廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

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

(Stock code: 2777)

2018 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue increased by 30% to RMB76.86 billion
- Core profit increased by 49% to RMB9.53 billion
- Gross profit margin of the Group and sales of properties increased to 36.4% and 40.3% respectively
- Effective interest rate remained low at 5.74% p.a.
- Sufficient liquidity with cash of RMB34.71 billion
- Proposed final dividend of RMB0.83 per share – including interim dividend, full year dividend was equivalent to RMB1.23 per share

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company" or "R&F") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018. The annual results have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

For the financial year ended 2018, it was a challenging period in terms of macroeconomic stability and overall financing conditions which required the Group to focus on achieving internal targets and meeting financial obligations. In 2018, despite an unstable market outlook and financing uncertainties, the Group successfully achieved its key operating objectives of RMB130 billion attributable contracted sales target and 6.5 million sq.m. of attributable GFA delivery. Actual attributable contracted sales achieved was RMB131.1 billion, representing 10.18 million sq.m. of attributable GFA sold, at an average selling price of RMB12,900 per sq.m., representing year-on-year growth of 60% and 61% in terms of attributable value and attributable GFA, respectively. The strong contracted sales growth was testament to the strength of the Group's sales team nationwide amidst a difficult operating environment and locks in about RMB78 billion of unrecognised contracted sales available for delivery in 2019 and subsequent years to maintain sustainability of earnings. Another testament to the strength of the Group was brand credit, with over RMB28.2 billion of domestic corporate bonds and super & short-term commercial papers redeemed and refinanced in 2018 as well as successfully issuing over RMB23.8 billion of domestic corporate bonds, super & short-term commercial papers and asset securitization products, particularly as significant credit tightening in 2018 constrained an overall ability to raise any form of domestic financing. Having navigated a challenging operating environment in 2018 and further favourable macro conditions heading into 2019, the Group has significantly improved its credit position, and with an abundant land bank and saleable resources, has set an attributable contracted sales target of RMB160 billion in 2019.

Strength-to-strength contracted sales growth and sales delivery

Over the past few years, the Group has focused on contracted sales growth, scale and profitability. The Group recorded attributable sales growth of 35% p.a. and 60% p.a. in 2017 and 2018, respectively, one of the highest amongst our peer group, and has set an attributable contracted sales target of RMB160 billion for 2019, or growth of 22% p.a., moderately lower versus recent years but still one of the highest amongst peers. To achieve the contracted sales target, the Group has over RMB300 billion of saleable resources comprising over 200 projects for sale in 2019. In recent years, the growth in scale and contracted sales has in part resulted from a faster asset turn and shorter project cycle in order to maintain an efficient capital structure. An increasing number of projects were able to secure presale permits within a year of construction starts, which provided positive cash flow to ensure certain projects were prefunded for completion with lowered development risk.

GFA delivery in 2018 was 6.11 million sq.m., up 30%, which is expected to increase year-on-year as the Group continues to achieve higher contracted sales in the preceding year. The increase in sales delivery is the underlying determinant of the Group achieving higher financial profits in 2018 as revenue was up 30% to RMB76.9 billion and gross profit was up 33% to RMB27.9 billion. In 2019, the Group has set a delivery target of 9.2 million sq.m. of GFA on the back of undelivered sales and higher contracted sales target. However, if property markets are volatile or there is a change in sentiment, one of the mitigating strategies is to adjust new starts, construction expenditure and delivery pipeline to manage cashflows.

Strong financial management and brand credit

Heading into 2018, the Group had potential financing needs which ultimately materialised as credit markets turned negative and liquidity tightened. The Group had US$800 million of offshore USD senior notes that were maturing and needed to be redeemed or refinanced. In addition, there were RMB26.2 billion of China domestic bonds with maturities beyond 2018 that had investor put options arising in the second and third quarter. The Group faced increasing pressures to address debt maturities as compared to last year as interest rates were rising and liquidity tightened and the markets saw defaults of offshore and onshore maturities that further magnified the negative sentiment to high leverage companies and reduced the ability for new debt issuances.

Amidst the backdrop of overall credit environments, through accelerating collection of operating cash, managing cash outflow prudently, controlling the pace of land bank acquisition and actively expanding financing channels, the Group successfully navigated all debt maturities faced in 2018 that included maturing USD denominated bonds, domestic corporate bonds which investors exercised put options and bank loans. In 2018, the Group successfully issued domestic corporate bonds of RMB14.3 billion, super & short-term commercial papers of RMB8.2 billion and asset securitization products of RMB1.4 billion with coupons between 5.3% to 7.7%, which demonstrated the Group's credit strength and brand recognition with relationship banks and credit investors. The Group has strong long-term relationships with a number of financial institutions including commercial banks that continue to show support to extend construction loans for development and secured loans for refinancing.

Continued access to international capital markets and broadening channels of financing

Outside China, the Group continued to see support from credit investors to invest in new USD senior notes and secure financing at the project level. In 2018, the Group issued US$1,750 million senior notes with coupons between 5%-8.875%. The increase in coupon rates reflected an increase in interest rate environments globally as investors cost of capital increased that coincided with heightened concerns of credit tightening in China as issuance of China domestic bonds also decreased and higher occurrences of defaults. This saw the Group issuing 3-year bond tenors in order to mitigate higher costs associated with longer tenors and balance out financing needs.

Another successful strategy for the Group was opening up new lines of financing such as syndicated loans and project financing. In 2018, the Group was able to attract and secure funding for overseas projects which had been difficult in the past. The ability to secure new forms of financing not only alleviated cash at the Group level but broadened access to other forms of funding channels. The Group also actively expanded the financing channel with domestic asset securitization products and successfully issued the first Commercial Mortgage-Backed Securities (CMBS) product using a logistic park in China and the first phase of supply chain Asset-Backed Securities (ABS) product in 2018. In future, the Group will actively expand the asset securitization of commercial properties such as hotels. The Group will continue to seek alternative funding for its projects to lower funding costs which has the added benefit of being capitalized within the project to offset other non-operating related costs.

Strong shareholder support and share issuance plans

In 2018, the Group underwent a significant exercise of engaging its shareholders to seek approval for application of new H-shares and used this opportunity to engage shareholders for feedback on the Group's performance and direction. As a Hong Kong listed H-share company, the Group is restricted from issuing any form of equity without the prior approval of China Regulatory Securities Commission ("CSRC"). In order to further optimize the capital structure, lower the leverage ratio, improve the Company's credit rating prospects and strengthen the financing ability, the Group has made a submission to the CSRC in 2018 on the application of new issuance of H-shares.

