廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

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

(Stock code: 2777)

2016 ANNUAL RESULTS ANNOUNCEMENT

- **Revenue increased by 21% to RMB53.73 billion**
- **Net profit increased by 5% to RMB7.06 billion**
- **Revenue from sales of property increased by 21% to RMB49.49 billion**
- **Core profit increased by 10% to RMB6.57 billion**
- **Effective interest rate was lowered to 6.3% p.a.**
- **Sufficient liquidity with cash of RMB45.97 billion**
- **Proposed final dividend of RMB0.70 per share — including interim dividend of RMB0.30 per share, full year dividend was equivalent to RMB1.00 per share**

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company" or "R&F") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016. The annual results have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

For 2016 the Group had a strong start with contracted sales growing significantly year-on-year. This set the tone for the Group's overall performance, despite the introduction of tightening measures later in the year. For most of the year, China's real estate sector recorded very strong volumes of contracted sales when compared against each month or year-on-year basis, largely on the back of policy easing and the availability of financing. In addition, general stability and a favorable economic environment ensured that macroeconomic factors did not create obstacles to the long-term sustainable development of the sector. The abolishment of China's one child policy and the country's greater focus on domestic investment created an ideal environment that stimulated sales across cities of various tiers and encouraged first-time purchasers. As a result, the Group was able to achieve its contracted sales target for the second year running, recording a high of RMB60.9 billion in contracted sales representing year-on-year growth of 12%. The corresponding amount of GFA sold in 2016 (4,693,500 sq.m.) also represented a record high, equivalent to a year-on-year increase of 14%. The tier 1 cities in which we operate were the strongest performers, but some notable tier 2 cities that enjoyed strong sales included Hainan, Huizhou, Fuzhou and its vicinity, and Wuxi.

Solid Contracted Sales Supported by City Diversification

After setting a target for 2016 of RMB60 billion in contracted sales, the Group remained steadily on track each month to exceed its final sales target. The favorable industry environment was a catalyst that enabled the Group to accelerate its project launches to capture the sales momentum. Despite tightening policies having an impact on sales volume in the last quarter, these did not affect the Group's ability to meet its target. After making substantial land acquisitions in 2013, the Group has managed to grow the annual contracted sales from the RMB40 billion level to more than RMB60 billion over the past three years. For the three years ended 2016, contracted sales grew at a compound annual growth rate of 13% p.a. in terms of value, and 12% p.a. in terms of GFA.

Another notable achievement for the Group was the increase in geographical diversity of its contracted sales, which were spread across a larger number of cities and relied less on tier 1 cities that have historically been the backbone of the Group's sales strategy. In 2016, the top 10 cities contributed over 75% of total contracted sales, whereas in 2014 the same proportion of sales was concentrated in just the top 6 cities. Similarly, in 2016, the Group's tier 1 cities (Guangzhou, Beijing and vicinity, Shanghai and vicinity, Tianjin, and Hangzhou and vicinity) contributed 49% of its total contracted sales, whereas in 2014 the amount was over 66%. This diversification in contributions by city, and the increasing significance of contracted sales volumes from non-tier 1 cities, demonstrates the depth of our sales distribution network. The Group believes that by diversifying its sales distribution network, it is better able to weather cyclical fluctuations in certain markets and be more resilient in the face of government measures that have varying effects on different cities.

Strategic Land Bank Acquisitions and Abundant Land Resources Position the Group for Long-term Sustainability

As noted in our interim review, land banking has become more challenging as developers have become increasingly aggressive in acquiring land bank across various cities. The emergence of "land king" transactions together with higher average land costs have meant the Group has had to be more selective when replenishing its land bank. Furthermore, increased sources of low-cost financing and higher levels of cash proceeds from strong contracted sales has provided more capital for developers to participate in land auctions and undertake mergers with or acquisitions of project companies. This situation led the Group to seek alternative means such as mergers and acquisitions of replenishing its own land bank while still keeping its costs low. However, in the face of tightened liquidity and the introduction of austerity measures in the second half of 2016, the Group increased the pace of its land purchases, as prices trended lower, in order to lock in future land bank. In 2016, its total attributable land bank spending was RMB17.5 billion, which is equivalent to an estimated saleable area of 5,041,000 sq.m. and represents just under 30% of our contracted sales. For 2016 the average cost of land acquired was RMB3,500 per sq.m. The Group's total attributable land bank of 38,481,000 sq.m. equates to approximately RMB1,700 per sq.m. based on estimated saleable area.

In a highly competitive land banking environment, the Group has been seeking diversified methods of acquiring land. In 2016, the Group reached a significant milestone by entering the only tier 1 city in which it did not previously have a presence, Shenzhen. The Shenzhen property market is one of the most active and competitive markets in China, due to its strategic proximity to Hong Kong and the limited availability of new land supply there. With a large and mobile population dominated by trades and services, acting as a technology hub for new start-ups and entrepreneurs, and having its own stock exchange bourse, Shenzhen is fast becoming a prominent city center whereby the under-supplied property market will be a key beneficiary. With this in mind, the Group strategically acquired a project company with development rights for approximately 248,000 sq.m. of attributable land bank, plus further potential for development of up to another 1,000,000 sq.m. of land bank. This strategy of acquiring project companies ensures that land costs remain relatively reasonable, even in red-hot tier 1 cities.

An alternative means of acquiring land bank that has proven successful in the past has been to engage in redevelopment or relocation projects whereby existing land bank is acquired and rezoned in order to increase the GFA available for sale. Late in the second half of 2016, one of the Group's redevelopment project Guangzhou Maogang West Urban Village broke ground to officially commence development of the project. The project will redevelop up to approximately 940,000 sq.m. of GFA situated to the east of the city of Guangzhou, approximately 30 minutes travelling time from Guangzhou's central Pearl River New Town, enjoying an excellent location. The Group has had significant success with monetizing redevelopment and relocation projects in the past which is a testament to our ability to acquire land bank though non-traditional acquisition methods to keep overall acquisition costs low.

Lower Funding Costs and Greater Choice of Financing Channels

In 2016, the Group's weighted average cost of non-bank financing fell to 6.7% p.a., against 9.2% p.a. in 2015 after the Group issued domestic bonds of RMB6.5 billion at then historically low coupon rates of 4.95% p.a. In 2016, the Group went one step further by issuing a combined total of RMB42.5 billion in domestic bonds with coupon rates as low as 3.48% p.a., thus reducing the weighted average cost of its non-bank financing to 6.7% p.a. After refinancing its high interest-bearing debt and repaying maturities due, the average weighted cost of interest fell to 6.3% p.a. and average debt maturity increased to 3–4 years at the end of 2016. The refinancing exercise was part of a strategy to reduce the ongoing burden of the Group's debt financing and improve its overall financial liquidity by reducing its short-term maturities.

Another strategic decision made in the year was to exercise a call option on all our outstanding USD secured senior notes maturing in 2019 and 2020, in light of the improved financing environment and the wider availability of financing. Given the relatively high coupon rates of 8.5% p.a. and 8.75% p.a. respectively for the 2019 and 2020 bonds, the Group made plans to redeem the bonds when the call option was exercisable in January of 2017, and hence notified bondholders in December 2016. Hence, the balance of total debt at year-end takes into account factors such as certain secured commitment funding drawn down in USD in anticipation of meeting offshore funding requirements for the bond call after the balance sheet date.

Further to obtaining secured commitment funding at year-end, the Group also took advantage of improved market conditions at year-end to issue new 5-year US$265 million senior notes with a coupon of 5.75% p.a., maturing in 2022. After a positive response, the Group re-opened the senior notes in early January 2017 to raise a further US$460 million, making a combined transaction size of US$725 million. This transaction represented the largest single tranche offering by any Chinese developer in the last 12 months, and was the first time the Group had ever issued USD senior notes at rates below 6% p.a.

As the above financing exercise began prior to year-end but refinancing took place after year-end, the pro forma net effect (i.e. the net effect of year-end commitment financing related to USD loans, bond issuance, and the calls of bonds maturing in 2019 and 2020) was that net debt at year-end increased slightly to RMB74.88 billion, making a net debt to total equity ratio of 160%. The net effect of exercising the call option and of issuing new senior notes was that the Group's outstanding USD senior note fell to US$725 million. This will reduce any negative effects that could arise due to the potential further depreciation of the Renminbi against the US Dollar.

