



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

(Stock Code: 2777)



2007  
Interim Report

\* For identification purpose only

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## CHAIRMAN'S MESSAGE

### RESULTS AND DIVIDEND

During the six months ended 30 June 2007, the Group recorded a turnover of RMB3,197 million, and unaudited profit attributable to the equity holders of the Company amounted to RMB668 million representing earnings per share of RMB0.2073, which increased by 152%, 158% and 144% respectively when compared with the results of the corresponding period in 2006.

The board of directors has decided to declare an interim dividend for the six months ended 30 June 2007 of RMB0.15 per share.

### BUSINESS PERFORMANCE

In the first half of 2007, robust economic growth, strong capital inflows and rising incomes resulted in strong demand for properties by end users in most of the cities in the People's Republic of China ("PRC"). With the buoyant property market and favourable market environment, the Group continued to achieve a significant growth in its business on properties developed for sale.

As at 30 June 2007, the Group has twenty-two projects of for sale properties under construction with total gross floor area ("GFA") of approximately 3,750,000 sq. m.

In the first half of 2007, the Group has completed projects for delivery with a total saleable area of approximately 365,000 sq. m., an increase of 174% when compared with the corresponding period last year. According to the project development schedule, the Group is expecting to complete another approximately 1,186,000 sq. m. of saleable areas in the second half of 2007 resulting in a total completed saleable area of approximately 1,551,000 sq. m. for 2007 or an increase of 51.3% as compared to last year.

Other than the business on sale properties, the development of investment properties of the Group is also progressing as planned. The Group's headquarter building R&F Center and the Ritz Carlton, Guangzhou are scheduled to be completed for occupation and commence business operation before the end of 2007 with Grand Hyatt, Guangzhou to open in early 2008. At the same time, the development of the commercial complex in Beijing R&F City is also anticipated to be completed in the first half of 2008.

On the contracted sales front, the Group managed to achieve total sales of RMB6,741 million in the first half of 2007, an increase of 42.4% compared to the corresponding period in 2006. The contracted sales represent approximately 42.1% of our targeted sales of approximately RMB16 billion for the full year of 2007. We are therefore confident that the Group will be able to achieve another record year.

The Company announced on 19 April 2007 that the Company would apply to the PRC authorities for a proposed A share issue. The proposal was approved by the shareholders of the Company in the extraordinary meeting and class meetings held on 18 June 2007. An application for the proposed A share issue was subsequently made to the relevant PRC government authorities. If the proposed issue of A share and its listing in the Shanghai Stock Exchange are granted by the PRC relevant authorities, it will offer the Company a new platform for sources of capital from the domestic capital market.

On 5 June 2007, the Group acquired 100% of a Class-1 construction company. The acquisition has marked a new milestone for the Group. Apart from the existing ancillary property related subsidiaries involved in the architectural and engineering design, engineering supervisory, property management, marketing and sales, the Group now has a construction arm of its own. The acquisition also signifies that the Group shall have better control over the construction phase of its operation and hence can improve and enhance product quality, delivery time and cost efficiency.

Apart from product diversifications and the strengthening of the Group's market penetration for both sale and investment properties, and the extension of its business activities into construction, the Group has also expanded its market presence into Eastern China including Shanghai. The acquisition of two pieces of land with total GFA of approximately 583,300 sq. m. in Shanghai and Kunshan City, are evidences of the Group's venture into Eastern China, particularly Shanghai.

During the first half of 2007, the Group focused on increasing its land bank in cities or areas with greatest potential for future development such as Tianjin and Eastern China, and it has acquired seven plots of land with total GFA of approximately 2,743,000 sq. m. As at 30 June 2007, the Group was in possession of a total land bank of approximately 31,133,000 sq. m., of which approximately 10,433,000 sq. m. of land is pending approval and registration procedures to be completed.

## PROSPECTS

During the past four years, the economy of the PRC had continuously experienced double digit percentage growth. To curtail the economy being overheated, the Chinese government had implemented certain macro-economic measures, including monetary and fiscal measures, to control over-development of the economy. Since the government is fully aware of the circumstances that they are facing, the Group believed that it is possible for the government to steer the country's economy to a soft landing.

With the urbanization and industrialization in China continued its charted path, the Group firmly believes that the demand for properties by the general public will also continue with a reasonable rate of growth. However, the Group is presently taking a relatively cautious attitude in the expansion of its business operation. The management has instead been emphasizing more on product and market diversifications and the formation of more solid operating bases.

The Chinese government has announced that Western China particularly Chongqing will be the focus of economic development in the next few years. The Group having large land bank in this city will be in a good position to capture the development opportunity and benefit from the preferential policies that the central government has accorded to it.

