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)

2020 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL SUMMARY

- Attributable contracted sales of RMB51.06 billion.
- Recognised revenue stable at RMB33.59 billion.
- Group gross profit margin was 29.6% and gross profit margin from sale of properties was 33.5%.
- Net profit was RMB3.92 billion and net profit margin was 11.7%.
- Total debt reduction of RMB9.4 billion.
- Sufficient cash of RMB36.00 billion.
- Attributable saleable land bank of 56.83 million sq.m..
- Interim dividend per share of RMB0.38.

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020. The condensed consolidated interim financial information appended at the end of this announcement forms an integral part of this announcement. The interim results have been reviewed by the audit committee of the Company.

RESULTS AND DIVIDEND

For the six months ended 30 June 2020, the Group's total revenue decreased by 4% to RMB33.591 billion and net profit decreased by 6% to RMB3.917 billion over the corresponding period last year.

During the period, revenue and net profit from the Group's main business of property development were RMB30.831 billion and RMB3.465 billion respectively. The increase in revenue was mainly due to an increase in the delivery of area sold to 3.35 million sq.m., representing an increase of 17% over the corresponding period last year. Recurring revenue from property investments and hotel segment during the period was RMB1.862 billion. Profitability from property investments continues to provide an important contribution to the Group with net profit margin (excluding revaluation) of 35.1%. The Board have resolved to declare an interim dividend of RMB0.38 per share.

BUSINESS REVIEW

In the first half of 2020, attention continues to center around the coronavirus ("COVID-19") and ripple effects it has globally and to various sectors in some form or another. Whilst businesses adapt to operating in a backdrop of recurring infection cases, inevitably affecting operation efficiencies of corporations to a certain extent. During the initial outbreak in China, the Group has responded hastily under the supervision of the government, paid special attention to the control of the COVID-19 to ensure that various operation safety measures are in place such that the longer effects of the coronavirus are minimized. Within the Group, there have been no known significant outbreaks in the work place or infections to report, and the implementation of precautionary measures have been highly successful. The Group remains vigilant even as China's domestic infection rates plateau and are maintained under control.

Amidst the backdrop of the COVID-19 and heightened tensions worldwide, economic growth as expected slowed or even turned negative in the first quarter for many countries. In contrast, China's GDP growth recovered to positive in the second quarter due to the overall proper control measures. With lockdowns in place and travel restrictions, international travel as it relates to business and leisure as well as consumption have all been suspended. The dislocation of international economies and lack of interaction was once a norm, with a relatively strong foundation on internal economic circulation, China saw a quicker recovery than other regions to generate positive GDP growth in the second quarter of 3.2%.

In regard to China's property sector, contracted sales and business activity was significantly affected in the first quarter with the implementation of home quarantines and closure of on-site sales. In terms of contracted sales, the sector saw a 25% decline in the first quarter when compared to the same period in 2019 and a negative trend in the first quarter. The decline in contracted sales for the Group reflected a similar trend. However, with the ease of the outbreak and the relaxation of the control measures, contracted sales saw a meaningful rebound. In the second quarter, contracted sales for the sector increased 7% and the Group declined 3%, respectively, versus the same period in 2019. Overall for first half 2020, contracted sales for the sector and the Group declined 5% and 15%, respectively.

The completion rate for the first half contracted sales for the Group was comparable to its peers when taking into account the Group typically launches more projects in the second half. The Group has set an internal contracted sales target of RMB152 billion for 2020 with an expected first half proportion of approximately 25%, accounting for a lower planned project launch schedule and effects of the COVID-19 in the first quarter. After contracted sales recovery in the second quarter, the Group's first half contracted sales was RMB51.06 billion, which was slightly ahead of the sales schedule, or 34% of full year sales target. Contracted sales in the first half was equivalent to approximately 4.26 million sq.m. GFA at an average selling price of approximately RMB11,970 per sq.m. which was largely stable.