Business highlights of 2016

For the second year running the Group met its full year contracted sales target, with contracted sales increasing to RMB60.9 billion (a rise of 12% over contracted sales for 2015) on the back of more favourable market sentiment in China's property sector. There was never any doubt throughout the year that the Group would meet its full sales target, despite having set a higher target than for 2015. In line with the growth in contracted sales, gross floor area (GFA) sold also increased by 14%, to 4,693,500 sq.m. A notable difference in the breakdown of contracted sales in 2016 as against 2015 was their distribution across a larger number of cities than previously, with sales in tier one cities decreasing to 49% of total contracted sales, compared with 59% in 2015.

Turnover (for the accounting income statement) surpassed RMB50 billion for the first time in the Group's history. GFA delivery also reached a historical high of 4,209,000 sq.m., with average selling prices of RMB11,760 per sq.m., an increase of 1%. This occurred as the Group diversified away from a high proportion of tier 1 cities and fewer commercial properties were recognized. Correspondingly, turnover and GFA delivery increased by 21% and 20% respectively compared with the same period in 2015, and net profit increased by 5% to RMB7.06 billion. The Group's ability to maintain and increase the scale of its turnover in the last two years illustrates the success of management's execution strategy.

In 2016 the Group's land banking activities remained relatively prudent, given its perception that the overall land bank market was overheating as land auctions and acquisitions achieved record prices. Accordingly, the Group chose to be selective when making purchases. In 2016 the Group acquired 5,041,000 sq.m. of land to maintain a total attributable saleable area of 38,481,000 sq.m. after deducting the delivery of saleable area in 2016. The Group maintained its land banking focus on five key areas: the regions of the Pearl River Delta, Beijing-Tianjin-Hebei, the Yangtze River Delta, Taiyuan, and Hainan. Despite the very active market, the average cost of land acquired by the Group in 2016 was only RMB3,500 per sq.m., illustrating the Group's discipline in the area of cost controls. The Group was able to achieve such cost controls by undertaking project acquisitions and redevelopment projects in Shenzhen and Guangzhou, thus avoiding high auction prices.

Our overseas projects in Australia (Brisbane) and Malaysia (Johor Bahru) are currently undergoing presales, and are continuing to progress steadily. In particular, the initial launches of our Brisbane No.1 project have received an overwhelming response. Its growing success in overseas projects has enhanced the Group's confidence to expand further into new overseas destinations. The Group will continue to seek selective offshore opportunities that provides attractive long-term strategic benefits and returns.

In 2016, the Group continued to take advantage of the availability of lower-cost financing to reduce its existing high-cost debt or retire funding that it deemed expensive. After issuing RMB42.5 billion of domestic bonds at a weighted average cost of 4.65% p.a. during the year, the Group repaid or refinanced a significant amount of high cost debt. The result was that the effective cost of interest for the year (including all debt) decreased to 6.3% p.a. (compared with 7.8% p.a. in 2015). Significant debt repaid within the last 12 months included trust financing of RMB1.64 billion at approximately 11.4% p.a., US$388 million of senior notes with interest of 10.875% p.a., US$600 million of senior notes with interest of 8.75% p.a., and US$1 billion of senior notes with interest of 8.5% p.a. After the issuance of domestic bonds and its various refinancing exercises, the Group still has an approved quota of RMB7 billion and a pending application for a further quota of medium-term notes available as potential future financing channels. This means that the Group has adequate liquidity to meet its funding needs.

The outlook for 2017

Changes in the political environment around the world following the recent US elections, expected rising US interest rates, and continued concerns about further Renminbi depreciation, means attention is turning back to China and its domestic strength as a driver for global growth. After growth of 6.7% in China's GDP in 2016, China growth is expected to remain relatively stable in 2017 despite concerns about asset prices and debt levels. China continues to be one of the most attractive countries in Asia in which to invest, and further improvements following the restructuring of its financial markets and expansion in its investment products should ensure that capital will remain in the region. In 2016, a total of 280 companies received A-share listing approvals, against 251 in 2015. The launch of the Shenzhen-Hong Kong Stock Connect in late 2016 should further stimulate investment interest in China's developing stock market. The acceleration of approvals also bodes well for the Group's pending A-share issuance plans.

After a year of strong contracted sales coupled with a significant number of developers having refinanced either domestic debt or early redemption of high interest-bearing US high-yield bonds, the sector is generally in a stronger liquidity position than a year ago. This is despite a series of tightening measures announced in some overheated cities at the beginning of the fourth quarter that have curbed transaction volumes and average selling prices. In 2016 and the beginning of 2017, the USD bond market was also quite active, enabling developers to take advantage of low funding cost environments to raise lower coupon and longer-dated bonds. The Group took advantage of the issuance window in early January 2017 by issuing US$725 million of senior notes maturing in five years with a coupon of 5.75%. This USD senior notes issuance was significant because it was the second largest tranche in the Group's issuance history, as well as being the lowest yielding coupon.

Plans and projects for 2017

With financing in place and a sufficient number of land acquisitions completed in the later half of 2016, the Group is well-positioned to continue with the execution of its growth plans in 2017. The Group has set a contracted sales target of RMB73 billion for the year, which represents growth of 20% over 2016. The contracted sales target is higher than that previously guided by the Group and therefore highlights our cautious optimism for the sector. The Group will continue to diversify its sources for contracted sales across a broader distribution of cities to increase the scale of its targeted sales. This increase in scale will have a negative effect on the absolute margins of projects for sale, but will be offset by larger sales volumes and a reduction in the risk of concentration in our key historical cities.

In line with its higher year-on-year contracted sales target, the Group will also steadily increase its GFA delivery schedule. Over the last few years, both its GFA under construction and its new starts have been largely in line with liquidity and market sentiment. With improved market sentiment and more financing available, the Group will look to increase both its GFA under construction and its new starts, to ensure that it has sufficient GFA resources available for sale. The Group will target a higher level of new starts in 2017 to enable to it to meet its higher contracted sales target for 2017 as well as subsequent years.

After reviving its A-share listing plans in 2015, the Group continues to move towards its goal in 2017. With the pace of new listing approvals accelerating in the latter half of 2016, the Group has placed significant effort into advancing the progress of its listing application process. Listing is subject to approval by the China Securities and Regulatory Commission. We remain confident that approval will eventually be forthcoming.

Acknowledgements

The Group's momentum is increasing and its project scale is moving in the right direction according to the strategies highlighted above. On behalf of the Group's management, I would like to extend my appreciation for the loyalty shown by all our shareholders and investors. Without this continued support, and especially the confidence placed in management to navigate challenging conditions, the Group could not have achieved the successes of the past year. I would also like to thank our customers for the faith they have placed in the Group's development projects and for their recognition of the quality of our sales and development team. Lastly, with the Group's business footprint expanding both domestically and in overseas markets, it is critical to have a team of capable senior management and dedicated staff to execute our strategies and to deliver on our promises to shareholders. Hence, I would like to sincerely thank our Directors and our thousands of staff members for their commitment, hard work, and relentless efforts to ensure that each task and objective is completed to the highest standards. With such a team in place, alongside a set of clear objectives for growth, I and my management team are highly confident that the Group will reach a number of new milestones in 2017.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Year ended 31 December 2016**	2015
Revenue	2	**53,730,339**	44,290,924
Cost of sales	5	**(38,543,599)**	(30,083,853)
Gross profit		**15,186,740**	14,207,071
Other income	3	**328,987**	281,088
Other gains — net	4	**1,928,219**	1,237,004
Selling and marketing costs	5	**(1,315,362)**	(896,657)
Administrative expenses	5	**(2,672,863)**	(2,409,572)
Operating profit		**13,455,721**	12,418,934
Finance costs	6	**(2,367,045)**	(2,153,995)
Share of results of joint ventures		**844,493**	1,343,455
Share of results of associates		**(64,329)**	(18,893)
Profit before income tax		**11,868,840**	11,589,501
Income tax expenses	7	**(4,812,823)**	(4,877,229)
Profit for the year		**7,056,017**	6,712,272
Profit attributable to:			
— Owners of the Company		**6,755,908**	5,615,795
— Holders of perpetual capital instruments		**273,943**	1,105,249
— Non-controlling interests		**26,166**	(8,772)
		7,056,017	6,712,272
Basic and diluted earnings per share for profit attributable to owners of the Company *(expressed in RMB Yuan per share)*	9	**2.0997**	1.7524

