Consolidated Income Statement

	Note	2006	2005	2005 Restated*	2006 vs. 2005 Restated Change
		(RMB'000)	(RMB'000)	(RMB'000)	(%)
Turnover	1	**10,186,765**	5,855,764	6,825,705	49%
Cost of sales	2	**(6,940,418)**	(4,316,978)	(4,936,179)	41%
Gross profit	3	**3,246,347**	1,538,786	1,889,526	72%
Other gains	4	**381,969**	195,261	195,261	96%
Selling and administrative expenses	5	**(430,620)**	(360,486)	(374,220)	15%
Other operating expenses		**(15,636)**	(22,266)	(22,710)	-31%
Operating profit		**3,182,060**	1,351,295	1,687,857	89%
Finance costs	6	**(49,741)**	(39,467)	(35,922)	38%
Share of profits of jointly controlled entity	7	**-**	309,073	-	N/A
Profit before income tax		**3,132,319**	1,620,901	1,651,935	90%
Income tax expense	8	**(987,235)**	(355,217)	(386,251)	156%
Profit for the year		**2,145,084**	1,265,684	1,265,684	69%

* the jointly controlled entity became a subsidiary in 2006, restated to conform with 2006 presentation

1. Turnover for the year comprised sale of properties and rental income. Sale of properties increased to RMB10,108 million (2005: RMB6,782 million) with 1.025 million sq.m. saleable area sold at an average price per sq.m. of RMB9,865. In addition to sale of Guangzhou and Beijing, Tianjin contributed to turnover for the first time with sale of Tianjin R&F City which amounted to RMB837 million and accounted for 8.3% of the total 2006 properties sale. Beijing R&F City which is in the final phase of development had sale in the year of RMB2,653 million which was slightly lower than the RMB3,122 million in 2005. However with two new projects, R&F Xinran Court and R&F Edinburgh Apartment, total Beijing sales of properties for the year increased 33.2% to RMB4,157 million and represented 41.1% of the year's overall total. The remaining RMB5,115 million sales came from Guangzhou which increased 39.7% from RMB3,661 million the previous year. The top Guangzhou projects were R&F Peach Garden, R&F Tianhe Prosperous Place and R&F Square (South Court) in the residential sector and Ying Long Plaza in the commercial sector. The average price per sq.m. rose 25.3% to RMB9,865 as compared to RMB7,843 for 2005. This rise apart

from having benefited from the general trend of property prices in the three cities in which the Group operates, was also affected by the sale mix for the year which included relatively higher proportions of more upscale residential properties and office building.

2. Cost of sales had comprised land and construction costs and those other costs including land appreciation tax ("LAT"), capitalized interest and amortization of land premium. During the year, materials and labour cost did not fluctuate significantly and coupled with tight cost control, construction cost were largely stable and it were those other costs that had more impact on the cost of sales increasing to RMB635 million from RMB207 million. LAT provision for the year amounted to RMB427 million or 4.2% of turnover as compared to RMB64.8 million and 1.0% of turnover in 2005. This hefty increase in amount and as a percent of turnover was largely the result of much increased sales in non-ordinary standard residential properties and commercial properties in respect of which certain specified exemption under LAT legislation did not apply. Capitalised interest also increased to RMB185 million and 1.8% of turnover from RMB123 million and 1.8% in 2005 respectively. Land premium amortization which had been relatively insignificant previously had increased to RMB23 million (2005: RMB19.0 million) as a result of expanded land bank.

3. Despite the increase in other costs of sale mentioned above, gross profit margin had improved to 31.9% from 27.7% as a result of higher average selling price. The gross profit increase of 72% from 2005 exceeded the 49% increase in turnover.

4. The other gains included mainly bank deposit interest, the negative goodwill on the acquisition of the entire remaining interest of a former jointly controlled entity and the fair value gain of certain properties reclassified as investment properties during the year.

5. With the steady expansion of the operation of the Group, selling and administrative expenses increased by RMB56.4 million or 15%. The magnitude of the increase in expenses was significantly less than the increase in turnover causing selling and administrative expenses as a percent of turnover to reduce to 4.2% from 5.5% in the prior year reflecting improvements in economies of scale.