With volatility in operating conditions, the key focus for the Group in the first half was on financial stability. To mitigate uncertainty in outlook, the Group actively undertook steps to address near-term maturities to extend debt and loans nearing maturity or calls for redemption. Apart from accessing financial markets, the Group continues to remain disciplined on expenditures, further curtailing the pace of land banking with the current land bank scale being adequate and availability of saleable resources sufficient for near term targets. In the first half, attributable land bank acquired was approximately 2.43 million sq.m. saleable area and contracted cash expenditures were RMB6 billion. Of the land acquired, acquisitions were predominantly focused on land bank replenishment for depleted cities and also quick asset turn projects that generate a cashflow return within 12 months. Key cities where land bank was more active include Guangzhou and Taiyuan. The Group will continue to seek similar land bank opportunities to increase the positive cashflow cycle during each financial period. The current attributable saleable land bank of the Group is approximately 56.83 million sq.m. GFA.

Despite a moderate land banking approach, the Group has made significant progress in conversion of urban redevelopment projects. Although less time efficient, the attractiveness of urban redevelopment is both in terms of higher margins and greater capital efficiency. To date in 2020, the Group has over 80 projects in various stages undergoing urban redevelopment, of which, 92% are in first and second tier cities and 54% are in the Greater Bay Area ("GBA"). Most recently during the first half, the Group converted 3 projects, equivalent to 1.29 million sq.m. GFA to add an additional RMB46 billion of saleable resources. These projects were located in Guangzhou and Changzhi. The Group will continue to convert further urban redevelopment projects in 2020 and over the next 18 months with a target to increase attributable land bank of 9 million sq.m. GFA to generate RMB200 billion of potential saleable resources.

In 2020, the Group has focused on mitigating risks on its balance sheet by seeking opportunities to term out maturities. In February, the Group took advantage of favourable market windows to issue US$400 million of senior notes to redeem USD senior notes maturing in January 2021. The key objective of the exercise was to maintain a similar debt level but extend the maturity. In addition to debt refinancing, the Group has also handled a significant amount of domestic bonds in 2020 thus far. In the first half, the Group handled RMB10.8 billion of domestic bonds which has lowered the overall gearing level. In order to continue to address near-term financing, the Group currently has a combined onshore medium and long term financing quota of approximately RMB18 billion to issue direct financing products in the capital market which issue will be initiated as the financing environment improves. The Group will continue to seek financing opportunities to further improve the credit profile over the next 12 months.

Other financial assets of the Group, such as investment properties and hotels, met with significant challenges as a result of the COVID-19. During difficult conditions, the Group lent its support to affected retailers and businesses who are tenants of the Group's investment portfolio which saw a decline in contribution in the retail sector and a more modest effect on the commercial office assets. The hardest hit segment was the hotel sector especially in the first quarter as business and leisure travel all but came to a halt with quarantine and travel restrictions. Food and beverage services in the hotel sector took a significant hit with business usage and regular visitation halted in compliance with China's control regulations on the coronavirus. However, the Group's hotel performance surprisingly saw a quick recovery in the second quarter as domestic travel reopened for the national holidays as domestic activity picked up and international travel still significantly impeded. The Group expects the strong domestic consumption potential in China, enormous internal economic circulation and policy stimulation from various government levels will provide further support in the recovery of the hospitality and leisure sector. It is encouraging that as at the end of July, the hotels segment has already returned to cashflow positive as result of the improvement of the overall economic environment and adjustment to the Group's hotel operation strategy amidst the COVID-19.

In terms of other investment properties, the Group newly increased a number of investment properties in the first half, contributing an additional approximately RMB2.7 billion of investment property assets, or over 107,000 sq.m. GFA. The newly increased investment properties mainly included retails in Beijing, Nanjing and Chongqing which is expected to contribute to future recurring income. The addition of investment properties will provide greater contribution of recurring revenue each financial year which is more stable in nature.

GOING FORWARD

In the second half, the Group will continue to execute a number of key strategies, including delivering on contracted sales, meeting delivery schedules and deleveraging. The Group has planned for 16 new projects launches in the second half and a total saleable resources of RMB230 billion to support contracted sales targets. Based on available saleable resources and new project launch schedules, management remains cautiously confident it will achieve its annual contracted sales target. To address market volatility and uncertainty, the Group will adopt a more flexible sales strategy based on project selection and pricing flexibility to achieve contracted sales target whilst balancing profitability and cashflow.

Another important objective going forward is to improve the Group's financial profile, both in terms of terming out debt maturity and managing gearing levels. With a reduction of gearing already materialised in the first half, several other initiatives currently being executed and considered will further reduce the gearing levels by the end of the financial year. In addition to initiatives to accelerate the deleveraging, an expected larger profit contribution in the second half will also organically contribute to an improvement in the Group's financial profile. By lowering the overall leverage, management expects the Group to maintain flexibility to weather uncertainty in markets and also control finance costs levels.