The Group is also taking an extensive but balanced approach in its business development. In addition to Guangzhou and its neighboring cities in Southern China, Beijing and Tianjin in Northern China, the two major markets of the Group, it has extended its markets to Chongqing in Southwestern China, Xian in Northwestern China and Shanghai and its neighboring cities in Eastern China. Hence, the Group's operations have covered the most important markets throughout the entire country.

I am confident that under the present economic conditions and environment and the resources available to the Group, the Group is well prepared and positioned to grab the available opportunities to elevate the Group's performances in the future.

## ACKNOWLEDGEMENT

Taking this opportunity, I would like to thank the Company's shareholders, investors, business associates and customers for their confidence and valuable supports as well as our fellow directors and staff for their many contributions to our success.

**Li Sze Lim**  
*Chairman*

Hong Kong, 30 August 2007

## 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 2007 prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” 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 2007, the Group recorded a turnover of RMB3,197 million, and unaudited profit attributable to the equity holders of the Company amounted to RMB668 million representing earnings per share of RMB0.2073 increased by 152%, 158% and 144% respectively when compared with the results of the corresponding period in 2006.

The following table gives the results of the Group for six months ended 30 June 2007 and the results of the corresponding period in 2006.

	<b>Unaudited Six months ended 30 June 2007 (RMB' 000)</b>	<b>Unaudited Six months ended 30 June 2006 (RMB' 000)</b>	<b>Percentage changes</b>
Turnover	3,197,188	1,269,698	+152%
Profit for the half-year attributable to equity holders of the Company	667,965	258,989	+158%
Basic earnings per share ( <i>in RMB</i> )	0.2073	0.0848	+144%
Dividend per share ( <i>in RMB</i> )	0.1500	0.1000	+50%



## DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2007 of RMB0.15 per share to shareholders whose names appear on the register of members as at 21 September 2007. The interim dividend will be paid on 30 October 2007.

The Company is applying to the China Securities Regulatory Commission (“CSRC”) and other relevant PRC authorities for the issue of A shares and the listing of its A shares in the Shanghai Stock Exchange. If the approval from the CSRC is obtained on the condition that the proposed A share issue will be on the basis that the nominal value of the shares of the Company is RMB1.00 per share, the Company will consolidate its existing shares on the basis of four existing shares at nominal value of RMB0.25 each into one share of RMB1.00. Upon share consolidation, the Company will also transfer from its other reserves to paid up capital an amount of RMB2,416,775,508 and to issue 2,416,775,508 capitalization shares to be allotted to holders of existing shares at the rate of three capitalization shares for one consolidated ordinary share. Should the share consolidation and capitalization issue take place prior to 21 September 2007, the payment of interim dividend will be adjusted accordingly to RMB0.60 per share which shall only be payable to holders of the consolidated shares.

According to the 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 2007, the date of the announcement, is RMB1 to HK\$1.0318. Accordingly the amount of interim dividend payable per H share or consolidated H share will be HK\$0.15477 and HK\$0.61908 respectively.

## CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from 17 September 2007 (Monday) to 21 September 2007 (Friday) (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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 pm on 14 September 2007 (Friday).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

During the last six months under review, the market sentiment for properties has remained strong. The Group's properties were being sold within a reasonable period of time after their introduction to the market. The Chongqing R&F Modern Plaza, which was also a testing case for the Group in Chongqing, commenced pre-sale in June 2007, and it was well received by purchasers. As at 30 June 2007, a total saleable area of approximately 28,000 sq. m. with total value of RMB156 million were committed by purchasers.

### BUSINESS REVIEW

The Group has its operation located in Guangzhou and its neighbouring cities, Beijing, Tianjin, Xian, Hainan, Chongqing and recently in Eastern China including Shanghai.

### SALES PROPERTIES

In the beginning of the year, the total GFA of sale properties under construction was approximately 3,569,000 sq. m., of these GFA under construction, approximately 443,000 sq. m. were completed in the first half of 2007, and approximately 1,639,000 sq. m. are scheduled to be completed in the second half of 2007.

#### Sale properties under development

During the six months ended 30 June 2007, the Group has twenty-two projects of for sale properties under construction with total GFA of approximately 3,750,000 sq. m. The following table set out the locations of the projects and their respective GFA and saleable areas. It is anticipated that the total GFA to be completed by the Group in 2008 will be approximately 2,111,000 sq. m.