As the applied issuance size was larger than the general mandate permitted under the Hong Kong Listing Rules, the Group held an extraordinary general meeting (the "EGM") to seek approval from all classes (domestic shares and H-shares) of shareholders to approve the submission. In particular, it was critical to successfully obtain a two-thirds majority within the H-class of shareholders in order to proceed with the submission. Given the contemplated application of H-shares was significant in size and dilution impact to H-class shareholders, the Group's management underwent an exercise of engaging key shareholders, investment community, analysts and potential shareholders to obtain feedback and explain the transaction rationale. It was particularly important that shareholders understood the long-term benefits of undertaking such a share issuance and use of proceeds would enhance value in order to continue to support management's decision to proceed with the application. At the EGM, the Group received support from over 80% of voting H-class shareholders which highlighted shareholders were in alignment with the strategic direction of management and overwhelming support of the new H-share issuance. The Group has proceeded with the application to the CSRC and awaiting approval. Separately, the Group continues to maintain a pending application for an A-share listing in China.

Consolidating the Group's leadership in hotel development and further expansion

Post the acquisition of Wanda Group's 74 hotel portfolio in November 2017, the Group has owned and consolidated the revenue and operations of 71 hotels of the acquired hotel portfolio for a full financial year. Including the Group's existing completed hotels of 18, there are 89 operating hotels owned by the Group. During 2018, the Group continues to see improvement from the hotel segment as hotels mature in terms of occupancy, hospitality services and hotel cost management. After consolidating the acquisition, hotel revenue has increased to RMB7.03 billion from RMB2.38 billion in 2017. In line with hotel revenue growth, net operating profit (excluding finance costs and depreciation) increased 181% for the Group.

The Group has built up an unparralleled portfolio of internationally recognised branded luxury hotels to become globally the largest owner of assets in this class. With a strategic competitive advantage and operating growth potential, management sees significant upside from rationalising costs, usage conversions, rebranding and promoting brand loyalty across the entire portfolio of managed hotels.

Business highlights of 2018

The Group made significant progress in 2018 in terms of contracted sales and revenue with contracted sales of RMB131.1 billion, up 60% year-on-year, and RMB76.9 billion, up 30% year-on-year, respectively. The significant increase in contracted sales were across all key regions with the strongest growth contribution from Central Southern China (up 135%), Northwestern China (up 86%), and Northern China (up 73%), in terms of sales value. The increase in these key regions primarily resulted from an increase in available saleable resources and number of projects available for sale. Specifically, cities which performed particularly well and were major sales contributors included Taiyuan, Chongqing, Tianjin, Hainan, Beijing, Huizhou, Baotou, Shanghai and Ningbo. In 2018, the number of projects under development, available for sale and due for completion across all cities grew to 155, up from 88 projects, or up 76%, highlighting the Group's increasing strong presence in China.

In 2018, land acquisitions were more subdued due to a tightened credit environment coupled with the Group having to address domestic bond redemptions late in the first half. In terms of land acquisitions, the Group acquired RMB37.1 billion of land bank with GFA of 14.05 million sq.m. across 61 parcels of land for an average price of RMB2,600 per sq.m., which compares to RMB58.4 billion in 2017. Despite a slower pace of acquisition, the Group has sufficient land bank and saleable resources to sustain growth outlook in 2019 and medium-term. As at the end of 2018, the Group had attributable land bank of 57.83 million sq.m. of GFA for sale across 96 cities in China and other overseas projects. The Group's land bank in China is dispersed over 6 key regions; Southern China, Northern China, Northwestern China, Eastern China, Central Southern China and Hainan.

As property development cycles become shorter and the Group diversifies exposure to mitigate sector risk and city concentration, the focus has been on quicker asset turn and smaller project sizes. In 2018, there were 61 new lands acquired, of which the Group launched sales in 20 projects that immediately provided contribution to contracted sales. The ability to shorten the asset cycle and reduce the time to pre-sales greatly reduces the risk to market and significantly improves the cash flow profile of the project to benefit the Group's liquidity.

Gross profit margins in 2018 overall increased and continued to hold firm at above 36%, one of the highest in the industry, even as the Group expanded into new cities and increased the number of projects. The consistency of land acquisition standards and discipline in development cost structure has proven effective in ensuring the growth in scale and expansion has not diluted the profitability of projects under development and for completion. The Group will continue to seek opportunities to build and replenish land bank prudently as expected margins will continue to come under pressure from new projects which are in line with overall trends.

The outlook for 2019

Continue prudent and stable expansion supported by strong financing markets

Management expects the outlook in 2019 to continue to be challenging as global concerns from economic trade tensions between the U.S. and China and fallout of Brexit will continue to create overhang for global growth, affecting investment decisions and return expectations. Fluctuations in the RMB will also be a factor with the recent strengthening of the currency against a slower increase in U.S. interest rates will see global capital flows adjust accordingly.

Amidst the backdrop of global economic uncertainties, China has reacted with some policy easing targeting the property sector and loosened financial liquidity which has indirectly benefited the Group. In China, the Group managed to issue additional domestic bonds at longer tenors to alleviate short-term liquidity concerns as China's Central Bank lowered deposit reserve ratios and the National Development Reform Commission announced formal notices promoting a more stable development of debt markets that favour issuances by higher credit profile companies such as the Group.

In 2019, the Group will continue to focus on monetising its low-cost land bank, project pipeline and abundant saleable resources whilst prudently managing financial liquidity. With a sizeable land bank of 57.83 million sq.m. acquired at below today's market prices, the Group is well-positioned to navigate any volatilities in China's property market by managing its sales and land banking strategy. Land banking will continue in 2019 in line with overall sales and available liquidity generated through cash collections and financing. The beginning of 2019 has seen a strong market for offshore debt issuance with issuance in the first quarter from property companies set to be a record amount, whereby, the Group has taken advantage of favourable market conditions to issue US$1.8 billion of USD senior notes of up to 5-year tenors to refinance a significant amount of near-term debt. With investors concerned about volatility in equity markets and keen to lock-in fixed returns, management expects the offshore debt market will continue to present windows of opportunity to further term out the debt maturity profile. In addition, in January 2019, the Group had a total of RMB9.6 billion of domestic corporate bonds which meet the conditions of exercising the put options, but after adjusting coupon rates and resale, practically all of the domestic corporate bonds were extended to maturity.

Maintain high contracted sales profile and deliver earnings growth

The Group has set a higher attributable contracted sales target of RMB160 billion, or 22% growth versus 2018 achieved contracted sales. The increase in contracted sales will be reliant on a higher project pipeline of over 200 projects available for sale, RMB300 billion in saleable resources, and over 12 million sq.m. of new starts. As at the end of 2018, the Group has RMB120 billion of saleable resources immediately available for sale starting in 2019. Management will look to accelerate the availability of resources and obtain presale permits in order to generate cash flow from presales and lock-in future revenue.

In terms of earnings recognition and delivery, management has increased the delivery target for 2019 to 9.2 million sq.m., or up 51%. The increased delivery reflects a larger amount of GFA under construction resulting from RMB78 billion of sales sold to date but yet to be delivered resulting from the 60% increase in contracted sales in 2018. As the contracted sales targets are increased and met each year, the Group will continue to have sufficient available locked in earnings for future realisation that will ensure a sustainability in earnings.