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2020 decreased to RMB3.917 billion, from RMB4.170 billion for the corresponding period last year. Revenue from the Group's core business of property development accounted for 92% of the Group's total revenue and amounted to RMB30.831 billion. Compared to the previous period, net profit from property development (excluding foreign exchange losses) decreased by 3%, based on a delivery of 3,350,000 sq.m. in terms of saleable area in the period. Profit from property investment, not including any fair value gains from investment properties and revaluation gains on investment properties transferred from completed properties held for sale, was RMB164 million. Fair value gains and revaluation gains in the period amounted to RMB2.293 billion. Revenue from hotel operations decreased to RMB1.396 billion from RMB3.342 billion due to the negative impact of COVID-19.

The following comments on the components of the income statement, with the exception of #7 (on finance costs) and #9 (on net profit), relate only to property development:

1. Revenue increased by 3% to RMB30.831 billion, from RMB29.975 billion in the same period in 2019. The amount of saleable area sold increased by 17% to 3,350,000 sq.m. from 2,873,000 sq.m. in previous period and the properties are located in 101 cites. The overall average selling price decreased by 12%, from RMB10,400 per sq.m. to RMB9,200 per sq.m.. This decrease in overall average selling price was due to marketing strategies of lowering prices to promote sales. The top three projects, R&F Tianxi City in Taiyuan, R&F City in Harbin and R&F City in Chongqing, which individually had revenue of over RMB1.3 billion and a combined revenue of RMB4.8 billion or 16% of total revenue and carried average selling price from RMB8,100 to RMB9,700 per sq.m.. Based on revenue distribution by cities in the period, Taiyuan has the highest revenue among all cities where the Group operates. It accounted for 9% of total revenue. In terms of amount, revenue in Taiyuan amounted to RMB2.766 billion and was mainly derived from R&F Tianxi City. Chongqing's revenue ranked second with revenue amounted to RMB2.209 billion in the period, equivalent to 7% in total. Ningbo ranked third with revenue amounted to RMB1.782 billion. These top three cities ranked by revenue in the period, Taiyuan, Chongqing and Ningbo, together accounted for 22% of total revenue as compared to 20% from the top three cities (Wuxi, Chongqing and Yueqing) in the previous period. The remaining 78% of revenue for this period was contributed by the other 98 cities in which the Group operated, the more significant of which were Baotou, Harbin, Huhhot, Zibo, Shanghai, and Huizhou contributed more than RMB1 billion each.

The following is the summary of revenue by city:

City	**Amount of turnover** *(in RMB million)*	**Saleable area sold** *(sq.m.)*	**Average selling price** *(RMB/sq.m.)*
Taiyuan	2,766	283,000	9,770
Chongqing	2,209	288,800	7,650
Ningbo	1,782	121,500	14,670
Baotou	1,521	229,200	6,640
Harbin	1,427	169,800	8,400
Huhhot	1,293	159,900	8,090
Zibo	1,219	102,700	11,880
Shanghai	1,149	22,900	50,100
Huizhou	1,095	136,700	8,010
Wuxi	906	50,500	17,940
Tangshan	904	92,700	9,760
Beijing	847	46,600	18,180
Hainan	821	60,600	13,540
Hangzhou	798	40,700	19,580
Tongliao	744	150,300	4,950
Tianjin	735	113,000	6,510
Longyan	629	61,900	10,170
Guiyang	545	52,100	10,470
Meizhou	519	87,300	5,940
Huzhou	496	44,100	11,250
Malaysia	463	25,800	17,940
Zhenjiang	438	26,600	16,420
Ziyang	390	67,900	5,740
Australia	373	10,700	34,790
Shangrao	347	44,100	7,880
Huaibei	293	35,600	8,230
Zhuhai	293	23,600	12,410
Qingdao	291	39,200	7,430
Zouping	280	30,100	9,320
Shenyang	268	38,500	6,980
Jiujiang	238	42,400	5,630
Cambodia	231	15,800	14,630
Leshan	223	37,600	5,940