Location	Number of project	Approximate total GFA (sq. m.)	Approximate saleable area (sq. m.)
Guangzhou	12	1,629,000	1,307,000
Beijing	5	722,000	556,000
Tianjin	1	378,000	291,000
Xian	1	293,000	209,000
Chongqing	3	728,000	460,000
<b>Total</b>	<b>22</b>	<b>3,750,000</b>	<b>2,823,000</b>



### Sale properties completed in the first half of 2007

During the first half of 2007, the total saleable area completed and delivered was approximately 365,000 sq. m. The total saleable area sold including properties completed prior to 2007 was approximately 327,000 sq. m. and the corresponding sale revenues being recognized in the income statement amounted to RMB3,149.6 million, an increase of 174%, 145% and 155% respectively when compared with the first half of 2006.

Location/Name of Project	Approximate GFA Completed (sq. m.)	Approximate saleable area Completed (sq. m.)	Approximate saleable area sold (sq. m.)	Amount of turnover (RMB million)	The Group's Interest
<b>Guangzhou</b>					
Guangzhou R&F City	78,000	62,000	62,000	407.1	100%
R&F Tianhe Prosperous Place	20,000	18,000	18,000	228.2	100%
R&F West Garden	28,000	28,000	28,000	528.4	100%
<b>Beijing</b>					
R&F Festival City	141,000	133,000	128,000	868.2	100%
R&F Xinran Court/Plaza	101,000	72,000	11,000	166.9	100%
<b>Tianjin</b>					
Tianjin R&F City	75,000	52,000	46,000	389.3	100%
Sales of properties completed prior to 2007	—	—	34,000	561.5	100%
<b>Total</b>	<b>443,000</b>	<b>365,000</b>	<b>327,000</b>	<b>3,149.6</b>	

**Sale properties to be completed in the second half of 2007**

Based on the construction schedule, the Board expected that a total saleable area of approximately 1,186,000 sq. m. of sale properties would be completed and ready for delivery in the second half of 2007.

Location/Name of Project	Approximate GFA (sq. m.)	Approximate saleable area (sq. m.)	The Group's interests
<b>Guangzhou</b>			
R&F Peach Garden Phase I	93,000	83,000	85%
R&F Peach Garden Phase II	101,000	86,000	100%
Guangzhou R&F City	284,000	224,000	100%
R&F Jubilee Garden	101,000	71,000	100%
R&F Modern Plaza Phase II	5,000	4,000	100%
R&F Tianhe Prosperous Place	23,000	17,000	100%
R&F Peninsula Garden	42,000	39,000	100%
R&F Ying Li Plaza	119,000	78,000	100%
<b>Beijing</b>			
Beijing R&F City	60,000	47,000	100%
R&F Festival City	155,000	92,000	100%
R&F Edinburgh Apartment/Plaza	107,000	75,000	100%
R&F Xinran Court/Plaza	82,000	56,000	100%
R&F Peach Garden	48,000	35,000	100%
<b>Tianjin</b>			
Tianjin R&F City	258,000	164,000	100%
<b>Xian</b>			
Xian R&F City	161,000	115,000	100%
<b>Total</b>	<b>1,639,000</b>	<b>1,186,000</b>	

Of the total saleable area to be completed in the second half of 2007, 64.5% was pre-sold before 31 July 2007.

## CONTRACTED SALES

During the six months ended 30 June 2007, the Group had contracted sales with saleable area of approximately 656,000 sq. m. and total consideration of approximately RMB 6,741 million.

Location	Approximate saleable area sold (sq. m.)	Approximate value (RMB million)
Guangzhou	320,000	3,712
Beijing	180,000	1,831
Tianjin	118,000	1,021
Xian	38,000	177
<b>Total</b>	<b>656,000</b>	<b>6,741</b>

## INVESTMENT PROPERTIES

After the adoption of diversification policy, the Group is more actively seeking opportunities for development of investment properties, and many of these projects are still in the preparation stage of the development.

### Completed investment properties

As at 30 June 2007, the Group had rental income from investment properties comprises of offices and the commercial podium located within the residential development of Beijing R&F City, the commercial podium of R&F Modern Plaza in Guangzhou, and the commercial podium of R&F Square in Guangzhou. These properties were leased on either short term or long term basis. The total rental income derived from these investment properties for the period was RMB 47.6 million. (1H 2006: RMB 33.1 million)

### Investment properties under development

#### Guangzhou

The two five-star hotels situated at the Pearl River New Town in Guangzhou namely the Ritz-Carlton, Guangzhou ("Ritz-Carlton") and the Grand Hyatt, Guangzhou ("Grand Hyatt") are approaching the final stage of their development. These two hotels are schedule to be operative before the end of 2007 and early 2008 respectively.

The R&F Center, the Group's new headquarter building located also in the Pearl River New Town is also expected to be ready for occupation in the fourth quarter of 2007. Other than the portion to be used by the Group, the rest of this 54-storey class-A office building will be leased for rental income.

