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)

2019 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Attributable contracted sales increased by 5% to RMB138.19 billion
- Recognised revenue increased by 18% to RMB90.81 billion
- Gross profit margin of the Group and sales of properties was stable at 32.8% and 34.9%, respectively
- Net profit increased by 16% to RMB10.09 billion
- Attributable land bank of 57.90 million sq.m.
- Sufficient liquidity with cash of RMB38.44 billion
- Earnings per share increased 15% to RMB3.00 per share
- Proposed final dividend of RMB0.86 per share – including interim dividend, full year dividend was equivalent to RMB1.28 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 2019. The annual results have been reviewed by the audit committee of the Company.

CHAIRMAN'S STATEMENT

In 2019, global macroeconomic environments remained turbulent with the persistence of trade war tensions and Brexit unresolved. Amidst a backdrop of uncertainties, there was a flight to safety as capital investments locked in returns from USD bonds and fixed-rate loans. As the year progressed, a growing optimism in the economy created periods of stability to provide confidence in spending and other investments such as equity and property. Within China's property sector, overall performance amongst peers was less consistent and dependent on land bank profile, project location, and city exposure. Overall in 2019, China's contracted sales in the property sector grew 7% in terms of value representing a slower growth trajectory when compared to 2018. However, China's property sector continues to be a key pillar in China's GDP, and despite slower growth, long-term stable development will be in line with China Central Government's policy direction.

In 2019, the Group's performance was affected by market turbulences throughout the year. In the first few months, the Group underwent an active capital raising exercise, issuing US$2.70 billion of USD bonds offshore as well as refinancing or raising RMB24.40 billion in China through corporate bonds to improve the overall liquidity position of the Group. Market stability in the first half of 2019 also allowed the Group to early redeem or extend maturities falling due within the year including a US$550 million loan and a US$300 million USD denominated senior note. As the Group had proactively addressed a large proportion of near-term liabilities in the first half, it was still able to handle the put options on the Group's China corporate bonds in the second half even with the tightened financing policies in the property sector.

Whilst the Group successfully had the foresight to manage financing uncertainties, it was less successful when it relates to the Group's contract sales performance, the Group fell slightly short of targets having achieved attributable contracted sales of RMB138.20 billion. Contracted sales had the highest proportion in tier-1 and tier-2 cities sold RMB88.40 billion or approximately 64%, with the rest in lower tier cities and overseas. The average selling price of contracted sales was approximately RMB11,000 per sq.m., lower versus RMB12,900 per sq.m. in 2018. Overall, contracted sales had a growth of approximately 5% and 23% in terms of amount and GFA sold, respectively. In 2020, the Group will increase the pace of contracted sales, focusing on quicker asset turns and a concentration in cities where historically the Group has a strong market share.

In 2019, the Group continues to consistently meet operating targets such as land banking, construction schedules, and GFA completion. In terms of land banking, a more moderate acquisition strategy was adopted as prior years land banking built-up an attributable land bank of 58 million sq.m., sufficient for at least the next four to five years of development. In 2019, the land acquisition strategy primarily focused on land with quick asset turns, low cost land bank, and urban redevelopment projects to manage capital expenditures whilst continuing to achieve sufficient margins. In 2019, the Group acquired RMB24.40 billion of land bank, or equivalent to 9.4 million sq.m., at an average acquisition cost of RMB2,600 per sq.m. across 32 cities in China. The average acquisition cost is similiar when compared to existing total land bank cost of approximately RMB2,600 per sq.m.. Significant progress also has been made in conversion of redevelopment projects having converted 1.79 million sq.m. through urban redevelopment in 3 cities. Based on past transactions, land bank acquired through redevelopment methods generally experience higher margins when compared to traditional auction and private acquisitions. The Group has many further conversion opportunities with over 40 million sq.m. of potential GFA in the form of redevelopment projects when converted over the next few years.

In terms of the financial year 2019, overall results were robust given uncertain operating conditions throughout the year with revenue and gross profit increasing 18% and 7% to RMB90.81 billion and RMB29.80 billion, respectively. Net profit also increased 16% to RMB10.09 billion and GFA recognised increased 36% to 8.3 million sq.m.. The Group's gross profit margins saw a slight drop to 32.8% primarily related to lower selling prices of RMB9,610 per sq.m.. In 2019, the proportion of revenue from tier-1 and tier-2 cities was 59% which was lower as compared to 2018. Despite a slight drop in gross profit margins, net margin in 2019 was relatively stable at 11.1%, as operating costs were similar and helped by higher profit contributions from joint ventures and share of associates. Overall net profit in 2019 increased 16% to RMB10.09 billion.

THE DEVELOPMENT OF THE GREATER BAY AREA WILL STIMULATE GROWTH FOR THE PROPERTY SECTOR AND GENERATE SIGNIFICANT OPPORTUNITIES ACROSS A WIDER SPECTRUM OF PROPERTY-RELATED SECTORS

In 2019, the Chinese Central Government accelerated the development of the Greater Bay Area ("GBA"), a new cluster of cities and regions in Southern China. The GBA consists of 9 cities and 2 special administrative regions in Southern China. These 9 key strategic cities include Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou and Zhaoqing, and 2 special administrative regions, Hong Kong and Macau. Estimated to be less than 1% of China's land area but expected to contribute over 12% of China's GDP under a 5-year plan to develop infrastructure, transport, tourism and business development that will drive collaboration and economic growth. The Chinese Central Government will make significant investments in the region and introduce favourable government policies to stimulate and attract private investments that indirectly benefit property investments and property-related sectors in the coming years.

Historically, the Group's exposure prior to the establishment of the GBA was approximately 6% of contracted sales in 2018. In 2019, the Group's development exposure in the GBA increased to approximately 8%. As the end of 2019, the GBA landbank was approximately 2.70 million sq.m. interms of GFA or RMB34 billion in term of sales value. The Group's exposure in the GBA is not just in terms of size, but diversity. In recent years, the Group has diversified into other investments including an expanded hotel presence, additional investment property revenue, and logistics warehousing. Revenue from non-development related revenue has grown to RMB11.12 billion, or increased 6% in 2019, which is expected to continue to reap the benefits of increased investment activity in the GBA by local governments and the private sector.

