



廣州富力地產股份有限公司  
GUANGZHOU R&F PROPERTIES CO., LTD.\*

(Stock Code: 2777)

# Interim Report 2006

\* For identification purpose only

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## CHAIRMAN'S MESSAGE

### RESULTS AND DIVIDEND

During the six months ended 30 June 2006, the Group recorded a turnover of RMB1,270 million, and unaudited profit attributable to the equity holders of the Company amounted to RMB259 million, representing an earning of RMB0.34 per share.

The board of directors has decided to declare an interim dividend for the six months ended 30 June 2006 of RMB0.40 per share.

### BUSINESS PERFORMANCE

During the first half of 2006, the Group has completed projects for delivery with a total saleable area of approximately 133,200 sq. m., a decrease of 56.7% when compared with the corresponding period last year. According to the project development schedule as set out in the 2005 annual report, with recent updating, approximately 9.9% of our saleable areas scheduled for delivery in 2006 was completed and delivered in the first half of 2006 as planned. In the second half of 2006, 90.1% of these saleable areas will be completed for delivery. As of today, all our projects are developing according to the planned schedules, and we are confident that all the projects can be completed in the second half of 2006 on time, and to maintain a significant growth as well as to fulfill the expectation of our shareholders.

In the first half of 2006, based on the total amount of contracts signed, the Group recorded contracted sales of approximately RMB4,735 million, an increase of 60% compared to the corresponding period in 2005. The contracted sales represent approximately 41% of our annual budgeted sales of approximately RMB11.5 billion for the full year and it is in line with our original plan. We are confident that the Group will be able to accomplish the targeted sales this year.

Other than residential development projects, the Group is presently also involved in the development of office buildings, shopping malls, service apartments and hotels. This product diversification strategy shall reduce the business and market risks of the Group.

The integrated modus operandi as adopted by the Group is another important factor to the Group's successful and effective management and organization. The Group has its own design institute, engineering supervisory, property management, marketing and selling teams which enable the Group to respond promptly and adapt to the changing market conditions resulted from the implementation of the new macro-economic measures. As such, the Group is confident that it has the capability to maintain steady business growth in the future.

Amongst all our business strategies, the development of commercial property is an important one. The sale of commercial properties including office and service apartment offers significant contributions to the Group's profitability. Furthermore, the Group intends to hold some of the commercial properties with excellent locations as investment properties on long term basis. At present, the Group has four major investment properties under development, including two 5-star hotels, a class-A office building in Guangzhou, and a large scale commercial complex in Beijing R&F City. All these developments shall bring in long term steady income stream to the Group in the near future.

During the first half of 2006, the Group acquired 11 plots of land with total gross floor area ("GFA") of approximately 3,026,000 sq. m. As at 30 June 2006, the Group has a land bank of approximately 11,077,000 sq. m. The Group is also in the process of acquiring another approximately 3,433,000 sq. m. of land pending approval and registration procedures to be completed. The sufficient land bank will certainly ensure our future development.

## PROSPECTS

Recently, the Chinese government has implemented a series of macro-economic measures to stabilize the market and economic environment. After the implementation of these measures, the development in the Chinese economy manages to maintain a steady growth. The supply and demand of properties has gradually come to a new equilibrium. Furthermore, it offered better opportunities to the lower income group of the population to buy and own their residences. As such, it will be an all win situation for developers, consumers and the government, and beneficial to the development of the property industry of China.

At present, the operation of the Group has diversified geographically from Guangzhou, Beijing and Tianjin into Xian and Chongqing. The Group will exercise its usual cautions when expanding its business into other cities with development potential within China.

The Group shall continuously replenish its land bank, which will provide an assurance for the development of the Group's future business. The Group believes that its business shall continue with substantial growth capitalized on its brand name, accumulated resources and past experience and to create more value for its shareholders.

## ACKNOWLEDGEMENT

I take this opportunity to thank all our business partners, customers and shareholders for their loyal and valuable support as well as our colleagues on the Board, and staff members of the Group for their hard works, services and contributions during the period.

**Li Sze Lim**

*Chairman*

30 August 2006

## RESULTS AND DIVIDEND

The board of directors (the “Board”) of Guangzhou R&F Properties Co., Ltd (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by The Hong Kong Institute of Certified Public Accountants. The interim results have been reviewed by the audit committee of the Company.

### RESULTS

During the six months ended 30 June 2006, the Group recorded a turnover of RMB1,270 million, and unaudited profit attributable to the equity holders of the Company amounted to RMB259 million, representing an earning of RMB0.34 per share. The negative growth in turnover and profit attributable to equity holders of the Company in the first half of 2006 was primarily due to the completion of many projects scheduled for delivery in 2006 fall on the second half of the year. Considering the satisfactory results on pre-sale of properties in the first half of 2006 and the construction works are progressing on schedule, the Group shall be able to achieve the business result as targeted.

The following table gives results of the Group for six months ended 30 June 2006 and results of the corresponding period in 2005.

	<b>Six months ended 30 June 2006 (RMB' 000)</b>	<b>Six months ended 30 June 2005 (RMB' 000)</b>	<b>Percentage Changes</b>
Turnover	1,269,698	1,986,533	(36.08%)
Profit for the half-year attributable to equity holders of the Company	258,989	646,866	(59.96%)
Basic earnings per share ( <i>in RMB</i> )	0.3393	1.1723	(71.06%)

## DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2006 of RMB0.40 per share to shareholders whose names appear on the Register of Members as at 27 October 2006. The interim dividend will be paid on 22 November 2006. The Company is applying to the China Securities Regulatory Commission for a share sub-division from one existing ordinary share of RMB1.00 to four shares of domestic and H shares of RMB0.25 each. Should the share subdivision take place prior to 27 October 2006, the payment of interim dividend will be proportionately adjusted accordingly.

According to Articles of Association of the Company, dividend payable to the holders of Domestic shares shall be paid in Renminbi ("RMB"). Dividend payable to holders of H shares shall be paid in Hong Kong dollar ("H.K. dollar" or "HK\$"), based on an exchange rate which is the mean average exchange rates for H.K. dollar and RMB announced by the People's Bank of China for the five business days prior to the date of the announcement. The average of the closing exchange rate for RMB to H.K. dollar as announced by the People's Bank of China for five business days prior to 30 August 2006, the date of the announcement is RMB1.00 to HK\$0.976. Accordingly the amount of interim dividend payable per H share is HK\$0.39.

## CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 23 October 2006 to Friday, 27 October 2006 (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 pm on Friday, 20 October 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

In the first half of 2006, the Chinese economy had maintained a steady growth, the gross domestic product (“GDP”) of the People’s Republic of China (“China”) increased by 10.9%. It is widely expected that the economic growth rate of China for the second half of 2006 shall continue at the current pace.

In the first half of 2006, to ensure and maintain the steady development of the property market, the State Council of China issued a document with six directive measures aiming at stabilizing the property market and price. The issuing and implementing of all these macro-economic measures serve as a mean to create a steady market and business environment for the property development industry in China in the years to come and to maintain an equilibrium in demand and supply as well as consumer confidence such that the property market shall develop further.

### BUSINESS REVIEW

The Group has its operation located in Guangzhou, Beijing, Tianjin, Xian and Chongqing areas. In the beginning of the year, the total GFA under construction was approximately 3,331,000 sq. m., of these GFA under construction, approximately 137,300 sq. m. and 1,528,000 sq. m. had been completed and scheduled to be completed in the first half or second half of 2006 respectively. During the six months ended 30 June 2006, the Group has increased its GFA under construction by 771,000 sq. m. As at 30 June 2006, the Group had a total of 23 projects including investment projects under development. Amongst all these projects, 17 projects are in Guangzhou, four projects in Beijing, one project in Tianjin and one project in Xian. The total GFA under construction was approximately 3,965,000 sq. m. The group anticipated that the total GFA to be completed in 2007 will be approximately 2,225,000 sq. m.