6. Interest expenses incurred for the year increased to RMB323.2 million (2005: RMB189.7 million) as a result of borrowings increased to RMB7,916 million at 31 December 2006 (RMB3,275 million at 31 December 2005) and average interest rate increased to 5.74% (2005: 5.45%). Of this interest expenses, RMB273.5 million (2005: RMB150.2 million) was capitalized leaving RMB49.7 million (2005: RMB39.5 million) charged directly to income and if aggregate with the capitalized interest in cost of sale, total interest expenses included in this year results amounted to RMB235.2 million as compared to RMB162.7 million in 2005.

7. The entire remaining interest in the jointly controlled entity was acquired and consolidated in 2006 accounts.

8. Effective tax rate increased from 23.4% on profit before tax in 2005 to 31.5% in the year as a result of the expiry of certain preferential tax treatment for certain group companies.

Consolidated Balance Sheet

	Note	2006 (RMB'000)	2005 (RMB'000)	Changes (%)
ASSETS				
Non-current assets				
Land use rights	1	**8,098,580**	2,677,801	202%
Properties held for development	2	**1,960,679**	1,879,149	4%
Property, plant and equipment	3	**1,311,101**	90,409	1,350%
Investment properties	4	**926,153**	293,000	216%
Intangible assets	5	**50,620**	17,940	182%
Interest in jointly controlled entity	6	**-**	372,510	-100%
Deferred income tax assets	7	**201,187**	50,811	296%
Available-for-sale financial assets	8	**144,762**	85,369	70%
Trade and other receivables	9	**181,530**	308,173	-41%
Current assets				
Properties under development	10	**5,877,845**	5,237,612	12%
Completed properties held for sale	11	**1,788,546**	988,403	81%
Land use rights	1	**2,579,891**	2,173,985	19%
Trade and other receivables	9	**1,023,225**	504,560	103%
Tax prepayments		**438,302**	403,968	8%
Restricted cash	12	**602,412**	614,249	-2%
Cash and cash equivalents	12	**1,415,926**	1,578,857	-10%

	Note	2006 (RMB'000)	2005 (RMB'000)	Changes (%)
LIABILITIES				
Non-current liabilities				
Long-term bank loans	13	**(4,508,000)**	(1,770,000)	155%
Long-term payables		-	(86,214)	-100%
Deferred income tax liabilities		**(479,258)**	(397,719)	21%
Current liabilities				
Accruals and other payables	14	**(4,405,072)**	(3,506,464)	26%
Deposits received on sale of properties	15	**(4,250,725)**	(4,089,236)	4%
Current income tax liabilities		**(1,022,470)**	(613,251)	67%
Short-term bank loans	13	**(1,914,734)**	(835,000)	129%
Current portion of long-term bank loans	13	**(1,493,000)**	(670,000)	123%
SHAREHOLDERS' EQUITY		**8,246,652**	5,268,739	57%
Minority interest		**280,848**	40,173	599%

1. The cost of land use rights for land held pending development are classified as non-current assets and land use rights associated with properties under development and completed properties held for sale are classified as current assets. Total land use rights increased approximately RMB5.8 billion due mainly to acquisitions in 2006 of 21 pieces of land in five cities including Chongqing and Hainan where the Group did not previously owned land.

2. Mainly the early stage costs and compensation fee for projects in Guangzhou and Beijing the construction of which have not commenced.

3. The increase was mainly the costs incurred in respect of the R&F Center, The Ritz-Carlton and Grand Hyatt Hotel in Guangzhou.

4. In addition to a property in Beijing R&F City under a long-term lease to a supermarket, certain Guangzhou properties were added to the investment property portfolio during the year including certain premises in Modern Plaza upon the acquisition of the entire remaining interest of a jointly controlled entity and certain properties reclassified from completed properties held for sale.

5. Increase being goodwill on acquisition of Tianjin Prominence Real Estate Development Co., Ltd. ("Tianjin Prominence").

6. The jointly controlled entity became a subsidiary on acquisition by the Group of the entire remaining interest during the year.

7. The increase in deferred tax assets was attributable mainly to tax non-deductible accruals.

8. Being 19.58% interest in Guangzhou Securities Co., Ltd. the fair value of which increased based on independent valuation.

9. Deposits or prepayments amounted to RMB454 million made in respect of an acquisition in Huizhou and an acquisition in Chengdu accounted for much of the increase.

10. Saleable area under development at end of 2006 was approximately 2.51 million sq.m. as compared to 2.32 million sq.m. at the end of 2005.