PACE AND FOCUS OF URBAN REDEVELOPMENT PROVIDE OPPORTUNITIES TO LOCK-IN STRATEGIC LAND BANKING AT LOWER COSTS

Another strategic initiative by the Group has been urban redevelopment projects which has accumulated into a sizeable potential land bank. The Group has been a long-time beneficiary of redevelopment projects as a means to increase land bank in key cities at relatively lower market prices. Currently, the Group is estimated to have entered into agreements to acquire over 40 million sq.m. of GFA. Based on the expected near-term GFA conversion, the Group potentially could increase the contracted GFA available for sale by 10 million sq.m., or RMB200 billion equivalent sales value. The ability to convert land bank effectively through redevelopment and resettlement allows the Group to increase land bank and saleable resources more cost effectively whilst managing liquidity. Whilst sourcing attractive land bank remains difficult, redevelopment projects are an effective method of securing land bank over the long-term which the Group has significant upside potential to monetise.

ABUNDANT SALEABLE RESOURCES TO SUPPORT FUTURE CONTRACTED SALES GROWTH

Scarcity of land bank and rising acquisition costs have been a factor in determining available saleable resources to support contracted sales growth. In anticipation of land bank uncertainties and to better manage launch schedules, the Group has accumulated a sizeable land bank portfolio in a number of key cities adequate for the near term without the immediate need for land banking. The Group’s sizeable saleable resources has increased from RMB734 billion in 2018 to RMB746 billion in 2019, allowing the Group flexibility to time new launches and land banking accordingly. The current saleable resources for 2020 at approximately RMB270 billion, will be to target 2020 contracted sales of RMB152 billion. A more moderate 2020 contracted sales target has been set to take into account global market volatilities and effects of the coronavirus. At the epicenter of the coronavirus, operating conditions in China have slowed construction activity which affects availability of saleable resources, however, as the Group has built-up a sizeable saleable resource, the effects have minimum impact to the launch schedule when conditions normalise.

NATIONWIDE ROLLOUT OF ONLINE SALES PLATFORM TO DRIVE QUICKER CONTRACTED SALES AND CREATE A MORE COST-EFFICIENT SALES NETWORK

Even in today’s traditional sectors like property, the borders of offline and online transactions are becoming blurred. Property buyer maturity has increased and are familiarised with buying and investing in property such that confidence towards online property transactions have increased. Since 2017, the Group has develop an in-house online sales platform called R&F HaoFang, which is a comprehensive end-to-end service and information provider of the real estate sector, sector related services and marketing platform for the Group’s extensive project selection. Initially, the platform exclusively targeted existing network of offline buyers through actively promoting new projects but has since expanded to new prospective buyers starting with universal marketing network (全民營銷) under the brand R&F HaoFang – YDD (富力好房－佣多多). With the continuing focus toward online, it opens up endless possibilities for sales and marketing by adopting new technology and mediums such as virtual showrooms, video walkthroughs, live chats and network coordination between online and offline agents and actual site visits.

Apart from customer reach, R&F HaoFang has been instrumental in delivering strategic benefits and costs efficiencies to not only drive higher contracted sales, but also lower marketing costs with a wider access to a network of customers, agents, and consultants. Another long-term advantage of R&F HaoFang is being able to deliver a more targeted sales and marketing approach by identifying specific buyer preferences and demands. After a period of prolonged throughput traffic, R&F HaoFang can start identifying trends and profiles of customers matching unit profile, providing more in-depth and real-time customer preferences as compared to traditional market studies.

Since the platform's launch in 2017, R&F HaoFang has since had numerous upgrades that has led to over RMB30 billion worth of transactions crossing on the platform and over 3 million active registered users spanning customers, agents and real-estate related service providers. Most notably, with the outbreak of the coronavirus, the restriction of travel has had significant effect on achieving contract sales. However, the Group quickly took the opportunity further upgrade the platform and initiate an online sales promotion to stimulate property sales. Since the promotion, launched amidst the height of the coronavirus in China, the Group has registered near 10,000 unit sales during the first seven days, or close to 1 million sq.m. of GFA equivalent. The Group will continue to utilise R&F HaoFang to provide mutual benefits for online and offline property sales.

INCREASED LONG-TERM EQUITY CAPITAL HAS IMPROVED FINANCIAL STABILITY

In 2019 overall financing markets were volatile but access to capital was available depending on credit profile and investor familiarity. In the first half of the year, the Group took advantage of favourable market conditions to raise US$2.25 billion offshore bond and RMB6.78 billion onshore bond to extend near term maturity and refinance maturing short-term debt. The increase in liquidity reduced the Group's financial risk by repaying debt and lengthening the Group's maturity profile through early refinancing.

Heading into the second half of the year, financing markets saw a credit tightening trend. In 2019, there were RMB24.55 billion of onshore bonds with puttable options, of which investors exercised their put options of RMB1.43 billion worth of onshore bonds whereby the Group repaid in full, whilst another RMB23.12 billion of corporate bonds were extended sucessfully. As we expect financing markets to normalise, the Group will continue to proactively manage the remaining corporate bonds outstanding.

Another significant financing exercise in 2019 was the completion of new H-shares issuance, the first time since 2006 the Group has undertaken an equity placement. The total new shares issued was 273 million H-shares at an issuance price of HK$13.68 per share, raising a total fund of HK$3.735 billion. First initiated in 2018, the Group applied to China's Security and Regulatory Commission ("CSRC") to issue new equity in the form of new H-shares listed on the Stock Exchange of Hong Kong, and got approval in 2019. It meant the Group could apply and issue new H-shares to enlarge equity.

BUSINESS HIGHLIGHTS OF 2019

Overall financial results were robust with revenue up 18% to RMB90.81 billion as a result of higher GFA delivery of 8.3 million sq.m. but slightly lower average selling prices of RMB9,610 per sq.m. in 2019. Revenue breakdown in terms of cities were similar to previous years, with no real concentration of cities. Tier-1 and tier-2 cities contributed approximately 59% of total revenue on the back of 4.5 million sq.m. GFA recognized, or approximately 54% of GFA recognised. In terms of key cities, Taiyuan had the highest revenue contribution with 10% of revenue (6% in 2018) followed by Chongqing and Wuxi with approximately 5% each. The top 10 cities in 2019 comprised 45% of total revenue which is still quite low when compared to total revenue generated.

