



Li Sze Lim
Chairman

Zhang Li
Co-chairman & CEO

Letter to Shareholders

In 2006 Guangzhou R&F Properties achieved outstanding results, with gross profit and operating profit increasing by 110% and 135% respectively, as the economy and property market in China continued to flourish. This was the result of maintaining a strong focus on our core business of building high quality properties at competitive prices. Our success over the past year was reflected not only in the growth of our share price, which has been one of the best performing of any Mainland property company to date, but also in the recognition we received by the National Statistics Bureau as the number one property developer in China for the second consecutive year.

Reaching new heights We are delighted to report that in 2006 we capitalized on our growth momentum, delivering increases in turnover and profits for the year of nearly 74% and 69% respectively compared with the previous year. This shows that we are capable of fulfilling our promise to provide you, our valued shareholders, with strong, solid and consistent business growth.

In 2006, turnover of the Group increased 74% to 10,187 million, representing sales of saleable area of 1.025 million sq.m., while profit for the year rose 69% to RMB2,145 million over the same period last year. Contracted sales amounted to RMB11,600 million, a 45% growth compared with 2005.

Accordingly, the board of directors has proposed a final dividend of RMB0.20 per share, subject to approval by shareholders at the annual general meeting.

As previously announced, on 3 October 2006 we completed a share placing agreement in which an aggregate of 169,200,000 subdivided new H shares was placed with investors at HK\$9.55 per H share. The Placing represented approximately 20% of the H shares in issue and 16.67% after the issue. Net proceeds of the Placing amounted to approximately RMB1.6 billion and will be used to fund property projects of the Group.



Leadership

By maintaining a strong focus on its core business, R&F Properties has evolved into a highly successful company and, in 2006, received recognition as the number one property developer in China by the National Statistics Bureau.

For 2007 and beyond, our mission is to reach even higher levels of growth and create even greater shareholder value. We will achieve these goals by expanding our already sizeable land bank, generating strong contracted sales each year and delivering high quality products at the right price, while striving to sustain or expand our margins.

A growing land bank As a developer with foresight and vision, we recognize that having sufficient land at reasonable cost is the key to our success. With a total land bank of 17.89 million sq.m., we are capable of meeting the needs of our four-to-five year development pipeline. However, to reach new levels of growth, we have been dedicating substantial resources towards acquiring new land.

Since our listing on the Stock Exchange of Hong Kong on 14 July 2005, we have worked steadily to increase our land bank. The past year was no exception. In 2006, we acquired 21 pieces of land for the development of 19 projects. In Tianjin, we purchased three prime sites, one of which was next to our existing project, Tianjin R&F City. All of these sites, representing a total GFA of 963,000 sq.m., will serve as the foundation for our future business growth in that city.

Our mission is to reach even higher levels of growth and create even greater shareholder value

During the year we also obtained a number of sites in Chongqing with a total GFA of 7.39 million sq.m. for the development of three major projects. One of these project, known as Chongqing R&F City, will be our first flagship project in the city.

With a population of 30 million, Chongqing is the largest city in China and it is a municipality under the direct administration of the State Council. We believe it has great potential for the future, especially in light of the government's Go West policy of encouraging economic development in China's western region.



Direction

We will continue to build up our land bank and deliver high quality products at competitive prices. We will also set our sights on opportunities in other major cities across the country.

Another area with great potential is Hainan Island. In November 2006 we acquired a site in Sanya on Hainan Island, with a total GFA of 210,000 sq.m. The Hainan site is a long-term investment that we plan to develop for residential commercial and tourist use.

A commitment to affordable housing In 2006 we continued to design and build high quality products. This is critical for sustaining our strong track record of double digit growth in contracted sales each year and will contribute to a strong and steady source of cash flow for the Group.

Expanding our land bank, increasing contract sales and delivering high quality products will enable us to sustain or expand our margin

There is also a social component in our business strategy. To encourage the development of affordable housing, the government has set out a 70/90 guideline that calls for 70% of new housing to be 90 sq.m. or less in size. We fully support this target and strategy. Consequently, we are following government's policy of creating more affordable housing, the demand for which is being fuelled by the continuing trend of urbanization in China.

As a leader in the property development sector, we have the experience, the resources and the ability to supply a wider range of products at prices that the average Chinese family can afford. This will not only help Chinese people realize their dreams of owning a home, but will also benefit the country as a whole.

A reputation built on quality We have established a reputation of delivering high quality products to our customers on time and providing excellent after-sales service. In doing so, we have been able to deliver consistent results for our investors each year.

In 2006 we completed the construction of residential and commercial property projects with a total GFA of approximately 1.48 million sq.m. or saleable area of 1.1 million sq.m. These projects are located in prime areas of the major cities of China, namely, Guangzhou, Beijing and Tianjin.



Quality

We have established a reputation for delivering high quality products. In doing so, we have been able to deliver consistent results for our investors.

+
69%

to RMB2,145 million
in profit for the year

At present, the Group also has a number of investment properties under development in Guangzhou and Beijing. These include 5-star hotel projects such as The Ritz-Carlton and Grand Hyatt, Guangzhou and the Renaissance Beijing Capital Hotel in Beijing. Projects such as these reflect the confidence that the market has in us to build properties of outstanding quality.

Strong growth and diversification

We have been able to reach our target net margin by acquiring sites

for our land bank, increasing contracted sales and building high quality products. These will remain at the core of our business and will help us to continue delivering high rates of return for our investors in the years ahead.

We understand, however, that it is also important for us to diversify a balanced portfolio. For this reason, we have begun developing commercial properties, such as shopping malls, hotels and office buildings. Our target within the next five years is to build a portfolio of investment properties that generate a steady source of recurrent rental income.

During the year we made excellent progress in our diversification strategy, as we embarked on projects for use as office buildings, shopping malls, service apartments and hotels. A selected portion of these projects will be retained as investment properties for rental income.

The development of residential property, however, will remain our primary business.

Setting new sights In the years ahead, China will remain one of the world's most attractive destinations for investment as the economy continues to boom. We believe that the property sector will move in the same direction, as property has traditionally always performed well in a high-growth economy.

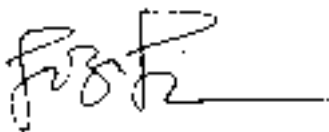
The Group is well positioned to benefit from this trend, given our experience in the industry, business focus and knowledge of local markets.

In moving forward we will continue to build up our land bank and deliver high quality products at competitive prices. We will also set our sights on opportunities in other major cities across the country to leverage on the reputable brand we have established in Guangzhou.

It is our pledge to keep you informed about the progress we are making in these areas and to maintain frequent and open communication in accordance with the legal reporting requirements.

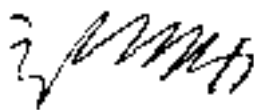
At this point, we would like to take the opportunity to thank the Company's shareholders, investors, business associates and customers for their confidence in us. We would also like to express our appreciation to our fellow directors and staff for their many contributions to our success.

By working together and staying focused on our core business, We are certain that R&F will remain at the forefront of the property development sector in China and reach even greater heights in the years ahead.



Li Sze Lim

Chairman



Zhang Li

Co-chairman and Chief Executive Officer