	(35,586)	(322,913)
Allowance for impairment losses of receivables	(9,425)	-	(1,090)	(772)	(11,287)
Fair value gains on investment properties – net of tax	-	359,792	-	-	359,792
Six months ended 30 June 2016					
Segment revenue	20,495,398	433,745	664,262	931,532	22,524,937
Inter-segment revenue	–	(33,616)	(28,563)	(73,323)	(135,502)
Revenue from external customers	20,495,398	400,129	635,699	858,209	22,389,435
Profit/(loss) for the period	2,070,208	693,768	(113,501)	(226,316)	2,424,159
Finance costs	(772,994)	(58,165)	(94,013)	(75,702)	(1,000,874)
Share of results of joint ventures	178,463	–	–	–	178,463
Share of results of associates	(14,501)	–	–	(353)	(14,854)
Income tax (expenses)/credits	(1,485,810)	(229,782)	37,834	70,144	(1,607,614)
Depreciation and amortisation	(108,290)	–	(156,128)	(35,997)	(300,415)
Allowance for impairment losses of receivables	(14,235)	–	(235)	(21)	(14,491)
Fair value gains on investment properties – net of tax	–	538,360	–	–	538,360

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

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

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2017					
Segment assets	**203,140,793**	**22,995,277**	**10,715,653**	**1,200,085**	**238,051,808**
Segment assets include:					
Interests in joint ventures	**6,962,734**	**-**	**-**	**-**	**6,962,734**
Interests in associates	**101,274**	**-**	**-**	**80,716**	**181,990**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**797,634**	**447,336**	**186,147**	**30,671**	**1,461,788**
Segment liabilities	**54,208,071**	**-**	**315,432**	**1,210,786**	**55,734,289**
As at 31 December 2016					
Segment assets	187,983,198	22,068,681	10,270,067	1,125,542	221,447,488
Segment assets include:					
Interests in joint ventures	6,795,392	–	–	–	6,795,392
Interests in associates	85,628	–	–	81,280	166,908
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,380,249	1,075,918	381,496	177,918	3,015,581
Segment liabilities	40,272,496	–	347,936	877,843	41,498,275

(All amounts in RMB Yuan thousands unless otherwise stated)

7. ACQUISITION OF GUANGDONG XINTIANHONG PROPERTY DEVELOPMENT CO., LTD.

On 5 January 2017, the Group completed an acquisition of 75% equity interests in Guangdong Xintianhong Property Development Co., Ltd. ("Guangdong Tianhong Property") from Xintianhong Investment Co., Ltd. and Tian An (Guangzhou) Investment Co., Ltd. at a consideration of RMB444,285,000. The acquisition is expected to enable the Group to penetrate in property market in Foshan.

The following table summarises the consideration paid for Guangdong Tianhong Property, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	5 January 2017
Purchase consideration	
– Cash paid	444,285
Recognised amounts of identifiable assets acquired and liabilities assumed	
Fair value	
Cash	4,723
Properties under development	1,842,521
Property, plant and equipment	818
Investment properties	335,340
Other receivables and prepayments	1,372
Accruals and other payables	(420,532)
Deposits received on sale of properties	(56,842)
Long-term borrowings	(1,096,000)
Net deferred tax liabilities	(19,020)
Total identifiable net assets	592,380
Non-controlling interest	(148,095)
	444,285
Cash outflow on acquisition, net of cash acquired	
Total cash consideration paid in the six months ended 30 June 2017	444,285
Less: cash and cash equivalents in the subsidiary acquired	(4,723)
Cash outflow on acquisition in the six months ended 30 June 2017	439,562

(All amounts in RMB Yuan thousands unless otherwise stated)

7. ACQUISITION OF GUANGDONG XINTIANHONG PROPERTY DEVELOPMENT CO., LTD. (continued)

(a) Acquired receivables

The fair value of other receivables is RMB412,000 and Guangdong Tianhong Property does not include any trade receivables.