As average selling prices fell, so did gross margins. In 2019, Group gross margins fell slightly to 32.8% (36.4% in 2018) whilst gross margins from sale of properties only was 34.9% (40.3% in 2018). The lower gross margins primarily relate to lower average selling prices from property development as a result of sales discounts and product mix. However, based on the available locked-in contracted sales to be delivered of RMB96 billion, we expect gross margins and average selling prices to remain at similar levels even as markets remain volatile and the Group's scale continues to grow. Despite gross margins declining slightly, overall net margins remained similar to 2018 at approximately 11.1%, partially offset by lower land appreciation taxes and higher contributions from share of results of joint ventures and associates. EPS for 2019 increased 15% over the previous year.

Liquidity continues to be a long-terms focus, and with overall debt financing remaining stable, the Group lowered its net gearing level from the interim period in 2019. To maintain a health liquidity position, the Group maintained a high cash balance of RMB38.44 billion to address foreseeable needs and will continue to conserve an adequate cash level in the foreseeable term. Overall financing costs were steady at 6.6% p.a. in 2019.

Land bank in 2019 was more prudent with land banking of RMB24.40 billion, or 18% of 2019 contracted sales which is low when compared to historical years. The land banking in 2019 has been selective and concentrated in strategic areas. Currently, the Group's 57.9 million sq.m. of land bank is largely concentrated in Northern China (22% of land bank by value) followed by Northwestern China (18% of land bank by value). Not included in land bank is urban redevelopment land where the upside development revenue potential is significant.

In 2019, the combined investment property and hotel revenue was RMB8.24 billion, or 9% of total revenue, providing stable recurring income to the Group. This segment of recurring income, particular investment property revenue, is expected to continue to grow as the Group has 2.3 million sq.m. of potential GFA pipeline of investment property development alone.

THE OUTLOOK FOR 2020

A returned focus to contracted sales and delivering revenue

With the effects of coronavirus having an impact on all sectors and economies globally, the importance of generating contracted sales becomes a key focus in 2020 from a liquidity and earnings perspective. The disruptions in the first quarter have presented additional challenges in achieving significant growth in contracted sales due to loss time and market sentiment, however, the Group has significant available resources to achieve a target contracted sales of RMB152 billion having available saleable resources from 2019 of RMB120 billion and new additions of RMB150 billion. The Group will focus on a wide sales distribution across 110 cities with close to two-thirds sales target expected to be in tier-1 and tier-2 cities.

The Group will also continue the push in driving sales from its' R&F HaoFang online platform to stimulate a wider distribution of buyers.

CONSERVATIVE FINANCIAL MANAGEMENT OF LIQUIDITY AND DEBT TO REDUCE NEAR TERM RISK

The Group has traditionally focused on cash management to ensure it is able to meet debt liabilities and capital investments in land bank, construction and operating expenditures. However, with uncertainties in various markets and operating conditions as a result of the coronavirus, the Group will adopt an even more prudent approach in terms of capital expenditures. Land banking will be more selective, construction primarily targeted at near term revenue, and near-term debt will be opportunistically lengthened to reduce near term risk.

In the first quarter of 2020, the Group has already made inroads in addressing future debt maturities with the issuance of a new USD denominated senior secured note of US$400 million with long-term maturity of 4-years, the use of proceeds used to tender for similar senior secured notes maturing in 2021. The net result is no significant changes in overall gearing position, but significant terming out of maturities to 2024. The group also received RMB5 billion private placement note ("PPN") approval from National Association of Financial Market Institutional Investors ("NAFMII") in the first quarter of 2020. The Group will continue to assess market conditions throughout the year and further manage near term risks in the event market conditions remain volatile.

ACKNOWLEDGEMENTS

Amidst a backdrop of challenging operating conditions and the coronavirus, the importance of a stable management team is paramount to ensure the Group is able to overcome adversity and deliver results in line with shareholder expectations. With the support and experience of our strong management team, I am confident the Group will not only meet those challenges but also deliver a strong set of results for 2020. Hence, I would like to thank our management team and every staff member for their contributions in 2019 and look forward to working side-by-side to address challenges in 2020 head on.

To our shareholders, I would like to reassure everyone that myself and the management team will continue to work hard to deliver more than satisfactory results as return for their confidence and support of the Group. Also, under current conditions, myself and management will continue to maintain transparency and openness to changes in markets and the Group so shareholders will be able to make an informed decision. Together, we look forward to continuing to work together as we have done since listing.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2019**	2018
Revenue	*3*	**90,813,970**	76,857,682
Cost of sales	*6*	**(61,041,401)**	(48,908,173)
Gross profit		**29,772,569**	27,949,509
Other income	*4*	**958,351**	705,975
Other gains – net	*5*	**1,893,779**	932,280
Selling and marketing costs	*6*	**(3,292,140)**	(2,556,510)
Administrative expenses	*6*	**(6,215,897)**	(5,634,288)
Net impairment losses on financial and contract assets		**(67,270)**	(27,201)
Gains on bargain purchase		**–**	397,226
Operating profit		**23,049,392**	21,766,991
Finance costs	*7*	**(5,599,527)**	(5,212,327)
Share of results of joint ventures		**611,191**	288,505
Share of results of associates		**165,208**	94,177
Profit before income tax		**18,226,264**	16,937,346
Income tax expenses	*8*	**(8,133,054)**	(8,208,961)
Profit for the year		**10,093,210**	8,728,385
Profit attributable to:			
– Owners of the Company		**9,672,051**	8,371,237
– Holders of perpetual capital instruments		**–**	33,433
– Non-controlling interests		**421,159**	323,715
		10,093,210	8,728,385
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)	*10*	**3.0001**	2.5979

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	**10,093,210**	8,728,385
Other comprehensive income/(loss)		
Items that will 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	**67,003**	(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		
– Share of other comprehensive income of joint ventures accounted for using the equity method	**127,874**	37,118
– Currency translation differences	**(45,735)**	(36,910)
Other comprehensive income for the year, net of tax	**149,142**	398,291
Total comprehensive income for the year	**10,242,352**	9,126,676
Total comprehensive income attributable to:		
– Owners of the Company	**9,821,193**	8,769,528
– Holders of perpetual capital instruments	**–**	33,433
– Non-controlling interests	**421,159**	323,715
	10,242,352	9,126,676