Acknowledgements

The Group's management continues to operate professionally and maintain a high standard of management expertise leveraging off past experiences and knowledge to achieve the highest possible outcome despite market uncertainty. After setting optimistic goals and internal targets, senior management has again delivered a strong performance and set of financial results in 2018 whilst managing risks and making key decisions on behalf of the Group's shareholders. Our Directors and senior management will continue to manage the Group in the interest of its shareholders and set strategic objectives which are without its associated risks. Hence, I would like to extend our sincere appreciation to our existing and future shareholders for their confidence in management to act on their behalf, in particular in 2018 as there were certain decisions that actively required their support in order for management to proceed.

To all our staff and key personnel, I would also like to thank them for their dedication and perseverance in staying their course such that collectively the Group is able to meet all our internal objectives. Led by our Directors, project managers, and regional heads, I hope everyone will continue to maintain the same level of patience and focus as we head into 2019. It is expected to be a challenging 2019, but as proven time and time again in the past, collectively we can overcome all adversities and have yet another successful financial year.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2018**	2017
Revenue	*3*	**76,857,682**	59,277,855
Cost of sales	*6*	**(48,908,173)**	(38,315,554)
Gross profit		**27,949,509**	20,962,301
Other income	*4*	**705,975**	379,863
Other gains – net	*5*	**932,280**	945,185
Selling and marketing costs	*6*	**(2,556,510)**	(1,814,776)
Administrative expenses	*6*	**(5,634,288)**	(3,513,480)
Net impairment losses on financial and contract assets		**(27,201)**	(13,502)
Gains on bargain purchase		**397,226**	13,107,560
Operating profit		**21,766,991**	30,053,151
Finance costs	*7*	**(5,212,327)**	(1,672,979)
Share of results of joint ventures		**288,505**	(33,322)
Share of results of associates		**94,177**	128,170
Profit before income tax		**16,937,346**	28,475,020
Income tax expenses	*8*	**(8,208,961)**	(7,050,765)
Profit for the year		**8,728,385**	21,424,255
Profit attributable to:			
– Owners of the Company		**8,371,237**	21,186,451
– Holders of perpetual capital instruments		**33,433**	143,567
– Non-controlling interests		**323,715**	94,237
		8,728,385	21,424,255
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)	*10*	**2.5979**	6.5748

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2018	2017
Profit for the year	**8,728,385**	21,424,255
Other comprehensive income/(loss)		
Items that may not be reclassified to profit or loss		
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	**(71,475)**	–
– Revaluation gains on investment properties transferred from property, plant and equipment and land use rights, net of tax	**469,558**	–
Items that may be reclassified to profit or loss		
– Fair value losses on available-for-sale financial assets, net of tax	**–**	(136,860)
– Share of other comprehensive income of joint ventures accounted for using the equity method	**37,118**	–
– Currency translation differences	**(36,910)**	21,024
Other comprehensive income/(loss) for the year, net of tax	**398,291**	(115,836)
Total comprehensive income for the year	**9,126,676**	21,308,419
Total comprehensive income attributable to:		
– Owners of the Company	**8,769,528**	21,070,615
– Holders of perpetual capital instruments	**33,433**	143,567
– Non-controlling interests	**323,715**	94,237
	9,126,676	21,308,419

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December **2018**	2017
ASSETS			
Non-current assets			
Land use rights		**9,979,114**	9,173,164
Property, plant and equipment		**34,896,876**	34,234,093
Investment properties		**29,019,386**	24,814,323
Intangible assets		**1,110,022**	1,111,274
Interests in joint ventures		**10,265,788**	7,395,522
Interests in associates		**390,718**	229,515
Deferred income tax assets		**8,716,280**	6,417,490
Available-for-sale financial assets		–	527,650
Financial assets at fair value through other comprehensive income		**627,967**	–
Trade and other receivables and prepayments	*11*	**112,139**	526,289
		95,118,290	84,429,320
Current assets			
Properties under development		**150,197,550**	110,865,723
Completed properties held for sale		**41,967,903**	33,449,089
Inventories		**974,331**	419,056
Trade and other receivables and prepayments	*11*	**36,876,446**	33,058,064
Contract assets		**724,178**	–
Tax prepayments		**5,628,668**	3,672,939
Restricted cash		**14,923,681**	12,517,580
Cash and cash equivalents		**19,782,883**	19,697,169
		271,075,640	213,679,620
Total assets		**366,193,930**	298,108,940

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December 2018	2017
EQUITY			
Equity attributable to owners of the Company			
Share capital		**805,592**	805,592
Other reserves		**4,864,287**	4,566,257
Retained earnings		**62,581,085**	56,160,504
		68,250,964	61,532,353
Perpetual capital instruments		–	2,404,327
Non-controlling interests		**1,609,620**	956,974
Total equity		**69,860,584**	64,893,654
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**110,948,510**	113,829,411
Deferred income tax liabilities		**7,665,675**	6,720,368
		118,614,185	120,549,779
Current liabilities			
Accruals and other payables	*12*	**67,434,238**	39,439,990
Contract liabilities		**39,306,378**	–
Deposits received on sale of properties		–	29,058,143
Current income tax liabilities		**18,628,381**	15,752,952
Short-term borrowings		**13,788,898**	15,360,224
Current portion of long-term borrowings		**38,561,266**	13,054,198
		177,719,161	112,665,507
Total liabilities		**296,333,346**	233,215,286
Total equity and liabilities		**366,193,930**	298,108,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets) and investment properties which are carried at fair value.

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.

(All amounts in RMB Yuan thousands unless otherwise stated)

(c) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2018.

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

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 2.2 below. The other standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

(d) New standards, amendments to existing standards and interpretation not yet adopted

Certain new accounting standards and interpretation have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretation is set out below.

Standards	Subject	Effective for annual periods beginning on or after
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 16 (Note (i))	Leases	1 January 2019
Annual Improvements 2015-2017 Cycle	Improvements to HKFRSs	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(i) HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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.

Impact

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB141,938,000. The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group expects to increase in the amount of recognised financial liabilities and right-of-use assets for significant long term lease contracts. Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group does not expect any significant impact on the financial statements for the Group's activities as a lessor. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards or interpretation that are not yet effective that would be expected to have a material impact on the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

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

	As at 1 January 2018			
	As originally presented	**HKFRS 15**	**HKFRS 9**	**Restated**
Consolidated balance sheet (extract)				
Non-current assets				
Deferred income tax assets	6,417,490	(366,920)	44,929	6,095,499
Available-for-sale financial assets ("AFS")	527,650	–	(527,650)	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	527,650	527,650
Current assets				
Properties under development	110,865,723	(3,953,084)	–	106,912,639
Trade and other receivables and prepayments	33,058,064	477,842	(221,080)	33,314,826
Contract assets	–	1,529,685	(15,297)	1,514,388
Tax prepayments	3,672,939	(110,971)	–	3,561,968
Total assets	298,108,940	(2,423,448)	(191,448)	295,494,044
Non-current liabilities				
Deferred income tax liabilities	6,720,368	297,599	(14,008)	7,003,959
Current liabilities				
Accruals and other payables	39,439,990	(357,395)	–	39,082,595
Contract liabilities	–	24,521,797	–	24,521,797
Deposits received on sale of properties	29,058,143	(29,058,143)	–	–
Current income tax liabilities	15,752,952	279,699	–	16,032,651
Total liabilities	233,215,286	(4,316,443)	(14,008)	228,884,835
Equity				
Retained earnings	56,160,504	1,863,123	(177,290)	57,846,337
Non-controlling interests	956,974	29,872	(150)	986,696
Total equity	64,893,654	1,892,995	(177,440)	66,609,209