11. Being approximately 361,000 sq.m. in inventory of which projects in Guangzhou accounted for 65% and projects in Beijing and Tianjin accounted for the other 35%.

12. Cash on hand was maintained at a level optimal for the Group's operation.

13. Refer "Financial resources, liquidity and liabilities"

14. Construction payables increased in line with the increase in properties under development. Accruals for taxes other than income tax such as land appreciation tax also increased.

15. There were 15 properties under pre-sale at the end of 2006 as compared to 11 at the end of 2005.

Cashflow

	Note	2006 (RMB'000)	2005 (RMB'000)
Net cash used in operating activities	1	**(3,452,637)**	(744,886)
Net cash used in investing activities	2	**(2,098,734)**	(109,124)
Net cash generated from financing activities	3	**5,388,440**	1,768,078
Net increase/(decrease) in cash and cash equivalents		**(162,931)**	914,068
Cash and cash equivalents at 1 January		**1,578,857**	664,789
Cash and cash equivalents at 31 December		**1,415,926**	1,578,857

1. Accelerated land acquisition was the main reason for net cash being used in operation.

2. Mainly partial purchase consideration of RMB1,564 million for the acquisition of interests in Guangzhou Jinding Property Development Co., Ltd. ("Jinding Property"), Beijing Honggao Property Development Co., Ltd. ("Beijing Honggao"), Beijing Longxi Shunjing Properties Development Co., Ltd. ("Longxi Shunjing") and Tianjin Prominence.

3. Mainly new shares placement net proceeds of RMB1.611 billion and net additional borrowings amounted to RMB4.641 billion.

Return on Equity

	2006 (RMB'000)	2005 (RMB'000)
Equity at 1 January	**5,308,912**	2,063,286
Equity at 31 December	**8,527,500**	5,308,912
Average	**6,509,973**	3,686,099
Profit for the year	**2,145,084**	1,265,684
Return on equity %	**33.0%**	34.3%

Return on equity maintained after placement of new shares in early October 2006.

Financial resources, liquidity and liabilities At 31 December 2006, the Group's cash and cash equivalents amounted to RMB2,018 million and with a total borrowing at RMB7,916 million translated into a net debt to equity ratio of 71.5%. This ratio although increased from the low of 20.5% the previous year, the Group considered it at an appropriate level striking a balance between the funding requirements of current business opportunities and prudent cashflow management. The current net debt to equity ratio remains prudent having regards to the Group's strong operational cashflow, high interest cover of over 10 times and the debt maturity profile.

Debt profile

		Due within					
	Total	1 year	2 year	3-5 Year (RMB million)	Over 5 Year	Interest	
Long-term bank loans	6,001	1,493	2,554	1,468	486	Floating	RMB1,164M secured
Short-term bank loans	1,915	1,915	-	-	-	Floating	RMB160M secured
	7,916	3,408	2,554	1,468	486		

During 2006, new borrowings of RMB6,301 million including RMB1,965 million short-term loan and RMB4,336 million long-term loan have been procured at interest rate ranging from 4.606% to 6.498%. With loans repaid amounting to RMB1,660 million, total borrowings increased by RMB4,641 million. The effective interest rate of the total loan portfolio at 31 December 2006 was 5.74% (2005 : 5.58%). As over 98% of the loans were in RMB and at normally stable floating interest rate benched mark to rates published by the People's Bank of China, it had not been necessary to set up any hedging arrangements.

Charge on assets As at 31 December 2006, assets with total carrying values of RMB1,263 million were pledged to banks to secure bank loans amounted to RMB1,324 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 31 December 2006, such guarantees totaled RMB4,585 million which decreased 4% from RMB4,778 million as at 31 December 2005.

Material acquisitions and disposals

There were the followings acquisitions during the year ended 31 December 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 Jinding Property for a consideration of RMB390 million. Prior to the acquisition of this additional interest, Jinding Property 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 31 December 2006, RMB90 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 from a third party at a consideration of RMB780 million. Beijing 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. RMB570 million has been paid up to 31 December 2006.

3. In January 2006, the Company purchased 75% interest in Longxi Shunjing 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 Longxi Shunjing 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 Longxi Shunjing, 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; RMB388 million has been paid up to 31 December 2006 and the balance expected to be paid not later than 30 June 2007.