(b) Non-controlling interest

The Group has chosen to recognise the non-controlling interest at the proportion of net assets acquired shared by the non-controlling interest, which is 25%.

(c) Revenue and profit contribution

The acquired business did not contribute any revenue but a net profit of RMB10,016,000 to the Group for the period from 5 January 2017 to 30 June 2017.

8. CAPITAL EXPENDITURE

			Property, plant and equipment		
	Intangible assets	Investment properties	Owned assets	Assets acquired under finance lease	Land use rights
Six months ended 30 June 2017					
At 1 January 2017	**1,079,572**	**22,068,681**	**10,204,711**	**723,467**	**1,933,706**
Additions	**32,613**	**111,996**	**628,104**	**104,450**	**248,467**
Transfers from properties under development	**–**	**–**	**74,057**	**–**	**20,783**
Currency translation differences	**20**	**–**	**93**	**–**	**–**
Acquisition of a subsidiary	**–**	**335,340**	**818**	**–**	**–**
Disposals	**(38,783)**	**–**	**(3,115)**	**–**	**–**
Fair value gains (included in other gains – net)	**–**	**479,260**	**–**	**–**	**–**
Depreciation and amortisation	**(36,377)**	**–**	**(240,841)**	**(33,053)**	**(38,190)**
At 30 June 2017	**1,037,045**	**22,995,277**	**10,663,827**	**794,864**	**2,164,766**
Six months ended 30 June 2016					
At 1 January 2016	1,034,849	19,251,951	8,706,730	303,134	1,264,041
Additions	101,017	1,075,918	322,846	5,017	185,128
Currency translation differences	(7)	–	684	–	–
Acquisitions of subsidiaries	180	–	871,082	–	49,811
Disposals	(34,301)	–	(5,656)	–	–
Fair value gains (included in other gains – net)	–	717,114	–	–	–
Depreciation and amortisation	(38,694)	–	(226,678)	(12,720)	(22,323)
At 30 June 2016	1,063,044	21,044,983	9,669,008	295,431	1,476,657

8. CAPITAL EXPENDITURE (continued)

(a) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair values of the investment properties as at 30 June 2017, 30 June 2016 and 31 December 2016. The fair value gains or losses are included in "other gains – net" (Note 18).

As at 30 June 2017, 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 2017 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.

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 among 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; and
- 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, the valuations were based on the term and reversionary method, which largely used unobservable inputs and taking into account the significant adjustment in term yield to account for the risk upon reversionary and the estimation in market price after expiry of current lease.

For carparks, the valuations were determined using the direct comparison method. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

8. CAPITAL EXPENDITURE (continued)

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

- Term yield, reversionary yield, market price and market rent

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

9. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2017	2016
At 1 January	**6,795,392**	5,954,631
Addition	**238,398**	–
Acquisition of a subsidiary	**–**	78,793
Share of results	**(70,874)**	178,463
Elimination of unrealised profits	**(182)**	(697)
At 30 June	**6,962,734**	6,211,190

10. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2017	2016
At 1 January	**166,908**	71,052
Addition	**295,000**	20,000
Disposal (Note (a))	**(254,082)**	–
Share of results	**6,001**	739
Dividends received from an associate	**(31,837)**	–
At 30 June	**181,990**	91,791

(a) The Group disposed its associate, 廣州利合房地產開發有限公司 (“廣州利合”) on 29 June 2017 at a consideration of RMB240,623,000, losses from which of RMB13,459,000 has been included in “other gains – net” in the condensed consolidated interim income statement.