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) HKFRS 15 Revenue from Contracts with Customers

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

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

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

	As at 1 January 2018			
	As originally presented	**Reclassifications under HKFRS 15**	**Adjustments under HKFRS 15**	**Restated**
Consolidated balance sheet (extract)				
Deferred income tax assets	6,417,490	–	(366,920)	6,050,570
Properties under development	110,865,723	–	(3,953,084)	106,912,639
Trade and other receivables and prepayments	33,058,064	–	477,842	33,535,906
Contract assets	–	–	1,529,685	1,529,685
Tax prepayments	3,672,939	–	(110,971)	3,561,968
Accruals and other payables	39,439,990	(670,554)	313,159	39,082,595
Contract liabilities	–	29,728,697	(5,206,900)	24,521,797
Deposits received on sale of properties	29,058,143	(29,058,143)	–	–
Current income tax liabilities	15,752,952	–	279,699	16,032,651
Deferred income tax liabilities	6,720,368	–	297,599	7,017,967

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

Opening retained earnings	56,160,504
Recognition of revenue and cost of sales	2,470,342
Recognition of asset for costs to obtain a contract	477,842
Tax impact	(1,055,189)
Share by non-controlling interests, net of tax	(29,872)
Adjustment to retained earnings from adoption of HKFRS 15	1,863,123
Opening retained earnings — HKFRS 15	58,023,627

(i) Presentation of contract liabilities

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

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

- Contract liabilities for advance received from customers relating to other services were previously presented as accruals and other payables.

(ii) Accounting for property development activities

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

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

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

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

(iii) Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised and included in trade and other receivables and prepayments in the balance sheet. In prior years, such costs were expensed as they did not qualify for recognition as an asset under any of the other accounting standards.

The asset is amortised in accordance with the pattern of recognition of the associated revenue.

(c) HKFRS 9 Financial Instruments

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

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

	Notes	
Opening retained earnings — after HKFRS 15 restatement		58,023,627
Increase in provision for trade and other receivables, net of tax	*(ii)*	(165,875)
Increase in provision for contract assets, net of tax	*(ii)*	(11,565)
Share by non-controlling interests, net of tax	*(ii)*	150
Adjustment to retained earnings from adoption of HKFRS 9		(177,290)
Opening retained earnings — HKFRS 15 and HKFRS 9		57,846,337

(i) Classification and measurement

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

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

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

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

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB527,650,000 were reclassified from AFS to financial assets at FVOCI and the accumulated fair value gains of RMB271,548,000 were reclassified from the AFS reserves to the financial assets at FVOCI reserves on 1 January 2018.

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

(ii) Impairment of financial and contract assets

The Group has one type of financial assets that is subject to HKFRS 9's expected credit loss model:

- trade and other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for this class of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note 2.2(c) above.

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

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

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

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

3. SEGMENT INFORMATION

(a) Description of segments and principal activities

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 property development, property investment and hotel operations. Other services provided by the Group mainly represent property management. 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.

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) Segment performance

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2018 and the segment assets and liabilities at 31 December 2018 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	66,388,492	1,278,312	7,085,752	3,507,208	78,259,764
Recognised at a point in time	40,302,408	–	–	–	40,302,408
Recognised over time	26,086,084	–	7,085,752	3,507,208	36,679,044
Revenue from other sources – rental income	–	1,278,312	–	–	1,278,312
Inter-segment revenue	–	(176,998)	(58,000)	(1,167,084)	(1,402,082)
Revenue from external customers	66,388,492	1,101,314	7,027,752	2,340,124	76,857,682
Profit/(loss) for the year	8,989,515	1,074,803	(459,191)	(876,742)	8,728,385
Finance costs	(4,192,421)	(229,142)	(780,960)	(9,804)	(5,212,327)
Share of results of joint ventures	288,572	–	–	(67)	288,505
Share of results of associates	95,557	–	–	(1,380)	94,177
Income tax (expenses)/credits	(8,390,377)	(356,721)	273,760	264,377	(8,208,961)
Gains on bargain purchase	35,136	–	362,090	–	397,226
Depreciation and amortisation of property, plant and equipment, intangible assets and land use rights	(191,290)	–	(1,565,426)	(78,241)	(1,834,957)
Amortisation of incremental costs for obtaining contracts with customers	(396,895)	–	–	–	(396,895)
Allowance for impairment losses of receivables and contract assets	(20,252)	–	(2,286)	(4,663)	(27,201)
Fair value gains on investment properties – net of tax	–	548,670	–	–	548,670
Segment assets	287,460,311	29,019,386	38,397,821	1,972,165	356,849,683
Segment assets include:					
Interests in joint ventures	10,265,355	–	–	433	10,265,788
Interests in associates	309,463	–	–	81,255	390,718
Addition to non-current assets (other than financial instruments and deferred tax assets)	795,855	795,946	4,014,607	132,291	5,738,699
Segment liabilities	103,474,321	–	1,653,327	1,612,968	106,740,616

(All amounts in RMB Yuan thousands unless otherwise stated)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2017 and the segment assets and liabilities at 31 December 2017 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	53,709,393	1,109,665	2,432,081	2,949,021	60,200,160
Inter-segment revenue	–	(164,607)	(56,964)	(700,734)	(922,305)
Revenue from external customers	53,709,393	945,058	2,375,117	2,248,287	59,277,855
Profit/(loss) for the year	8,147,815	1,009,304	12,936,750	(669,614)	21,424,255
Finance costs	(1,215,506)	(219,555)	(184,030)	(53,888)	(1,672,979)
Share of results of joint ventures	(33,322)	–	–	–	(33,322)
Share of results of associates	128,577	–	–	(407)	128,170
Income tax (expenses)/credits	(6,977,911)	(334,034)	56,937	204,243	(7,050,765)
Depreciation and amortisation	(232,248)	–	(525,526)	(75,549)	(833,323)
Gains on bargain purchase	24,450	–	13,083,110	–	13,107,560
(Allowance for)/reversal of allowance for impairment losses of receivables	(11,578)	–	(2,124)	200	(13,502)
Fair value gains on investment properties – net of tax	–	587,304	–	–	587,304
Segment assets	226,502,464	23,360,591	40,021,783	1,278,962	291,163,800
Segment assets include:					
Interests in joint ventures	7,395,522	–	–	–	7,395,522
Interests in associates	146,880	–	–	82,635	229,515
Addition to non-current assets (other than financial instruments and deferred tax assets)	774,049	1,964,970	30,606,386	88,978	33,434,383
Segment liabilities	65,966,881	–	2,424,804	106,448	68,498,133

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.

