廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

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

(Stock code: 2777)

2016 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Contracted sales increased by 44% to RMB29,790 million.
- Recognised revenue increased by 76% to RMB22,389 million.
- Net profit increased by 43% to RMB2,424 million.
- Gross profit margin and net profit margin was 25.4% and 10.8% respectively. Gross profit margin arising from sales of properties was 27.1%.
- Significant reduction in effective cost of borrowings to 6.57%.
- Abundant cash reserves of RMB37,343 million available.
- Interim dividend per share of RMB0.30.

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016. The condensed consolidated interim financial information appended at the end of this announcement forms an integral part of this announcement. The interim results have been reviewed by the audit committee of the Company.

RESULTS AND DIVIDEND

For the six months ended 30 June 2016, the Group's total turnover increase by 76% to RMB22.39 billion, and net profit increased by 43% to RMB2.42 billion over the corresponding period last year.

During the period, turnover and net profit from the Group's core business of property development increased by 85% and 69%, respectively, with turnover amounting to RMB20.50 billion and net profit to RMB2.07 billion. The increase in turnover and profit was mainly due to a significant increase in the delivery of area sold to 1,873,400 sq.m., representing an increase of 50% over the corresponding period last year. Our gross margin remained satisfactory but was lower as a result of differences in product mix. Total saleable area of 1,667,000 sq.m. was completed from the sale properties in the period. Recurring revenue from property investments and hotel segment continued its stable growth of 9% during the period to RMB1,036 million. Profitability from property investments continues to provide an important contribution to the Group with gross profit margin of 80% and net profit margin (excluding revaluation) of 39%. The directors have resolved to declare an interim dividend of RMB0.30 per share.

BUSINESS REVIEW

Following the solid recovery of the China property market in 2015, the sector has continued to improve further in the first half of 2016. A strong momentum for contracted sales was witnessed across a number of cities, as contracted sales significantly picked up in March and extended into the remaining months of the first half. Many developers recorded double- and even triple-digit contracted sales growth year-on-year. The period also saw progressive policy easing, which included China's central bank allowing banks to lower the minimum down-payment required for first and second home purchases, and rural residents being allowed to be registered as urban residents to qualify for home purchases. This, coupled with a more stable environment relative to the same period in 2015, helped the Group achieve a significant increase in contracted sales year-on-year of 44%, most notably driven by a corresponding increase in saleable area sold of 2,435,400 sq.m., an increase of 43% year-on-year. The cities in which the Group experienced the highest growth were the tier-1 cities of Beijing and Tianjin, where contracted sales increased by approximately 73% and 30% respectively, and certain tier-2 cities such as Huizhou, Nanjing, Wuxi, and Hainan, which saw growth in excess of 200% in terms of value.

The strong recovery of property sales in China placed upward pressure on average selling prices, particularly in tier-1 cities where underlying fundamental demand remains very high. As a result, in Shanghai and Shenzhen (where transaction prices saw the highest increases), selective policies were introduced to control prices. These included a tightening of mortgage requirements for second home purchases, which now require a 50%-70% down-payment in Shanghai and a 40% down-payment in Shenzhen, as compared with previous down payment requirements of 40% and 30% respectively. In addition, potential buyers in Shanghai who do not hold local residence permits (or hukou) must have paid social insurance or taxes in Shanghai for at least five years to qualify for a purchase, where previously the requirement was two years. These tightening measures have somewhat dampened the pace of transactions in these two locations, and raised speculation on whether similar policies will be introduced in other cities. However, the Group believes that this approach of introducing policies specifically targeting certain locations has proved more effective in moderating the sector and creating long-term sustainability than the previous nationwide policies.