City	Amount of turnover *(in RMB million)*	Saleable area sold *(sq.m.)*	Average selling price *(RMB/sq.m.)*
Datong	218	46,300	4,710
Anshan	218	34,000	6,410
Nanjing	216	29,100	7,400
Nantong	212	27,700	7,630
Wenzhou	208	18,800	11,100
Xi'an	207	23,600	8,760
Handan	197	24,800	7,940
Yueqing	193	11,000	17,580
Jiangmen	184	21,600	8,520
Guangzhou	184	22,500	8,210
Dongying	151	29,600	5,100
Linfen	147	17,400	8,480
Nanchang	141	12,800	10,960
Urumqi	119	11,100	10,690
Lechang	112	28,300	3,960
Chengdu	108	18,000	5,970
Yangjiang	105	14,900	7,050
Qinhuangdao	100	15,300	6,540
Others	1,278	191,000	6,670
Total	30,831	3,350,000	9,200

2. Cost of goods sold consists of land and construction costs, capitalised finance costs and levy and business tax. For the current period, land and construction costs made up 91% of the Group's total costs. In terms of costs per sq.m., land and construction costs decreased to RMB5,560 from RMB5,830 in the previous period. A main reason for this decrease was that, compared to previous period, a larger portion of the period's total revenue came from delivery of housing projects with lower land and construction costs. The second and third projects with highest revenue, R&F City in Harbin and R&F City in Chongqing, both carried low land and construction costs of average RMB4,010 per sq.m.. Capitalised interest included in the period's cost of goods sold amounted to RMB1,697 million representing approximately 8% of total costs. As a percentage of revenue from sale of properties, capitalised interest was 6%. The cost of goods sold also included RMB195 million of levy and business tax, making up 1% of costs.

3. Overall gross margin for the period was 33.5%, as compared to 41.0% in the same period in 2019. The top five cities ranked by revenue in the period, Taiyuan, Chongqing, Ningbo, Baotou and Harbin, accounted for 31% of total revenue. The gross margins of those cities were 26.1%, 43.8%, 38.3%, 35.6% and 41.1% respectively.

4. Other income and other gains-net were mainly the result of interest income and gains on disposals of subsidiaries and certain equity interests in an associate.

5. Selling and administrative expenses for the period decreased by 9% or RMB315 million, to RMB3.047 billion. This decrease was due to tighter cost control. Selling and administrative expenses as a percentage of revenue decreased to 9.9% from 11.2%.

6. The share of result of associates was mainly derived from the Group's 35% interests in Zhengzhou Wulong New Town and R&F Jianye Shangyue Court project and 30% interests in Longyan R&F Jianfa Shangyue Court project. The share of results of joint ventures were mainly from 33.34% interests in Guangzhou Liedecun project, 25% interests in Tianjin Jinnan New Town project, 50% interests in Hines Shanghai New Jiangwan project, 60% interests in Guiyang R&F Center project, 50% interests in Nanning Fuya Business Park project, 50% interests in Guangzhou R&F Tianhai Wan project and 17.5% interests in Tianjin Liuhe Ming Zhu project. These nine projects mentioned had a combined turnover of RMB672 million.

7. Finance costs increased 41% to RMB3.392 billion for the period (1H 2019: RMB2.408 billion), which includes total interest expenses of RMB7.076 billion, early redemption premium for senior notes of 56 million and net foreign exchange losses of RMB1.125 billion incurred in the period and after deducting capitalised interest of RMB4.865 billion to development projects. The 12% increase in total interest expenses was related to an increase of average borrowings outstanding to RMB206.6 billion from RMB185.2 billion in the previous corresponding period. Together with RMB1.700 billion charged to cost of goods sold related to capitalised interest, the total finance costs incurred during the period amounted to RMB5.092 billion.

8. Land appreciation tax (LAT) of RMB1.374 billion (1H 2019: RMB1.855 billion) and Enterprise Income Tax of RMB1.181 billion (1H 2019: RMB1.516 billion) brought the Group's total income tax expenses for the period to RMB2.555 billion. As a percentage of revenue, LAT decrease to 4.5% from 6.2% for the same period in 2019. The effective enterprise income tax rate was 25% (1H 2019: 25%).

9. Overall, the Group's net profit margin for the period was stable at 11.7% (1H 2019: 11.9%).

OTHER INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") laid out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of conduct for directors and supervisors in any dealings in the Company's securities. The Company has made specific enquiries of each director and supervisor, each of whom has confirmed their compliance with the Model Code during the six months ended 30 June 2020.