(All amounts in RMB Yuan thousands unless otherwise stated)

Revenue from external customers broken down by the destination of the customer is shown in the table below:

	2018	2017
PRC	**74,484,569**	57,568,651
Other countries	**2,373,113**	1,709,204
Total	**76,857,682**	59,277,855

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 revenue for the year ended 31 December 2018 (2017: Nil).

(c) Segment assets

The amounts provided to the Executive Directors with respect to segment 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 financial assets at FVOCI (2017:AFS) 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:

	2018	2017
Segment assets for reportable segments	**356,849,683**	291,163,800
Deferred income tax assets	**8,716,280**	6,417,490
AFS	**–**	527,650
Financial assets at FVOCI	**627,967**	–
Total assets per balance sheet	**366,193,930**	298,108,940

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) broken down by location of the assets, is shown in the following:

	2018	2017
PRC	**85,749,537**	77,464,550
Other countries	**24,506**	19,630
Total	**85,774,043**	77,484,180

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(d) Segment liabilities

The amounts provided to the Executive Directors with respect to segment 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:

	2018	2017
Segment liabilities for reportable segments	**106,740,616**	68,498,133
Deferred income tax liabilities	**7,665,675**	6,720,368
Current income tax liabilities	**18,628,381**	15,752,952
Short-term borrowings and current portion of long-term borrowings	**52,350,164**	28,414,422
Long-term borrowings	**110,948,510**	113,829,411
Total liabilities per balance sheet	**296,333,346**	233,215,286

4. OTHER INCOME

	2018	2017
Interest income	**277,571**	198,856
Other operating income	**254,731**	119,061
Forfeited deposits from customers	**89,378**	31,118
Government subsidy income	**84,295**	20,595
Dividends received on AFS financial assets	**–**	10,233
	705,975	379,863

5. OTHER GAINS – NET

	2018	2017
Fair value gains on investment properties – net	**730,012**	780,672
Gains on disposal of a joint venture	**54,987**	–
Gains on disposals of intangible assets	**54,087**	54,355
Losses on disposals of property, plant and equipment	**(11,029)**	(1,247)
Losses on disposal of financial assets at FVOCI	**(596)**	–
Gains on disposals of land use rights	**–**	25,679
Losses on disposal of an associate	**–**	(13,459)
Others	**104,819**	99,185
	932,280	945,185

(All amounts in RMB Yuan thousands unless otherwise stated)

6. EXPENSES BY NATURE

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

	2018	2017
Cost of properties sold	**46,163,251**	36,711,351
Employee benefit expenses	**3,465,819**	2,242,624
Depreciation	**1,498,423**	694,461
Business taxes and other levies	**1,160,407**	1,007,077
Advertising costs	**436,117**	224,028
Amortisation of land use rights and intangible assets	**336,534**	138,862
Office expenses	**310,701**	201,239
Operating lease payments	**68,418**	45,089
Auditors' remuneration	**12,010**	10,729
– Audit services	**7,131**	6,210
– Non-audit services	**4,879**	4,519
Others	**3,647,291**	2,368,350
	57,098,971	43,643,810

7. FINANCE COSTS

	2018	2017
Interest expenses:		
– bank borrowings	**4,541,977**	2,742,532
– domestic bonds	**1,935,319**	2,463,693
– medium-term notes	**109,848**	64,163
– senior notes	**1,375,262**	464,876
– other borrowings	**1,268,760**	1,150,472
– super & short-term commercial papers	**207,746**	–
– finance lease liabilities	**11,189**	13,069
	9,450,101	6,898,805
Early redemption premium for senior notes	**16,730**	–
Net foreign exchange losses/(gains)	**1,765,481**	(1,172,053)
Less: finance costs capitalised	**(6,019,985)**	(4,053,773)
	5,212,327	1,672,979

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INCOME TAX EXPENSES

	2018	2017
Current income tax		
– Enterprise income tax (Note (b))	**5,411,019**	3,566,217
Deferred income tax	**(2,058,819)**	(337,102)
	3,352,200	3,229,115
Current PRC land appreciation tax (Note (c))	**4,856,761**	3,821,650
Total income tax expenses	**8,208,961**	7,050,765

(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 (2017: Nil).

(b) Enterprise income tax

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

In respect of the applicable income tax rates for the year ended 31 December 2018, all of the companies in the PRC were primarily taxed at 25% (2017: 25%) on their profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to 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.

9. DIVIDENDS

The dividends declared in 2018 were RMB3,770,170,000 (2017: RMB3,319,038,000). A dividend in respect of the year ended 31 December 2018 of RMB0.83 per ordinary share, amounting to a total dividend of RMB2,674,565,000, is to be proposed at the annual general meeting on 30 May 2019. These financial statements do not reflect this dividend payable.

	2018	2017
Interim dividend declared of RMB0.40 (2017: RMB0.33) per ordinary share	**1,288,947**	1,063,381
Proposed final dividend of RMB0.83 (2017: RMB0.77) per ordinary share	**2,674,565**	2,481,223
	3,963,512	3,544,604

10. 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 outstanding during the year.

	2018	2017
Profit attributable to owners of the Company	**8,371,237**	21,186,451
Weighted average number of ordinary shares in issue (thousands)	**3,222,367**	3,222,367
Earnings per share (RMB per share)	**2.5979**	6.5748

There were no potential dilutive ordinary shares as at 31 December 2018 and 2017.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
Trade receivables – net (Note (a))	**10,609,336**	7,921,310
Other receivables – net	**16,349,148**	16,006,437
Prepayments	**3,830,458**	5,452,544
Capitalised costs to obtain contracts	**620,190**	–
Due from joint ventures	**4,796,129**	3,994,073
Due from associates	**783,324**	209,989
Total	**36,988,585**	33,584,353
Less: non-current portion	**(112,139)**	(526,289)
Current portion	**36,876,446**	33,058,064

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

(a) Trade receivables

	2018	2017
Trade receivables-current portion		
– Due from third parties	**10,820,423**	7,914,253
– Due from joint ventures	**62,587**	2,485
– Due from an associate	**–**	36,000
	10,883,010	7,952,738
Less: allowance for impairment	**(273,674)**	(31,428)
	10,609,336	7,921,310

(All amounts in RMB Yuan thousands unless otherwise stated)

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:

	2018	2017
Up to 1 year	**9,442,639**	6,820,238
1 year to 2 years	**741,720**	454,870
2 years to 3 years	**267,232**	165,370
Over 3 years	**431,419**	512,260
	10,883,010	7,952,738

12. ACCRUALS AND OTHER PAYABLES

	2018	2017
Amounts due to joint ventures (Note (a))	**7,059,166**	4,615,028
Amounts due to associates (Note (a))	**177,170**	160,276
Amounts due to an entity controlled by the same common shareholders (Note (a))	**60,000**	–
Amounts due to a major shareholder (Note (b))	**450,000**	–
Construction payables (Note (c))	**27,981,005**	14,566,401
Other payables and accrued charges (Note (d))	**31,706,897**	20,098,285
	67,434,238	39,439,990

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

(b) Amounts due to a major shareholder are interest bearing and the interest rate is the benchmark lending rate of the People's Bank of China. The amounts are unsecured and repayable on demand.