#### Beijing

In Beijing, the Group is developing a commercial complex which comprises a shopping mall, an office tower and a five star hotel the Beijing R&F Renaissance Capital Hotel, within the Beijing R&F City. The construction of the super-structure is complete. The Group expects that the project shall be ready for occupation in the first half of 2008.

**Other projects**

Other than the above mentioned projects, the Group is also in the development of other investment projects. Of the projects under planning, the Express by Holiday Inn Temple of Heaven Beijing and the commercial complex within the Tianjin R&F City, have commenced construction while the other projects are either in the preparation or design stage.

**LAND BANK****Land acquired in the first half of 2007**

In the first half of 2007, the Group acquired seven plots of land with total GFA of approximately 2,743,000 sq. m. and total above ground saleable area of approximately 2,643,000 sq. m.

<b>Location/ Name of Project</b>	<b>Approximate total GFA (sq. m.)</b>	<b>Approximate above ground saleable area (sq. m.)</b>
<b>Shanghai and its neighbouring cities</b>		
Kunshan City Project	400,000	340,000
Qingpu District Project	183,300	183,300
<b>Tianjin</b>		
Hexi Project	150,000	150,000
Meijiangwan Project	1,574,700	1,574,700
<b>Hainan</b>		
Haikou Project	171,000	171,000
R&F Bay Shore	113,000	113,000
<b>Shenyang</b>		
Xianhu Project	151,000	111,000
<b>Total</b>	<b><u>2,743,000</u></b>	<b><u>2,643,000</u></b>

The Group will continue to seek opportunities to build up its land bank particularly in Eastern China area for its future development.

### Land bank of the Group

As at 30 June 2007, the Group is in possession of the following land bank.

Area	Approximate total GFA (sq. m.)	Approximate above ground saleable area (sq. m.)
Guangzhou and its neighbouring cities	4,518,000	3,841,000
Beijing	2,100,000	1,830,000
Tianjin	3,337,000	2,824,000
Shanghai and its neighbouring cities	577,000	523,000
Xian	988,000	859,000
Chongqing	7,389,000	7,347,000
Hainan	494,000	494,000
Shenyang	151,000	111,000
Investment properties	1,146,000	822,000
<b>Total</b>	<b>20,700,000</b>	<b>18,651,000</b>

As at 30 June 2007, pending government approval and registration procedure, the Group is in the process of acquiring additional land of approximately 10,433,000 sq. m. After completion of the procedural matters, the Group shall have a total land bank of approximately 31,133,000 sq. m.

### PROPERTY RELATED BUSINESS

On 5 June 2007, the Group acquired 100% of a Class-1 construction company – Guangzhou Tianli Construction Co. Ltd. (“Tianli Construction”). The consideration is determined at four times the audited consolidated net profit of Tianli Construction. The acquisition was simultaneously completed on the signing date. Despite the Group has several subsidiaries engaged in the architectural and engineering design, engineering supervisory services, property management, marketing and sales, the Group did not have a construction company before. With the acquisition of Tianli Construction, the Group now has a construction arm of its own, and it will directly involve in the construction of properties for the Group. The acquisition also signifies that the Group will have significantly better control over the construction phase of its operation, and thus ensuring that product quality are commensurate with the brand image of the Group, and achieving better cost efficiency.

## FINANCIAL REVIEW

The profit for the six months ended 30 June 2007 increased 154% to RMB667.8 million from RMB263.0 million in the corresponding period of 2006 as a result of a 1.5 fold increase in turnover. Tianli Construction which was acquired on 5 June 2007 had no significant impact yet on the results for the period.

Turnover comprised sales of properties and as-yet relatively minor rental income. For the six months ended 30 June 2007, total turnover and sale of properties increased 152% to RMB3,197.2 million and 155% to RMB3,149.6 million respectively from RMB1,270.0 million and RMB1,236.6 million for the same period in 2006. Saleable area completed in the period amounted to 365,000 sq. m. while sale of properties for the period in terms of area was 327,000 sq. m. (1H 2006: 133,200 sq. m.) with average price rose to RMB9,630 per sq. m. (1H 2006: RMB9,280 per sq. m.) reflecting the trend of properties prices and the sale mix. Sale of Guangzhou projects accounted for 40% by area and 50% by value of total sales. Average sale price for Guangzhou was above the overall average at RMB11,870 per sq. m. as over 65% of Guangzhou sales came from two higher-end residential projects and a commercial project viz. R&F Tianhe Prosperous Place, R&F Edinburgh International Apartment and R&F West Garden office tower. Beijing sales represented 46% by area and 38% by value of total sales. R&F Festival City was the key sale project for Beijing in the period with average selling price of RMB6,760 per sq. m. having increased a healthy 10% from the average selling price in 2006. With R&F Festival City accounted for approximately 72% of Beijing's sales, the average selling price of properties developed by the Group in Beijing amounted to RMB8,010 per sq. m. despite that the rest of Beijing's sales came mainly from R&F Xinran Court and R&F Edinburgh Apartment which had much higher average selling price. The part of R&F Xinran Court completed in the period were approximately 71,700 sq. m. of commercial space and because of the tactics to market this property as catering to a selected business segment, only approximately 10,700 sq. m. were recognized as sales in the period. In Tianjin, sales accounted for 14% by area and 12% by value of total sales. Selling price trend in Tianjin however was very favourable with average per sq. m. increased 16% to RMB8,450.