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December 2019	2018
ASSETS			
Non-current assets			
Land use rights		**–**	9,979,114
Property, plant and equipment		**35,091,574**	34,896,876
Right-of-use assets		**10,774,952**	–
Investment properties		**33,469,576**	29,019,386
Intangible assets		**1,281,393**	1,110,022
Interests in joint ventures		**10,795,165**	10,265,788
Interests in associates		**644,329**	390,718
Deferred income tax assets		**10,346,768**	8,716,280
Financial assets at fair value through other comprehensive income		**1,042,442**	627,967
Trade and other receivables and prepayments	*11*	**162,469**	112,139
		103,608,668	95,118,290
Current assets			
Properties under development		**167,399,023**	150,197,550
Completed properties held for sale		**55,313,790**	41,967,903
Inventories		**969,621**	974,331
Trade and other receivables and prepayments	*11*	**57,729,973**	36,876,446
Contract assets		**963,907**	724,178
Tax prepayments		**2,905,530**	5,628,668
Restricted cash		**15,531,531**	14,923,681
Cash and cash equivalents		**22,904,275**	19,782,883
		323,717,650	271,075,640
Total assets		**427,326,318**	366,193,930

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December 2019	2018
EQUITY			
Equity attributable to owners of the Company			
Share capital		**873,842**	805,592
Other reserves		**8,258,874**	4,864,287
Retained earnings		**68,225,177**	62,581,085
		77,357,893	68,250,964
Non-controlling interests		**2,441,232**	1,609,620
Total equity		**79,799,125**	69,860,584
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**134,870,694**	110,948,510
Lease liabilities		**132,013**	–
Deferred income tax liabilities		**8,221,383**	7,665,675
		143,224,090	118,614,185
Current liabilities			
Accruals and other payables	*12*	**83,905,870**	67,434,238
Contract liabilities		**38,899,448**	39,306,378
Current income tax liabilities		**19,159,511**	18,628,381
Short-term borrowings		**14,116,659**	13,788,898
Current portion of long-term borrowings		**48,153,395**	38,561,266
Lease liabilities		**68,220**	–
		204,303,103	177,719,161
Total liabilities		**347,527,193**	296,333,346
Total equity and liabilities		**427,326,318**	366,193,930

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 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 commencing 1 January 2019.

Standards	**Subject**
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HKFRS 16	Leases
Annual Improvements 2015-2017 Cycle	Improvements to HKFRSs
HK (IFRIC) 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16 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.

The Group has elected to early adopt Amendments to HKFRS 3 – Definition of a Business for acquisitions that occur on or after 1 January 2019. As the acquisitions occurred during 2019 did not meet the definition of business neither before or after the amendments, there is no impact on the Group for the year ended 31 December 2019.

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

Certain new accounting standards, amendments to existing standards and interpretation have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standards	**Subject**	**Effective for annual periods beginning on or after**
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest rate benchmark reform	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.56%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement Contains a Lease.

(All amounts in RMB Yuan thousands unless otherwise stated)

(ii) Measurement of lease liabilities

Operating lease commitments disclosed as at 31 December 2018	**141,938**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**118,373**
Add: finance lease liabilities recognised as at 31 December 2018	**135,216**
Less: short-term and low-value leases recognised on a straight-line basis as expense	**(15,914)**
Lease liability recognised as at 1 January 2019	**237,675**
Of which are:	
Current lease liabilities	**123,736**
Non-current lease liabilities	**113,939**
	237,675

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Land use rights – RMB9,979,114,000 reclassified to right-of-use assets

Property, plant and equipment – RMB708,732,000 reclassified to right-of-use assets

Right-of-use assets – increased by RMB10,796,679,000

Trade and other receivables and prepayments – decreased by RMB6,374,000

Long-term borrowings – decreased by RMB46,057,000

Current portion of long-term borrowings – decreased by RMB89,159,000

Lease liabilities – increased by RMB237,675,000

No significant impact on the Group's net profit after tax for the year ended 31 December 2019 as a result of adoption of HKFRS 16.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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 2019 and the segment assets and liabilities at 31 December 2019 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	79,689,217	1,380,436	7,095,478	5,160,702	93,325,833
Recognised at a point in time	55,305,446	–	–	–	55,305,446
Recognised over time	24,383,771	–	7,095,478	5,160,702	36,639,951
Revenue from other sources – rental income	–	1,380,436	–	–	1,380,436
Inter-segment revenue	–	(167,317)	(73,026)	(2,271,520)	(2,511,863)
Revenue from external customers	79,689,217	1,213,119	7,022,452	2,889,182	90,813,970
Profit/(loss) for the year	9,953,226	1,923,303	(1,007,596)	(775,723)	10,093,210
Finance costs	(4,501,247)	(244,227)	(843,834)	(10,219)	(5,599,527)
Share of results of joint ventures	611,829	–	–	(638)	611,191
Share of results of associates	166,545	–	–	(1,337)	165,208
Income tax (expenses)/credits	(7,682,199)	(639,999)	(47,110)	236,254	(8,133,054)
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	(344,194)	–	(1,513,947)	(146,992)	(2,005,133)
Amortisation of incremental costs for obtaining contracts with customers	(455,788)	–	–	–	(455,788)
Allowance for impairment losses of financial and contract assets	(60,988)	–	(6,039)	(243)	(67,270)
Fair value gains on investment properties – net of tax	–	489,487	–	–	489,487
Revaluation gains on investment properties transferred from properties under development – net of tax	–	927,358	–	–	927,358
Segment assets	336,074,309	33,469,576	41,326,815	5,066,408	415,937,108
Segment assets include:					
Interests in joint ventures	10,790,634	–	–	4,531	10,795,165
Interests in associates	559,409	–	–	84,920	644,329
Addition to non-current assets (other than financial instruments and deferred income tax assets)	1,010,208	604,535	1,016,462	532,268	3,163,473
Segment liabilities	118,777,992	–	1,684,789	2,542,770	123,005,551

(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 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 financial and contract assets – net of tax	(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 income 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

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 consolidated income statement.