Alongside the resurgence in sales volumes, land acquisitions have also seen a significant pick-up in transaction numbers. So-called "land king" purchases are being seen not just in tier-1 cities but also in non-tier-1 cities; these involve (in extreme cases) the final purchase price being two or three times the opening price, as developers look to lock in land for future development. After experiencing modest sales growth in the last two years, most developers chose to conserve cash and scaled back on their land acquisitions during this period. However, with the improvement in contracted sales and an abundance of onshore liquidity, developers have now become more aggressive in replenishing their land banks. After observing land price trends in the first half of the year, the Group chose to remain disciplined about making additional land acquisitions, and only committed RMB5.5 billion, or 1,490,000 sq.m. of gross floor area in China. In 2013 and 2014, the Group made significant land acquisitions at prices below the current market prices, and this has afforded it scope to be patient as it seeks out attractive land acquisition opportunities. Our land bank is currently made up of approximately 38.2 million sq.m. of attributable saleable area, predominantly in China, Malaysia (Johor Bahru), and Australia (Melbourne and Brisbane). Based on the estimated sales value of our attributable land bank, 32% is in tier-1 cities, 45% is in tier-2 cities, and the remainder is in lower tier cities and overseas. Our overall attributable land bank remains cost-effective, at RMB1,700 per sq.m..

The Group's core focus has historically been in tier-1 cities, and in the first half of 2016 it further consolidated this by entering into Shenzhen for the first time. Shenzhen has always been a competitive market given the low supply of land for auction, but it is also one of the most mature and developed property markets among all China's tier-1 cities. As a location, it enjoys the benefits of proximity to Hong Kong, fully developed road and rail infrastructures to other cities, a sizeable working class demographic and a diversified representation of small to medium entrepreneurial businesses run by aspirational young professionals. Having devoted a significant amount of time and energy to understanding the Shenzhen market and exploring the land bank resources available, the Group acquired 248,000 sq.m. (attributable) through two acquisitions. It is also in discussions over the potential acquisition of further projects involving over one million sq.m. of saleable area. At a time of the emergence of "land king" transactions, the Group's first entry into this top tier city in a prime location was a testament to our land banking ability. The land cost associated with the Shenzhen acquisition was approximately RMB8,000 per sq.m., against observed selling prices of above RMB30,000 per sq.m. in the vicinity. With Shenzhen added to the group of tier-1 cities, the Group will focus its land banking activities in five key areas: Guangzhou-Shenzhen, Beijing-Tianjin, the Yangtze River Delta, Taiyuan, and Hainan. With the exception of Shenzhen, all the other regions are locations where the Group has an existing presence. All have also contributed significantly either to the Group's contracted sales or revenue due to their solid sales track record, strong growth potential, or rapid asset turnaround.

There have been a number of noteworthy developments with regards to the Group's financing, all of them positive in terms of the Group's cash flow and earnings profile. Because of our well-established brand name and corporate profile in China, the Group continues to have broad access to onshore public and private bond markets, at historically low interest rates. With a total approved public bond quota of RMB19 billion issued by the Shanghai Stock Exchange in 2015, the Group fully utilised the remaining RMB12.5 billion quota outstanding from 2015 in the first half at interest rates of between 3.48% and 3.95% p.a. for a tenor of 5-year to 7-year maturity. To enhance its funding ability, the Group further received approval in February this year from the Shanghai Exchange and the Shenzhen Exchange to issue up to a quota of RMB30 billion of private domestic bonds. These private bonds differ from public bonds in that only a select class of investors is qualified institutional investors; such investors must be considered to be sophisticated and have a higher risk tolerance, but can expect higher returns. As of early July, the Group had issued multiple tranches of private domestic bonds totalling RMB24.3 billion, at interest rates of between 5% and 5.2% p.a., for a tenor of 4-year and 6-year maturity. Despite volatility in the onshore bond market at the beginning of the second quarter as a result of a number of onshore defaults, our established profile and strong onshore AAA credit rating has ensured that we have been able to continue to access available liquidity for the remainder of the year.

Having been able to raise significant funding at historically low interest rates, the Group took the opportunity of refinancing and redeeming certain relatively expensive short-term debt and debt-like instruments maturing in the near term. Notable repayments that took place included a US$388 million offshore high yield bond that matured in April and RMB7.9 billion of perpetual capital securities with potentially higher step-up costs. The effect of redeeming these near term maturities has been to relieve short-term liquidity risk as well as to significantly lower the Group's overall cost of debt, since the near term redemptions had a carrying cost of approximately 10% p.a. or above compared with recent capital raised at approximately 5% p.a. or below. Consequently, the Group's overall refinancing activities have greatly enhanced its financing flexibility by extending the maturity curve and reducing the need to use near term cash flow to service interest expenses. The Group will continue to seek opportunities to rationalise its funding costs further while the financing environment remains at current interest levels.