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2016	2015
Profit for the year	**7,056,017**	6,712,272
Other comprehensive income		
Item that may be reclassified to profit or loss		
— Fair value gains on available-for-sale financial assets, net of tax	**48,743**	17,498
— Currency translation differences	**(4,792)**	24,173
Other comprehensive income for the year, net of tax	**43,951**	41,671
Total comprehensive income for the year	**7,099,968**	6,753,943
Total comprehensive income attributable to:		
— Owners of the Company	**6,799,859**	5,657,262
— Holders of perpetual capital instruments	**273,943**	1,105,249
— Non-controlling interests	**26,166**	(8,568)
	7,099,968	6,753,943

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December **2016**	2015
ASSETS			
Non-current assets			
Land use rights		**1,933,706**	1,264,041
Property, plant and equipment		**10,928,178**	9,009,864
Investment properties		**22,068,681**	19,251,951
Intangible assets		**1,079,572**	1,034,849
Interests in joint ventures		**6,795,392**	5,954,631
Interests in associates		**166,908**	71,052
Deferred income tax assets		**4,253,861**	3,295,186
Available-for-sale financial assets		**710,130**	645,140
Trade and other receivables and prepayments	10	**97,420**	4,046,552
		48,033,848	44,573,266
Current assets			
Properties under development		**81,134,542**	78,671,926
Completed properties held for sale		**26,783,018**	22,427,988
Inventories		**325,932**	414,888
Trade and other receivables and prepayments	10	**21,582,812**	13,576,168
Tax prepayments		**2,582,245**	2,784,288
Restricted cash		**20,663,067**	6,814,094
Time deposits		**—**	500,000
Cash and cash equivalents		**25,306,015**	13,970,313
		178,377,631	139,159,665
Total assets		**226,411,479**	183,732,931
EQUITY			
Equity attributable to owners of the Company			
Share capital		**805,592**	805,592
Other reserves		**4,679,469**	4,590,948
Shares held for Share Award Scheme		**—**	(88,947)
Retained earnings		**38,293,091**	35,404,023
		43,778,152	40,711,616
Perpetual capital instruments		**2,404,327**	7,977,869
Non-controlling interests		**653,718**	527,895
Total equity		**46,836,197**	49,217,380

	Note	As at 31 December 2016	2015
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**87,170,166**	49,759,398
Deferred income tax liabilities		**4,930,892**	3,935,947
		92,101,058	53,695,345
Current liabilities			
Accruals and other payables	11	**21,951,465**	18,727,912
Deposits received on sale of properties		**19,546,810**	18,407,668
Current income tax liabilities		**12,294,031**	11,005,384
Short-term borrowings		**10,631,230**	5,661,596
Current portion of long-term borrowings		**23,050,688**	27,017,646
		87,474,224	80,820,206
Total liabilities		**179,575,282**	134,515,551
Total equity and liabilities		**226,411,479**	183,732,931

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are principally 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.

These financial statements are presented in RMB Yuan (RMB), unless otherwise stated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Changes in accounting policies

Amendments to HKAS 27 "equity method in separate financial statements" (the "Amendments") are effective for the financial year beginning on 1 January 2016. The Company has adopted the Amendments retrospectively which resulted in the Company changing its accounting policy for its investments in joint ventures and associates from at cost to using the equity method as described in HKAS 28.These changes in accounting policies have no material impact on the Group's financial statements except disclosure.

(b) New and amended standards adopted by the Group

The following new and amended standards and annual improvements have been adopted by the Group for the first time for the financial year beginning on 1 January 2016.

Standards	Subject
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 impact of the adoption of the amendment to HKAS 27 to the Company has been disclosed in Note 1(a); the adoption of the remaining new and amended standards has no material impact on the Group's financial statements.

(c) New and amended standards not yet adopted

A number of new and amended standards are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing the Group's consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note (i), (ii) and (iii).

Standards	**Subject**	**Effective for annual periods beginning on or after**
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15 *(Note (i))*	Revenue from contracts with customers	1 January 2018
HKFRS 9 *(Note (ii))*	Financial instruments	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 HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and 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.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and 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 certain 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.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(ii) HKFRS 9, 'Financial instruments'

The new standard 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.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity instruments currently classified as available-for-sale (AFS) financial assets for which a FVOCI election is available. The Group does not have any other financial assets. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

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. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(iii) HKFRS 16, 'Leases'

HKFRS 16 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 recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments. 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 new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purpose of allocating resources and assessing performance.

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 year.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2016 and the segment assets and liabilities at 31 December 2016 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	**49,489,281**	**1,020,131**	**1,416,271**	**2,376,026**	**54,301,709**
Inter-segment revenue	**—**	**(102,217)**	**(54,298)**	**(414,855)**	**(571,370)**
Revenue from external customers	**49,489,281**	**917,914**	**1,361,973**	**1,961,171**	**53,730,339**
Profit/(loss) for the year	**6,058,429**	**1,729,715**	**(182,557)**	**(549,570)**	**7,056,017**
Finance costs	**(1,952,448)**	**(125,829)**	**(173,120)**	**(115,648)**	**(2,367,045)**
Share of results of joint ventures	**844,493**	**—**	**—**	**—**	**844,493**
Share of results of associates	**(62,613)**	**—**	**—**	**(1,716)**	**(64,329)**
Income tax (expenses)/credits	**(4,477,905)**	**(573,760)**	**60,852**	**177,990**	**(4,812,823)**
Depreciation and amortisation	**(216,897)**	**—**	**(318,204)**	**(86,857)**	**(621,958)**
Allowance for impairment losses of receivables	**(21,898)**	**—**	**(757)**	**(1,265)**	**(23,920)**
Fair value gains on investment properties — net of tax	**—**	**1,306,567**	**—**	**—**	**1,306,567**
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**
Addition 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**

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2015 and the segment assets and liabilities at 31 December 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	40,744,245	925,827	1,226,483	1,852,650	44,749,205
Inter-segment revenue	—	(68,572)	(45,333)	(344,376)	(458,281)
Revenue from external customers	40,744,245	857,255	1,181,150	1,508,274	44,290,924
Profit/(loss) for the year	6,178,335	1,210,431	(167,446)	(509,048)	6,712,272
Finance costs	(1,639,068)	(128,414)	(221,168)	(165,345)	(2,153,995)
Share of results of joint ventures	1,343,455	—	—	—	1,343,455
Share of results of associates	(30,828)	—	—	11,935	(18,893)
Income tax (expenses)/credits	(4,709,625)	(401,518)	55,815	178,099	(4,877,229)
Depreciation and amortisation	(185,145)	—	(207,937)	(60,427)	(453,509)
(Allowance for)/reversal of allowance for impairment losses of receivables	(29,034)	—	66	(24)	(28,992)
Fair value gains on investment properties — net of tax	—	830,709	—	—	830,709
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
Addition 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

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 income statement.

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets and available-for-sale financial assets are not considered to be segment assets but rather are managed on a central basis.

Reportable segments' assets are reconciled to total assets as follows:

	2016	2015
Segment assets for reportable segments	**221,447,488**	179,792,605
Deferred income tax assets	**4,253,861**	3,295,186
Available-for-sale financial assets	**710,130**	645,140
Total assets per balance sheet	**226,411,479**	183,732,931

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's deferred and current income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2016	2015
Segment liabilities for reportable segments	**41,498,275**	37,135,580
Deferred income tax liabilities	**4,930,892**	3,935,947
Current income tax liabilities	**12,294,031**	11,005,384
Current borrowings	**33,681,918**	32,679,242
Non-current borrowings	**87,170,166**	49,759,398
Total liabilities per balance sheet	**179,575,282**	134,515,551

Entity-wide information

Revenue from external customers by country, based on the destination of the customer:

	2016	2015
PRC	**53,715,049**	44,289,281
Other countries	**15,290**	1,643
Total	**53,730,339**	44,290,924

Revenues from the individual countries included in "other countries" are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenues for the year ended 31 December 2016 (2015: Nil).

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2016	2015
PRC	**43,061,080**	37,013,494
Other countries	**8,777**	6,894
Total	**43,069,857**	37,020,388

Non-current assets in the individual countries included in "other countries" are not material.