(All amounts in RMB Yuan thousands unless otherwise stated)

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2017	31 December 2016
Trade receivables – net	**6,701,928**	7,175,084
Other receivables – net	**16,821,280**	11,747,174
Prepayments	**2,317,569**	1,662,690
Due from joint ventures (Note 24(f))	**1,107,705**	1,053,003
Due from associates (Note 24(f))	**100,200**	42,281
Total	**27,048,682**	21,680,232
Less: non-current portion	**(297,820)**	(97,420)
Current portion	**26,750,862**	21,582,812

As at 30 June 2017, trade receivables were mainly derived from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

	As at 30 June 2017	31 December 2016
Trade receivables – current portion	**6,737,991**	7,209,024
Less: allowance for impairment	**(36,063)**	(33,940)
	6,701,928	7,175,084

At 30 June 2017 and 31 December 2016, the ageing analysis of trade receivables is as follows:

	As at 30 June 2017	31 December 2016
Up to 1 year	**5,547,253**	6,180,202
1 year to 2 years	**412,914**	391,554
2 years to 3 years	**247,619**	511,180
Over 3 years	**530,205**	126,088
	6,737,991	7,209,024

(All amounts in RMB Yuan thousands unless otherwise stated)

12. RESTRICTED CASH

	As at	
	30 June 2017	31 December 2016
Guarantee deposits for borrowings (Note (a))	**10,167,118**	12,947,855
Guarantee deposits for construction of pre-sold properties (Note (b))	**5,610,877**	6,455,545
Guarantee deposits for salary payments for construction workers (Note (c))	**298,286**	334,149
Guarantee deposits for interest of senior notes (Note (d))	**141,204**	476,981
Guarantee deposits for mortgage loans provided to customers (Note (e))	**102,410**	68,265
Guarantee deposits for construction payables (Note (f))	**46,877**	43,191
Guarantee deposits for resettlement costs (Note (g))	**36,051**	35,960
Others (Note (h))	**334,658**	301,121
	16,737,481	20,663,067

Notes:

(a) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

(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 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.

(c) 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 a designated bank account certain cash deposits as security for salary payments for construction workers. Such guarantee deposits will only be released after completion of the construction of relevant properties.

(d) According to the relevant contracts, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes.

(e) 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.

(f) 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.

(g) 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.

(h) Others mainly include guarantee deposits for letters of credit.

13. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 30 June 2017 and 31 December 2016		
– 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 2017 and 31 December 2016, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

14. PERPETUAL CAPITAL INSTRUMENTS

	Six months ended 30 June	
	2017	2016
At 1 January	**2,404,327**	7,977,869
Additions	**–**	2,400,000
Redemptions	**–**	(7,900,000)
Profit attributable to holders of perpetual capital instruments	**71,193**	199,917
Distributions to holders of perpetual capital instruments	**(71,587)**	(273,719)
At 30 June	**2,403,933**	2,404,067

The perpetual capital instruments are guaranteed by the Company. 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 condensed consolidated interim balance sheet.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS

	As at 30 June 2017	31 December 2016
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
– Secured	**38,794,915**	32,646,591
– Unsecured	**4,406,600**	4,203,550
	43,201,515	36,850,141
Domestic bonds (Note (b))		
– Unsecured	**48,779,051**	48,697,974
Medium-term notes (Note (c))		
– Unsecured	**996,034**	–
Senior notes (Note (d))		
– Secured	**4,815,860**	11,550,207
Other borrowings (Note (e))		
– Secured	**15,135,000**	12,299,000
– Unsecured	**500,000**	500,000
	15,635,000	12,799,000
Finance lease liabilities (Note (f))		
– Secured	**266,533**	323,532
Less: current portion of long-term borrowings	**(15,890,661)**	(23,050,688)
	97,803,332	87,170,166
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
– Secured	**7,779,699**	8,619,900
– Unsecured	**598,500**	598,000
	8,378,199	9,217,900
Other borrowings (Note (e))		
– Secured	**530,000**	580,000
– Unsecured	**540,000**	833,330
	1,070,000	1,413,330
	9,448,199	10,631,230
Current portion of long-term borrowings	**15,890,661**	23,050,688
Total borrowings	**123,142,192**	120,852,084

(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	
	2017	2016
At 1 January	**46,068,041**	38,921,195
Additions	**15,974,061**	8,386,179
Acquisition of a subsidiary	**796,000**	2,779,910
Repayments	**(11,090,698)**	(9,220,124)
Foreign exchange gains	**(167,690)**	–
At 30 June	**51,579,714**	40,867,160

(b) Domestic bonds

(i) 2015 Bonds

The Company issued 65,000,000 units of corporate bonds at a par value of RMB6.5 billion in the PRC on 13 July 2015 (the "2015 Bonds"). The 2015 Bonds were listed on the Shanghai Stock Exchange on 25 August 2015. The net proceeds of the 2015 Bonds, after deducting the transaction costs, amounted to RMB6,423,000,000.