The first half saw China's tax reform in the form of value-added tax (VAT) being applied to China's property sector, and also broadened to take in the construction, finance and consumer service sectors. Previously the construction and real estate sectors were subject to a 5% business tax on gross revenue, as against the new situation in which VAT of 11% is applied on a net basis after netting tax deductible expenses (such as land in the case of property development). The key objective of the tax reform is to boost spending on upgrading and investment, since associated costs have the benefit of being tax deductible. The transition for the property sector will be gradual, as projects under construction will have a "grandfather" period before the VAT provisions come into full effect. However, the Group does not expect the tax reform will have a significant impact on its financials over the longer period, as the sector will adjust its costs to accommodate the new tax structure.

GOING FORWARD

The Group expects momentum in the sector to continue into the second half, as fundamental end-user demand remains robust and control measures being applied in the sector remain focused on achieving long-term sustainability. Furthermore, the success of our sales and marketing strategies across varying cities ensures we are confident of achieving our contracted sales target for the full year, based on saleable resources from 68 projects in 29 cities available for sale in China and overseas. With a more flexible financing profile and an established earnings base achieved in 2015, we are on track to a sustainable sales and earnings growth in the short-term, with a primary focus on profitability. We also expect land banking to continue to be fairly active in the sector in the second half as developers reach their yearly sales targets and replenishing land banks becomes a necessity to maintain a continuous development profile. However, we do expect that land banking will be more rationale as developers look to diversify their exposure across various acquisitions, rather than concentrating all their capital in more risky "land king" purchases. The Group's entry into the hotly contested Shenzhen market at reasonable land costs is a testament to our discipline and our ability to strategically secure good land bank resources. This, coupled with our ability to make acquisitions that can achieve rapid asset turnaround, should ensure that our strong land bank profile can deliver on our future sales targets. With these building blocks in place, the Group is highly confident of a strong finish to the year and a solid start going into next year.

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2016 increased to RMB2.42 billion, from RMB1.70 billion for the corresponding period last year. Net profit from the Group's core business of property development accounted for 85% of the Group's total net profit and amounted to RMB2.07 billion. Compared to the previous period, net profit from property development increased by 69%, based on a delivery of 1,873,400 sq.m. in terms of saleable area in the period. Profit from property investment, not including any fair value gain, was RMB155 million. Fair value gain in the period amounted to RMB717 million. Revenue from hotel operations and other segments increased by 22%, compared to the previous period, to RMB1.5 billion as a result of the opening of four new hotels in Guangzhou, Hainan 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. Turnover increased by 85% to RMB20.50 billion, from RMB11.11 billion in the same period in 2015. The Group completed and delivered properties in 20 cities in the six months ended 30 June 2016. The amount of saleable area sold increased by 50% to 1,873,400 sq.m. from 1,249,100 sq.m.. The overall average selling price increased by 22%, from RMB8,900 to RMB10,900 per sq.m. This increase in average selling price was mainly due to the sales mix in the period having proportionally less turnover from sales of residential properties being low income housing projects. The top three projects, Shanghai R&F Hongqiao No. 10, Taiyuan R&F City and Fuzhou R&F Center, which individually had turnover of over RMB1.5 billion and a combined turnover of RMB5.9 billion or 29% of total turnover and carried average selling price from RMB7,100 to RMB47,000 per sq.m.. Based on turnover distribution by cities in the period, there were four more cities compared to same period in 2015 and Taiyuan replaced Beijing and the first time to be the city with the largest share of total turnover. Mainly from Taiyuan R&F City, turnover of Taiyuan amounted to RMB2.54 billion or 12% of total turnover. Shanghai ranked second in turnover with large scale delivery of Shanghai R&F Hongqiao No. 10 which increased its turnover to RMB2.37 billion, equivalent to 12% of total. Beijing's turnover ranked third with turnover amounted to RMB2.13 billion in the period. These top three cities ranked by turnover in the period, Taiyuan, Shanghai and Beijing, together accounted for 34% of total turnover as compared to 51% from the top three cities (Beijing, Tianjin and Taiyuan) in the previous period. The remaining 66% of turnover for this period was contributed by the other seventeen cities in which the Group operated, the more significant of which were Tianjin, Hangzhou and Fuzhou contributed approximately 7% to 9% each.