Compliance with the Corporate Governance Code

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other applicable laws and regulations. In particular, it has observed the principles and code provisions set out under the Corporate Governance Code and Corporate Governance Report as stated in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020.

Audit Committee

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

The audit committee comprises Mr. Wong Chun Bong (chairman of the audit committee) and Mr. Zheng Ercheng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2020. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Interim Dividend Payment and Closure of Register of Members

The Board has declared an interim dividend for the six months ended 30 June 2020 (the "Interim Dividend") of RMB0.38 per share to shareholders whose names appear on the register of members of the Company as at the close of business on 18 September 2020. The Interim Dividend will be paid on 30 October 2020.

The H share register of members of the Company will be closed from 14 September 2020 (Monday) to 18 September 2020 (Friday) (both dates inclusive), during which period no transfer of H shares will be registered. In order to establish entitlements to the Interim Dividend, all the share transfer documents must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 11 September 2020 (Friday).

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

The average of the closing exchange rates for RMB to Hong Kong Dollar as announced by the People's Bank of China for the one-week period prior to 24 August 2020, the date on which the Interim Dividend was declared, was RMB0.893474 to HK$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK$0.425306.

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

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

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

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

Profit Distribution to Investors of Southbound Trading

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

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

The Company has appointed Bank of China (Hong Kong) Trustee Limited as the receiving agent in Hong Kong and will pay to the receiving agent the Interim Dividend for payment to holders of H shares on 30 October 2020. Cheques will be dispatched to holders of H shares by ordinary post at their own risk.

ACKNOWLEDGEMENTS

With the added distraction of COVID-19 creating an abnormal operating environment, I am even more appreciative of the support provided by our shareholders, investors, and business affiliates. The uncertainty in market outlook has required an added patience and support needed for management to execute on our strategies to drive the direction of the Group. I would like to extend a word of appreciation to our directors, management and staff during this time of operating uncertainty for their contribution and focus whilst staying safe. The continued commitment of management to persevere on our strategy to deliver on our objectives will be important to deliver another set of robust results in 2020.

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

Hong Kong, 24 August 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. Zhang Hui; 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*

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited 30 June 2020**	Audited 31 December 2019
ASSETS			
Non-current assets			
Intangible assets		**1,238,003**	1,281,393
Investment properties		**36,752,858**	33,469,576
Property, plant and equipment		**41,900,069**	35,091,574
Right-of-use assets		**10,582,589**	10,774,952
Interests in joint ventures		**10,443,599**	10,795,165
Interests in associates		**1,495,035**	644,329
Deferred income tax assets		**11,810,449**	10,346,768
Financial assets at fair value through other comprehensive income		**923,695**	1,042,442
Trade and other receivables and prepayments	*5*	**117,469**	162,469
		115,263,766	103,608,668
Current assets			
Properties under development		**172,565,349**	167,399,023
Completed properties held for sale		**56,968,301**	55,313,790
Inventories		**1,044,411**	969,621
Trade and other receivables and prepayments	*5*	**51,323,359**	57,729,973
Contract assets		**1,255,733**	963,907
Tax prepayments		**3,238,867**	2,905,530
Restricted cash		**18,093,773**	15,531,531
Cash and cash equivalents		**17,901,509**	22,904,275
		322,391,302	323,717,650
Total assets		**437,655,068**	427,326,318

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	**Unaudited 30 June 2020**	Audited 31 December 2019
EQUITY			
Equity attributable to owners of the Company			
Share capital		**873,842**	873,842
Other reserves		**13,523,682**	8,258,874
Retained earnings		**69,004,047**	68,225,177
		83,401,571	77,357,893
Non-controlling interests		**2,493,947**	2,441,232
Total equity		**85,895,518**	79,799,125
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**112,936,807**	134,870,694
Lease liabilities		**132,054**	132,013
Deferred income tax liabilities		**10,214,315**	8,221,383
		123,283,176	143,224,090
Current liabilities			
Accruals and other payables	*6*	**88,286,654**	83,905,870
Contract liabilities		**44,431,570**	38,899,448
Current income tax liabilities		**18,986,408**	19,159,511
Dividend payable		**1,898,114**	-
Short-term borrowings		**7,783,152**	14,116,659
Current portion of long-term borrowings		**67,020,101**	48,153,395
Lease liabilities		**70,375**	68,220
		228,476,374	204,303,103
Total liabilities		**351,759,550**	347,527,193
Total equity and liabilities		**437,655,068**	427,326,318