The interest rate of the 2015 Bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate by up to 100 basis points for the remaining periods. The 2015 Bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

(ii) 2016 Bonds

The Company issued 60,000,000 units of corporate bonds at a par value of RMB6.0 billion in the PRC on 11 January 2016 (the "Original 2016 Bonds").

The Company further issued 36,000,000 units of corporate bonds at a par value of RMB3.6 billion in the PRC on 22 January 2016 (the "Additional 2016 Bonds I"). The interest rates of the Original 2016 Bonds and Additional 2016 Bonds I are fixed at 3.95% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rates for the remaining periods. The Original 2016 Bonds and Additional 2016 Bonds I will mature after five years from the respective issue dates, and are puttable for early redemption at the principal amount upon the third anniversary of the respective issue dates.

The Company further issued 19,500,000 units of corporate bonds at a par value of RMB1.95 billion in the PRC on 7 April 2016 (the "Additional 2016 Bonds II"). The interest rate of the Additional 2016 Bonds II is fixed at 3.48% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Bonds II will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 9,500,000 units of corporate bonds at a par value of RMB0.95 billion in the PRC on 7 April 2016 (the "Additional 2016 Bonds III and, together with the Original 2016 Bonds, the Additional 2016 Bonds I and II, the "2016 Bonds"). The interest rate of the Additional 2016 Bonds III is fixed at 3.95% per annum. On the fifth anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Bonds III will mature after seven years from the issue date, and are puttable for early redemption at the principal amount upon the fifth anniversary of the issue date.

15. BORROWINGS (continued)

(b) Domestic bonds (continued)

(ii) 2016 Bonds (continued)

The net proceeds of all the 2016 Bonds, after deducting the transaction costs, amounted to RMB12,382,400,000. The 2016 Bonds were listed on the Shanghai Stock Exchange.

(iii) 2016 Non-public Bonds

The Company issued 46,000,000 units of non-public bonds at a par value of RMB4.6 billion in the PRC on 16 May 2016 (the "Original 2016 Non-public Bonds"). The interest rate of the Original 2016 Non-public Bonds are fixed at 5.20% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Original 2016 Non-public Bonds will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 104,000,000 units of non-public bonds at a par value of RMB10.4 billion in the PRC on 30 May 2016 (the "Additional 2016 Non-public Bonds I"). The interest rate of the Additional 2016 Non-public Bonds I is fixed at 5.15% per annum. On the second anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Non-public Bonds I will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The Company further issued 93,000,000 units of non-public bonds at a par value of RMB9.3 billion in the PRC on 29 June 2016 (the "Additional 2016 Non-public Bonds II"). The interest rate of the Additional 2016 Non-public Bonds II is fixed at 5.00% per annum. On the second anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds II will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The Company further issued 57,000,000 units of non-public bonds at a par value of RMB5.7 billion in the PRC on 19 October 2016 (the "Additional 2016 Non-public Bonds III" and, together with the Original 2016 Non-public Bonds, the Additional 2016 Non-public Bonds I and II, the "2016 Non-public Bonds"). The interest rate of the Additional 2016 Non-public Bonds III is fixed at 4.39% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds III will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The net proceeds of the 2016 Non-public Bonds, after deducting the transaction costs, amounted to RMB29,769,400,000.

(iv) Fair value and movement of domestic bonds

The fair values of the 2015 Bonds and 2016 Bonds as at 30 June 2017 amounted to RMB18,790,775,000. The fair values were determined by reference to the price quotations published on 30 June 2017 and were within level 1 of the fair value hierarchy.