(All amounts in RMB Yuan thousands unless otherwise stated)

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

	2019	2018
PRC	**88,336,136**	74,484,569
Other countries	**2,477,834**	2,373,113
Total	**90,813,970**	76,857,682

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 2019 (2018: 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 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:

	2019	2018
Segment assets for reportable segments	**415,937,108**	356,849,683
Deferred income tax assets	**10,346,768**	8,716,280
Financial assets at FVOCI	**1,042,442**	627,967
Total assets per balance sheet	**427,326,318**	366,193,930

Non-current assets, other than financial assets at FVOCI 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:

	2019	2018
PRC	**89,887,026**	85,749,537
Other countries	**2,332,432**	24,506
Total	**92,219,458**	85,774,043

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:

	2019	2018
Segment liabilities for reportable segments	**123,005,551**	106,740,616
Deferred income tax liabilities	**8,221,383**	7,665,675
Current income tax liabilities	**19,159,511**	18,628,381
Short-term borrowings and current portion of long-term borrowings	**62,270,054**	52,350,164
Long-term borrowings	**134,870,694**	110,948,510
Total liabilities per balance sheet	**347,527,193**	296,333,346

4. OTHER INCOME

	2019	2018
Interest income	**548,377**	277,571
Other operating income	**321,006**	254,731
Forfeited deposits from customers	**63,510**	89,378
Government subsidy income	**16,466**	84,295
Dividends income from financial assets at FVOCI	**8,992**	–
	958,351	705,975

5. OTHER GAINS – NET

	2019	2018
Revaluation gains on investment properties transferred from properties under development	**1,226,367**	–
Fair value gains on investment properties – net	**651,110**	730,012
Gains on disposals of subsidiaries	**13,318**	–
Losses on disposals of property, plant and equipment	**(3,588)**	(11,029)
(Losses)/gains on disposals of intangible assets	**(981)**	54,087
Gains on disposal of a joint venture	**–**	54,987
Losses on disposal of financial assets at FVOCI	**–**	(596)
Others	**7,553**	104,819
	1,893,779	932,280

(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:

	2019	2018
Cost of properties sold	**58,335,140**	46,163,251
Employee benefit expenses	**3,479,442**	3,465,819
Depreciation of property, plant and equipment and right-of-use assets	**1,846,372**	1,498,423
Business taxes and other levies	**1,034,280**	1,160,407
Advertising costs	**406,510**	436,117
Amortisation of intangible assets (2018: Amortisation of land use rights and intangible assets)	**158,761**	336,534
Office expenses	**359,699**	310,701
Operating lease payments	**33,336**	68,418
Auditors' remuneration	**11,515**	12,010
– Audit services	**7,060**	7,131
– Non-audit services	**4,455**	4,879
Others	**4,884,383**	3,647,291
	70,549,438	57,098,971

7. FINANCE COSTS

	2019	2018
Interest expenses:		
– bank borrowings	**6,008,824**	4,541,977
– domestic bonds	**2,667,642**	1,935,319
– medium-term notes	**109,800**	109,848
– senior notes	**2,673,129**	1,375,262
– other borrowings	**1,958,789**	1,268,760
– super & short-term commercial papers	**296,000**	207,746
– finance lease liabilities	**–**	11,189
– lease liabilities	**16,538**	–
	13,730,722	9,450,101
Early redemption premium for senior notes	**17,618**	16,730
Net foreign exchange losses	**356,470**	1,765,481
Less: finance costs capitalised	**(8,505,283)**	(6,019,985)
	5,599,527	5,212,327

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INCOME TAX EXPENSES

	2019	2018
Current income tax		
– enterprise income tax *(Note (b))*	**5,145,936**	5,411,019
– PRC land appreciation tax *(Note (c))*	**4,044,618**	4,856,761
Deferred income tax	**(1,057,500)**	(2,058,819)
Total income tax expenses	**8,133,054**	8,208,961

(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 (2018: 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 2019, the companies in the PRC, Cambodia and Malaysia were primarily taxed at 25%, 20% and 24% (2018: 25%, 20% and 24%) on their profits, respectively.

(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 2019 were RMB4,027,959,000 (2018: RMB3,770,170,000). A dividend in respect of the year ended 31 December 2019 of RMB0.86 per ordinary share, amounting to a total dividend of RMB3,006,016,000, is to be proposed at the annual general meeting on 29 May 2020. These financial statements do not reflect this dividend payable.

	2019	2018
Interim dividend declared of RMB0.42 (2018: RMB0.40) per ordinary share	**1,353,394**	1,288,947
Proposed final dividend of RMB0.86 (2018: RMB0.83) per ordinary share	**3,006,016**	2,674,565
	4,359,410	3,963,512

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.

	2019	2018
Profit attributable to owners of the Company	**9,672,051**	8,371,237
Weighted average number of ordinary shares in issue *(thousands)*	**3,223,863**	3,222,367
Earnings per share *(RMB per share)*	**3.0001**	2.5979

There were no potential dilutive ordinary shares as at 31 December 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
Trade receivables – net *(Note (a))*	**12,770,597**	10,609,336
Other receivables – net	**26,000,869**	16,349,148
Prepayments	**9,977,766**	3,830,458
Capitalised costs to obtain contracts	**975,054**	620,190
Due from joint ventures	**4,813,263**	4,796,129
Due from associates	**3,347,806**	783,324
Due from entities controlled by same common shareholders	**7,087**	–
Total	**57,892,442**	36,988,585
Less: non-current portion	**(162,469)**	(112,139)
Current portion	**57,729,973**	36,876,446

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

(All amounts in RMB Yuan thousands unless otherwise stated)

(a) Trade receivables

	2019	2018
Trade receivables – current portion		
– Due from third parties	**12,974,899**	10,820,423
– Due from joint ventures	**123,795**	62,587
– Due from an associate	**25**	–
– Due from entities controlled by same common shareholders	**23**	–
	13,098,742	10,883,010
Less: loss allowance	**(328,145)**	(273,674)
	12,770,597	10,609,336

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:

	2019	2018
Up to 1 year	**11,348,983**	9,442,639
1 year to 2 years	**926,685**	741,720
2 years to 3 years	**309,451**	267,232
Over 3 years	**513,623**	431,419
	13,098,742	10,883,010

(All amounts in RMB Yuan thousands unless otherwise stated)

12. ACCRUALS AND OTHER PAYABLES

	2019	2018
Amounts due to joint ventures *(Note (a))*	**6,506,090**	7,059,166
Amounts due to associates *(Note (a))*	**207,523**	177,170
Amounts due to entities controlled by the same common shareholders *(Note (a))*	**62,003**	60,000
Amounts due to a major shareholder *(Note (b))*	**–**	450,000
Construction payables *(Note (c))*	**39,201,447**	27,981,005
Other payables and accrued charges *(Note (d))*	**37,928,807**	31,706,897
	83,905,870	67,434,238