Land and construction costs made up of 77% of the total cost of sales. As such, cost control is a priority and the Group has been successful in keeping construction cost at a reasonable level in the period. The acquisition of Tianli Construction is expected to further enhance the Group's cost competitiveness in the longer term. Sale tax, land appreciation tax ("LAT"), capitalized interest and amortization of land premium were the other components of the cost of sales. LAT amounted to RMB191.2 million has been included in the total cost of sales. As a percentage of turnover, LAT amounted to 6.0% which increased from 4.2% for 2006 due to proportionally more sales in non-ordinary standard residential properties and commercial properties in respect of which certain specified exemption under LAT legislation did not apply. The rapid expansion of the Group's land bank also led to further increase in land premium amortization to RMB47.2 million equivalent to 1.5% of turnover for the period from a relatively insignificant RMB23.0 million or 0.2% of turnover for the whole of 2006. Capitalized interest however reduced to 1.1% of turnover from 3.3% for the corresponding period in 2006.

Gross profit margin for the period improved to 32.8% from 31.9% for 2006. This improvement largely reflected the higher weighting in the total turnover of commercial properties and higher-end residential projects which had better margin as well as higher margin for key mass residential projects such as Beijing's R&F Festival City thanked to higher selling price which more than offset cost increase most notably from LAT and land premium amortization mentioned above.



The other gains of RMB181.4 million (1H 2006: RMB141.1 million) included fair value adjustment of investment properties amounted to RMB167.9 million of which RMB109.1 million for properties located in Beijing and RMB58.8 million for properties located in Guangzhou.

Selling and administrative expenses increased by RMB95.3 million from RMB174.8 million for the six months ended 30 June 2006 to RMB270.1 million for the period. The strong expansion of the operation of the Group necessitated increased investment in human capital and deployment of more resources to strengthen marketing and other support activities. Administrative expenses increased 73.2% to RMB196.9 million of which 33.4% was manpower cost with the total number of employees increased to 3,468 located in 7 offices (30 June 2006: 1,743 employees and 4 offices). Selling expenses increased 19.7% to RMB73.2 million from RMB61.2 million which was a direct result of new projects in sale increased to 17 during the period. Selling and administrative expenses amounted to 8.4% (1H 2006: 13.8%) of turnover for the period. However, given the expected sales distribution pattern, it is anticipated that this percentage will significantly reduce for the full year 2007.

Interest expenses incurred for the period increased to RMB299.8 million (1H 2006: RMB122.6 million) as a result of borrowings increased to RMB13,760.8 million at 30 June 2007 from RMB7,915.6 million at 30 June 2006 and the bench mark interest rate raised 3 times in the intervening 12 months period. Of this interest expenses, RMB270.2 million (1 H 2006: RMB107.5 million) had been capitalized with the balance RMB29.6 million (1H 2006: RMB15.1 million) charged directly to income and if aggregate with the capitalized interest in cost of sale, total interest expenses included in this period results amounted to RMB63.2 million as compared to RMB55.4 million for the same period in 2006.

The effective tax rate reduced to 26.3% from 31.5% for the full year of 2006 due mainly to the impact on deferred tax liability expected to arise from reduction of the Enterprise Income Tax rate to 25% in 2008 from the present 33%.

Profit for the period increased 154% to RMB667.8 million based upon a matching increase in turnover. Net margin stood at 20.9% but if the effect of revaluation of investment properties is removed, net margin would have been 16.9%. Selling and administration expenses as a percentage of total turnover which is expected to significantly reduce for the full year will have beneficial impact on the net margin.