The fair value of the 2016 Non-public Bonds as at 30 June 2017 amounted to RMB30,099,254,000. The fair values were based on cash flows discounted at the borrowing rate of 4.9% and 4.75%, respectively, and were within level 2 of the fair value hierarchy.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(b) Domestic bonds (continued)

(iv) Fair value and movement of domestic bonds (continued)

The movements of domestic bonds are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	**48,697,974**	6,429,519
Additions	**–**	27,260,400
Interest charged (Note 19)	**1,220,190**	453,622
Interest paid or included in other payables	**(1,139,113)**	(436,045)
At 30 June	**48,779,051**	33,707,496

(c) Medium-term notes

On 27 April 2017, the Company issued 10,000,000 units of medium-term notes at a par value of RMB1.0 billion in the PRC (the "2017 Medium-term Notes I"). The interest rate of the 2017 Medium-term Notes I is fixed at 5.25% per annum. The 2017 Medium-term Notes I will mature after three years from the issue date.

The net proceeds of the 2017 Medium-term Notes I, after deducting the transaction costs, amounted to RMB995,800,000.

The fair value of the 2017 Medium-term Notes I as at 30 June 2017 amounted to RMB1,012,933,000. The fair value was based on cash flows discounted at the borrowing rate of 4.75%, and was within level 2 of the fair value hierarchy.

The movements of medium-term notes are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	**–**	–
Additions	**995,800**	–
Interest charged (Note 19)	**9,438**	–
Interest paid or included in other payables	**(9,204)**	–
At 30 June	**996,034**	–

(d) Senior notes

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

(i) 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 (equivalent to approximately RMB2,511,000,000) at par (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) 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.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(d) Senior notes (continued)

(i) 2013 Notes (continued)

On 24 January 2017, Caifu redeemed the 2013 Notes in full at a redemption price equal to 104.375% of the principal amount of the 2013 Notes outstanding thereof which amounted to RMB4,294,322,000 plus the accrued and unpaid interest of RMB180,002,000 as of 24 January 2017.

(ii) 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"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

On 10 January 2017, Trillion Chance redeemed the 2014 Notes in full at a redemption price equal to 104.250% of the principal amount of the 2014 Notes outstanding thereof which amounted to RMB7,220,564,000 plus the accrued and unpaid interest of RMB294,364,000 as of 10 January 2017.

(iii) 2017 Notes

On 13 January 2017, a subsidiary of the Group, Easy Tactic Limited ("Easy Tactic") issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD265,000,000 with the issue price 99.146% of the principal amount (the "2017 Original Notes").

On 20 January 2017, Easy Tactic further issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD460,000,000 with the issue price 99.146% of the principal amount, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017 (the "2017 Additional Notes" and, together with the 2017 Original Notes, the "2017 Notes"). The net proceeds of the 2017 Notes, after deducting the transaction costs, amounted to RMB4,880,042,000.

As at 30 June 2017, the 2017 Notes were guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 6.25% to 9.14% (2016: 8.87% to 12.25%).

The movements of senior notes are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	**11,550,207**	12,776,880
Issuance of the 2017 Notes	**4,880,042**	–
Redemption	**(11,040,521)**	(2,572,906)
Early redemption premium paid	**(474,365)**	–
Interest charged (Note 19)	**197,473**	574,435
Interest paid or included in other payables	**(161,753)**	(544,376)
Foreign exchange (gains)/losses	**(135,223)**	272,725
At 30 June	**4,815,860**	10,506,758

The fair values of the senior notes as at 30 June 2017 amounted to RMB4,910,899,000 (31 December 2016: RMB11,599,885,000). The fair values were determined directly by reference to the price quotations published by Bloomberg on 30 June 2017 and is within level 1 of the fair value hierarchy.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(e) 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.

The effective interest rate of these funding arrangements ranged from 4.75% to 13.18% (2016: 5.23% to 13.18%).