(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 2019 were RMB138.2 billion, increased 5% year-on-year. The contracted sales were generated from 210 projects in 26 provinces (including municipalities and autonomous regions) across 7 regions of China (Northern China, Eastern China, Northwestern China, Southern China, Southwestern China, Central Southern China and Hainan) and 4 overseas countries. On a province basis, contracted sales of Guangdong, Shanxi, Zhejiang, Jiangsu, Tianjin, Chongqing, Hebei, Inner Mongolia, Shandong and Heilongjiang were the highest top 10, which contributed approximately RMB97.9 billion, accounting for 71% of total attributable contracted sales of the Group. On the year-on-year growth basis, Xinjiang, Hunan and Heilongjiang experienced the most significant growth, with year-on-year growth of 145%, 123% and 119% respectively. In 2019, the Group launched, in total, 52 new projects, accounting for 15% of total contracted sales of the Group. Attributable contracted sales of the Group in terms of GFA increased by 23% to 12,547,600 sq.m. from 10,180,100 sq.m., and the average selling price in 2019 was approximately RMB11,000 per sq.m..

Details of the Group's 2019 attributable contracted sales by geographical distribution are set out below:

Region	**Area**	**Approximate attributable saleable area sold** *(Thousand sq.m.)*	**+/- vs.2018** *(%)*	**Approximate attributable total value** *(RMB million)*	**+/- vs.2018** *(%)*
Northern China	Tianjin	761.5	57%	9,044.2	33%
	Hebei	710.5	24%	6,943.9	10%
	Shandong	588.6	33%	5,974.0	22%
	Heilongjiang	401.2	138%	5,294.2	119%
	Beijing	185.2	25%	4,801.3	-19%
	Liaoning	569.0	176%	4,145.9	108%
	Henan	116.3	6%	1,223.4	-21%
Eastern China	Zhejiang	703.2	6%	13,417.1	10%
	Jiangsu	841.7	41%	11,654.7	38%
	Shanghai	70.1	-11%	3,207.8	-26%
	Anhui	237.4	-36%	2,122.8	-23%
Northwestern China	Shanxi	1,465.9	14%	15,467.1	5%
	Inner Mongolia	847.4	21%	6,650.7	16%
	Shaanxi	894.0	261%	4,732.2	84%
	Xinjiang	46.0	145%	542.7	145%
Southern China	Guangdong	1,623.2	28%	15,471.0	-5%
	Guangxi	25.0	-15%	220.6	-41%
Southwestern China	Chongqing	870.1	6%	7,937.8	8%
	Guizhou	94.8	-64%	1,189.7	-61%
	Sichuan	116.3	21%	1,076.8	18%
	Yunnan	45.3	N/A	546.9	N/A

Region	Area	Approximate attributable saleable area sold (Thousand sq.m.)	+/- vs.2018 (%)	Approximate attributable total value (RMB million)	+/- vs.2018 (%)
Central Southern China	Jiangxi	417.5	16%	4,342.2	13%
	Fujian	242.4	-32%	2,794.0	-40%
	Hunan	222.0	106%	1,982.3	123%
	Hubei	61.0	-33%	552.7	-21%
Hainan	Hainan	261.4	-31%	4,335.8	-27%
Overseas	Malaysia	66.0	-65%	1,366.4	-65%
	Cambodia	55.3	-52%	829.1	-47%
	Australia	7.7	-49%	216.4	-66%
	United Kingdom	1.6	N/A	108.1	N/A
Total		**12,547.6**	**23%**	**138,191.8**	**5%**

Region	Approximate attributable saleable area sold (Thousand sq.m.)	+/- vs.2018 (%)	Approximate attributable total value (RMB million)	+/- vs.2018 (%)
Northern China	3,332.3	56%	37,426.9	25%
Eastern China	1,852.4	8%	30,402.4	9%
Northwestern China	3,253.3	44%	27,392.7	18%
Southern China	1,648.2	27%	15,691.6	-6%
Southwestern China	1,126.5	-5%	10,751.2	-5%
Central Southern China	942.9	3%	9,671.2	-4%
Hainan	261.4	-31%	4,335.8	-27%
Overseas	130.6	-59%	2,520.0	-58%
Total	**12,547.6**	**23%**	**138,191.8**	**5%**

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 30,236,000 sq.m. of GFA under development, and during the year started construction of approximately 13,323,000 sq.m. GFA. During the year, the Group completed 11,023,000 sq.m. GFA of development properties with 8,673,000 sq.m. of saleable area, and completed 193,000 sq.m. attributable GFA of investment properties. By the end of 2019, the Group's GFA under development had increased by 7% to approximately 32,342,000 sq.m.. This GFA of properties under development at year-end together with further planned construction newly starts in 2020, is expected to make available pre-sale permits for properties with an approximate value of RMB270 billion, which should provide a solid basis for meeting the Group's sales target for 2020.

The following is the position as at 31 December 2019:

Area	**Approximate attributable GFA** *(sq.m.)*	**Approximate attributable saleable area** *(sq.m.)*
Northern China	8,185,000	5,868,000
Eastern China	4,396,000	2,959,000
Northwestern China	6,497,000	4,694,000
Southern China	4,379,000	3,343,000
Southwestern China	2,049,000	1,510,000
Central Southern China	3,027,000	2,258,000
Hainan	1,576,000	1,268,000
Overseas	2,233,000	1,559,000
Total	**32,342,000**	**23,459,000**

Land bank

In 2019, 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, fullfillment of profit forecast and quickness of turnover. The Group acquired 38 plots of land in 32 cities and regions with additional saleable area of approximately 9,389,000 sq.m., 23 plots out of the 38 plots of land are located in the cities and regions where the Group currently has operations and 15 plots of land are located in the 15 cities where we have newly established business presence. The Group's total land bank at year-end was attributable GFA of approximately 70,605,000 sq.m. and attributable saleable area 57,858,000 sq.m., distributed across 103 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		
Northern China	16,013,000	13,313,000
Eastern China	8,073,000	6,344,000
Northwestern China	14,449,000	11,943,000
Southern China	6,278,000	5,540,000
Southwestern China	6,647,000	5,495,000
Central Southern China	7,170,000	6,267,000
Hainan	3,036,000	2,689,000
Overseas	6,423,000	3,956,000
Sub-total	**68,089,000**	**55,547,000**
Investment Properties	**2,516,000**	**2,311,000**
Total	**70,605,000**	**57,858,000**

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 2019 is approximately 4,866,400 sq.m. in total GFA, among which GFA of investment properties under operation is approximately 2,520,300 sq.m., and GFA under development or planning is approximately 2,346,100 sq.m..