### **Financial resources and liquidity**

At 30 June 2007, there were increase in both the cash on hand and the borrowings of the Group to RMB4,520 million (31 December 2006: RMB2,018 million) and RMB13,760 million (31 December 2006: RMB7,916 million) respectively. Net debt to equity as a result rose to 111.7% from 71.5%. Additional borrowing was temporarily required to finance the substantial expansion of the Group's business operation in the past period. With A-Shares listing application now in the final stage, the new issue of the Company's A-Shares which is expected to materialize in the near future would generate very significant infusion of equity capital. When this happens, the capital structure of the Group will change significantly as will be reflected in a much lower net debt to equity ratio. The current borrowing level, however, is manageable regardless of the A-Shares offering given the Group's operational cashflow and further borrowing capacity.

During the six months ended 30 June 2007, new borrowings of RMB7,326 million have been procured at interest rate ranging from 4.606% to 6.75% while loans repaid amounted to RMB1,881 million. The effective interest rate of the total loan portfolio at 30 June 2007 was 5.89% (31 December 2006: 5.74%). Most of 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 2007, certain properties and bank deposits were pledged to secure bank loans amounted to RMB3,671 million (at 31 December 2006: RMB1,324 million).

### **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 2007, such guarantees totaled RMB7,229 million which increased 58% from RMB4,585 million as at 31 December 2006.

### **Material acquisitions and disposals**

There were the followings acquisitions during the six months ended 30 June 2007:

1. The Company entered into an agreement (the "S&P Agreement") on 14 February 2007 to acquire from Shanghai Bei Ya Hua Xin Property Co., Ltd. (上海北亞華欣置業有限公司) and Shanghai Zhong Jian Property Co., Ltd. (上海中建房產(集團)有限公司) 100% interest in Kunshan Guoyin Property Development Co., Ltd. (昆山國銀置業有限公司) at a consideration of RMB552.8 million. The consideration is to be paid in two instalments of RMB497.5 million and RMB55.3 million upon the satisfaction of certain conditions with the second instalment expected to be paid within 12 months of the date of the S&P Agreement. Kunshan Guoyin Property Development Co., Ltd. owns the land use right of approximately 921,000 sq. m. in Dian Shan Lake Town, Kunshan, Jiangsu Province for residential development.
2. On 5 June 2007, the Company and R&F Properties Group Co., Ltd. acquired 90% and 10% interest in Tianli Construction at a consideration equivalent to four times the 2007 audited net profit of Tianli Construction from two independent vendors. The consideration, however, is not to exceed RMB1.1 billion but not less than RMB600 million and RMB600 million has been paid to-date. Tianli Construction is a construction company with credentials including building construction main contractor class 1.

### **Employee and remuneration policies**

As of 30 June 2007, the Group had approximately 3,468 employees (30 June 2006: 1,743). The significant increase in the number of employees resulted from the acquisition of Tianli Construction. 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 INTERESTS

### SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2007 was as follows:

Class of shares	No. of shares	Percentage
Domestic shares	2,207,108,944	68.5%
"H" share	1,015,258,400	31.5%
Total	3,222,367,344	100.0%

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, so far as the directors are aware, the following persons (other than the directors, supervisor and chief executive officer of the Company) held 5% or more beneficial interests or short position in the shares and underlying shares of the Company which would be required 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
JP Morgan Chase & Co.	"H" share	139,217,956(L)	13.71%
		22,209,056(P)	2.19%
UBS AG	"H" share	130,591,839(L)	12.86%
		80,216,400(S)	7.90%
Baring Asset Management	"H" share	102,386,262(L)	10.08%
Sloane Robinson LLP	"H" share	78,852,400(L)	7.77%
Northern Trust Fiduciary Services (Ireland) Ltd	"H" share	63,846,000(L)	6.29%

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

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

As at 30 June 2007, the beneficial interests and short positions of the directors, and supervisors of the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) 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); or (ii) entered into the register required to be kept by the Company under section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers were as follows:

**Long positions in the shares, underlying shares and debentures as at 30 June 2007 were as follows:**

Directors	Type of interest	Number of Shares			Percentage of the total number of issued shares
		Personal	Spouse or children Under 18	Total	
Li Sze Lim	Domestic share "H" share	1,045,092,672	5,000,000	1,050,092,672	32.59%
Zhang Li	Domestic share "H" share	1,005,092,672	20,000,000 750,000	1,025,842,672	31.84%
Lu Jing	Domestic share	35,078,352		35,078,352	1.09%
Zhou Yaonan	Domestic share	22,922,624		22,922,624	0.71%
Li Helen	"H" share	1,203,600		1,203,600	0.04%

**Long positions in the shares, underlying shares and debentures 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 1)	Corporate	N/A	7.5%
Zhang Li	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
Li Sze Lim	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35%
Zhang Li	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35%

Note 1: 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.