The movements of other borrowings are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	**14,212,330**	24,250,527
Additions	**3,940,000**	4,664,330
Acquisition of a subsidiary	**300,000**	100,000
Repayments	**(1,747,330)**	(6,339,000)
Interest charged (Note 19)	**479,130**	1,045,370
Interest paid or included in other payables	**(479,130)**	(1,069,549)
At 30 June	**16,705,000**	22,651,678

(f) Finance lease liabilities

In April 2012, 北京富力城房地產開發有限公司("北京富力城"), a subsidiary of the Company entered into an aircraft rental agreement with an independent third party under financial lease (the "2012 Finance Lease Arrangement"). Under the 2012 Finance Lease Arrangement, 北京富力城 leased an aircraft for an agreed term of five years commencing 15 April 2012. At the maturity date of the lease, 北京富力城 has an option to purchase the aircraft for a consideration of RMB94,830,000. Upon the maturity date, 北京富力城 did not exercise the option to purchase the aircraft.

In August 2016, 北京富力通達房地產開發有限公司("北京富力通達"), another subsidiary of the Company entered into an aircraft rental agreement with an independent third party under a financial lease (the "2016 Finance Lease Arrangement"). Under the 2016 Finance Lease Arrangement, 北京富力通達 leased an aircraft for an agreed term of four years commencing from 15 September 2016. The lessor will transfer the ownership of the underlying asset to 北京富力通達 at the maturity date of the lease or the early repayment date.

The movements of finance lease liabilities are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	**323,532**	60,519
Repayments	**(57,033)**	(25,111)
Interest charged (Note 19)	**7,002**	1,522
Interest paid or included in other payables	**(6,968)**	–
At 30 June	**266,533**	36,930

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(f) Finance lease liabilities (continued)

	As at 30 June 2017	31 December 2016
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**99,729**	114,391
Later than 1 year and no later than 5 years	**186,822**	236,161
	286,551	350,552
Future finance charges on finance leases	**(20,018)**	(27,020)
Present value of finance lease liabilities	**266,533**	323,532
The present value of finance lease liabilities is as follows:		
No later than 1 year	**89,188**	101,850
Later than 1 year and no later than 5 years	**177,345**	221,682
	266,533	323,532

(g) As at 30 June 2017, bank and other borrowings totalling RMB62,239,614,000 (31 December 2016: RMB54,145,491,000) of the Group were secured by the following:

	As at 30 June 2017	31 December 2016
Land use rights	**652,894**	697,664
Property, plant and equipment	**4,246,024**	4,154,497
Investment properties	**14,206,249**	14,094,260
Properties under development	**34,766,179**	30,414,608
Completed properties held for sale	**2,676,056**	319,335
Restricted cash	**9,712,577**	9,708,419
Equity investments in subsidiaries	**896,002**	1,096,002
	67,155,981	60,484,785

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

	As at 30 June 2017	31 December 2016
Guarantors:		
– The Company	**5,105,100**	3,998,000
– Subsidiaries	**940,000**	1,303,550
	6,045,100	5,301,550

(All amounts in RMB Yuan thousands unless otherwise stated)

16. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2017	31 December 2016
Amounts due to joint ventures (Notes (a) and 24(f))	**3,810,766**	2,347,150
Amounts due to an associate (Notes (a) and 24(f))	**133,301**	414,142
Construction payables (Note (b))	**9,625,836**	10,294,391
Other payables and accrued charges (Note (c))	**11,629,272**	8,895,782
	25,199,175	21,951,465

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

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

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

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

17. OTHER INCOME

	Six months ended 30 June 2017	2016
Interest income	**116,364**	78,965
Other operating income	**72,405**	35,381
Dividends received on available-for-sale financial assets	**10,233**	13,204
	199,002	127,550

18. OTHER GAINS – NET

	Six months ended 30 June 2017	2016
Fair value gains on investment properties – net	**479,260**	717,114
Gains on disposals of intangible assets	**51,783**	93,699
Gains on disposals of property, plant and equipment	**322**	24,163
Losses on disposal of an associate	**(13,459)**	–
Others	**14,781**	16,415
	532,687	851,391