*Note:* All of the above GFA includes the underground area

### PROJECTS COMPLETED AND TO BE COMPLETED

#### Properties completed in the first half of 2006

During the first half of 2006, there were four projects in which a number of buildings under construction were fully completed and ready for delivery. The total completed saleable area sold was 133,200 sq. m. The sales revenue were RMB1,237 million.

Name of Project	Approximate saleable area (sq. m.)	The Group’s interests
<b>Guangzhou</b>		
R&F Square (South Court)	24,100	100%
R&F Peach Garden I	51,300	85%
R&F Modern Plaza	5,100	100%
<b>Beijing</b>		
Beijing R&F City	46,500	100%
<b>Others</b>	6,200	100%
<b>Total</b>	<b>133,200</b>	

### Properties to be completed in the second half of 2006

Based on the existing construction program, the Board expected that 5 projects would be fully completed and a number of buildings under construction in ten projects would be completed and ready for delivery in the second half of 2006. The total saleable area for these projects and buildings to be completed before the end of 2006 will amount to approximately 1,215,900 sq. m., of which 74% was pre-sold as at 30 June 2006. Approximate saleable area of 172,400 sq. m. was completed and delivered in July and August 2006.

Name of Project	Approximate saleable area (sq. m.)						Total	The Group's interest
	July	August	September	October	November	December		
<b>Guangzhou</b>								
R&F Square (South Court)					25,900		25,900	100%
R&F Peach Garden I		62,900					62,900	85%
R&F Peach Garden II						66,100	66,100	100%
R&F Tianhe Prosperous Place					70,100		70,100	100%
R&F Oasis Court (Formerly Aristocratic House Phase III)	24,700						24,700	100%
R&F Cairnhill Garden (Formerly R&F Wealth Court)						23,800	23,800	100%
R&F Edinburgh International Apartment						39,800	39,800	100%
R&F Ying Lung Plaza			92,200				92,200	100%
Guangzhou R&F City				39,300		4,200	43,500	100%
R&F Modern Plaza						7,800	7,800	100%
<b>Beijing</b>								
Beijing R&F City	18,600	52,800	73,400	41,900		17,800	204,500	100%
R&F Festival City		3,400	71,400	21,600	81,000		177,400	100%
R&F Xinran Court/Plaza		10,000	21,300		100,000		131,300	100%
R&F Edinburgh Chateau/Plaza			57,800				57,800	100%
<b>Tianjin</b>								
Tianjin R&F City			21,000	93,600	51,900	21,600	188,100	100%
Total	43,300	129,100	337,100	196,400	328,900	181,100	1,215,900	



## CONTRACTED SALES

During the six months ended 30 June 2006, the Group had contracted sales (based on the execution of sale agreements) of properties with saleable area of approximately 492,000 sq. m. with total consideration of approximately RMB4,735 million.

Area	Approximate saleable area (sq. m.)	Approximate value (RMB million)
Guangzhou	246,000	2,498
Beijing	152,000	1,512
Tianjin	94,000	725
Total	<u>492,000</u>	<u>4,735</u>

*Note:* For accounting purpose and in accordance with HKFRS, revenue from sales of properties shall be recognized upon completion of sale agreements. Deposits and installments received on properties sold prior to their completion are accounted for as current liabilities under “deposits received on the sale of properties”. Completion of sale agreement means the property is ready for delivery to buyers.

## INVESTMENT PROPERTIES

### Completed Investment Properties

For the six months ended 30 June 2006, the Group had rental income from some of its commercial and retail spaces on short term leases, generating rental income of RMB15.83 million, as compared to a rental income of RMB9.45 million in 2005.

Other than the above-mentioned properties on short term leases, the Group has a property situated in Beijing R&F City with GFA of 23,751 sq. m. on lease for a term of 20 years for use as a supermarket. This property was leased for an annual rental income of approximately RMB19 million.

The Group acquired the commercial podium of R&F Modern Plaza in Guangzhou known as Jiaxin Commercial Centre in the beginning of 2006 as an investment property. Part of the Jiaxin Commercial Centre with total GFA of 26,000 sq. m. was leased to a supermarket for a term of 20 years. The annual rental is approximately RMB14 million.

## Investment Properties Under Development

### Guangzhou

Presently, the Group is developing two five-star hotels in the Pearl River New Town, the new central business district of Guangzhou, namely The Ritz-Carlton, Guangzhou (“Ritz-Carlton”) and Grand Hyatt, Guangzhou (“Grand Hyatt”). These two hotels are owned by the Group but will be managed by two internationally renowned hotel management groups for a term of 20 years beginning from the date of formal opening which is scheduled to be in the first half of 2007.

The Ritz-Carlton is a 350-room hotel with 120 service apartments. The Grand Hyatt consists of a tower with 450 hotel rooms and a tower for use as office. As at the end of June 2006, the construction works of the super-structure for both hotels were completed and it is expected that the operation shall commence in the first half of 2007.

Other than these two hotel projects, the Group has also invested in a commercial and office building to be named as R&F Center. The office building is a 54-storey class-A office tower with total GFA of 160,000 sq. m., of which 120,000 sq. m. is for office use. Part of the building will be used by the Group as its headquarter in Guangzhou. The construction of the super-structure of the building was completed in June 2006. It is expected that the building shall be ready for occupation in mid-2007.

### Beijing

In Beijing, the Group is developing a commercial complex which comprises a shopping mall, an office tower and a five star hotel within the Beijing R&F City. The project is located in the CBD area of East 3rd Ring Road and it is linked to a subway station. In view of its location, the Group has decided to retain these properties for investment purpose. The construction works of these projects began in early 2006, and it is expected that the shopping mall and the office tower will be completed in mid-2007.

The hotel to be built in the commercial complex has been named as Beijing R&F Renaissance Capital Hotel, which has 540 guest rooms. The hotel property will be owned by the Group and it will be managed by a reputable international hotel management group. The management period will be for 25 years starting from the date of commencement of its operation. It is expected that the hotel will become operative in 2008.

## LAND BANK

In the first half of 2006, the Group acquired 11 plots of land with total GFA of approximately 3,026,000 sq. m. and total above ground saleable area of approximately 2,729,000 sq. m.

Name of Project	Approximate GFA (sq. m.)	Approximate above ground saleable area (sq. m.)
<b>Guangzhou</b>		
Pearl River New Town D1-1	101,000*	101,000
Pearl River New Town J1-1	143,000*	143,000
Pearl River New Town M1-4	132,000*	132,000
Pearl River New Town M1-9	81,000*	81,000
R&F Jubilee Garden	183,000	155,000
<b>Beijing</b>		
Beijing R&F Peach Garden (Xisanqi Construction Material City Project)	283,000*	283,000
Beijing R&F Danish Town (Jingnan Green Life Community Project)	515,000	356,000
Beijing R&F Bay Shore (Shunyi Mapo Project)	158,000	120,000
<b>Tianjin</b>		
Tianjin R&F City Lot No. 7	279,000	210,000
<b>Chongqing</b>		
Chongqing R&F Modern Plaza (Nanan Project)	233,000	230,000
Chongqing University Town Project	918,000*	918,000
<b>Total</b>	<b>3,026,000</b>	<b>2,729,000</b>

\*: *Figures for above ground saleable area is used as the underground plans have not been confirmed.*

The Group will continue to seek opportunities in building up its land bank whilst maintaining its prudent business policies and strategies in the acquisition of its land reserve for its future development projects. As at 30 June 2006, the Group's total land bank in terms of GFA was approximately 11,077,000 sq. m., predominantly located within the urban area of their respective cities.