Note 2: Beijing Fushengli Investment Consulting Co., Ltd. is 70% owned by Sparks Real Estate Holdings Limited, a wholly owned subsidiary of Top Elite Group 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 2007, neither the Company nor any of its subsidiaries, nor its 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 or guarantee for facilities granted to affiliated companies (within the definition under chapter 13 of the Listing Rules) which together in aggregate would exceed the relevant percentage ratios of 8%, 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. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a mix of balanced skills and expertise to provide effective leadership of the Company.

All directors have entered into letters of appointment with the Company for a specific terms of three years. All directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association of the Company ("Articles of Association").

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have offered sufficient time and effort to serve the business affairs of the Company. All non-executive and independent directors possess appropriate academic and professional qualifications and related management experience and have contribute to the Board with their professional advice. Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualification in accounting and financial management. All independent non-executive directors have confirmed their independence of the Company.

The notice of Board meeting, as stipulated under Article 97 of the Articles of Association, will be given to all directors at least 10 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.

The Company continuously updates all directors on its latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

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.



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

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") as the code of conduct for directors in their dealings in the Company's securities. The Company made specific enquires with each director, and each of them confirmed that he or she had complied with the Model Code during the six months ended 30 June 2007.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Group have been committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other laws and regulations of relevant jurisdictions. In particular, it has closely observed the rules and principles set out under the Code on Corporate Governance Practices as stated in the Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007.

## **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. 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 2007.

## **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.

## CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	30 June 2007 Unaudited	31 December 2006 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	5	7,620,202	8,098,580
Properties held for development		2,806,704	1,960,679
Property, plant and equipment	5	2,707,850	1,311,101
Investment properties	5	1,094,054	926,153
Intangible assets	5	1,145,068	50,620
Interest in associates		40,077	—
Deferred income tax assets		239,732	201,187
Available-for-sale financial assets		144,762	144,762
Trade and other receivables	8	221,998	181,530
<b>Total non-current assets</b>		<b>16,020,447</b>	<b>12,874,612</b>
<b>Current assets</b>			
Properties under development		8,684,873	5,877,845
Completed properties held for sale		2,029,617	1,788,546
Land use rights	5	4,051,012	2,579,891
Inventories		217,376	—
Trade and other receivables	8	1,101,046	1,023,225
Tax prepayments		805,576	438,302
Restricted cash	7	840,017	602,412
Cash and cash equivalents	6	3,680,304	1,415,926
<b>Total current assets</b>		<b>21,409,821</b>	<b>13,726,147</b>
<b>Total assets</b>	4	<b>37,430,268</b>	<b>26,600,759</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	9	805,592	805,592
Other reserves		4,092,217	4,092,217
Retained earnings			
– Proposed interim/final dividend	17	483,355	644,473
– Others		2,888,980	2,704,370
		<b>8,270,144</b>	<b>8,246,652</b>
<b>Minority interest</b>		<b>22,137</b>	<b>280,848</b>
<b>Total equity</b>		<b>8,292,281</b>	<b>8,527,500</b>

	<i>Note</i>	<b>30 June 2007 Unaudited</b>	31 December 2006 Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term bank loans	10	<b>8,011,750</b>	4,508,000
Deferred income tax liabilities		<b>670,814</b>	479,258
<b>Total non-current liabilities</b>		<b>8,682,564</b>	4,987,258
<b>Current liabilities</b>			
Accruals and other payables	11	<b>6,606,138</b>	4,405,072
Deposits received on sale of properties		<b>7,519,478</b>	4,250,725
Current income tax liabilities		<b>580,763</b>	1,022,470
Short-term bank loans	10	<b>4,053,044</b>	1,914,734
Current portion of long-term bank loans	10	<b>1,696,000</b>	1,493,000
<b>Total current liabilities</b>		<b>20,455,423</b>	13,086,001
<b>Total liabilities</b>		<b>29,137,987</b>	18,073,259
<b>Total equity and liabilities</b>		<b>37,430,268</b>	26,600,759
<b>Net current assets</b>		<b>954,398</b>	640,146
<b>Total assets less current liabilities</b>		<b>16,974,845</b>	13,514,758

The notes on pages 26 to 46 form an integral part of this condensed interim financial information.