3. OTHER INCOME

	2016	2015
Interest income	**194,894**	143,043
Other operating income	**116,462**	133,713
Dividends received on available-for-sale financial assets	**17,631**	4,332
	328,987	281,088

4. OTHER GAINS — NET

	2016	2015
Fair value gains on investment properties — net	**1,740,812**	1,105,652
Gains on disposals of intangible assets	**90,107**	79,784
Gains on disposals of property, plant and equipment	**24,175**	7,126
Losses on disposals of investment properties	**—**	(12,528)
Others	**73,125**	56,970
	1,928,219	1,237,004

5. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2016	2015
Cost of completed properties sold	**36,177,776**	27,085,715
Business taxes and other levies	**1,957,687**	2,686,859
Employee benefit expenses	**1,538,257**	1,426,117
Depreciation	**498,490**	369,273
Advertising costs	**252,256**	143,725
Amortisation of land use rights and intangible assets	**123,468**	84,236
Office expenses	**142,005**	154,245
Operating lease payments	**22,597**	16,427
Allowance for doubtful debts	**23,920**	28,992
Auditors' remuneration	**7,522**	6,739
— Audit services	**6,570**	6,204
— Non-audit services	**952**	535
Others	**1,787,846**	1,387,754
	42,531,824	33,390,082

6. FINANCE COSTS

	2016	2015
Interest expenses:		
— bank borrowings	**2,278,361**	2,580,355
— corporate bonds	**1,637,428**	157,724
— senior notes	**1,117,780**	1,178,648
— other borrowings	**1,585,401**	2,097,085
— finance lease liabilities	**6,867**	5,409
	6,625,837	6,019,221
Accrued early redemption premium for senior notes	**476,918**	—
Net foreign exchange losses	**613,794**	1,210,521
Less: finance costs capitalised	**(5,349,504)**	(5,075,747)
	2,367,045	2,153,995

7. INCOME TAX EXPENSES

	2016	2015
Current income tax		
— PRC enterprise income tax *(Note (b))*	**2,558,693**	2,062,492
Deferred income tax	**18,046**	281,267
	2,576,739	2,343,759
Current PRC land appreciation tax *(Note (c))*	**2,236,084**	2,533,470
Total income tax expenses	**4,812,823**	4,877,229

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2015: 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 year ended 31 December 2016, except for certain companies in the Group which were taxed at 2%–3% (2015: 2%–3%) on their revenue, other businesses within the Group were primarily taxed at 25% (2015: 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 sale of properties less deductible expenditures including costs of land use rights and development and construction expenditures.

8. DIVIDENDS

The dividends declared in 2016 were RMB3,866,840,000 (2015: RMB966,710,000). A dividend in respect of the year ended 31 December 2016 of RMB0.70 per ordinary share, amounting to a total dividend of RMB2,255,675,000, is to be proposed at the annual general meeting on 19 May 2017. These financial statements do not reflect this dividend payable.

	2016	2015
Interim dividend declared of RMB0.30 (2015: RMB0.30) per ordinary share	**966,710**	966,710
Less: Dividends for shares held for Share Award Scheme	**—**	(5,280)
	966,710	961,430
Proposed final dividend of RMB0.70 (2015: RMB0.90) per ordinary share	**2,255,657**	2,900,130
Less: Dividends for shares held for Share Award Scheme	**—**	(13,291)
	2,255,657	2,886,839
	3,222,367	3,848,269

9. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2016	2015
Profit attributable to owners of the Company	**6,755,908**	5,615,795
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme *(thousands)*	**3,217,624**	3,204,546
Earnings per share *(RMB per share)*	**2.0997**	1.7524

There were no dilutive potential ordinary shares as at 31 December 2016 and 2015.

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016	2015
Trade receivables — net *(Note (a))*	**7,175,084**	4,864,843
Other receivables — net	**11,747,174**	5,884,946
Prepayments	**1,662,690**	2,587,669
Due from joint ventures	**1,053,003**	1,737,889
Due from associates	**42,281**	2,547,373
Total	**21,680,232**	17,622,720
Less: non-current portion	**(97,420)**	(4,046,552)
Current portion	**21,582,812**	13,576,168

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

	2016	2015
Trade receivables — current portion	**7,209,024**	4,885,021
Less: allowance for impairment	**(33,940)**	(20,178)
	7,175,084	4,864,843
Trade receivables — non-current portion	**—**	—
	7,175,084	4,864,843

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of residential properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2016	2015
Up to 1 year	**6,180,202**	3,741,074
1 year to 2 years	**391,554**	877,741
2 years to 3 years	**511,180**	102,891
Over 3 years	**126,088**	163,315
	7,209,024	4,885,021

11. ACCRUALS AND OTHER PAYABLES

	2016	2015
Amounts due to joint ventures *(Note (a))*	**2,347,150**	2,032,153
Amounts due to an associate *(Note (a))*	**414,142**	—
Advance from a joint venture	**—**	13,720
Construction payables *(Note (b))*	**10,294,391**	9,144,332
Other payables and accrued charges *(Note (c))*	**8,895,782**	7,537,707
	21,951,465	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 is presented.

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

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

BUSINESS REVIEW

Contracted sales

The Group generated contracted sales of RMB60.9 billion in 2016, increased 12% year-on-year. The contracted sales were derived from 65 projects in aggregate in 25 cities and regions across three main regions of China (Northern China, Southern China and Hainan), along with two overseas cities in Johor Bahru, Malaysia and Brisbane, Australia. On a regional basis, contracted sales for Southern China, increased by 10% to RMB19.323 billion, contracted sales for Northern China increased by 10% to RMB35.860 billion, while that for Hainan increased by 166% to RMB4.128 billion. At the city level, contracted sales for Beijing and Tianjin were the highest of all cities at RMB7.716 billion and RMB7.208 billion respectively, accounting for 13% and 12% of our total sales in 2016. The combined contracted sales for these two cities accounted for approximately 25% of the Group's total contracted sales. In 2016, the Group launched, in total, 7 new projects in 6 cities in China, accounting for 6% of total contracted sales of the Group. Total contracted sales of the Group in terms of GFA increased by 14% to 4,693,500 sq.m. from 4,110,400 sq.m., and the average selling price in 2016 was RMB13,000 per sq.m., substantially in line with RMB13,200 per sq.m. in 2015.

Details of the Group's 2016 contracted sales by geographical distribution are set out below:

Location	**Approximate saleable area sold** *(sq.m.)*	**+/– % vs. 2015** *(%)*	**Approximate total value** *(RMB million)*	**+/– % vs. 2015** *(%)*
Guangzhou	268,300	–41%	6,286	–44%
Huizhou	378,900	71%	3,606	122%
Chongqing	308,500	25%	1,691	30%
Chengdu	101,600	–27%	633	–16%
Fuzhou and vicinity	203,500	197%	2,984	125%
Meizhou	316,600	6%	1,633	7%
Guiyang	44,900	221%	425	248%
Foshan	45,900	139%	648	88%
Nanning	23,200	2,220%	240	1,579%
Zhuhai	37,400	6%	1,096	17%
Changsha and vicinity	10,800	N/A	81	N/A
Southern Region	**1,739,600**	**16%**	**19,323**	**10%**
Beijing and vicinity	356,900	–43%	7,716	–25%
Tianjin	409,200	12%	7,208	21%
Taiyuan	298,800	–46%	2,897	–40%
Xian	42,100	42%	315	8%
Shenyang	82,100	33%	567	6%
Harbin	97,400	–4%	1,252	–24%
Shanghai and vicinity	153,000	125%	4,451	90%
Hangzhou and vicinity	295,000	85%	3,866	76%
Nanjing and vicinity	140,200	38%	2,263	36%
Wuxi	252,500	73%	2,566	105%
Datong	102,100	143%	508	134%
Baotou	186,700	33%	1,258	41%
Zhengzhou	88,000	175%	993	229%
Northern Region	**2,504,000**	**3%**	**35,860**	**10%**
Hainan	**382,900**	**223%**	**4,128**	**166%**
Johor Bahru, Malaysia	**48,500**	**–20%**	**763**	**–25%**
Brisbane, Australia	**18,500**	**340%**	**791**	**356%**
Total	**4,693,500**	**14%**	**60,865**	**12%**

Projects under development

In response to changing market conditions, the Group was flexible in its approach to managing its properties under development during the year, aiming to ensure efficient deployment of its resources and to avoid accumulating excessive inventories. The Group started the year with approximately 12,319,000 sq.m. of GFA under development, and started construction of approximately 6,011,000 sq.m. GFA. During the year, the Group completed 5,306,000 sq.m. GFA of development properties with 4,165,000 sq.m. of saleable area, and completed 98,000 sq.m. GFA of investment properties. By the end of the year, the Group's GFA under development had increased by 3% to approximately 12,750,000 sq.m. which were distributed across 68 projects in 27 cities and regions. This GFA of properties under development at year-end together with further planned construction newly starts in 2017, is expected to make available pre-sale permits for properties with an approximate value of RMB140 billion, which should provide a solid basis for meeting the Group's sales target for 2017.