(c) 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.

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

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

BUSINESS REVIEW

Contracted sales

The Group's attributable contracted sales in 2018 were RMB131.1 billion, increased 60% year-on-year. The contracted sales were generated from 155 projects in 25 provinces (including municipalities and autonomous regions) across 6 regions of China (Northern China, Southern China, Eastern China, Northwestern China, Central Southern China and Hainan) and 3 overseas countries. On a province basis, contracted sales of Guangdong, Shanxi, Zhejiang, Jiangsu, Chongqing, Tianjin, Hebei, Hainan, Beijing and Inner Mongolia were the highest top 10, which contributed approximately RMB89.8 billion, accounting for 69% of total attributable contracted sales of the Group. On the year-on-year growth basis, Jiangxi, Shandong and Hebei experienced the most significant growth, with year-on-year growth of 875%, 380% and 273% respectively. In 2018, the Group launched, in total, 62 new projects, accounting for 21% of total contracted sales of the Group. Attributable contracted sales of the Group in terms of GFA increased by 61% to 10,180,100 sq.m. from 6,324,200 sq.m., and the average selling price in 2018 was RMB12,900 per sq.m., largely in line with 2017.

Details of the Group's 2018 attributable contracted sales by geographical distribution are set out below:

Region	**Area**	**Approximate attributable saleable area sold**	**+/- vs. 2017**	**Approximate attributable total value**	**+/- vs. 2017**
		(Thousand sq.m.)	*(%)*	*(RMB million)*	*(%)*
Northern China	Tianjin	485.6	39%	6,800.7	20%
	Hebei	572.2	343%	6,285.2	273%
	Beijing	148.2	51%	5,899.6	34%
	Shandong	440.9	252%	4,903.5	380%
	Heilongjiang	168.6	-21%	2,415.4	-17%
	Liaoning	205.9	106%	1,994.8	158%
	Henan	109.4	68%	1,555.0	98%
Southern China	Guangdong	1,264.5	-1%	16,282.7	-1%
	Chongqing	819.3	120%	7,371.7	159%
	Guizhou	264.7	143%	3,044.6	205%
	Sichuan	96.3	-22%	909.4	-9%
	Guangxi	29.4	-33%	374.6	-30%
Eastern China	Zhejiang	664.2	54%	12,245.4	71%
	Jiangsu	597.6	66%	8,459.6	57%
	Shanghai	78.6	-23%	4,359.1	19%
	Anhui	368.8	90%	2,751.1	111%

Region	Area	Approximate attributable saleable area sold *(Thousand sq.m.)*	+/- vs. 2017 *(%)*	Approximate attributable total value *(RMB million)*	+/- vs. 2017 *(%)*
Northwestern China	Shanxi	1,290.5	41%	14,761.2	75%
	Inner Mongolia	698.8	97%	5,744.6	101%
	Shaanxi	247.4	75%	2,572.8	107%
	Xinjiang	18.8	N/A	221.2	N/A
Central Southern China	Fujian	359.0	60%	4,677.9	44%
	Jiangxi	359.5	893%	3,859.1	875%
	Hunan	107.6	54%	889.0	36%
	Hubei	90.8	N/A	695.6	N/A
Hainan	Hainan	377.1	15%	5,947.1	21%
Overseas	Malaysia	186.1	25%	3,849.7	27%
	Cambodia	115.3	N/A	1,554.6	N/A
	Australia	15.0	49%	630.9	37%
Total		**10,180.1**	**61%**	**131,056.1**	**60%**

Region	Approximate attributable saleable area sold *(Thousand sq.m.)*	+/- vs. 2017 *(%)*	Approximate attributable total value *(RMB million)*	+/- vs. 2017 *(%)*
Northern China	2,130.8	97%	29,854.2	73%
Southern China	2,474.2	28%	27,983.0	28%
Eastern China	1,709.2	57%	27,815.2	59%
Northwestern China	2,255.5	60%	23,299.8	86%
Central Southern China	916.9	178%	10,121.6	135%
Hainan	377.1	15%	5,947.1	21%
Overseas	316.4	99%	6,035.2	73%
Total	**10,180.1**	**61%**	**131,056.1**	**60%**

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 17,712,000 sq.m. of GFA under development, and during the year started construction of approximately 21,762,000 sq.m. GFA. During the year, the Group completed 8,905,000 sq.m. GFA of development properties with 7,032,000 sq.m. of saleable area, and completed 333,000 sq.m. attributable GFA of investment properties. By the end of 2018, the Group's GFA under development had increased by 71% to approximately 30,236,000 sq.m.. This GFA of properties under development at year-end together with further planned construction newly starts in 2019, is expected to make available pre-sale permits for properties with an approximate value of RMB300 billion, which should provide a solid basis for meeting the Group's sales target for 2019.

The following is the position as at 31 December 2018:

Area	**Approximate attributable GFA** *(sq.m.)*	**Approximate attributable saleable area** *(sq.m.)*
Southern China	6,071,000	4,671,000
Central Southern China	3,012,000	2,367,000
Eastern China	4,701,000	3,320,000
Northern China	7,592,000	5,522,000
Northwestern China	5,453,000	3,813,000
Hainan	1,551,000	1,232,000
Overseas	1,856,000	1,207,000
Total	**30,236,000**	**22,132,000**

Land bank

In 2018, 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 61 plots of land in 49 cities and regions with additional saleable area of approximately 14,049,000 sq.m. in 2018, 32 out of the 61 plots of land are located in the cities and regions where the Group currently has operations and 29 plots of land are located in the 28 cities where we have newly established business presence. The Group's total land bank at year-end was attributable GFA of approximately 69,511,000 sq.m. and attributable saleable area 57,827,000 sq.m., distributed across 96 cities and regions in China and overseas cities. Details are given below:

Location	**Approximate attributable total GFA** *(sq.m.)*	**Approximate attributable saleable area** *(sq.m.)*
Development Properties		
Southern China	13,542,000	11,874,000
Central Southern China	7,687,000	6,994,000
Eastern China	7,155,000	5,261,000
Northern China	16,185,000	13,586,000
Northwestern China	12,841,000	11,126,000
Hainan	3,326,000	2,987,000
Overseas	6,607,000	4,029,000
Sub-total	**67,343,000**	**55,857,000**
Investment Properties	**2,168,000**	**1,970,000**
Total	**69,511,000**	**57,827,000**

Property Investment

The Group's investment properties portfolio mainly located in tier-1 and tier-2 cities, including Grade-A office buildings, shopping malls, various retail properties, logistic parks and etc.. The Group's investment properties portfolio as at 31 December 2018 is approximately 3,992,000 sq.m. in total GFA, among which GFA of investment properties under operation is approximately 1,879,000 sq.m., and GFA under development or planning is approximately 2,113,000 sq.m..