(All amounts in RMB Yuan thousands unless otherwise stated)

19. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
Interest expenses:		
– bank borrowings	**1,251,002**	1,163,429
– domestic bonds (Note 15 (b))	**1,220,190**	453,622
– medium-term notes (Note 15 (c))	**9,438**	–
– senior notes (Note 15 (d))	**197,473**	574,435
– other borrowings (Note 15 (e))	**479,130**	1,045,370
– finance lease liabilities (Note 15 (f))	**7,002**	1,522
	3,164,235	3,238,378
Net foreign exchange gains	**(440,915)**	(120,284)
Less: finance costs capitalised	**(1,754,939)**	(2,117,220)
	968,381	1,000,874

20. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
Current income tax		
– PRC enterprise income tax (Note (b))	**1,483,624**	732,635
Deferred income tax	**(398,815)**	169,707
	1,084,809	902,342
Current PRC land appreciation tax (Note (c))	**1,305,404**	705,272
Total income tax expenses	**2,390,213**	1,607,614

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the period (six months ended 30 June 2016: 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 2017, all of the companies in the Group were primarily taxed at 25% (six months ended 30 June 2016: 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	
	2017	2016
Interim dividend of RMB0.33 (2016: RMB0.30) per ordinary share	**1,063,381**	966,710

An interim dividend in respect of the six months ended 30 June 2017 of RMB0.33 per ordinary share, totalling RMB1,063,381,000 was proposed by the board of directors (six months ended 30 June 2016: RMB966,710,000). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2017.

22. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 30 June 2017 are analysed as follows:

	As at	
	30 June 2017	31 December 2016
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**33,972,483**	33,406,812
Guarantees in respect of borrowings of joint ventures and associates (Notes (b))	**4,986,313**	5,514,356
	38,958,796	38,921,168

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 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 condensed consolidated interim financial information for the guarantees.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

23. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at	
	30 June 2017	31 December 2016
Contracted but not provided for		
– Properties development activities	**7,286,476**	6,502,044
– Acquisitions of land use rights	**12,302,449**	12,200,006
– Additional capital injection into an associate	**–**	280,000
	19,588,925	18,982,050

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2017	31 December 2016
Not later than one year	**22,690**	27,841
Later than one year and not later than five years	**40,619**	42,414
Later than five years	**45,674**	47,938
	108,983	118,193

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr. Li Sze Lim and Mr. Zhang Li, who own 33.70% 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) Key management compensation

	Six months ended 30 June	
	2017	2016
Salaries and welfare benefits	**10,427**	10,524

(b) Provision of property management services

	Six months ended 30 June	
	2017	2016
Joint ventures:		
天津津南新城房地產開發有限公司(“津南新城”)	**3,660**	4,663
貴州大西南房地產開發有限公司(“貴州大西南”)	**2,721**	–
	6,381	4,663

(c) Provision of decoration, design and construction service

	Six months ended 30 June	
	2017	2016
Joint ventures:		
廣州市富景房地產開發有限公司(“廣州富景”)	**32,556**	85,504
貴州大西南	**18,255**	23,537
上海城投悦城置業有限公司(“上海悦城”)	**7,864**	–
河南建業富居投資有限公司(“河南建業”)	**3,855**	–
津南新城	**1,267**	2,707
廣州市森華房地產有限公司(“森華房地產”)	**476**	8,449
廣西富雅投資有限公司(“廣西富雅”)	**4**	943
	64,277	121,140

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(d) Purchase of installation services

	Six months ended 30 June	
	2017	2016
Controlled by an immediate family member of the major shareholder:		
廣州鉅融機電工程有限公司	**956**	25,385
Common shareholders:		
廣州越富環保科技有限公司	**–**	5,485
	956	30,870

(e) Provision of guarantees for borrowings

The Group and certain other shareholders of the joint ventures and associates have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. As at 30 June 2017, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(i) Bank borrowings