The following is the position as at 31 December 2016:

Location	**Number of projects**	**Approximate total GFA** *(sq.m.)*	**Approximate saleable area** *(sq.m.)*
Guangzhou	8	1,395,000	1,104,000
Beijing and vicinity	4	1,087,000	778,000
Tianjin	6	936,000	663,000
Taiyuan	5	911,000	524,000
Huizhou	3	857,000	693,000
Harbin	2	786,000	595,000
Hangzhou and vicinity	4	746,000	514,000
Chongqing	3	686,000	495,000
Johor Bahru, Malaysia	1	666,000	365,000
Shanghai and vicinity	3	572,000	322,000
Meizhou	1	570,000	386,000
Hainan	4	566,000	542,000
Fuzhou and vicinity	2	486,000	380,000
Zhengzhou	2	406,000	245,000
Wuxi	3	363,000	250,000
Datong	1	254,000	202,000
Baotou	1	237,000	203,000
Nanning	1	224,000	105,000
Foshan	2	212,000	169,000
Nanjing and vicinity	3	149,000	102,000
Zhuhai	1	135,000	99,000
Shenyang	2	109,000	53,000
Chengdu	1	105,000	74,000
Brisbane, Australia	1	92,000	78,000
Changsha and vicinity	1	72,000	61,000
Guiyang	1	67,000	48,000
Xian	2	61,000	34,000
Total	**68**	**12,750,000**	**9,084,000**

Current Major Property Development

Southern China

The Group entered into a new city in the region during the year. Currently, its operations in Southern China covered 11 cities, which all contributed contracted sales in the year. This was the first year for Changsha and vicinity to contribute contracted sales to the Group.

Guangzhou is the Group's key city in Southern China. In terms of contracted sales of the Group, the city ranked first in Southern China and ranked third for all the cities where the Group operates. Contracted sales for Guangzhou in the previous year amounted to RMB6.29 billion, which were mainly derived from 9 continuing projects. Sales performances of R&F Dongshan Xintiandi and Tianying Plaza (Liede Project) were satisfactory, accounting for approximately 36% and 16% of contracted sales in Guangzhou respectively. In 2017, the Group will continue to put efforts on R&F Yuexi.

Huizhou is one of the cities where the Group has been operating for years. In 2016, contracted sales of Huizhou R&F Bay Shore reached RMB2.34 billion. The project is located at the heart of the top three seaside tourist attractions in Guangdong Province, namely Xunliao Bay, Shangyue Bay and Yapo Corner, which is an international seaside tourist resort that set to have entertainment and wellness lifestyle in one development, with planned site area of 1,318,673 sq.m.

In addition to the above cities, the Group's R&F Center in **Fuzhou** was well-received by the public in 2016, with contracted sales reaching RMB1.88 billion. In 2017, the Group will put efforts on Putian R&F Shangyue Court which is located in Putian Yuhu New Town with planned site area of 132,000 sq.m. and a total GFA of 434,000 sq.m.

The sales of **Meizhou** R&F City was satisfactory with approximately RMB1.63 billion in 2016. The saleable area of the project is anticipated to be more than 350,000 sq.m. in 2017, which expects to bring to the Group a considerable revenue. Meizhou R&F City is located at the core zone of Meixian New Town in Meizhou City with planned site area of 662,942 sq.m. and a total GFA of 2,351,581 sq.m. The project is planned for the construction of mid-to-high end residential properties.

Northern China

The Group did not develop any new markets in Northern China during the year. Among the 13 cities in Northern China, **Beijing**, **Tianjin, Shanghai, Hangzhou** and **Taiyuan** were the key sales contributors. The five cities provided 20 projects for sales with up to approximately RMB26.1 billion of total contracted sales.

In 2016, the contracted sales of the Group in **Beijing** and its vicinity reached approximately RMB7.7 billion, achieving outstanding performance and ranked first in the country. The contracted sales was principally driven by two projects, namely Tongzhou R&F Center and Beijing R&F New Town. Tongzhou R&F Center Project (also known as Tongzhou R&F Yunhe No. 10) is located in Tongzhou New Town of Tongzhou District, Beijing with a planned site area of 69,796 sq.m. and a total GFA of 465,800 sq.m. It will provide apartments, commercial properties and offices in one development. The apartments will mainly be flats with high-quality decor complemented by high-end properties management. Beijing R&F New Town is located in Xianghe New Town District adjacent to the Xianghe Exit of Jingha Expressway in Xianghe County. Xianghe is located along the core corridor zone of the Beijing-Tianjin-Hebei region and connects with the business circle in eastern Beijing. The project has a total GFA of 1,937,660 sq.m. and is planned for the construction of rigid demand residential properties. In 2017, major projects of the Group to be put into the market in Beijing will remain Tongzhou R&F Center Project and Beijing R&F New Town.

In 2016, the contracted sales of the Group in **Tianjin** totaled approximately RMB7.20 billion, over 50% of which was from R&F Jinmen Lake. Tianjin R&F New Town also contributed RMB1.62 billion to the area. Tianjin R&F New Town is located at the junction of Renai Avenue and Zeshui North Road in Tuanpo New Town Eastern District in Tianjin. The project is planned to be built into an integrated complex featuring mainly low density residences and high-rise residential buildings, complemented by boutique commercial properties. The Group still focused on the launch of Tianjin R&F Jinmen Lake and Tianjin R&F New Town in 2017.

In 2016, the contracted sales of Group in **Shanghai** and vicinity totaled approximately RMB4.45 billion, mostly from R&F Hongqiao No.10, of which contracted sales reached RMB3.51 billion, with 88,400 sq.m. GFA sold. The project is located within the core area of Hongqiao Business Zone in Minhang District, providing a variety of properties, such as high-end residential units, office towers of international standards, customized offices, flagship commercial properties and high-end hotels. In 2017, R&F Hongqiao No.10 is still the main development and sales project in Shanghai and its vicinity of the Group.

In 2016, the contracted sales of the Group in **Hangzhou** and vicinity approximately RMB3.87 billion, mainly driven by Hangzhou R&F No.10 and Huzhou R&F City. Huzhou R&F City, which is located in Wuxing district, Huzhou city, with site area of 197,762 sq.m. and a total GFA of 461,744 sq.m., and is planned for the construction of rigid demand residential properties. In 2017, major sales projects in Hangzhou and vicinity are Hangzhou R&F Xixi Resident, Hangzhou R&F No.10 and Huzhou R&F City.

In 2016, the contracted sales of the Group in **Taiyuan** totalled approximately RMB2.90 billion, mostly from Taiyuan R&F Prosperous Palace. In addition to the launch of Taiyuan R&F City, Taiyuan R&F Prosperous Palace and Taiyuan R&F Xiyue Court for sale, the Group is expected to launch the sales of Taiyuan R&F Shangyue Court as well as Taiyuen R&F City Garden No. 8 to further increase the sales in Taiyuan in 2017.

Hainan

In 2016, the Group provided 4 projects for sale in Hainan, including R&F Bay Shore, R&F Yingxi Valley, R&F Mangrove Bay and R&F Moon Bay Shore. The contracted sales for the year of the 4 projects contributed RMB4.13 billion to the Group.

Overseas

For overseas markets, R&F Princess Cove located in Johor Bahru, **Malaysia** has drawn much attention from all sectors since its launch in mid-2014. In 2015, R&F Princess Cove won the People Choice award 2015 for "Best Waterfront Development in Malaysia" presented by iProperty.com, the most influential professional online property portal website in Malaysia and Singapore. The award was voted by over 3,000 local residents and the nominees for the award included Country Garden Danga Bay and Greenland Jade Palace, showing a relatively high reputation of R&F Princess Cove in Malaysia. In 2016, the Group has opened showrooms in various cities in the country and launched large-scale promotion activities, which successfully drove the sales volume.