Area	Approximate total GFA (sq. m.)	Approximate above ground saleable area (sq. m.)
Guangzhou	4,830,000	4,105,000
Beijing	3,181,000	2,492,000
Tianjin	927,000	699,000
Xian	988,000	859,000
Chongqing	1,151,000	1,148,000
<b>Total</b>	<b>11,077,000</b>	<b>9,303,000</b>

As at 30 June 2006, pending government approval and registration procedure, the Group is in the process of acquiring additional land of approximately 3,433,000 sq. m. After completion of the procedural matters, the Group shall have a total land bank of approximately 14,510,000 sq. m.

## FINANCIAL REVIEW

### Results

The results for the six months ended 30 June 2006 reflected the delivery of less saleable area than the corresponding six months ended 30 June 2005 but in line with the plan previously announced (in 2005 annual report) and represented approximately 9.9% of the saleable area completion presently expected for the full year 2006.

Turnover included mainly sale of properties and rental income for the period amounted to RMB1,270 million (six months ended 30 June 2005: RMB1,987 million). Sale of properties amounted to RMB1,237 million with 133,200 sq. m. saleable area delivered at average price of RMB9,280 per sq. m. as compared to a sale of RMB1,969 million and 229,000 sq. m. saleable area delivered at average price of RMB8,590 per sq. m. for the corresponding prior period. The sales came mainly from four projects including Beijing R&F City, Peach Gardens I, R&F Square (South Court) and Modern Plaza each accounted for 40%, 26%, 15% and 10% of the total turnover respectively.

Cost of sales comprised, in addition to land and construction costs and business tax, other elements including land appreciation tax, capitalized interest and amortization of land use rights. Such other elements increased quite significantly and together accounted for 10.8% of total cost of sales or 7.4% of turnover compared to 5.0% and 3.3% respectively in the same period of 2005. Land appreciation tax despite lower turnover increased notably over the amount for the same period in 2005. Significant expansion in land bank which caused amortization of land use rights to increase to 1.5% of the cost of sales from a negligible amount for the first half of 2005 was another factor contributed to the increase. Land and construction cost as a percent of turnover improved by approximately 2% compared to the corresponding prior period.

Gross profit from a reduced turnover amounted to RMB405 million (six months ended 30 June 2005: RMB687 million) while gross margin reflecting the impact of cost of sales variance was 31.9%, down from 34.6% for the six months ended 30 June 2005 but improved from 26.3% for the full year 2005. On individual project level, three of the four key sale projects in the period had better gross margin than that achieved in 2005.

The other gain registered of RMB141 million (six months ended 30 June 2005: RMB134 million) included RMB125 million being the negative goodwill generated in the acquisition during the period of the entire remaining interest in a previously owned jointly controlled entity engaged in the development of Modern Plaza as the fair value of the assets acquired exceeded purchase consideration.

Selling and administrative expenses in aggregate increased 39.7% to RMB175 million for the period from RMB125 million for the six months ended 30 June 2005. Selling expenses increased 38% over the corresponding prior period to RMB61.2 million due to enhance activities to market a larger number of projects with targeted contracted sale of RMB11.5 billion for 2006 which will approximately be 1.5 times the contracted sales of 2005. Administrative expenses which mainly comprised manpower and other related organization costs increased 40% to RMB114 million. The increase was necessitated by the expansion in development activities with GFA under development reaching an unprecedented 3,965,000 sq. m. at 30 June 2006 but with effective overheads control, the magnitude of increase has been moderate and further improved economy of scale.

Financing costs amounted to RMB15.1 million (six months ended 30 June 2005: RMB17.7 million) being interest expenses of RMB122.6 million less interest capitalized to properties under development of RMB107.5 million (six months ended 30 June 2005: RMB88.6 million and RMB70.9 million). Interest expenses increased 38% due to increase in average net borrowings and average interest rate.

There was no share of results of jointly controlled entity for the period as the entire remaining interest of the jointly controlled entity which contributed a RMB150.1 million profits in the same period of 2005 has been acquired during the period and accounted for as a consolidated subsidiary. The operation of this new subsidiary has produced in the period gross profit of RMB71.5 million.

Profit for the year came to RMB263 million as compared to RMB645 million for the corresponding prior period. The change resulted from the lower turnover at a gross margin though lower than that achieved for the first half of 2005 but improved from that for full year 2005. Selling and administrative expenses increased in amount and particularly as a percent of turnover to 13.8% also impacted on net profit since they relates more to current sales and development activities than accounting turnover. Selling and administrative expenses as a percent of turnover are expected to return to the normal level for the full year 2006.

### **Financial resources and liquidity**

At 30 June 2006, the Group's cash on hand amounted to RMB2,359 million (31 December 2005: RMB2,193 million) with total bank borrowings amounted to RMB5,980 million (31 December 2005: RMB3,275 million). Additional borrowings had been procured to fund increased working capital requirements in relation to the expanding portfolio of properties under development and land bank. Net debt at 30 June 2006 therefore increased to RMB3,621 million from RMB1,082 million six months ago and net debt to equity ratio increased to 72.1% from 20.5%. The Group considers the current level of debt appropriate having regard to the strong expected cashflow from property sales and expects the net debt to equity ratio to fall in the coming months. In the longer term, the Group will strive to maintain a capital structure with approximate net debt to equity ratio of 50%.

During the six months ended 30 June 2006, new borrowings of RMB4,030 million have been procured at interest rate ranging from 5.13% to 6.03% while loans repaid amounted to RMB1,325 million. Of the RMB5,980 million loans outstanding at 30 June 2006, 34%, 27%, 34% and 5% respectively are repayable within one year, one to two years, two to three years and over three years. The effective interest rate of the total loan portfolio at 30 June 2006 was 5.67% (31 December 2005: 5.58%). All the loans were in RMB and at floating interest rate bench marked to rates published by the People's Bank of China. The Group considered the RMB interest rate environment relatively stable and with income and assets predominantly in RMB that matched the loan currency, the Group did not consider it necessary to hedge either its interest rate or currency exposure.

### **Charge on assets**

As at 30 June 2006, certain properties with a carrying value of approximately RMB206 million were pledged to secure long term bank loans amounted to RMB150 million (at 31 December 2005: Nil).

### **Contingent liabilities**

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties. For guarantees provided in respect of residential properties, the guarantees would be released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2006, such guarantees totaled RMB5,894 million which increased 23% from RMB4,778 million as at 31 December 2005.



## Material acquisitions and disposals

There were the followings acquisitions during the six months ended 30 June 2006:

1. The Company acquired the commercial property development of R&F Modern Plaza by entering on 14 December 2005 into an agreement with Guangzhou Xinyi Duo Investment Management Co., Ltd. (“Xinyi Duo”) to acquired 50% interest in Guangzhou Jinding Property Development Co., Ltd. (“Jinding”) for a consideration of RMB390 million. Prior to the acquisition of this additional interest, Jinding was a jointly controlled entity of the Group held as to 50% by the Company and 50% by Xinyi Duo. Transfer of control of the acquired property was completed in January 2006. At 30 June 2006, RMB150 million of the total consideration has not been paid.
2. Beijing R&F Properties Development Co. Ltd. and R&F (Beijing) Properties Development Co. Ltd., both wholly owned subsidiary of the Group, entered into an agreement dated 29 December 2005 with completion after 31 December 2005 to acquire the entire interest in Beijing Honggao Property Development Co., Ltd. (“Honggao”) from a third party at a consideration of RMB780 million. Honggao’s sole assets was approximately 231,900 sq. m. of residential land in Beijing Haidian District. The consideration is payable by installments as determined by the satisfaction of specified conditions. RMB430 million has been paid up to 30 June 2006.
3. In January 2006, the Company purchased 75% interest in Beijing Longxishunjing Property Development Co., Ltd. (“Longxishunjing”) at a consideration of RMB528.4 million from Beijing Longxi Property Development Co. Ltd. (“Longxi”) and Beijing Shunjingyuan Property Development Co. Ltd. (“Shunjingyuan”) which together had formed Longxishunjing to develop the Jingnan Green Life Community Project (“Jingnan”), a property project in Pang Ge Zhuang, Da Xing Qu, Beijing with a gross area of 1770 mu. Through 75% interest in Longxishunjing, the Company obtained the entire rights and benefits to the development of specified portion of the land which were not yet developed amounting to approximately 911 mu. The Company does not have interest in the other portion of the Jingnan project and not responsible for any liabilities in connection with its development which continued to be undertaken by Longxi and Shunjingyuan. The total consideration is payable by installments, the timing of which are dependent on the satisfaction of certain specified conditions; RMB238 million has been paid up to 30 June 2006 and the balance expected to be paid not later than 30 June 2007.