The following is the summary of turnover by city:

City	Amount of turnover *(in RMB million)*	Saleable area sold *(sq.m.)*	Average Selling Price *(RMB/sq.m.)*
Taiyuan	2,545	356,000	7,100
Shanghai	2,369	61,100	38,800
Beijing	2,129	169,200	12,600
Tianjin	1,776	112,300	15,800
Hangzhou	1,751	112,900	15,500
Fuzhou	1,526	84,100	18,100
Guangzhou	1,500	74,100	20,200
Hainan	1,028	78,500	13,100
Meizhou	944	207,300	4,600
Foshan	863	96,200	9,000
Nanjing	825	41,400	19,900
Huizhou	786	90,000	8,700
Baotou	640	103,700	6,200
Wuxi	577	63,800	9,000
Harbin	369	56,900	6,500
Chongqing	308	61,000	5,000
Shenyang	170	27,400	6,200
Datong	162	38,700	4,200
Xian	161	25,700	6,300
Chengdu	66	13,100	5,100
Total	20,495	1,873,400	10,900

2. Cost of goods sold consists of land and construction costs, capitalized finance costs, and sales tax. For the current period, land and construction costs made up 87% of the Group's total costs, as compared to 84% in the previous period. In terms of costs per sq.m., land and construction costs increased to RMB6,950 from RMB5,140 in the previous period. A main reason for this increase was that, compared to the previous period, a smaller portion of the period's total turnover came from delivery of low income housing projects with lower land or construction costs. Capitalized finance costs included in the period's cost of sales amounted to RMB1,047 million up from RMB512 million, representing approximately 7% of total costs, versus 6.7% for the previous period. As a percentage of turnover from sale of properties, capitalized finance cost increase from 4.6% to 5.1%. The cost of goods sold also included RMB884 million in business tax, making up 6% of costs.

3. Overall gross margin for the period was 27.1%, as compared to 31.5% in the same period in 2015. This change was the result of two new cities and two old cities with new projects with completion and delivery of properties in this period experienced a slightly lower gross margin typical at the beginning to attract customer. There were thirteen projects with sales directly comparable to those in the previous period and there were three projects with increased gross margin, one projects with even gross margin and nine projects with decreased gross margin.

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

5. Selling and administrative expenses for the period increased by 11% or RMB148 million, to RMB1,481 million. This increase was in line with selling and marketing activities as a result of more cities. Selling and administrative expenses as a percentage of turnover decreased to 7.2% from 12% due to better cost control.

6. Finance costs increased to RMB1.0 billion for the period, up 96% (1H 2015: RMB0.51 billion), which includes total interest expenses of RMB3.24 billion and net foreign exchange gains of RMB120 million incurred in the period and after deducting capitalised finance costs of RMB2.12 billion to development projects. The 15% increase in total interest expenses is related to an increase of average borrowings outstanding to RMB98.6 billion from RMB68.5 billion in the previous corresponding period. Together with RMB1,047 million (1H 2015: RMB512 million) charged to cost of goods sold related to capitalised interest, the total finance costs incurred during the period amounted to RMB2.05 billion (1H 2015: RMB1.02 billion).

7. The share of result of associates was mainly derived from the Group's 20% share in the Guangzhou Asian Games City project. The share of results of joint ventures were mainly from a 33.34% interest in Guangzhou Liedecun project, 50% interest in Shanghai New Jiangwan project, 25% interest in Tianjin Jinnan New Town project and 60% interest in Guizhou Da Xi Nan project. These five projects had a combined turnover of RMB2.5 billion in the period.

8. Land appreciation tax (LAT) of RMB705 million (1H 2015: RMB543 million) and Enterprise Income Tax of RMB781 million brought the Group's total income tax expenses for the period to RMB1.49 billion. As a percentage of turnover, LAT decreased to 3.4% from 4.9% for the same period in 2015. This decrease mainly came from lower overall gross margin in the period. The effective enterprise income tax rate was 27% (1H 2015: 29%).