The Group launched R&F Brisbane No. 1 for sale in **Australia** in 2016. The project is well-equipped with full facilities, including swimming pool, sky garden, indoor club and fitness center on the top level. For the apartment design, Brisbane One Project provides dual key apartments which could principally address market demand in Australia as well as demand from Chinese investors. Dual key apartments are commonly found in Singapore and believed to be well received by both users and investors. Apart from R&F Brisbane No. 1, the Group plans to launch Brisbane Kangaroo Point Project and Melbourne R&F Kinnears Project by stages.

Land bank

In 2016, the Group continued to apply the same conservative and balanced criteria as its general direction towards land acquisitions. The general principles on land assessment of the Group during the year were total price being reasonable, fulfillment of profit forecast and quickness of turnover. The Group acquired 22 plots of land in 15 cities and regions with additional saleable area of approximately 5,041,000 sq.m. in 2016, 13 out of the 22 plots of land are located in the cities and regions where the Group currently has operations and 9 out the 22 plots of land are located in Shenzhen, Ningbo, Yantai, Nanchang, Qinhuangdao and Huhhot where we have newly established business presence. The Group's total land bank at year-end was total attributable GFA of approximately 42,965,000 sq.m. distributed across 32 cities and regions in China and 3 overseas cities. Details are given below:

Location	**Approximate total GFA** *(sq.m.)*	**Approximate saleable area** *(sq.m.)*
Development Properties		
Guangzhou	1,152,000	953,000
Shenzhen	442,000	248,000
Foshan	212,000	170,000
Zhuhai	388,000	352,000
Huizhou	2,882,000	2,734,000
Meizhou	1,595,000	1,412,000
Hainan	3,178,000	3,104,000
Changsha and vicinity	3,366,000	3,299,000
Fuzhou and vicinity	1,022,000	981,000
Nanchang	203,000	203,000
Nanning	294,000	166,000
Chongqing	4,547,000	4,356,000
Chengdu	169,000	122,000
Guiyang	67,000	48,000
Shanghai and vicinity	510,000	287,000
Nanjing and vicinity	987,000	873,000
Hangzhou and vicinity	824,000	658,000
Ningbo	783,000	684,000
Wuxi and vicinity	1,417,000	1,334,000
Beijing and vicinity	1,503,000	1,135,000
Shijiazhuang	792,000	718,000
Qinhuangdao	232,000	232,000
Tianjin	3,814,000	3,527,000
Yantai	197,000	197,000
Xian	325,000	299,000
Taiyuan	2,304,000	1,861,000
Datong	1,885,000	1,833,000
Harbin	1,327,000	1,137,000
Shenyang	140,000	70,000
Baotou	1,199,000	1,165,000
Huhhot	217,000	217,000
Zhengzhou	651,000	320,000
Johor Bahru, Malaysia	2,570,000	2,090,000
Melbourne, Australia	163,000	163,000
Brisbane, Australia	212,000	198,000
Investment Properties	1,396,000	1,335,000
Total	**42,965,000**	**38,481,000**

Investment Properties

One of the Group's key business strategies continues to be owning a portfolio of investment properties that generate a reliable cash flow through the ups and downs of the economic cycle. The Group plans to grow its investment portfolio over time, and at an appropriate pace, into a collection of rental office buildings, shopping malls and hotels of the highest quality and capital value. These qualities can already be seen in its existing key properties, which include the Group's office building, R&F Center, in Pearl River New Town in Guangzhou, and its shopping mall, Viva Beijing R&F Plaza, both of which also enjoy the benefit of excellent locations. During the year, 2 new hotels were added to the portfolio, while a further 1,125,000 sq.m. of investment properties of all categories was at various stages of construction. Situated atop the metro station, the shopping mall R&F Haizhu City enjoys the benefit of excellent location and has already been fully operating in 2016.

The newly-operating hotels include Marriot Resort & Spa Hainan Xiangshui Bay and Holiday Inn Chongqing University Town. All these hotels are operated by reputable international hotel management companies and are characterized by the highest hospitality industry service standards, maintaining high competitiveness in their respective localities. They add diversity to the Group's existing hotel portfolio, mainly made up of city-centre business hotels and comprising 5-star hotels in Beijing, Guangzhou, Chengdu, Chongqing, Huizhou, Taiyuan and Hainan. The Group currently owns 14 operating hotels. Investment properties completed or in the pipeline or under planning are as follows:

Investment properties	**Location**	**Description**	**Approximate total GFA** *(sq.m.)*
Guangzhou			
The Ritz-Carlton, Guangzhou*	Pearl River New Town J2-7	5-star hotel 351 rooms and 91 serviced apartments	104,000
Grand Hyatt, Guangzhou*	Pearl River New Town F1-2	5-star hotel 375 rooms	115,000
R&F Center*	Pearl River New Town J1-4	54-storey office building	163,000
Holiday Inn Guangzhou Airport Zone*	R&F Jingang City	4-star hotel 340 rooms	38,000
Park Hyatt, Guangzhou*	Pearl River New Town J1-1	5-star hotel 208 rooms	35,000
Conrad, Guangzhou#	Pearl River New Town Liede Village	5-star hotel 350 rooms	39,000
R&F Haizhu City*	R&F Tianyu Center	Shopping mall	50,000
Guangzhou International Airport R&F Integrated Logistics Park*	Guangzhou R&F Jingang City	Logistics Park	1,200,000
R&F Merchandise City (Huadu Shiling Project)#	Shiling Avenue, Huadu District	Commercial	613,000
Beijing			
Renaissance Beijing Capital Hotel*	Beijing R&F City	5-star hotel 531 rooms	120,000
R&F Center*	Beijing R&F City	Office building	60,000
Viva Beijing R&F Plaza*	Beijing R&F City	Shopping mall	111,000
Holiday Inn Express Temple of Heaven Beijing*	R&F Xinran Court/Plaza	4-star hotel 316 rooms	22,000
Tianjin			
Marriott Hotel, Tianjin	Tianjin R&F City	5-star hotel 400 rooms	58,000
R&F Plaza*	Tianjin R&F City	Shopping mall	43,000

Investment properties	Location	Description	Approximate total GFA *(sq.m.)*
Huizhou			
Renaissance Huizhou Hotel*	R&F Ligang Center	5-star hotel 342 rooms	54,000
Hilton Huizhou Longmen Resort	R&F Hot Spring Valley	5-star hotel 350 rooms	45,000
Doubletree Resort by Hilton, Huizhou R&F Bay Shore	Huizhou R&F Bay Shore	5-star hotel 310 rooms	47,000
Intercontinental Huizhou Resort*	Huizhou R&F Huilin Hot Spring Village	5-star hotel 200 rooms	52,000
Chongqing			
Hyatt Regency, Chongqing*	Jiangbei District	5-star hotel 321 rooms	46,000
R&F Ocean Plaza (Retail)*	R&F Ocean Plaza	Shopping mall	73,000
Holiday Inn Chongqing University Town*	Chongqing R&F City	4-star hotel 376 rooms	56,000
Chengdu			
R&F Plaza* (Former R&F Tianhui Mall)	Panda City	Shopping mall	255,000
The Ritz-Carlton, Chengdu*	Panda City	5-star hotel 353 rooms	57,000
Hainan			
Doubletree Resort by Hilton, Haikou–Chengmai*	R&F Mangrove Bay	5-star hotel 309 rooms	45,000
Marriott Resort & Spa Hainan Xiangshui Bay* & Yacht Club	R&F Bay Shore	5-star hotel 447 rooms	76,000
R&F Ocean Paradise (Ocean Park Project)	Lingshui County	Hotel, travel & commercial	477,000
Xian			
R&F Holiday Inn Xian	Xian R&F City	4-star hotel 380 rooms	50,000
Harbin			
The Ritz-Carlton, Harbin	R&F Jiangwan New Town	5-star hotel 350 rooms	67,000
Taiyuan			
Pullman Taiyuan R&F Hotel*	Taiyuan R&F City	5-star hotel 280 rooms	43,000
Shanghai			
Hyatt Place, Shanghai#	Jiayu Wan	5-star hotel 150 rooms	16,000
The Ritz-Carlton, Shanghai	Shanghai R&F Hongqiao No. 10	5-star hotel	58,000
AC Hotels, Shanghai	Shanghai R&F Hongqiao No. 10	Business hotel	16,000