## Employee and remuneration policies

As of 30 June 2006, the Group had approximately 1,743 employees (31 December 2005: 1,488). The Group provides competitive remuneration including fringe benefits such as one-off discount on purchase of properties developed by the Group and employees are rewarded on a performance basis within the general framework of the Group’s salary and bonus system. Job-related training is also provided from time to time.

## DISCLOSURE OF INTEREST

### SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2006 was as follows:

Class of shares	No. of shares	Percentage
Domestic shares	551,777,236	72%
"H" share	211,514,600	28%
Total	763,291,836	100%

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, so far as the directors are aware, the following persons (other than the directors, chief executive officer and supervisor of the Company) were holding 5% or more beneficial interests or short position in the shares of the Company which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register as required to be kept under section 336 of the SFO.

Name of shareholders	Types of shares	No. of shares (Note 1)	Percentage of H shares
Credit Suisse Group (Note 2)	"H" share	17,101,600(L)	8.09%
		1,522,000(S)	0.72%
DLJ Real Estate Capital III, LP (Note 2)	"H" share	14,480,200(L)	6.85%
DLJ Real Estate Capital Partners, III, LP (Note 2)	"H" share	14,480,200(L)	6.85%
RECP Tera Investors LLC (Note 2)	"H" share	14,480,200(L)	6.85%
Morgan Stanley	"H" share	12,403,160(L)	5.86%
		2,623,684(S)	1.24%
Baring Asset Management	"H" share	16,590,873(L)	7.84%
Sloane Robinson LLP	"H" share	17,031,200(L)	8.05%
JP Morgan Chase & Co.	"H" share	25,313,000(L)	11.97%
		5,238,600(P)	2.48%
Korsant Philip (Note 3)	"H" share	12,715,400(L)	6.01%
PBK Holdings Inc (Note 3)	"H" share	12,715,400(L)	6.01%
ZBI Equities L.L.C. (Note 3)	"H" share	12,715,400(L)	6.01%
Ziff Asset Management, L.P. (Note 3)	"H" share	12,715,400(L)	6.01%

Note 1: The Letters "L", "S" and "P" denote a long position, a short position and lending pool in the shares respectively.

Note 2: These 17,101,600 "H" shares relate to the same block of shares in the Company. 14,480,200 shares are held by RECP Tera Investors LLC, and the balance 2,621,400 shares are held by other subsidiaries of Credit Suisse Group.

Note 3: These 12,715,400 "H" shares relate to the same block of shares in the Company. These shares are held by Ziff Asset Management, L.P.

## DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, the interests and short positions of the directors and chief executive officer of the Company in the shares, the underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as follows:

### Long position in the shares, underlying shares and debenture of the Company

Directors	Type of interest	Number of Shares			Percentage of total number of issued shares
		Personal	Spouse or child Under 18	Total	
Li Sze Lim	Domestic share "H" share	267,273,168	1,573,200	268,846,368	35.22%
Zhang Li	Domestic share "H" share	267,273,168	819,400	268,092,568	35.12%
Lu Jing	Domestic share	10,769,588		10,769,588	1.41%
Zhou Yaonan	Domestic share	3,230,656		3,230,656	0.42%
Li Helen	"H" share	350,200		350,200	0.04%

### Long position in the shares, underlying shares and debenture of the Company's associated corporations (within the meaning of Part XV of the SFO)

Directors	Name of associated corporation	Type of interest	No. of shares	Percentage of total number of issued shares
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. (Note)	Corporate	N/A	7.5%
Zhang Li	Guangzhou Tianfu Property Development Co., Ltd. (Note)	Corporate	N/A	7.5%

Note: Guangzhou Tianfu Property Development Co., Ltd. is 15% owned by Century Land Properties Limited which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li as to 50% each.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE GROUP**

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries, nor a jointly controlled entity has purchased, redeemed or sold any of the Company's listed securities.

### **FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES**

The Company has not provided any financial assistance to and guarantee for facilities granted to affiliated companies (within the definition under chapter 13 of the Listing Rules) which together in aggregate exceeds 8% under the relevant assets ratio and requiring disclosure under the Listing Rules.

## CORPORATE GOVERNANCE

### BOARD COMPOSITION AND PRACTICE

The Board of the Company consists of nine members, including four executive directors, Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin (the sister of Mr. Zhang Li) and Ms Li Helen (the sister of Mr. Li Sze Lim); and three independent non-executive directors, Mr. Huang Kaiwen, Mr. Dai Feng and Mr. Lai Ming, Joseph. Save as disclosed, there is no business or other relationship amongst members of the Board, and in particular between the chairman and the chief executive officer of the Company. All directors are subject to retirement by rotation once every three years in according to the Company's Article of Association and the Code of Corporate Governance Practices.

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group. It ensures the availability of resources as well as the effectiveness of its internal control.

The positions of the chairman and the chief executive officer are held by separate individuals with the view to maintaining an effective segregation of duties.

All directors, including non-executive directors and independent non-executive directors, have offered active contributions to the affairs of the Board. One of the independent non-executive directors possesses appropriate professional qualification and accounting and financial management related expertise as required by the Listing Rules.

The notice of Board meeting will be given to all directors at least 14 days prior to the date of meeting. All directors are given opportunities to include any matters to be discussed in the agenda. The company secretary is responsible to the Board for ensuring that all board procedures are followed, and detailed minutes of the Board meetings are prepared, circulated and approved. The company secretary is also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeovers and Mergers and Share Repurchases, Company Ordinance, SFO and other applicable laws, rules and regulations.

### DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), as set out in Appendix 10 to the Listing Rules. Specific enquires have been made to all directors, who have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2006.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures, including the application of the principles of a quality board, sound internal control and transparency and accountability to its shareholders. It has also complied strictly with the Code on Corporate Governance Practices as set out in the Appendix 14 to the Listing Rules throughout the six months ended 30 June 2006.



## **AUDIT COMMITTEE**

The audit committee of the Company was established on 27 June 2005. It has been set up with terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationship with external auditors, the Company's financial reporting, the internal control and risk management system, and there were no disagreement by the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee comprises Mr. Lai Ming Joseph (Chairman of the audit committee) and Mr. Dai Feng who are independent non-executive directors of the Company and Ms. Helen Li who is a non-executive director of the Company. The audit committee has reviewed the interim report of the Company for six months ended 30 June 2006.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company was established on 27 June 2005. It has been set up with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises Mr. Li Sze Lim (Chairman of the remuneration committee), Mr. Dai Feng and Mr. Huang Kaiwen. The principle responsibilities of the remuneration committee include the reviewing and making of recommendation to the Board on the Company's policies, structure and specific remuneration packages of directors and senior management of the Company.

The remuneration committee has reviewed the compensation payable to all directors and senior managers in accordance with the contractual terms and that such compensation is fair and not excessive to the Company.

## **SHAREHOLDERS RELATION**

The Company has established different communication channels with its shareholders. Apart from annual and special general meetings; annual reports, interim reports, circulars and announcement as required under the Listing Rules, shareholders are encouraged to visit the web-site of the Company which is updated with the most recent key information of the Group. The Company also holds regular press conferences and briefing meetings with analysts.

## UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	30 June 2006 <i>Unaudited</i>	31 December 2005 <i>Audited</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,151,099	90,409
Investment properties	5	552,576	293,000
Land use rights	5	3,521,962	2,677,801
Properties held for development		2,121,078	1,879,149
Intangible assets	5	17,860	17,940
Interest in jointly controlled entity		—	372,510
Deferred income tax assets		63,403	50,811
Available-for-sale financial assets		85,369	85,369
Trade and other receivables	8	78,564	308,173
<b>Total non-current assets</b>		<b>7,591,911</b>	<b>5,775,162</b>
<b>Current assets</b>			
Properties under development		6,753,821	5,237,612
Completed properties held for sale		1,444,710	988,403
Land use rights	5	3,300,111	2,173,985
Trade and other receivables	8	1,104,326	504,560
Tax prepayments		770,350	403,968
Restricted cash	7	431,584	614,249
Cash and cash equivalents	6	1,927,480	1,578,857
<b>Total current assets</b>		<b>15,732,382</b>	<b>11,501,634</b>
<b>Total assets</b>	4	<b>23,324,293</b>	<b>17,276,796</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Capital	9	763,292	763,292
Reserves		2,465,610	2,465,610
Retained earnings			
— Proposed interim/final dividend	17	305,317	503,773
— Others		1,489,736	1,536,064
		<b>5,023,955</b>	<b>5,268,739</b>
Minority interest		44,671	40,173
<b>Total equity</b>		<b>5,068,626</b>	<b>5,308,912</b>

	<i>Note</i>	<b>30 June 2006 Unaudited</b>	31 December 2005 Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank loans	10	<b>3,980,000</b>	1,770,000
Long-term payables		<b>36,214</b>	86,214
Deferred income tax liabilities		<b>442,429</b>	397,719
<b>Total non-current liabilities</b>		<b>4,458,643</b>	2,253,933
<b>Current liabilities</b>			
Deposits received on sale of properties		<b>7,276,656</b>	4,089,236
Accruals and other payables	11	<b>4,033,347</b>	3,506,464
Current income tax liabilities		<b>487,021</b>	613,251
Short-term bank loans, unsecured	10	<b>1,050,000</b>	835,000
Current portion of long-term bank loans	10	<b>950,000</b>	670,000
<b>Total current liabilities</b>		<b>13,797,024</b>	9,713,951
<b>Total liabilities</b>		<b>18,255,667</b>	11,967,884
<b>Total equity and liabilities</b>		<b>23,324,293</b>	17,276,796
Net current assets		<b>1,935,358</b>	1,787,683
<b>Total assets less current liabilities</b>		<b>9,527,269</b>	7,562,845

The notes on pages 24 to 40 form an integral part of this condensed interim financial information.

## UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2006	2005
Turnover	4	1,269,698	1,986,533
Cost of sales		(864,810)	(1,299,979)
<b>Gross profit</b>		<b>404,888</b>	686,554
Other gains	12	141,053	133,683
Selling and administrative expenses		(174,834)	(125,161)
Other operating expenses		(5,205)	(8,654)
<b>Operating profit</b>		<b>365,902</b>	686,422
Finance costs	14	(15,064)	(17,712)
Share of profits of jointly controlled entity		—	150,064
<b>Profit before income tax</b>		<b>350,838</b>	818,774
Income tax expense	15	(87,851)	(173,489)
<b>Profit for the half-year</b>		<b>262,987</b>	645,285
<b>Attributable to:</b>			
– equity holders of the Company		258,989	646,866
– minority interest		3,998	(1,581)
		<b>262,987</b>	645,285
		<b>RMB per share</b>	RMB per share
<b>Basic and diluted earnings per share for profit attributable to the equity holders of the Company</b> (expressed in RMB per share)	16	<b>0.3393</b>	1.1723
<b>Dividends</b>	17	<b>305,317</b>	—
<b>Dividends per share</b> (expressed in RMB per share)	17	<b>0.4</b>	—

The notes on pages 24 to 40 form an integral part of this condensed interim financial information.

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Attributable to equity holders of the Company					Total equity
		Capital	Other reserves	Retained earnings	Total	Minority interest	
<b>Balance at 1 January 2005</b>		551,777	267,542	1,288,810	2,108,129	53,535	2,161,664
Profit for the half-year		—	—	646,866	646,866	(1,581)	645,285
Acquisition of economic benefits in subsidiaries		—	—	—	—	1,887	1,887
Capital contributions from minority shareholders		—	—	—	—	15,743	15,743
Reduction of minority interests resulting from acquisition of economic benefits in subsidiaries		—	—	—	—	(27,394)	(27,394)
Dividends relating to 2004 paid in July 2005	17	—	—	(380,000)	(380,000)	—	(380,000)
<b>Balance at 30 June 2005</b>		<b>551,777</b>	<b>267,542</b>	<b>1,555,676</b>	<b>2,374,995</b>	<b>42,190</b>	<b>2,417,185</b>
<b>Balance at 1 January 2006</b>		763,292	2,465,610	2,039,837	5,268,739	40,173	5,308,912
Profit for the half-year		—	—	258,989	258,989	3,998	262,987
Capital contributions from minority shareholder		—	—	—	—	500	500
Dividends relating to 2005 paid in May 2006	17	—	—	(503,773)	(503,773)	—	(503,773)
<b>Balance at 30 June 2006</b>		<b>763,292</b>	<b>2,465,610</b>	<b>1,795,053</b>	<b>5,023,955</b>	<b>44,671</b>	<b>5,068,626</b>

The notes on pages 24 to 40 form an integral part of this condensed interim financial information.



**UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT***(All amounts in RMB Yuan thousands unless otherwise stated)*

	Note	Unaudited Six months ended 30 June	
		2006	2005
<b>Cash flows from operating activities – net</b>		<b>(962,382)</b>	(368,525)
<b>Cash flows from investing activities:</b>			
– acquisition of subsidiaries, net of cash acquired	20	(620,045)	(6,000)
– acquisition of additional interests in a subsidiary		—	(4,000)
– purchases of property, plant and equipment		(255,894)	(16,998)
– proceeds on disposal of property, plant and equipment		6,965	11,438
– interest received	12 and 13	15,796	4,031
<b>Cash flows from investing activities – net</b>		<b>(853,178)</b>	(11,529)
<b>Cash flows from financing activities:</b>			
– proceeds from borrowings	10	4,030,000	1,440,000
– repayments of borrowings	10	(1,325,000)	(1,354,000)
– movement in balance with shareholders	11 and 22(v)	(37,544)	—
– contributions from minority shareholders		500	15,743
– dividends paid to Company's shareholders	17	(503,773)	—
<b>Cash flows from financing activities – net</b>		<b>2,164,183</b>	101,743
Net increase/(decrease) in cash and cash equivalents		<b>348,623</b>	(278,311)
Cash and cash equivalents at beginning of period	6	<b>1,578,857</b>	664,789
<b>Cash and cash equivalents at end of period</b>	6	<b>1,927,480</b>	386,478

The notes on pages 24 to 40 form an integral part of this condensed interim financial information.

## **SELECTED NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

*(All amounts in RMB Yuan thousands unless otherwise stated)*

### **1 GENERAL INFORMATION**

Guangzhou R&F Properties Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) on 31 August 1994 as a company with limited liability under the Company Law of the PRC and became a joint stock limited company on 16 November 2001 by converting its registered capital and reserves as at 31 July 2001 into 551,777,236 shares of Renminbi (“RMB”) 1 each.

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 19 Jiaochang Road East Guangzhou 510055, China. It is primarily engaged in the development and sales of properties in the PRC.

The shares of the Company were listed on The Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 14 July 2005.

This condensed consolidated interim financial information was approved for issue on 30 August 2006.