9. Overall, the Group's net profit margin for the period was 10.8%, as compared to 13.4% in the previous period. While the net profit margin of the core property development dropped to 10.1% in line with a lower gross margin from properties sold and delivered.

OTHER INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

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

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of conduct for directors and supervisors in their dealings in the Company's securities. The Company made specific enquires with each director and supervisor, and each of them confirmed that he or she had complied with the Model Code during the six months ended 30 June 2016.

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 laws and regulations of relevant jurisdictions. In particular, it has observed the rules and principles set out under the Corporate Governance Code and Corporate Governance Report as stated in the Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016, save for the deviation on Code E.1.2. Mr. Lai Ming, Joseph, the chairman of audit committee of the Company was unable to attend the Company's annual general meeting which was held on 27 June 2016 as he had other important business engagement in other country.

Audit Committee

The audit committee of the Company has been set up with terms of reference in accordance with Appendix 14 of the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationship with external auditors, the Company's financial reporting, the internal control and risk management systems. There were no disagreements from the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee comprises Mr. Lai Ming, Joseph (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Helen Li who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for six months ended 30 June 2016. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Interim Dividend Payment and Closure of Register of Members

The Board has declared an interim dividend for the six months ended 30 June 2016 (the "Interim Dividend") of RMB0.30 per share to shareholders whose names appear on the register of members as at 19 September 2016 (the "Record Date"). The Interim Dividend will be paid on 14 October 2016.

The H Share register of members will be closed from 12 September 2016 (Monday) to 19 September 2016 (Monday) (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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 9 September 2016 (Friday).

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

The average of the closing exchange rate for RMB to Hong Kong Dollar as announced by the People's Bank of China for the one-week period prior to 24 August 2016, the date on which the Interim Dividend was declared RMB0.855776 to HK$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK$0.350559.

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 (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 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), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, 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 Shanghai-Hong Kong Stock Connect, 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 14 October 2016. Cheques will be dispatched to holders of H shares by ordinary post at their own risk.

ACKNOWLEDGEMENTS

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

Li Sze Lim
Chairman

24 August 2016, Hong Kong

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

* *For identification purpose only*

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited 30 June 2016**	Audited 31 December 2015
ASSETS			
Non-current assets			
Land use rights		1,476,657	1,264,041
Property, plant and equipment		9,964,439	9,009,864
Investment properties		21,044,983	19,251,951
Intangible assets		1,063,044	1,034,849
Interests in joint ventures		6,211,190	5,954,631
Interests in associates		91,791	71,052
Deferred income tax assets		3,885,435	3,295,186
Available-for-sale financial assets		592,890	645,140
Trade and other receivables and prepayments	5	1,173,175	4,046,552
		45,503,604	44,573,266
Current assets			
Properties under development		78,224,863	78,671,926
Completed properties held for sale		24,948,703	22,427,988
Inventories		411,195	414,888
Trade and other receivables and prepayments	5	16,530,761	13,576,168
Tax prepayments		2,783,475	2,784,288
Restricted cash		8,259,825	6,814,094
Time deposits		107,721	500,000
Cash and cash equivalents		28,975,608	13,970,313
		160,242,151	139,159,665
Total assets		205,745,755	183,732,931
EQUITY			
Equity attributable to owners of the Company			
Share capital		805,592	805,592
Other reserves		4,454,644	4,590,948
Shares held for Share Award Scheme		—	(88,947)
Retained earnings		37,629,038	35,404,023
		42,889,274	40,711,616
Perpetual capital instruments		2,404,067	7,977,869
Non-controlling interests		318,367	527,895
Total equity		45,611,708	49,217,380

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited 30 June 2016	Audited 31 December 2015
LIABILITIES			
Non-current liabilities			
Long-term borrowings		77,884,056	49,759,398
Deferred income tax liabilities		4,659,293	3,935,947
		82,543,349	53,695,345
Current liabilities			
Accruals and other payables	6	17,708,821	18,727,912
Deposits received on sale of properties		19,958,557	18,407,668
Current income tax liabilities		10,037,354	11,005,384
Short-term borrowings		4,821,830	5,661,596
Current portion of long-term borrowings		25,064,136	27,017,646
		77,590,698	80,820,206
Total liabilities		160,134,047	134,515,551
Total equity and liabilities		205,745,755	183,732,931