* *Completed, operating and pre-opening*

\# *Joint Venture Project*

Outlook

For 2017, the Group's contracted sales target has been set at RMB73 billion, approximately 20% more than its actual contracted sales for 2016. This target will be achieved from sales of 84 projects in 31 cities and areas and 3 overseas cities, which will deliver 4,781,000 sq.m. of properties. The details are set out below:

Location	To be complete in 1st half of 2017		To be complete in 2nd half of 2017	
	Approximate total GFA	**Approximate total saleable area**	**Approximate total GFA**	**Approximate total saleable area**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Guangzhou	64,000	56,000	148,000	104,000
Foshan	126,000	99,000	—	—
Zhuhai	—	—	135,000	99,000
Huizhou	446,000	347,000	104,000	85,000
Chengdu	60,000	44,000	45,000	31,000
Chongqing	45,000	35,000	392,000	297,000
Changsha and vicinity	39,000	39,000	11,000	11,000
Meizhou	87,000	86,000	301,000	207,000
Fuzhou and vicinity	—	—	182,000	143,000
Hainan and vicinity	103,000	98,000	286,000	273,000
Beijing and vicinity	338,000	238,000	404,000	354,000
Shijiazhuang	—	—	89,000	67,000
Tianjin	7,000	7,000	123,000	99,000
Taiyuan	129,000	115,000	431,000	395,000
Datong	26,000	25,000	130,000	127,000
Baotou	74,000	71,000	172,000	162,000
Xian	—	—	45,000	35,000
Shanghai	11,000	10,000	111,000	64,000
Nanjing and vicinity	31,000	30,000	120,000	76,000
Hangzhou and vicinity	73,000	28,000	209,000	193,000
Wuxi	—	—	187,000	150,000
Harbin	82,000	76,000	165,000	160,000
Shenyang	—	—	69,000	53,000
Malaysia	—	—	439,000	192,000
Sub-total	**1,741,000**	**1,404,000**	**4,298,000**	**3,377,000**
JV (Attributable)	200,000	75,000	233,000	189,000
Investment Properties	11,000	11,000	375,000	375,000
Total	**1,952,000**	**1,490,000**	**4,906,000**	**3,941,000**

FINANCIAL REVIEW

The Group's profit for the year increased by 5% to RMB7.056 billion, from RMB6.712 billion in the previous year. Revenue from property development increased by 21% to RMB49.489 billion in 2016 from RMB40.744 billion in 2015 and profit from property development decreased by 2% to RMB6.058 billion in 2016 from RMB6.178 billion in 2015. During the year, due to the depreciation of the exchange rate of RMB to US dollars and the proposed redemption of USD1.6 billion senior notes, the Group had incurred a foreign exchange loss of RMB0.61 billion and an accrued early redemption premium for senior notes of RMB0.48 billion respectively. Rental income increased 7% and brought profit for the property investment segment to RMB423 million not taking into account the fair value gains from investment properties of RMB1.741 billion (2015: RMB1.106 billion). The hotel operations recorded a loss of RMB183 million as compared to a loss of RMB167 million the prior year. The Group's other business segments (including construction services and the soccer team) recorded a loss of RMB550 million as compared with a loss of RMB509 million the previous year.

The Group carries out its core business of property development in 19 cities. The following comments, with the exception of #7 (on finance costs) and #9 (on profit for the year), relate only to the results from sales of properties:

1. Revenue increased by 21% to RMB49.489 billion, from RMB40.744 billion in the previous year. This revenue was based on delivery of 4,209,000 sq.m. of sale properties in the year which was approximately 20% more than the 3,514,000 sq.m. delivered the previous year. Overall average selling price increased to RMB11,760 per sq.m. from RMB11,590 per sq.m., a moderate increase of 1%. Four out of nine significant projects (with revenue not less than RMB1 billion) having comparable selling prices in prior year registered increase in average selling price. These projects which accounted for 20% of total revenue included R&F New Town and R&F Huilan Meiju in Beijing, R&F City in Taiyuan and R&F Shangyue Court in Nanjing and had average selling price increased between 1% to 35% from the previous year. The five significant projects with selling price decrease were Guangzhou R&F Dongshan Xintiandi, Tianjin R&F Jinmen Lake, Meizhou R&F City, Hainan R&F Mangrove Bay and Fuzhou R&F Center which accounted for 28% of total revenue and had a decrease of 2% to 25% in average selling price. New projects accounted for approximately 24% of total revenue. These included two residential projects in Beijing Tongzhou and Shanghai Hongqiao, which together contributed RMB5.4 billion in revenue at an average selling price of RMB39,450 per sq.m. For revenue by city, Beijing had the highest revenue of RMB8.572 billion (2015: RMB10.276 billion) and followed by Tianjin and Guangzhou each accounting for 17%, 14% and 14% (2015: 25%, 9% and 30%) of total revenue respectively. Revenue in Beijing remained high. A new project, Beijing Tongzhou R&F Centre, delivered 67,800 sq.m. at an average selling price of RMB36,790 per sq.m. and generated RMB2.494 billion in revenue. Revenue of Tianjin for the year increased by 88% to RMB7.138 billion (2015: RMB3.797 billion). The flagship project, R&F Jinmen Lake, delivered 244,190 sq.m. (2015: 73,060 sq.m.) at an average selling price of RMB20,620 sq.m. (2015: RMB27,440 sq.m.) and generated RMB5.036 billion (2015: RMB2.005 billion) in revenue. Revenue of Guangzhou decreased by 44% to RMB6.723 billion (2015: RMB12.043 billion) due to RMB4.710 billion in revenue from R&F Ying Yao Plaza was included in last year as compared to only RMB123 million in the current year. Aside from the three cities mentioned above, Hangzhou and Taiyuan had revenue exceeding RMB4 billion which were both a record high. In Hangzhou's case, it was mainly due to the delivery of four new projects, Hangzhou R&F Xixi Resident alone delivered 82,000 sq.m. at an average selling price of RMB15,440 per sq.m. and generated RMB1.266 billion in revenue. In Taiyuan's case, it was the increased delivery of its flagship project R&F City. Shanghai's revenue substantially increased from the previous year to

RMB3.178 billion which was coming from a new project, R&F Hongqiao No. 10. Nanjing and Hainan with revenue exceeding RMB2 billion, its revenue came from its continuing project R&F Shangyue Court and R&F Mangrove Bay respectively.

2. Overall cost of sales and costs of land and construction per sq.m. increased 8% and 11% respectively to RMB8,250 per sq.m. and RMB7,080 per sq.m. (2015: RMB7,670 per sq.m. and RMB6,380 per sq.m.) with the change in sales mix. The range for land and construction cost per sq.m. of individual project ranged from RMB32,200 to RMB2,800. At the high end of the range were residential & commercial projects in Shanghai, Beijing and Guangzhou that typically carried higher land and construction costs. In the low end of the range were residential projects in tier 2 or 3 cities, e.g. R&F City in Meizhou. The top two projects in the year Tianjin's R&F Jimen Lake and Guangzhou's R&F Dongshan Xintiandi both carried high land and construction costs per sq.m. of total average RMB12,180 and due to its weight in the total revenue, had significant effect on overall per sq.m. land and construction costs. The four main components of cost of sales included land cost, construction costs, business tax and capitalized interest. Starting from May 2016, business tax was replaced by value added tax which was deducted directly from revenue. As a result, four main components of cost of sales will reduce to three main components in the future. In the year under review, land and construction costs accounted for 86% (2015: 83%), business tax 5% (2015: 9%) and capitalized interest 9% (2015: 8%). Capitalized interest included in the cost of sales and also as a percentage of revenue increased to RMB3.180 billion and 6.4% from 2015's RMB2.051 billion and 5.0% respectively. The cost of sales also included RMB1.778 billion (2015: RMB2.473 billion) in business tax.

3. As described above, with the cost of sales per sq.m. increased by 8% and a stable average selling price, the overall gross margin fell accordingly by 4% to 30% from 34% in the previous year. Analysing based on the gross margin by city, gross margin of the key cities including Beijing, Tianjin and Guangzhou were 36%, 42% and 30% respectively as compared to 28%, 35% and 51% in the prior year. The gross margins of the Hangzhou, Taiyuan, Shanghai, Nanjing and Hainan were 30%, 27%, 24%, 21% and 27% respectively.