### **2 BASIS OF PREPARATION**

This condensed consolidated interim financial information for the half year ended 30 June 2006 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

### **3 ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to HKAS 19, ‘Actuarial gains and losses, group plans and disclosures’, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 39, Amendment ‘The fair value option’, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 21, Amendment ‘Net investment in a foreign operation’, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant to the Group;
- Amendment to HKAS 39, Amendment ‘Cash flow hedge accounting of forecast intragroup transactions’, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant to the Group;

- Amendment to HKAS 39 and HKFRS 4, Amendment 'Financial guarantee contracts', effective for annual periods beginning on or after 1 January 2006. The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts commencing 1 January 2006. Based on the assessment of the Group, it has determined that HKAS 39 and HKFRS 4 (Amendments) have no significant impact on the Group;
- HKFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1 January 2006. This standard is not relevant to the Group;
- HK(IFRIC)-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with HKAS 17 'Leases'. However, these leases are operating leases, and their reclassification has had no impact on the expense recognised in respect of them. The Group concluded that this amendment has no significant impact on the Group;
- HK(IFRIC)-Int 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1 January 2006. This interpretation is not relevant to the Group; and
- HK(IFRIC)-Int 6, 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment', effective for annual periods beginning on or after 1 December 2005. This interpretation is not relevant to the Group.

#### 4 TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in property development. Turnover recognised for the six months ended 30 June 2006 is as follows:

Turnover	Six months ended 30 June	
	2006	2005
Sales of properties	1,236,581	1,968,552
Rental income	33,117	17,981
	<u>1,269,698</u>	<u>1,986,533</u>

No business segment analysis is presented as the Group's turnover and results for the year were mainly derived from property development.

The Group operates in the PRC and the sales of properties are mainly in Guangzhou and Beijing.

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
<b>Turnover</b>		
Guangzhou	<b>757,950</b>	810,390
Beijing	<b>511,748</b>	1,176,143
	<b><u>1,269,698</u></b>	<u>1,986,533</u>

Segment turnover is presented based on the location of the properties.

	<b>As at</b>	
	<b>30 June 2006</b>	31 December 2005
<b>Total assets</b>		
Guangzhou	<b>10,424,067</b>	7,948,802
Beijing	<b>9,446,561</b>	6,906,458
Tianjin	<b>2,180,203</b>	1,308,615
Xian	<b>542,625</b>	602,116
Chongqing	<b>661,451</b>	—
Others	<b>69,386</b>	138,295
	<b><u>23,324,293</u></b>	<u>16,904,286</u>
Jointly controlled entity	—	372,510
	<b><u>23,324,293</u></b>	<u>17,276,796</u>

Segment assets are presented based on where the assets are located.

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
<b>Capital expenditures</b>		
Guangzhou	<b>1,221,701</b>	500,008
Beijing	<b>265,144</b>	318,497
Tianjin	<b>285,334</b>	40,113
Xian	<b>861</b>	—
Chongqing	<b>638,240</b>	—
	<b><u>2,411,280</u></b>	<u>858,618</u>

Capital expenditure is allocated based on where the assets are located.

## 5 CAPITAL EXPENDITURE

	Intangible assets	Investment properties	Property, plant and equipment	Land use rights Non-current	Land use rights Current
<b>Six months ended 30 June 2005</b>					
<b>Opening net book amount</b>					
<b>at 1 January 2005</b>	8,480	—	85,031	1,498,079	1,302,657
Acquisition of subsidiaries	7,887	—	—	—	—
Additions	—	113,801	16,998	408,990	318,829
Fair value gains	—	125,794	—	—	—
Disposals	—	—	(11,438)	—	—
Transfer to current portion	—	—	—	(252,138)	252,138
Transfer to cost of sales	—	—	—	—	(132,129)
Depreciation and amortisation	—	—	(6,307)	(7,168)	(1,414)
<b>Closing net book amount</b>					
<b>at 30 June 2005</b>	<b>16,367</b>	<b>239,595</b>	<b>84,284</b>	<b>1,647,763</b>	<b>1,740,081</b>
<b>Six months ended 30 June 2006</b>					
<b>Opening net book amount</b>					
<b>at 1 January 2006</b>	17,940	293,000	90,409	2,677,801	2,173,985
Acquisition of subsidiaries	—	259,576	—	50,300	13,519
Proportionate consolidation of Guangzhou Jinding Development Co., Ltd. ("Jinding Properties")	—	—	386	—	—
Additions	—	—	410,530	1,958,771	41,979
Disposals	—	—	(6,863)	—	—
Transfer to current portion	—	—	—	(1,155,995)	1,155,995
Transfer from properties under development	—	—	664,756	—	—
Transfer to cost of sales	—	—	—	—	(57,781)
Depreciation and amortisation	(80)	—	(8,119)	(8,915)	(27,586)
<b>Closing net book amount</b>					
<b>at 30 June 2006</b>	<b>17,860</b>	<b>552,576</b>	<b>1,151,099</b>	<b>3,521,962</b>	<b>3,300,111</b>

## 6 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2006	31 December 2005
Cash at bank and in hand	1,587,059	1,204,169
Short-term bank deposits	340,421	374,688
	<u>1,927,480</u>	<u>1,578,857</u>

## 7 RESTRICTED CASH

	As at	
	30 June 2006	31 December 2005
Guarantee deposits for construction of pre-sold properties ( <i>Note a</i> )	188,650	409,052
Guarantee deposits for resettlement costs ( <i>Note b</i> )	168,027	173,177
Guarantee deposits for construction payable ( <i>Note c</i> )	31,018	31,037
Guarantee deposits for acquisition of properties ( <i>Note d</i> )	43,067	—
Others	822	983
	<u>431,584</u>	<u>614,249</u>

*Note:*

- (a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, all property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. As at 30 June 2006 and 31 December 2005, the guarantee deposits amounted to approximately RMB188,650,000 and RMB409,052,000, respectively. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, all property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings which are subject to demolition for development. The deposits can only be used for such resettlement costs according to the payment schedule. As at 30 June 2006 and 31 December 2005, the deposits amounted to approximately RMB168,027,000 and RMB173,177,000, respectively. Such guarantee deposits will only be released after completion of the related pre-sold properties.
- (c) According to relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payable as deposits for potential default of payment. As at 30 June 2006 and 31 December 2005, the deposits amounted to approximately RMB31,018,000 and RMB31,037,000, respectively. Such guarantee deposits will only be released after settlement of the construction payables.
- (d) As at 30 June 2006, RMB43,067,000 was deposited as the guarantee for the acquisition of properties.

## 8 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2006	31 December 2005
Trade receivables ( <i>Note</i> )	98,420	213,511
Deposits and prepayments	950,082	398,373
Other receivables	132,789	199,824
Due from a related party ( <i>Note</i> 22(v))	1,599	1,025
	<hr/>	<hr/>
	1,182,890	812,733
Less: non-current portion	(78,564)	(308,173)
	<hr/>	<hr/>
<b>Current portion</b>	<b>1,104,326</b>	<b>504,560</b>
	<hr/> <hr/>	<hr/> <hr/>

All receivable balances are denominated in RMB.

All non-current receivables are due within five years from the balance sheet date.

As at 30 June 2006 and 31 December 2005, the fair value of trade and other receivables approximate their carrying amounts.

*Note:*

Receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sales and purchase agreements. Generally, purchasers of properties are required to settle the balances within 60 days as specified in the sales and purchase agreements. Purchasers of certain office units are required to settle the outstanding balances within 40 months as specified in the sales and purchase agreements. At 30 June 2006 and 31 December 2005, the ageing analysis of trade receivables were as follows:

	As at	
	30 June 2006	31 December 2005
0 to 90 days	34,976	70,632
91 to 180 days	6,438	13,981
181 to 365 days	37,542	100,258
1 year to 2 years	3,317	15,215
Over 2 years	16,147	13,425
	<hr/>	<hr/>
	98,420	213,511
	<hr/> <hr/>	<hr/> <hr/>



## 9 CAPITAL

Capital	Number of shares (thousands)	Ordinary shares	Share premium	Total
<b>At 1 January 2005 and 30 June 2005</b>				
– domestic shares	551,777	—	—	551,777
<b>At 1 January 2006 and 30 June 2006</b>				
– domestic shares	551,777	551,777	—	551,777
– net proceeds from H shares issued	211,515	211,515	2,068,061	2,279,576
	<u>763,292</u>	<u>763,292</u>	<u>2,068,061</u>	<u>2,831,353</u>

As of 1 January, 2005, the registered, issued and fully paid capital of the Company were RMB551,777,236, comprising 551,777,236 domestic shares of par value of RMB1 each.