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	Note	**2016**	2015
Revenue	4	22,389,435	12,719,140
Cost of sales		(16,706,704)	(8,971,554)
Gross profit		5,682,731	3,747,586
Other income and other gains — net	7	916,305	899,985
Selling and marketing costs		(521,826)	(370,000)
Administrative expenses		(1,208,172)	(1,122,997)
Operating profit		4,869,038	3,154,574
Finance costs	8	(1,000,874)	(511,925)
Share of results of associates		(14,854)	(5,100)
Share of results of joint ventures		178,463	254,564
Profit before income tax		4,031,773	2,892,113
Income tax expenses	9	(1,607,614)	(1,191,481)
Profit for the period		2,424,159	1,700,632
Profit/(loss) attributable to:			
— Owners of the Company		2,225,015	1,026,380
— Holders of perpetual capital instruments		199,917	677,368
— Non-controlling interests		(773)	(3,116)
		2,424,159	1,700,632
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)		0.6925	0.3186

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June **2016**	 2015
Profit for the period	2,424,159	1,700,632
Other comprehensive income		
Items that may be reclassified to profit or loss		
— Fair value (losses)/gains on available-for-sale financial assets, net of tax	(115,763)	7,570
— Currency translation differences	(65,111)	8,607
Other comprehensive (loss)/income for the period, net of tax	(180,874)	16,177
Total comprehensive income for the period	2,243,285	1,716,809
Total comprehensive income/(loss) for the period attributable to:		
— Owners of the Company	2,044,141	1,042,443
— Holders of perpetual capital instruments	199,917	677,368
— Non-controlling interests	(773)	(3,002)
	2,243,285	1,716,809

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total	Perpetual capital instruments	Non-controlling interests	Total equity
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	—	—	—	—	—	2,400,000	—	2,400,000
Redemptions of perpetual capital instruments	—	—	—	—	—	(7,900,000)	—	(7,900,000)
Distributions to holders of perpetual capital instruments	—	—	—	—	—	(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
Balance at 1 January 2015	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562
Total comprehensive income for the period ended 30 June 2015	—	—	16,063	1,026,380	1,042,443	677,368	(3,002)	1,716,809
Transactions with owners								
Disposals of shares held for Share Award Scheme	—	22,707	7,196	—	29,903	—	—	29,903
Redemptions of perpetual capital instruments	—	—	—	—	—	(5,625,000)	—	(5,625,000)
Distributions to holders of perpetual capital instruments	—	—	—	—	—	(696,400)	—	(696,400)
Total transactions with owners	—	22,707	7,196	—	29,903	(6,321,400)	—	(6,291,497)
Balance at 30 June 2015	805,592	(106,004)	4,562,081	31,776,038	37,037,707	10,004,384	528,783	47,570,874

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2016.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

The following new and amended standards are mandatory for the first time for the financial year beginning on 1 January 2016.

Standards/Interpretations	**Subject of amendment**
HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendment to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

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

(All amounts in RMB Yuan thousands unless otherwise stated)

4. SEGMENT INFORMATION

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

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

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

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2016 and 2015 are as follows:

	Property development	**Property investment**	**Hotel operations**	**All other segments**	**Group**
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)/reversal of impairment losses	(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)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2015					
Segment revenue	11,112,495	412,884	582,187	689,596	12,797,162
Inter-segment revenue	(6,889)	(26,314)	(14,129)	(30,690)	(78,022)
Revenue from external customers	11,105,606	386,570	568,058	658,906	12,719,140
Profit/(loss) for the period	1,223,308	751,195	(69,835)	(204,036)	1,700,632
Finance costs	(255,936)	(58,735)	(122,897)	(74,357)	(511,925)
Share of results of joint ventures	254,564	—	—	—	254,564
Share of results of associates	(4,770)	—	—	(330)	(5,100)
Income tax (expenses)/credits	(1,040,996)	(250,398)	23,278	76,635	(1,191,481)
Depreciation and amortisation	(94,681)	—	(96,474)	(29,666)	(220,821)
(Allowance for)/reversal of impairment losses	(3,156)	—	213	511	(2,432)
Fair value gains on investment properties — net of tax	—	590,029	—	—	590,029