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	Note	**2020**	2019
Revenue	*4*	**33,591,036**	35,053,257
Cost of sales		**(23,664,462)**	(22,089,336)
Gross profit		**9,926,574**	12,963,921
Other income	*7*	**383,230**	435,028
Other gains – net	*8*	**3,615,126**	452,439
Selling and marketing costs		**(1,226,510)**	(1,366,014)
Administrative expenses		**(2,596,655)**	(3,091,630)
Allowance for impairment losses on financial and contract assets		**(21,085)**	(2,747)
Operating profit		**10,080,680**	9,390,997
Finance costs	*9*	**(3,392,052)**	(2,407,639)
Share of results of associates		**(10,724)**	99,874
Share of results of joint ventures		**(49,394)**	330,382
Profit before income tax		**6,628,510**	7,413,614
Income tax expenses	*10*	**(2,711,522)**	(3,243,898)
Profit for the period		**3,916,988**	4,169,716
Profit attributable to:			
– Owners of the Company		**3,792,275**	4,027,584
– Non-controlling interests		**124,713**	142,132
		3,916,988	4,169,716
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)		**1.0849**	1.2499

(All amounts in RMB Yuan thousands unless otherwise stated)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June **2020**	 2019
Profit for the period	**3,916,988**	4,169,716
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
– Share of other comprehensive loss of joint ventures accounted for using the equity method	**(136,663)**	(7,370)
– Currency translation differences	**48,078**	(893)
Items that will not be reclassified to profit or loss		
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**54,682**	35,868
Other comprehensive (loss)/income for the period, net of tax	**(33,903)**	27,605
Total comprehensive income for the period	**3,883,085**	4,197,321
Total comprehensive income for the period attributable to:		
– Owners of the Company	**3,758,372**	4,055,189
– Non-controlling interests	**124,713**	142,132
	3,883,085	4,197,321

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

This condensed consolidated interim financial information is presented in RMB Yuan (RMB), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2020.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2019 financial statements as described therein.

(a) New and amended standards and interpretation adopted by the Group

The following new or amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2020.

Standards	**Subject**
Amendments to HKAS 1 and HKAS 8	Definition of Material
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The standards, amendments and interpretation did not have a material impact or are not relevant to the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

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

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2020 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

Standards	**Subject**	**Effective for annual periods beginning on or after**
Amendment to HKFRS 16	Practical Expedient for Lessees on COVID-19 Rent Concessions	1 June 2020
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendment to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendment to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendment to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual improvements to HKFRS Standards 2018-2020	Annual improvements to HKFRS Standards 2018-2020 affecting HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(c) Changes in accounting policy for subsequent measurement for hotel buildings

In previous years, the Group's hotel buildings were carried in the consolidated balance sheet at historical cost less accumulated depreciation and impairment losses. The directors reassessed the appropriateness of this accounting policy and concluded that by using the revaluation model under HKAS 16, the consolidated financial statements would provide reliable and more relevant information about the Group's results and financial position, as fair value is more useful information to financial statement users and it makes the Group more comparable to other market players.

Consequently, the Group changed its accounting policies on hotel buildings to follow the revaluation model under HKAS 16 with effective from 1 January 2020, which has been accounted for prospectively.

Subsequent to above change, hotel buildings are stated at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient regularity by independent professional qualified valuers. Changes arising on the revaluation are dealt with in other comprehensive income and are accumulated in the revaluation reserve, except that, when a deficit arises on revaluation, it will be charged to the profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to revaluation.

(All amounts in RMB Yuan thousands unless otherwise stated)

When a surplus arises on revaluation, it will be credited to the profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

When a revalued asset is sold, the amount included in the revaluation reserve is transferred to retained earnings.