Hotel Operation

As of 31 December 2018, the Group currently has 89 hotels under operation, with total GFA 3,903,600 sq.m. and 26,865 hotel rooms. The 89 hotels are managed by the well-known hotel management groups such as Marriott International, Inc., InterContinental Hotels Group, Hilton Worldwide Holdings Inc., Hyatt Hotels Corporation, Accor Hotels, Wanda Hotels and Resorts Co., Ltd. and other hotel groups. The Group became the largest deluxe hotel owner globally with 37 hotels under development and planning, 89 hotels under operation, totally 126 hotels.

Outlook

For 2019, the Group's attributable contracted sales target has been set at RMB160 billion, approximately 22% more than its actual contracted sales for 2018. This target will be achieved from sales of over 200 projects, RMB300 billion in saleable resources. For 2019, the Group plans to deliver approximate 9,225,000 sq.m. saleable area of development properties. The details are set out below:

Location	To be completed in 1st half of 2019		To be completed in 2nd half of 2019		To be completed in Full Year 2019	
	Approximate GFA *(sq.m.)*	Approximate saleable area *(sq.m.)*	Approximate GFA *(sq.m.)*	Approximate saleable area *(sq.m.)*	Approximate GFA *(sq.m.)*	Approximate saleable area *(sq.m.)*
Southern China	787,000	608,000	1,887,000	1,542,000	2,674,000	2,150,000
Central Southern China	516,000	420,000	730,000	571,000	1,246,000	991,000
Eastern China	1,095,000	814,000	1,486,000	1,086,000	2,581,000	1,900,000
Northern China	808,000	694,000	1,502,000	1,214,000	2,310,000	1,908,000
Northwestern China	648,000	598,000	1,388,000	1,292,000	2,036,000	1,890,000
Hainan	47,000	47,000	146,000	116,000	193,000	163,000
Overseas	21,000	6,000	286,000	217,000	307,000	223,000
Sub-total	**3,922,000**	**3,187,000**	**7,425,000**	**6,038,000**	**11,347,000**	**9,225,000**
JV (Attributable)	200,000	151,000	106,000	77,000	306,000	228,000
Investment Properties (Attributable)	224,000	224,000	84,000	82,000	308,000	306,000
Total	**4,346,000**	**3,562,000**	**7,615,000**	**6,197,000**	**11,961,000**	**9,759,000**

FINANCIAL REVIEW

The Group's profit for the year decreased by 59% to RMB8.728 billion, from RMB21.424 billion in the previous year. The decrease was mainly attributable to the decrease of RMB12.710 billion on gains on bargain purchase from RMB13.107 billion in 2017 to RMB397 million in 2018. Revenue from property development increased by 24% to RMB66.388 billion in 2018 from RMB53.709 billion in 2017 and profit from property development increased by 10% to RMB8.990 billion in 2018 from RMB8.148 billion in 2017. Rental income increased 17% and brought profit for the property investment segment to RMB526 million not taking into account the fair value gains from investment properties of RMB730 million (2017: RMB781 million). The earnings before interest, taxes, depreciation and amortisation of hotel operations was RMB1.251 billion as compared to RMB506 million in the prior year (both excluding the gains on bargain purchase from the acquisition of the hotel assets). The Group's other business segments (including construction services and the soccer team) recorded a loss of RMB877 million as compared with a loss of RMB670 million the previous year.

The Group carries out its core business of property development in 65 cities. The following comments, with the exception of #7 (on financing costs) and #9 (on net profits), relate only to the results from sales of properties:

1. Revenue increased by 24% to RMB66.388 billion, from RMB53.709 billion in the previous year. This revenue was based on delivery of 6,113,000 sq.m. of sale properties in the year which was approximately 30% more than the 4,710,000 sq.m. delivered in the previous year. Overall average selling price decreased by 5% to RMB10,860 per sq.m.. Eleven out of fifteen significant projects (with revenue not less than RMB1.5 billion) having comparable selling prices in prior year registered increase in average selling price. These projects which accounted for 33% of total revenue included Tongzhou R&F Centre in Beijing, R&F City in Chongqing, R&F International Finance Corporate in Foshan, R&F Bailu Wan in Xian, R&F Hot Spring Valley in Huizhou, R&F City in Meizhou, R&F Hongqiao No.10 in Shanghai, R&F City in Wuxi, R&F Princess Cove in Malaysia, R&F Center in Fuzhou, R&F City in Baotou and had average selling price increased between 6% to 44% from the previous year. The four significant projects with selling price decrease were R&F Jinmen Lake in Tianjin, R&F New Town in Tianjin, R&F Bay Shore in Huizhou, R&F Jiangwan New Town in Harbin, which accounted for 12% of total revenue and had a decrease of 4% to 33% in average selling price. New projects accounted for approximately 29% of total revenue. These included R&F Cambridge Court in Ningbo, R&F No. 1 in Huzhou, R&F Shangyue Court in Putian, which together contributed RMB5.623 billion in revenue at an average selling price of RMB11,670 per sq.m. For revenue by city, Huizhou had the highest revenue of RMB4.028 billion and followed by Taiyuan and Tianjin with revenue amounted to RMB3.935 billion and RMB3.933 billion respectively. Revenue of Huizhou for the year increased 8%, from RMB3.742 billion in the prior year. The two flagship projects, R&F Hot Spring Valley and R&F Bay Shore, delivered 344,745 sq.m. at an average selling price of RMB9,890 per sq.m. and generated RMB3.408 billion in revenue. Revenue of Taiyuan decreased 17% due to less revenue generated from the project of R&F City, but its total revenue remained high. Two new projects, R&F Tianxi City and R&F Shangyue Court Phase 2 delivered 162,167 sq.m. at an average selling price of RMB9,970 per sq.m. and generated RMB1.617 billion in revenue. Revenue of Tianjin increased 79%, due to RMB 3.549 billion in revenue from the two continuing projects, R&F New Town and R&F Jinmen Lake. Aside

from the three cities mentioned above, Chongqing, Beijing, Shanghai, Wuxi and Ningbo had revenue exceeding RMB3 billion. In Chongqing's case, it was due to the delivery of one flagship project, R&F City with revenue amounted to RMB2.797 billion. The flagship project in Beijing, Tongzhou R&F Centre generated RMB2.131 billion in revenue. In Shanghai's case, it was mainly due to the delivery of one flagship project, R&F Hongqiao No.10. Wuxi's revenue was RMB3.248 billion which mainly attributable to two continuing projects, R&F City and R&F No.10. Ningbo is one of the new cities generated revenue in the year. There were seven cities with revenue exceeding RMB2 billion. They were Huzhou, Baotou, Harbin, Hainan, Foshan, Putian and Xian.