Subsequent to the completion of global offering and over-allotment on 14 July 2005 and 8 August 2005 respectively, the registered, issued and fully paid share capital of the Company was increased to RMB763,291,836, comprising 551,777,236 domestic shares and 211,514,600 H shares of RMB1 each.

**10 BANK LOANS**

	<b>As at</b>	
	<b>30 June 2006</b>	31 December 2005
Short-term bank loans - Unsecured	<u>1,050,000</u>	<u>835,000</u>
Long-term bank loans		
– Secured	150,000	—
– Unsecured	<u>4,780,000</u>	<u>2,440,000</u>
	<u>4,930,000</u>	2,440,000
Less: Current portion of long-term bank loans	<u>(950,000)</u>	<u>(670,000)</u>
	<u><u>3,980,000</u></u>	<u><u>1,770,000</u></u>

Movements in borrowings are analysed as follows:

**Six months ended 30 June 2005**

Opening amount as at 1 January 2005	3,424,000
Addition of borrowings	1,440,000
Repayments of borrowings	<u>(1,354,000)</u>
<b>Closing amount as at 30 June 2005</b>	<u>3,510,000</u>

**Six months ended 30 June 2006**

Opening amount as at 1 January 2006	3,275,000
Addition of borrowings	4,030,000
Repayments of borrowings	<u>(1,325,000)</u>
<b>Closing amount as at 30 June 2006</b>	<u><u>5,980,000</u></u>

Bank loans totalling RMB150,000,000 as of 30 June 2006 were secured by property, plant and equipment, properties under development and completed properties held for sale of the Group with total carrying values of RMB206,311,000 as at 30 June 2006.

The majority of unsecured borrowings are supported by guarantees. Details are as follows:

	As at	
	30 June 2006	31 December 2005
<u>Guarantors</u>		
The Company	2,680,000	1,035,000
Subsidiaries	2,960,000	1,870,000
A third party together with Li Sze Lim and Zhang Li	—	70,000
A third party	—	300,000
Li Sze Lim and Zhang Li	30,000	—
	<b>5,670,000</b>	<b>3,275,000</b>

All borrowings are denominated in RMB and the interests thereon are charged based on floating rates on the outstanding principals.

## 11 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2006	31 December 2005
Amounts due to a jointly controlled entity ( <i>Note a</i> )	—	465,348
Amounts due to shareholders	104	37,648
Construction payables ( <i>Note b</i> )	2,055,955	1,931,797
Other payables and accrued charges	1,977,288	1,071,671
	<b>4,033,347</b>	<b>3,506,464</b>

All payable and accrual balances are denominated in RMB.

*Notes:*

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

**12 OTHER GAINS**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
Fair value gains on investment properties (Note 13)	—	125,794
Negative goodwill recognised (Note 13 and 20(i))	<b>125,301</b>	—
Interest income (Note 13)	<b>15,796</b>	4,031
Others	<b>(44)</b>	3,858
	<b>141,053</b>	<b>133,683</b>

**13 OPERATING PROFIT**

Income or expenses included in cost of sales, other gains, selling and administrative expenses and other operating expenses are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
<b>Crediting:</b>		
Negative goodwill recognised (Note 12)	<b>125,301</b>	—
Fair value gains on investment properties (Note 12)	—	125,794
Interest income (Note 12)	<b>15,796</b>	4,031
Reversal of provision for doubtful debts	<b>4,428</b>	—
<b>Charging:</b>		
Depreciation and amortisation (Note 5)	<b>8,199</b>	6,307
Operating lease rental expenses	<b>8,949</b>	2,221
Amortisation of land use rights	<b>13,124</b>	2,676

Non-financial assets that have an indefinite life are not subject to amortisation but are tested for impairment annually at year-end (31 December) or whenever there is any indication of impairment. As at 30 June 2006, there was no indication of impairment for non-financial assets with indefinite lives.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. As at 30 June 2006, there was no indication of impairment.

## 14 FINANCE COSTS

	Six months ended 30 June	
	2006	2005
Interest on bank loans	122,565	88,616
Less: amount capitalised in properties under development	(107,501)	(70,904)
	15,064	17,712
	15,064	17,712

## 15 INCOME TAXES

### (a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

### (b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the six months ended 30 June 2005, the applicable income tax rate for the profits generated from the property development projects commenced prior to 2005 from the Company and certain of its subsidiaries was 2.97% based on the turnover throughout the period; the applicable income tax rate for the profits generated from jointly controlled entity was 3.3% based on turnover throughout the period; the applicable income tax rate for the profits generated from companies other than the above property development companies and profits from property development projects commenced after 1 January 2005 was 33% based on taxable profit.

For six months ended 30 June 2006, the applicable income tax rate for the profits generated from the property development projects commenced prior to 2006 from one subsidiary was 3.3% based on the turnover throughout the period; the applicable income tax rate for the profits generated from companies other than the above subsidiary was 33% based on taxable profit.

	Six months ended 30 June	
	2006	2005
Current income tax		
– PRC enterprise income tax	117,547	137,044
Deferred income tax	(29,696)	36,445
	87,851	173,489
	87,851	173,489

## 16 EARNINGS PER SHARE

Earnings per share attributable to equity holders of the Company arises from operations are as follows:

	Six months ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company (RMB thousands)	258,989	646,866
Weighted average number of ordinary shares in issue (thousands)	763,292	551,777
Earnings per share (RMB per share)	0.3393	1.1723

Diluted earnings per share is not presented as the Group has no dilutive potential shares for both of the six months periods ended 30 June 2006 and 2005.

## 17 DIVIDENDS

A 2005 final dividend of RMB0.66 (2004 final: RMB0.69) per ordinary share, totalling RMB503,773,000 (2004 final: RMB380,000,000) was paid in May 2006.

An interim dividend in respect of six months ended 30 June 2006 of RMB0.40 per share, amounting to a total dividend of RMB305,317,000 was proposed at the Board Meeting on 30 August 2006. The condensed consolidated interim financial information does not reflect this dividend payable.

	Six months ended 30 June	
	2006	2005
Proposed interim dividend of RMB0.40 (2005 interim: Nil) per ordinary share	305,317	—

## 18 COMMITMENTS

### (a) Capital commitments for properties under/held for development

	As at	
	30 June 2006	31 December 2005
Authorised but not contracted for	7,013,955	10,254,710
Contracted but not provided for	10,351,578	6,358,340
	17,365,533	16,613,050

**(b) Lease commitments for operating leases**

At 31 June 2006, the Group had future aggregate minimum lease expense under non-cancellable operating leases as follows:

**Land and buildings**

	<b>As at</b>	
	<b>30 June 2006</b>	31 December 2005
Not later than one year	<b>7,877</b>	12,119
Later than one year and not later than five years	<b>1,504</b>	2,232
Over five years	<b>1,641</b>	1,704
	<hr/> <b>11,022</b> <hr/>	<hr/> 16,055 <hr/>

**19 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE**

The Group had future aggregate minimum lease rental payments receivable under non-cancellable operating leases as follows:

	<b>As at</b>	
	<b>30 June 2006</b>	31 December 2005
Not later than one year	<b>85,459</b>	55,352
Later than one year and not later than five years	<b>264,025</b>	155,666
Over five years	<b>562,759</b>	425,058
	<hr/> <b>912,243</b> <hr/>	<hr/> 636,076 <hr/>



## 20 BUSINESS COMBINATIONS

- (i) On 1 January 2006, the Group acquired the remaining 50% equity interest in Jinding Properties, primarily for taking up the entire interest in a commercial property development project at a total consideration of RMB390,000,000. Following the completion of acquisition, Jinding Properties became a wholly owned subsidiary of the Group in 2006.