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 2016					
Segment assets	169,717,959	21,044,983	9,495,312	1,009,176	201,267,430
Segment assets include:					
Interests in joint ventures	6,211,190	—	—	—	6,211,190
Interests in associates	9,147	—	—	82,644	91,791
Additions to non-current assets (other than financial instruments and deferred tax assets)	314,814	1,075,918	209,549	100,575	1,700,856
Segment liabilities	36,897,598	—	292,975	476,805	37,667,378
As at 31 December 2015					
Segment assets	152,617,182	19,251,951	6,854,021	1,069,451	179,792,605
Segment assets include:					
Interests in joint ventures	5,954,631	—	—	—	5,954,631
Interests in associates	8,056	—	—	62,996	71,052
Additions to non-current assets (other than financial instruments and deferred tax assets)	603,789	154,587	916,262	145,011	1,819,649
Segment liabilities	36,287,953	—	256,897	590,730	37,135,580

(All amounts in RMB Yuan thousands unless otherwise stated)

5. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2016	31 December 2015
Trade receivables — net	4,839,596	4,864,843
Other receivables — net	7,174,743	5,884,946
Prepayments	1,376,009	2,587,669
Due from joint ventures	1,883,274	1,737,889
Due from associates	2,430,314	2,547,373
Total	17,703,936	17,622,720
Less: non-current portion	(1,173,175)	(4,046,552)
Current portion	16,530,761	13,576,168

As at 30 June 2016, trade receivables mainly arose from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

	As at	
	30 June 2016	31 December 2015
Trade receivables	4,868,145	4,885,021
Less: allowance for impairment	(28,549)	(20,178)
	4,839,596	4,864,843

At 30 June 2016 and 31 December 2015, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2016	31 December 2015
0 to 90 days	2,344,427	2,879,142
91 to 180 days	934,356	346,186
181 to 365 days	381,649	515,746
1 year to 2 years	408,070	877,741
Over 2 years	799,643	266,206
	4,868,145	4,885,021

(All amounts in RMB Yuan thousands unless otherwise stated)

6. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2016	31 December 2015
Amounts due to joint ventures *(Notes (a))*	1,695,467	2,032,153
Advance from a joint venture	2,500	13,720
Construction payables *(Note (b))*	8,349,241	9,144,332
Other payables and accrued charges *(Note (c))*	7,661,613	7,537,707
	17,708,821	18,727,912

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

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

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

7. OTHER INCOME AND OTHER GAINS — NET

	Six months ended 30 June	
	2016	2015
Fair value gains on investment properties — net	717,114	786,705
Other operating (expenses)/income	(27,255)	37,750
Dividends received on available-for-sale financial assets	13,204	—
Gains on disposals of property, plant and equipment	24,163	1,186
Gains on disposals of intangible assets	93,699	—
Losses on disposals of investment properties	—	(12,528)
Interest income	78,965	63,596
Others	16,415	23,276
	916,305	899,985

8. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
Interest expenses:		
— bank borrowings	1,163,429	1,296,058
— corporate bonds	453,622	—
— senior notes	574,435	560,392
— other borrowings	1,045,370	954,409
— finance lease liabilities	1,522	3,397
	3,238,378	2,814,256
Net foreign exchange (gains)/losses	(120,284)	209,215
Less: finance costs capitalised	(2,117,220)	(2,511,546)
	1,000,874	511,925

(All amounts in RMB Yuan thousands unless otherwise stated)

9. INCOME TAX EXPENSES

	Six months ended 30 June **2016**	2015
Current income tax		
— PRC enterprise income tax	732,635	428,515
Deferred income tax	169,707	219,737
	902,342	648,252
Current PRC land appreciation tax	705,272	543,229
Total income tax expenses	1,607,614	1,191,481

10. DIVIDENDS

	Six months ended 30 June **2016**	2015
Interim dividend of RMB0.30 (2015: RMB0.30) per ordinary share	966,710	966,710
Less: dividends for shares held by Share Award Scheme	—	(5,280)
	966,710	961,430

An interim dividend in respect of the six months ended 30 June 2016 of RMB0.30 per ordinary share, totalling RMB966,710,000 was proposed by the board of directors (six months ended 30 June 2015: 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 2016.