Hotel Operation

As of 31 December 2019, the Group currently has 90 hotels under operation, with total GFA 3,952,200 sq.m. and 27,173 hotel rooms. The 90 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 42 hotels under development and planning, 90 hotels under operation, totally 132 hotels. During the period, the Group opened a new hotel Double Tree by Hilton Huidong Resort in Huizhou, total GFA 48,700 sq.m. with 308 hotel rooms. The hotel is managed by Hilton Worldwide Holdings Inc..

Outlook

For 2020, the Group's attributable contracted sales target has been set at RMB152 billion, approximately 10% more than its actual contracted sales for 2019. This target will be achieved from sales of over 230 projects, RMB270 billion in saleable resources. For 2020, the Group plans to deliver approximate 9,390,000 sq.m. saleable area of development properties. The details are set out below:

	To be completed in 1st half of 2020		To be completed in 2nd half of 2020		2020 Full Year Estimate	
Location	**Approximate GFA**	**Approximate saleable area**	**Approximate GFA**	**Approximate saleable area**	**Approximate GFA**	**Approximate saleable area**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Northern China	886,000	685,000	1,312,000	1,176,000	2,198,000	1,861,000
Eastern China	623,000	433,000	1,034,000	721,000	1,657,000	1,154,000
Northwestern China	738,000	690,000	1,826,000	1,704,000	2,564,000	2,394,000
Southern China	284,000	260,000	1,048,000	759,000	1,332,000	1,019,000
Southwestern China	512,000	400,000	741,000	562,000	1,253,000	962,000
Central Southern China	417,000	364,000	802,000	624,000	1,219,000	988,000
Hainan	145,000	138,000	275,000	215,000	420,000	353,000
Overseas	199,000	150,000	717,000	509,000	916,000	659,000
Sub-total	**3,804,000**	**3,120,000**	**7,755,000**	**6,270,000**	**11,559,000**	**9,390,000**
JV (Attributable)	98,000	82,000	264,000	171,000	362,000	253,000
Investment Properties	150,000	150,000	716,000	716,000	866,000	866,000
Total	**4,052,000**	**3,352,000**	**8,735,000**	**7,157,000**	**12,787,000**	**10,509,000**

FINANCIAL REVIEW

The Group's profit for the year increased by 16% to RMB10.093 billion, from RMB8.728 billion in the previous year. Revenue from property development increased by 20% to RMB79.689 billion in 2019 from RMB66.388 billion in 2018 and profit from property development increased by 11% to RMB9.953 billion in 2019 from RMB8.990 billion in 2018. Rental income increased 10% and brought profit for the property investment segment to RMB506 million not taking into account the fair value gains from investment properties and revaluation gains on investment properties transferred from properties under development of RMB1.877 billion (2018: RMB730 million). The earnings before interest, taxes, depreciation and amortisation of hotel operations was RMB1.397 billion as compared to RMB1.251 billion in the prior year (excluding the gains on bargain purchase from the acquisition of the hotel assets in 2018). The Group's other business segments (including construction services and the soccer team) recorded a loss of RMB776 million as compared with a loss of RMB877 million the previous year.

The Group carries out its core business of property development in 93 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 20% to RMB79.689 billion, from RMB66.388 billion in the previous year. This revenue was based on delivery of 8,296,000 sq.m. of sale properties in the year which was approximately 36% more than the 6,113,000 sq.m. delivered in the previous year. Overall average selling price decreased by 12% to RMB9,610 per sq.m.. Four out of ten 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 10% of total revenue including R&F City in Chongqing, in Datong and in Harbin, and R&F Shangyue Court in Putian, and they had average selling price increased between 3% to 28% from the previous year. The six significant projects with average selling price decrease were R&F New Town in Tianjin, R&F Nanhu Yipin in Jiangmen, R&F Bay Shore in Taiyuan, R&F Yunhe No. 10 in Wuxi, R&F Cambridge Court in Nantong, R&F Golden Jubilee City in Nanchang, which accounted for 15% of total revenue and had a decrease of 3% to 11% in average selling price. New projects accounted for approximately 16% of total revenue. These included R&F Golden Jubilee City in Taiyuan, R&F Yuhu Peninsula in Ningbo and R&F Central Park in Yueqing, which together contributed RMB5.485 billion in revenue at an average selling price of RMB14,210 per sq.m.. For revenue by city, Taiyuan had the highest revenue of RMB8.148 billion and followed by Chongqing and Wuxi with revenue amounted to RMB3.853 billion and RMB3.850 billion respectively. Revenue of Taiyuan for the year increased 107%, from RMB3.935 billion in the prior year. The two flagship projects, R&F Bay Shore and R&F Tianxi City and one new project, R&F Golden Jubilee City, delivered 603,010 sq.m. at an average selling price of RMB10,200 per sq.m. and generated RMB6.150 billion in revenue. Revenue of Chongqing increased 16% due to more revenue generated from the project of R&F City. Revenue of Wuxi increased 19%, due to RMB3.252 billion in revenue from the two continuing projects, R&F Yunhe No.10 and R&F City. Aside from the three cities mentioned above, Nantong and Huizhou had revenue exceeding RMB3 billion. In Nantong's case, it was due to the delivery of a flagship project, R&F Cambridge Court with revenue amounted to RMB1.996 billion. The two flagship projects in Huizhou, R&F Bay Shore and R&F Hot Spring Valley generated RMB2.195 billion in revenue. There were another eight cities with revenue exceeding RMB2 billion. They were Huhhot, Nanchang, Harbin, Tangshan, Tianjin, Jiangmen, Yueqing and Shanghai.