4. Other income and other gains mainly arose from interest income.

5. Selling and administrative expenses as a percentage of revenue decreased to 6.9% from 7.1% in the previous year due to increase in selling and administration expenses for the year of RMB469 million or 16%, which was less than the rate of increase in revenue. Broken down into its two components, selling expenses increased by RMB422 million to RMB1.243 billion and administrative expenses increased by RMB47 million to RMB2.148 billion. The effectiveness of the Group's cost controlling efforts were reflected in these numbers which were achieved through efficient use of resources without compromising on investment in key competitive factors such as manpower and advertising.

6. The share of results of associated companies was mainly derived from the Group's 20% share in the Guangzhou Asian Games City project. The share of results of joint ventures were mainly 33.34% interests in the Guangzhou Liedecun project, 25% interests in Tianjin Jinnan New Town project, 50% interests in Hines Shanghai New Jiangwan project, 60% interests in Guizhou Da Xi Nan project and 50% interests in Guangzhou Senhua project. These six projects mentioned had a combined revenue in the year of RMB10.328 billion which was approximately RMB3.367 billion more than previous year.

7. Finance costs being interest expenses incurred in the year after deduction of amounts capitalized to development costs, increased by 10% to RMB2.367 billion (2015: RMB2.154 billion) mainly as a result of higher average debts. Total interest incurred in the year increased from RMB6.019 billion in the prior year to RMB6.626 billion with outstanding loans at the year-end of approximately RMB120.9 billion (2015: RMB82.4 billion) and an average interest rate of 6.3% (2015: 7.8%). During the year, the Group had incurred a foreign exchange losses of RMB0.61 billion and an accrued early redemption premium for senior notes of RMB0.48 billion. Aggregate interest costs included in this year's results amounted to RMB5.547 billion (2015: RMB4.256 billion) counting also capitalized interest released to cost of sales of RMB3.180 billion (2015: RMB2.102 billion).

8. Land appreciation tax (LAT) of RMB2.236 billion (2015: RMB2.533 billion) and Enterprise Income Tax of RMB2.242 billion (2015: RMB2.176 billion) brought the Group's total income tax expenses for the year to RMB4.478 billion. As a percentage of revenue, LAT decreased to 4.5% from 6.2% in 2015. This decrease was due to the fact that gross profit margins of projects in the year were more even, with few projects achieving an especially high gross margin and thus attracting LAT at a high tax rate. The effective enterprise income tax rate was 27.0% (2015: 26.1%), deviating from the standard rate by 2.0% because of permanent differences limiting the tax deductible amount.

9. Overall, the Group's profit margin for the year was 13.1%, as compared to 15.2% in the previous year reflecting the change in gross margin from property development.

Financial resources, liquidity and liabilities

At 31 December 2016, the Group's cash amounted to RMB45.97 billion of which RMB35.42 billion was in RMB, RMB10.08 billion was in US dollar, RMB53 million was in Malaysian Ringgit, RMB123 million was in Hong Kong dollar, RMB288 million was in Australian dollar, RMB0.8 million was in Singaporean dollar and RMB2,000 was in Macau dollar and with total borrowings at RMB120.85 billion of which RMB100.16 billion was in RMB, RMB20.22 billion was in US dollar and RMB471 million was in Australian dollar. Net debt to total equity ratio was at 160%. The total borrowings were made up of financing from sources which included 1) bank loans, 2) offshore USD senior notes, 3) domestic corporate bonds and 4) trust loans and others each accounted for 38%, 10%, 40% and 12% respectively. The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB88.03 billion (2015: RMB34.79 billion) was unutilised. Such credit facilities indicate that the banks are prepared to lend to the Group up to the limit of the facilities when certain conditions are met such as the production of suitable projects and specified documents e.g. construction permits.

The Group has also available to it perpetual capital instruments which decreased by RMB5.6 billion in the year.

Debt Profile

In January 2016, the Group issued a RMB9.6 billion domestic corporate bond with 5 year maturity at an interest rate of 3.95%. In April 2016, the Group issued a RMB1.95 billion domestic corporate bond with 6 year maturity at an interest rate of 3.48%. Also, in April 2016, the Group issued a RMB0.95 billion domestic corporate bond with 7 year maturity at an interest rate of 3.95%. In May 2016, the Group issued a RMB4.6 billion domestic non-public bond with 6 year maturity at an interest rate of 5.20%. Also, in May 2016, the Group issued a RMB10.4 billion domestic non-public bond with 4 year maturity at an interest rate of 5.15%. In June 2016, the Group issued a RMB9.3 billion domestic non-public bond with 4 year maturity at an interest rate of 5.00%. In October 2016, the Group issued a RMB5.7 billion domestic non-public bond with 6 year maturity at an interest rate of 4.39%. The maturity profile of the Group's total borrowings was well balanced between short, medium and long term debt. Debts due within 1 year accounted for 28% of total debts. Bank loans repaid in the year amounted to RMB21.1 billion while new bank loans of RMB28.2 billion were procured. The effective interest rate of the total bank loan portfolio at 31 December 2016 was 5.52% (2015: 6.52%). Exchange rate exposure was insignificant as non-RMB borrowings accounted for approximately 17.1% of total borrowings. Therefore, the Group has not entered into any foreign exchange hedging transactions. As for interest rate, RMB bank loans were at normally stable floating interest rates benchmarked to rates published by the People's Bank of China. The fixed rate offshore USD senior notes and domestic corporate and non-public bonds further reduced interest rate exposure and therefore no interest rate hedging arrangements had been put in place. Overall, the Group has not used any financial instruments for hedging purposes.

OTHER INFORMATION

Employee and Emolument Policies

As of 31 December 2016, the Group had approximately 20,867 employees (31 December 2015: 19,264). The total staff costs incurred were approximately RMB1,538 million during the financial year ended 31 December 2016. The Company's emolument policy is to ensure that the remuneration offered to employees including executive directors and senior management is based on skill, knowledge, responsibilities and involvement in the Company's business affair. The remuneration of executive directors is also linked with business performance and profitability of the Company and the market conditions. Individual director and senior management would not be involved in deciding their own remuneration.

Annual General Meeting, Final Dividend and Closure of Register of Members

The 2016 annual general meeting ("AGM") of the Company will be held on Friday, 19 May 2017 and the notice of AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Friday, 19 May 2017, the register of members of the Company will be closed from Tuesday, 4 April 2017 to Friday, 19 May 2017, both days inclusive. In order for the shareholders to qualify for attending and voting at the AGM, all the share transfer documents should be lodged for registration 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, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 3 April 2017.

The Board has proposed a final dividend for 2016 at RMB0.70 per share. The proposed final dividend, if approved by the shareholders at the AGM on 19 May 2017, will be paid to shareholders (including domestic shares and H shares) whose names appear on the register of members on Thursday, 1 June 2017. The proposed final dividend has not been reflected in the financial statements as at 31 December 2016. Dividends on H shares are also subject to PRC withholding tax.

According to the Articles of Association of the Company, 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 Dollars. 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.

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.

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 Shanghai-Hong Kong Stock Connect or Shenzhen-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 or Shenzhen-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.

Upon obtaining approval of the shareholders at the forthcoming AGM, the final dividends will be payable to shareholders whose names appear on the register of members of the Company as at the close of business on Thursday, 1 June 2017. The payment date of the final dividend will be further announced. The H share register of members of the Company will be closed from Thursday, 25 May 2017 to Thursday, 1 June 2017, both days inclusive, during which period no transfer of H shares will be registered. In order for H shareholders to qualify for the proposed final dividends, 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, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 24 May 2017.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 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 for Securities Transactions by Directors and Supervisors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") laid out in Appendix 10 to the 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 financial year ended 31 December 2016.

Compliance with the Corporate Governance Code and Corporate Governance Report

The Company is committed to good corporate governance practices, believing that they enhance shareholder value. The corporate governance practices adopted by the Company place a focus on maintaining a high-quality board, effective internal controls, a high level of transparency and full accountability to shareholders. Throughout the year ended 31 December 2016, the Company complied with all relevant laws and the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules, save for the deviation on Code E.1.2. Mr. Lai Ming, Joseph, the chairman of the audit committee of the Company, was unable to attend the Company's annual general meeting held on 27 June 2016 as he had other important business engagement in other country.

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. Lai Ming, Joseph (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the annual results of the Company for the year ended 31 December 2016.

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

10 March 2017

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*