The effect of the changes in accounting policies to the condensed consolidated interim financial information of the Group is as follows:

	As at 1 January 2020
Increase in property, plant and equipment	**7,122,051**
Decrease in deferred income tax assets	**364,346**
Increase in deferred income tax liabilities	**1,416,167**
Increase in revaluation reserve	**5,341,538**

	Six months ended 30 June 2020
Increase in depreciation	**122,258**
Decrease in income tax expenses	**30,565**
Decrease in profit for the period	**91,693**
Decrease in basic and diluted earnings per share	**0.0262**

4. 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 period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

(All amounts in RMB Yuan thousands unless otherwise stated)

(b) Segment performance

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2020 and 2019 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2020					
Segment revenue	30,831,124	551,954	1,428,337	1,445,802	34,257,217
Recognised at a point in time	19,499,707	–	–	–	19,499,707
Recognised over time	11,331,417	–	1,428,337	1,445,802	14,205,556
Revenue from other sources					
– rental income	–	551,954	–	–	551,954
Inter-segment revenue	–	(86,043)	(32,231)	(547,907)	(666,181)
Revenue from external customers	30,831,124	465,911	1,396,106	897,895	33,591,036
Profit/(loss) for the period	3,465,024	1,884,205	(935,654)	(496,587)	3,916,988
Finance costs	(2,891,021)	(129,909)	(364,337)	(6,785)	(3,392,052)
Income tax (expenses)/credits	(2,555,476)	(631,534)	302,730	172,758	(2,711,522)
Share of results of associates	(7,901)	–	–	(2,823)	(10,724)
Share of results of joint ventures	(49,097)	–	–	(297)	(49,394)
Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets	(213,082)	–	(733,643)	(78,838)	(1,025,563)
Amortisation of incremental costs for obtaining contracts with customers	(153,021)	–	–	–	(153,021)
(Allowance for)/reversal of impairment losses on financial and contract assets	(22,641)	–	(6,241)	9,906	(18,976)
Revaluation gains on investment properties transfer from completed properties held for sale – net of tax	–	1,495,616	–	–	1,495,616
Fair value gains on investment properties – net of tax	–	224,947	–	–	224,947

(All amounts in RMB Yuan thousands unless otherwise stated)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2019					
Segment revenue	29,974,542	635,038	3,380,398	1,801,648	35,791,626
Recognised at a point in time	18,509,109	–	–	–	18,509,109
Recognised over time	11,465,433	–	3,380,398	1,801,648	16,647,479
Revenue from other sources					
– rental income	–	635,038	–	–	635,038
Inter-segment revenue	–	(69,400)	(38,791)	(630,178)	(738,369)
Revenue from external customers	29,974,542	565,638	3,341,607	1,171,470	35,053,257
Profit/(loss) for the period	4,582,073	569,301	(420,230)	(561,428)	4,169,716
Finance costs	(1,872,811)	(104,115)	(426,903)	(3,810)	(2,407,639)
Income tax (expenses)/credits	(3,371,235)	(189,210)	139,883	176,664	(3,243,898)
Share of results of associates	99,876	–	–	(2)	99,874
Share of results of joint ventures	330,975	–	–	(593)	330,382
Depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets	(165,726)	–	(751,198)	(66,638)	(983,562)
Amortisation of incremental costs for obtaining contracts with customers	(226,412)	–	–	–	(226,412)
(Allowance for)/reversal of allowance for impairment losses on financial and contract assets	(1,122)	–	(4,137)	2,512	(2,747)
Fair value gains on investment properties – net of tax	–	326,797	–	–	326,797

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

(All amounts in RMB Yuan thousands unless otherwise stated)

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2020					
Segment assets	**336,290,764**	**36,752,858**	**47,624,445**	**4,252,857**	**424,920,924**
Segment assets include:					
Interests in joint ventures	**10,443,337**	**–**	**–**	**262**	**10,443,599**
Interests in associates	**517,939**	**–**	**–**	**977,096**	**1,495,035**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**459,099**	**256,606**	**96,211**	**253,289**	**1,065,205**
Segment liabilities	**125,558,053**	**–**	**1,857,872**	**5,504,728**	**132,920,653**
As at 31 December 2019					
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
Additions 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

5. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2020	As at 31 December 2019
Trade receivables – net	**10,182,727**	12,770,597
Other receivables – net	**22,566,521**	26,000,869
Prepayments	**10,083,987**	9,977,766
Capitalised costs to obtain sales contracts	**1,143,416**	975,054
Due from joint ventures	**4,588,758**	4,813,263
Due from associates	**2,872,950**	3,347,806
Due from entities jointly controlled by major shareholders of the Company	**2,469**	7,087
Total	**51,440,828**	57,892,442
Less: non-current portion	**(117,469)**	(162,469)
Current portion	**51,323,359**	57,729,973