Details of net assets acquired and goodwill are as follows:

<b>Purchase consideration:</b>	
– cash paid	240,000
– accrued consideration to be paid on schedule	150,000
	<hr/>
<b>Total purchase consideration</b>	<b>390,000</b>
– Fair value of net identifiable assets acquired (see below)	515,301
	<hr/>
Fair value of the net assets acquired over cost of acquisition	(125,301)
	<hr/>

The assets and liabilities arising from the acquisition are as follows:

	<b>Acquiree's carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	34,735	34,735
Trade and other receivables	22,255	22,255
Investment properties	207,531	259,576
Land use rights	13,519	13,519
Properties under development	153,940	288,911
Tax prepayments	3,245	3,245
Deferred income tax liabilities	—	(61,715)
Deposits received on sale of properties	(35,910)	(35,910)
Accruals and other payables	(8,221)	(8,221)
Current income tax liabilities	(1,094)	(1,094)
	<hr/>	<hr/>
Net identifiable assets acquired	390,000	515,301
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		240,000
– cash and cash equivalents in subsidiary acquired		(49,955)
		<hr/>
Cash outflow on acquisition		190,045
		<hr/>

- (ii) On 10 April 2006, the Group acquired the entire equity interest in Beijing Honggao Property Development Co., Ltd. (“Beijing Honggao”) for an aggregate consideration of RMB780,000,000. This company is principally engaged in property development business.

Details of net assets acquired and goodwill are as follows:

<b>Purchase consideration:</b>	
– cash paid	430,000
– accrued consideration to be paid on schedule	350,000
	<hr/>
<b>Total purchase consideration</b>	<b>780,000</b>
	<hr/>
– Fair value of net identifiable assets acquired (see below)	780,000
	<hr/>
Goodwill	—
	<hr/>

The assets and liabilities arising from the acquisition are as follows:

	<b>Acquiree's carrying amount</b>	<b>Fair value</b>
Land use rights	50,300	50,300
Properties held for development	729,700	729,700
	<hr/>	<hr/>
Net identifiable assets acquired	780,000	780,000
	<hr/>	<hr/>
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		430,000
– cash and cash equivalents in subsidiary acquired		—
		<hr/>
Cash outflow on acquisition		430,000
		<hr/>

## 21 CONTINGENT LIABILITIES

	<b>As at</b>	
	<b>30 June 2006</b>	31 December 2005
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties ( <i>Note a</i> )	<b>5,894,391</b>	4,778,089
Guarantees given to banks for bank loans of a third party ( <i>Note b</i> )	<b>550,000</b>	380,000
	<hr/>	<hr/>
	<b>6,444,391</b>	5,158,089
	<hr/> <hr/>	<hr/> <hr/>

## Notes:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon (i) issuance of the real estate ownership certificate which will generally be available within an average period of 25 months upon completion of guarantee registration; (ii) completion of mortgage registration and (iii) issuance of real estate miscellaneous right certificate relating to the relevant property.

Management considers that in cases of defaults in payments, the net realisable value of the related properties can cover the outstanding mortgage principals together with the accrued interest thereon as well as the penalty. Accordingly, no provision has been made in respect of the guarantees provided in the consolidated financial statements.

- (b) Management considers the repayment was on schedule and the risk of default in payment is remote. Accordingly, no provision has been made in respect of the guarantees provided in the consolidated financial statements.

## 22 SIGNIFICANT RELATED-PARTY TRANSACTIONS

The Group was controlled by Li Sze Lim and Zhang Li (both are national of the PRC), who previously owned 48.4386% and 48.4386% of the Company's shares, respectively. The remaining 3.1228% of the Company's shares were held by the other three individuals. Subsequent to the listing of the shares of the Company on 14 July 2005 and the exercise of the over-allotment option on 8 August 2005, the interests held by Li Sze Lim and Zhang Li became 35.0159% and 35.0159%, respectively.

The following significant transactions were carried out with related parties:

### (i) Commitments and contingencies

Guarantees for the bank loans given by Li Sze Lim and Zhang Li amounted to RMB30,000,000 as at 30 June 2006. (31 December 2005: RMB70,000,000)

### (ii) Provision of restaurant services

	Six months ended 30 June	
	2006	2005
Common shareholders: Guangzhou Fuligong Restaurant Co., Ltd.	<u>4,557</u>	<u>2,346</u>

### (iii) Lease of properties

	Six months ended 30 June	
	2006	2005
Common shareholders: Beijing Fu Sheng Li Investment Consulting Co., Ltd.	<u>5,681</u>	<u>2,990</u>

**(iv) Drinking water system charges**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
Common shareholders: Guangzhou Canton-rich Environmental Inc.	<u><b>3,122</b></u>	<u>4,874</u>

**(v) Balances with related parties**

As at 30 June 2006 and 31 December 2005, the Group had the following significant non-trade balances with related parties:

	<b>As at</b>	
	<b>30 June 2006</b>	31 December 2005
Due from:		
Common shareholders:		
Beijing Fu Sheng Li Investment Consulting Co., Ltd.	—	1,025
Guangzhou Yifu Properties Co., Ltd.	<u><b>1,599</b></u>	<u>—</u>
Due to:		
Li Sze Lim and Zhang Li	<u><b>104</b></u>	<u>37,648</u>

**(vi) Key management compensation**

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
Salaries and welfare benefits	<u><b>3,397</b></u>	<u>1,443</u>

**23 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

- (i) The board proposes that each of the Domestic Shares and H Shares with a nominal value of RMB1.00 each be subdivided respectively into four Subdivided Domestic Shares and Subdivided H Shares with a nominal value of RMB0.25 each. A resolution for the proposed share subdivision was passed at the Special General Meeting on 16 May 2006. The Company is under the process of applying for the approval of the China Securities Regulatory Commission.
- (ii) Pursuant to an agreement entered into between the Company and seven third parties on 20 July 2006, the Group acquired the entire equity interests in Easycross International Limited, Hainan Yifeng Properties Development (Hong Kong) Company, and Hainan Xiexing Properties Development (Hong Kong) Co., Ltd. for an aggregate consideration of RMB179,000,000. These companies are principally engaged in property development business in the PRC.

## CORPORATE INFORMATION

Executive Directors	Li Sze Lim Zhang Li Zhou Yaonan Lu Jing
Non-executive Directors	Zhang Lin Li Helen
Independent Non-executive Directors	Huang Kaiwen Dai Feng Lai Ming Joseph
Supervisors	Feng Xiangyang Liang Yingmei Zheng Ercheng
Authorized Representatives	Li Sze Lim Wu Tai Loy
Company Secretary	Wu Tai Loy
Registered Office in the PRC	19 Jiaochang Road, East Guangzhou 510055 China
Principal Place of Business in the PRC	R&F Corporate Plaza 19 Jiaochang Road, East Guangzhou 510055 China
Place of Business in Hong Kong	Room 1103, Yue Xiu Building 160-174 Lockhart Road Wanchai Hong Kong
Auditors	PricewaterhouseCoopers 22/F Prince's Building Central Hong Kong
Legal Advisor as to Hong Kong law	Sidley Austin 39/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong

Hong Kong “H” Share Registrar

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Principal Bankers

Industrial and Commercial Bank of China  
Bank of China  
China Construction Bank  
China Merchants Bank  
China Minsheng Banking Corp. Ltd.

Website

[www.rfchina.com](http://www.rfchina.com)