2. Overall cost of sales and costs of land and construction per sq.m. decreased 9% and 7% respectively to RMB6,490 per sq.m. and RMB5,790 per sq.m. (2017: RMB7,120 per sq.m. and RMB6,220 per sq.m.) with the change in sale mix. The range for land and construction cost per sq.m of individual project ranged from RMB22,400 to RMB2,600. At the high end of the range were residential 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. Huizhou, Taiyuan and Tianjin, the top three cities in revenue of the year carried land and construction costs per sq.m. of total average RMB5,540 and due to its weight in the total revenue, had significant effect on overall per sq.m. land and construction costs. In the year under review, land and construction costs accounted for 89% (2017: 87%), levy and business tax 2% (2017: 3%) and capitalized interest 9% (2017: 10%) of overall cost of sales. Capitalized interest included in the cost of sales increased to RMB3.519 billion from 2017's RMB 3.385 billion. As a percentage of revenue from sale of properties, it was decreased to 5.3% from 6.3% compared to previous year. The cost of sales also included RMB718 million (2017: RMB847 million) in levy and business tax.

3. As described above, with the cost of sales per sq.m. decreased by 9% and a stable average selling price, the overall gross margin rose accordingly by 2.7 percentage point to 40.3% from 37.6% in the previous year. Analysing based on the gross margin by city, gross margin of the key cities including Huizhou, Taiyuan and Tianjin were 52.7%, 28.1% and 35.1% respectively as compared to 47.6%, 28.3% and 53.2% the prior year. The gross margins of the Chongqing, Beijing, Shanghai, Wuxi and Ningbo were 42.5%, 46.0%, 36.3%, 40.8%, and 39.0% respectively.

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

5. Selling and administrative expenses as a percentage of revenue increased to 9.4% from 8.2% in the previous year due to increase in selling and administration expenses for the year of RMB1.880 billion or 43%. Broken down into its two components, selling expenses increased by RMB566 million to RMB2.291 billion and administrative expenses increased by RMB1.314 billion to RMB3.974 billion. Selling expenses increased mainly due to the number of sales projects in the year further increased to 155 from 88 in the last year. The main component of administrative expenses was personnel costs which increased by RMB666 million for reasons including, among others, that the Group now operates in 77 cities including 4 overseas cities and further strengthening of functional departments.

6. The share of result of associates was mainly derived from the Group's 45% share in the Henan Jian Ye's 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 Daxinan project, 50% interests in Nanning Fuya Business Park project and 50% interests in Guangzhou Senhua project. These seven projects mentioned had a combined revenue in the year of RMB8.339 billion.

7. Finance costs being interest expenses incurred in the year after deduction of amounts capitalized to development costs, increased by 212% to RMB5.212 billion (2017: RMB1.673 billion) mainly coming from an exchange loss of RMB1.765 billion due to the depreciation of the exchange rate of RMB to US dollars. Total interest incurred in the year increased from RMB6.899 billion in the prior year to RMB9.450 billion with outstanding loans at the year-end of approximately RMB163.3 billion (2017: RMB142.2 billion) and an average interest rate of 5.74% (2017: 5.12%). Aggregate interest expenses included in this year's results amounted to RMB8.762 billion (2017: RMB5.125 billion) counting also capitalized interest released to cost of sales of RMB3.550 billion (2017: RMB3.452 billion).

8. Land appreciation tax (LAT) of RMB4.857 billion (2017: RMB3.822 billion) and enterprise income tax of RMB3.534 billion (2017: RMB3.156 billion) brought the Group's total income tax expenses for the year to RMB8.390 billion. As a percentage of turnover, LAT slightly increased to 7.3% from 7.1% in 2017. The effective enterprise income tax rate was 28.2% (2017: 27.9%), deviating from the standard rate by 3.2% because of permanent differences limiting the tax deductible amount.

9. Overall, the Group's profit margin for the year was 10.8%, as compared to 14.0% in the previous year (both not taking into account the gains on bargain purchase).

Financial resources, liquidity and liabilities

At 31 December 2018, the Group's cash amounted to RMB34.71 billion of which RMB32.81 billion was in Renminbi, RMB1.42 billion was in US dollar, RMB100 million was in Malaysian Ringgit, RMB77 million was in Hong Kong dollar, RMB137 million was in Australian dollar, RMB100 million was in British pound, RMB61 million was in Korean won and RMB0.96 million was in Singaporean dollar and with total borrowings at RMB163.30 billion of which RMB128.62 billion was in Renminbi, RMB31.08 billion was in US dollar, RMB1.60 billion was in Hong Kong dollar, RMB1.50 billion was in British pound and RMB502 million was in Australian dollar. Net debt to total equity ratio was at 184.1%. The total borrowings were made up of financing from sources which included 1) bank loans, 2) offshore USD senior notes, 3) domestic bonds, medium-term notes and super & short-term commercial papers and 4) trust loans and others each accounted for 52%, 12%, 25% and 11% respectively. The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB130.3 billion (2017: RMB121.1 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.

Debt Profile

During the year, the Group had an addition of totally USD1.75 billion senior notes with 1 to 5 years maturity at fixed interest rates of 5.000% to 8.875%, RMB7.17 billion super & short-term commercial papers with 270 days maturity at fixed interest rates of 5.30% to 6.50%, RMB3.25 billion domestic non-public corporate bonds with 3 to 4 years maturity at fixed interest rates of 6.80% to 7.70% and RMB4 billion domestic public corporate bonds with 4 years maturity at fixed interest rates of 6.58%. The maturity profile of the Group's total borrowings was well balanced between short, medium and long term debt. Debts due within 1 year, between 1 and 5 years and beyond 5 years accounted for 32%, 49% and 19% of total debts respectively. Bank loans repaid in the year amounted to RMB33.41 billion while new bank loans of RMB56.66 billion were procured. The effective interest rate of the total bank loan portfolio at 31 December 2018 was 5.36% (2017: 4.51%). Exchange rate exposure was manageable as non-RMB borrowings accounted for approximately 21% of total borrowings. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2018, 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, domestic bonds, medium-term notes and super & short-term commercial papers 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 2018, the Group had approximately 60,325 employees (31 December 2017: 49,239). The total staff costs incurred were approximately RMB3.466 billion during the financial year ended 31 December 2018. 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. 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 2018 annual general meeting ("AGM") of the Company will be held on Thursday, 30 May 2019 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 Thursday, 30 May 2019, the register of members of the Company will be closed from Tuesday, 30 April 2019 to Thursday, 30 May 2019, 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 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 29 April 2019.

The Board has proposed a final dividend for 2018 of RMB0.83 per share. The proposed final dividend, if approved by the shareholders at the AGM on 30 May 2019, will be paid to shareholders (including domestic shares and H shares) whose names appear on the register of members of the Company as at the close of business on Wednesday, 12 June 2019. The proposed final dividend has not been reflected in the financial statements as at 31 December 2018. 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 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.

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 the Southbound Trading, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through the Southbound Trading, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

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 Wednesday, 12 June 2019. The payment date of the final dividend will be further announced. The H share register of members of the Company will be closed from Wednesday, 5 June 2019 to Wednesday, 12 June 2019, 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 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 4 June 2019.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Compliance with the Model Code 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 2018.

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 2018, 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.

Scope of Work of PricewaterhouseCoopers

The figures in respect of this announcement of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 December 2018 have been agreed by the Company's external auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

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 currently comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the annual results of the Company for the year ended 31 December 2018.

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

Hong Kong, 20 March 2019

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

* *For identification purpose only*