	As at	
	30 June 2017	31 December 2016
Joint ventures:		
津南新城	**1,175,000**	1,125,000
廣州富景	**1,022,424**	589,004
上海悦城	**625,000**	475,000
森華房地產	**83,400**	108,600
廣西富雅	**56,400**	120,000
廣州市騰順投資有限公司(“騰順投資”)	**50,000**	50,000
貴州大西南	**–**	48,000
	3,012,224	2,515,604
Associates:		
河南建業	**404,550**	405,000
廣州利合	**–**	119,920
	404,550	524,920
	3,416,774	3,040,524

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(e) Provision of guarantees for borrowings (continued)

(ii) Other borrowings

	As at 30 June 2017	31 December 2016
Associates:		
河南建業	630,900	634,500
廣州利合	–	896,000
	630,900	1,530,500

(f) Balances with related parties

As at 30 June 2017, the Group had the following significant balances with related parties:

	As at 30 June 2017	31 December 2016
Due from:		
Joint ventures		
– Non-trade balances		
騰順投資	399,503	401,128
貴州大西南	189,915	350,734
Hines Shanghai New Jiangwan Development Co., Ltd. ("Hines Shanghai")	180,955	187,957
Accord Wing Limited ("Accord Wing")	103,181	103,181
Etone Australia Holdings Pty Ltd.	90,635	–
南京星潤置業有限公司	73,513	–
廣西富雅	70,003	10,003
	1,107,705	1,053,003
Associates		
– Non-trade balances		
龍岩恒富房地產開發有限公司	100,200	–
廣州利合	–	42,281
	100,200	42,281
	1,207,905	1,095,284

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(f) Balances with related parties (continued)

	As at	
	30 June 2017	31 December 2016
Due to:		
Joint ventures		
– Non-trade balances		
廣州富景	**1,638,228**	416,512
上海悦城	**1,514,137**	1,372,237
森華房地產	**389,000**	389,000
津南新城	**191,825**	91,825
北京盛興天和投資管理有限公司	**77,576**	77,576
	3,810,766	2,347,150
An associate		
– Non-trade balances		
河南建業	**133,301**	414,142
	3,944,067	2,761,292

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

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Borrowings

On 5 July 2017, the Company issued 10,000,000 units of medium-term notes at a par value of RMB1.0 billion in the PRC (the "2017 Medium-term Notes II"). The interest rate of the 2017 Medium-term Notes II is fixed at 5.50% per annum. The 2017 Medium-term Notes II will mature after three years from the issue date.

(b) Transaction in relation to the acquisition of 77 hotels with Dalian Wanda Commercial Properties Co.,Ltd. ("Dalian Wanda")

On 19 July 2017, the Company as the buyer, and Dalian Wanda as the seller entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire, and Dalian Wanda conditionally agreed to dispose of, the interest in 76 hotels across the PRC and a 70% interest in Wanda Vista Yantai in Yantai City, the PRC, at an aggregate consideration of approximately RMB19,906,390,000. Dalian Wanda will spin off the interests in 77 hotels from its existing subsidiaries and transfer them into new independent legal entities, the equity interests of which will be subsequently transferred to the Company. As of the date of this report, the transaction is still subject to reporting, announcement, circular and shareholders' approval requirements under the Main Board Listing Rules of The Hong Kong Stock Exchange Limited.

(All amounts in RMB Yuan thousands unless otherwise stated)

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the period ended 30 June 2017 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	
	2017	2016	**30 June 2017**	31 December 2016
As stated in accordance with CAS	**2,481,621**	2,434,095	**46,994,082**	46,803,577
Impact of HKFRS adjustments:				
1. Amortisation of revaluation gain arising from business combinations	**(1,158)**	(13,248)	**42,337**	43,495
2. Deferred taxation	**290**	3,312	**(10,586)**	(10,875)
As stated in accordance with HKFRS	**2,480,753**	2,424,159	**47,025,833**	46,836,197

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.