2. Overall cost of sales per sq.m. decreased 4% to RMB6,250 per sq.m. and costs of land and construction per sq.m. was stable at RMB5,810 per sq.m. (2018: RMB6,490 per sq.m. and RMB5,790 per sq.m.) with the change in sale mix. The range for land and construction cost per sq.m. of individual project was from RMB28,700 to RMB3,040. At the high end of the range were residential projects in Shanghai, Hainan and Brisbane that typically carried higher land and construction costs. In the low end of the range were residential projects in tier 2 or 3 cities. Taiyuan, Chongqing and Wuxi, the three cities with highest revenues in the year, carried average land and construction cost of RMB6,030 per sq.m., and they together casted a significant influence to overall land and construction cost per sq.m. due to their high proportion in total revenue. In the year under review, land and construction costs accounted for 93% (2018: 89%), levy and business tax 1% (2018: 2%) and capitalized interest 6% (2018: 9%) of overall cost of sales. Capitalized interest included in the cost of sales decreased to RMB3.033 billion from 2018's RMB3.519 billion. As a percentage of revenue from sale of properties, it was decreased to 3.8% from 5.3% from previous year. The cost of sales also included RMB614 million (2018: RMB718 million) in levy and business tax.

3. As described above, with the cost of sales per sq.m. and average selling price decreased by 4% and 12% respectively, the overall gross margin fell accordingly by 5.4 percentage point to 34.9% from 40.3% in the previous year. Analysing based on the gross margin by city, gross margin of the key cities including Taiyuan, Chongqing and Wuxi were 28.5%, 44.4% and 32.0% respectively as compared to 28.1%, 42.5% and 40.8% in the prior year. The gross margins of the Nantong, Huizhou and Huhhot were 30.0%, 35.7% and 43.2% 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 was 9.2% (2018: 9.4%). As compared to the previous year, selling and administration expenses for the year increased by 17% to RMB7.344 billion. Breaking down into its two components, selling expenses increased by RMB644 million to RMB2.935 billion and administrative expenses increased by RMB435 million to RMB4.409 billion. Selling expenses increased mainly because the number of sales projects in the year further increased to 194 from 155 in the last year. The main component of administrative expenses was personnel costs which was comparable with that of the previous year.

6. The share of result of associates was mainly derived from the Group's 45% interests in the Henan Jian Ye project and 30% interests in Longyan Hengfu 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, 50% interests in Guangzhou Senhua project and 17.5% interests in Tianjin Junyou project. These nine projects mentioned had a combined revenue in the year of RMB10.119 billion.

7. Finance costs being interest expenses incurred in the year after deduction of amounts capitalized to development costs, increased by 7% to RMB5.600 billion (2018: RMB5.212 billion) mainly as a result of higher average debts. Total interest incurred in the year increased from RMB9.450 billion in the prior year to RMB13.731 billion with outstanding loans at the year-end of approximately RMB197.14 billion (2018: RMB163.30 billion) and an average interest rate of 6.60% (2018: 5.74%). Aggregate interest expenses included in this year's results amounted to RMB8.642 billion (2018: RMB8.762 billion) counting also capitalized interest released to cost of sales of RMB3.042 billion (2018: RMB3.550 billion).

8. Land appreciation tax (LAT) of RMB4.045 billion (2018: RMB4.857 billion) and enterprise income tax of RMB3.637 billion (2018: RMB3.534 billion) brought the Group's total income tax expenses for the year to RMB7.682 billion. As a percentage of turnover, LAT decreased to 5.1% from 7.3% in 2018. The effective enterprise income tax rate was 26.8% (2018: 28.2%), deviating from the standard rate by 1.8% because of permanent differences limiting the tax deductible amount.

9. Overall, the Group's profit margin for the year was 11.1%, when compared to 10.8% in the previous year (not taking into account the gains on bargain purchase in 2018).

Financial resources, liquidity and liabilities

As at 31 December 2019, the Group's cash amounted to RMB38.44 billion of which RMB32.64 billion was in Renminbi, RMB3.36 billion was in Hong Kong dollar, RMB1.66 billion was in US dollar, RMB495 million was in Malaysian Ringgit, RMB236 million was in Australian dollar, RMB35 million was in British pound, RMB9 million was in Korean won and Singaporean dollar and with total borrowings at RMB197.14 billion of which RMB149.25 billion was in Renminbi, RMB44.72 billion was in US dollar, RMB1.58 billion was in British pound, RMB756 million was in Hong Kong dollar, RMB659 million was in Australian dollar and RMB170 million was in Malaysian Ringgit. Net debt to total equity ratio was at 198.9%. 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 49%, 17%, 22% and 12% respectively. The Group has secured from various relationship banks uncommitted credit facilities of which approximately RMB120.0 billion (2018: RMB130.3 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 fulfilled such as the availability of suitable projects and specified documents e.g. construction permits.

Debt Profile

During the year, the Group had an addition of totally USD2.70 billion senior notes with 2 to 5 years maturity at fixed interest rates of 8.125% to 9.125%, RMB5.80 billion super & short-term commercial papers with 90 to 270 days maturity at fixed interest rates of 4.83% to 5.66% and RMB9.0 billion domestic public corporate bonds with 4 to 5 years maturity at fixed interest rates of 5.60% to 7.00%. 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%, 57% and 11% of total debts respectively. Bank loans repaid in the year amounted to RMB38.16 billion while new bank loans of RMB49.90 billion were procured. The effective interest rate of the total bank loan portfolio at 31 December 2019 was 5.54% (2018: 5.36%). Exchange rate exposure was manageable as non-RMB borrowings accounted for approximately 24% 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 2019, 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 2019, the Group had approximately 62,305 employees (31 December 2018: 60,325). The total staff costs incurred were approximately RMB3.479 billion during the financial year ended 31 December 2019. 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 2019 annual general meeting ("AGM") of the Company will be held on Friday, 29 May 2020 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, 29 May 2020, the register of members of the Company will be closed from Wednesday, 29 April 2020 to Friday, 29 May 2020, 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 Tuesday, 28 April 2020.

The Board has proposed a final dividend for 2019 of RMB0.86 per share. The proposed final dividend, if approved by the shareholders at the AGM on 29 May 2020, 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, 10 June 2020. The proposed final dividend has not been reflected in the financial statements as at 31 December 2019. 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, 10 June 2020. The final dividend is expected to be paid to the shareholders of the Company on or before Tuesday, 30 June 2020. The H share register of members of the Company will be closed from Thursday, 4 June 2020 to Wednesday, 10 June 2020, 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 Wednesday, 3 June 2020.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2019, 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 2019.

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 2019, 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 2019 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 2019. 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 2019.

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

Hong Kong, 26 March 2020

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*