(All amounts in RMB Yuan thousands unless otherwise stated)

As at 30 June 2020, trade receivables were mainly derived from sale of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

	As at	
	30 June 2020	31 December 2019
Trade receivables – current portion		
– Due from third parties	**10,335,439**	12,974,899
– Due from joint ventures	**146,575**	123,795
– Due from an associate	**–**	25
– Due from entities jointly controlled by major shareholders of the Company	**4,825**	23
	10,486,839	13,098,742
Less: allowance for impairment	**(304,112)**	(328,145)
	10,182,727	12,770,597

At 30 June 2020 and 31 December 2019, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2020	31 December 2019
Up to 1 year	**8,442,760**	11,348,983
1 year to 2 years	**1,201,790**	926,685
2 years to 3 years	**366,307**	309,451
Over 3 years	**475,982**	513,623
	10,486,839	13,098,742

6. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2020	31 December 2019
Amounts due to joint ventures (Notes (a))	**6,686,757**	6,506,090
Amounts due to associates (Notes (a))	**229,449**	207,523
Amounts due to entities jointly controlled by major shareholders of the Company (Note (a))	**6,008,190**	62,003
Construction payables (Note (b))	**39,714,201**	39,201,447
Other payables and accrued charges (Note (c))	**35,648,057**	37,928,807
	88,286,654	83,905,870

(All amounts in RMB Yuan thousands unless otherwise stated)

(a) Other than the balance with a joint venture of the Group, which is interest bearing, unsecured and repayable on demand, the amounts are unsecured, interest free and repayable on demand.

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

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

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

7. OTHER INCOME

	Six months ended 30 June	
	2020	2019
Interest income	**217,872**	261,010
Other operating income	**81,700**	145,198
Forfeited deposits from customers	**76,024**	21,411
Others	**7,634**	7,409
	383,230	435,028

8. OTHER GAINS – NET

	Six months ended 30 June	
	2020	2019
Revaluation gains on investment properties transferred from completed properties held for sale	**1,994,155**	–
Fair value gains on investment properties – net	**298,416**	435,172
Gains on disposals of subsidiaries	**678,795**	–
Gains on disposal of certain equity interests in an associate	**674,822**	–
Losses on disposals of intangible assets	**(20,942)**	(2,311)
Gains/(losses) on disposals of property, plant and equipment	**478**	(2,678)
Others	**(10,598)**	22,256
	3,615,126	452,439

(All amounts in RMB Yuan thousands unless otherwise stated)

9. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
Interest expenses:		
– bank borrowings	**3,009,287**	2,773,944
– domestic bonds	**1,353,056**	1,215,561
– medium-term notes	**44,541**	54,485
– senior notes	**1,497,264**	1,123,456
– other borrowings	**1,149,863**	956,164
– super & short-term commercial papers	**15,183**	197,769
– lease liabilities	**6,519**	8,716
	7,075,713	6,330,095
Early redemption premium for senior notes	**56,794**	–
Net foreign exchange losses	**1,124,521**	126,872
Less: finance costs capitalised	**(4,864,976)**	(4,049,328)
	3,392,052	2,407,639

10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
Current income tax		
– enterprise income tax (Note (b))	**2,648,309**	2,931,928
– PRC land appreciation tax (Note (c))	**1,373,769**	1,854,610
Deferred income tax	**(1,310,556)**	(1,542,640)
	2,711,522	3,243,898

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the period (six months ended 30 June 2019: 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 period ended 30 June 2020, the companies in the PRC, Cambodia, Malaysia were primarily taxed at 25%, 20% and 24% (six months ended 30 June 2019: 25%, 20% and 24%) on their profits, respectively.

(All amounts in RMB Yuan thousands unless otherwise stated)

(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.

11. DIVIDENDS

	Six months ended 30 June	
	2020	2019
Interim dividend of RMB0.38 (2019: RMB0.42) per ordinary share	**1,328,240**	1,353,394

An interim dividend in respect of the six months ended 30 June 2020 of RMB0.38 per ordinary share, totalling RMB1,328,240,000 was proposed by the board of directors (six months ended 30 June 2019: RMB1,353,394,000). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ended 31 December 2020.