**CONDENSED CONSOLIDATED INCOME STATEMENT***(All amounts in RMB Yuan thousands unless otherwise stated)*

	Note	Unaudited Six months ended 30 June	
		2007	2006
Turnover	4	<b>3,197,188</b>	1,269,698
Cost of sales		<b>(2,148,330)</b>	(864,810)
<b>Gross profit</b>		<b>1,048,858</b>	404,888
Other gains	12	<b>181,445</b>	141,053
Selling and administrative expenses		<b>(270,134)</b>	(174,834)
Other operating expenses		<b>(23,637)</b>	(5,205)
<b>Operating profit</b>		<b>936,532</b>	365,902
Finance costs	14	<b>(29,599)</b>	(15,064)
<b>Profit before income tax</b>		<b>906,933</b>	350,838
Income tax expense	15	<b>(239,117)</b>	(87,851)
<b>Profit for the half-year</b>		<b>667,816</b>	262,987
<b>Attributable to:</b>			
– Equity holders of the Company		<b>667,965</b>	258,989
– Minority interest		<b>(149)</b>	3,998
		<b>667,816</b>	262,987
			<b>Restated</b>
<b>Basic and diluted earnings per share for profit attributable to equity holders of the Company</b> (expressed in RMB Yuan per share)	16	<b>0.2073</b>	0.0848
<b>Dividends</b>	17	<b>483,355</b>	305,317
<b>Dividends per share, expressed in RMB per share</b>	17	<b>0.1500</b>	0.1000

The notes on pages 26 to 46 form an integral part of this condensed interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
<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 a minority shareholder	—	—	—	—	500	500
Dividends relating to 2005 paid in May 2006	—	—	(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>
<b>Balance at 1 January 2007</b>	805,592	4,092,217	3,348,843	8,246,652	280,848	8,527,500
Profit for the half-year	—	—	667,965	667,965	(149)	667,816
Reduction of minority interest resulting from acquisition of additional interests in a subsidiary	—	—	—	—	(229,577)	(229,577)
Capital contributions from a minority shareholder	—	—	—	—	400	400
Acquisition of subsidiaries	—	—	—	—	149	149
Dividends paid to minority shareholders	—	—	—	—	(29,534)	(29,534)
Dividends relating to 2006 paid in June 2007	—	—	(644,473)	(644,473)	—	(644,473)
<b>Balance at 30 June 2007</b>	<b>805,592</b>	<b>4,092,217</b>	<b>3,372,335</b>	<b>8,270,144</b>	<b>22,137</b>	<b>8,292,281</b>

The notes on pages 26 to 46 form an integral part of this condensed interim financial information.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	2007	2006
<b>Cash flows from operating activities – net</b>		<b>(1,179,137)</b>	(962,382)
<b>Cash flows from investing activities:</b>			
– acquisition of subsidiaries, net of cash acquired	20	<b>(346,626)</b>	(620,045)
– acquisition of additional interests in a subsidiary		<b>(251,470)</b>	—
– purchases of property, plant and equipment	5	<b>(742,541)</b>	(255,894)
– proceeds from sale of property, plant and equipment		—	6,965
– interest received	12	<b>13,099</b>	15,796
<b>Cash flows from investing activities – net</b>		<b>(1,327,538)</b>	(853,178)
<b>Cash flows from financing activities:</b>			
– proceeds from borrowings	10	<b>7,326,255</b>	4,030,000
– repayments of borrowings	10	<b>(1,881,195)</b>	(1,325,000)
– movement in balance with shareholders		—	(37,544)
– dividends paid to minority shareholders		<b>(29,534)</b>	500
– dividends paid to equity holders of the Company		<b>(644,473)</b>	(503,773)
<b>Cash flows from financing activities – net</b>		<b>4,771,053</b>	2,164,183
<b>Net increase in cash and cash equivalents</b>		<b>2,264,378</b>	348,623
Cash and cash equivalents at beginning of period		<b>1,415,926</b>	1,578,857
<b>Cash and cash equivalents at end of period</b>	6	<b>3,680,304</b>	1,927,480

The notes on pages 26 to 46 form an integral part of this condensed interim financial information.



## SELECTED NOTES TO THE CONDENSED CONSOLIDATED 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. As detailed in Note 9, the Company has subdivided and placed additional shares.

This condensed consolidated interim financial information was approved for issue on 30 August 2007.

### 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the half year ended 30 June 2007 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 2006.

### 3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are effective for the current interim period.

HKAS 1 (Amendment)	‘Presentation of Financial Statements: capital disclosures’, effective for annual periods beginning on or after 1 January 2007.
HKFRS 7	‘Financial instruments: Disclosures’, effective for annual periods beginning on or after 1 January 2007.
HK(IFRIC)-Int 7	‘Applying the Restatement Approach under HKAS29: Financial reporting in Hyperinflationary Economies’, effective for annual periods beginning on or after 1 March 2006.
HK(IFRIC)-Int 8	‘HKAS 2’, effective for annual periods beginning on or after 1 May 2006.
HK(IFRIC)-Int 9	‘Reassessment of Embedded Derivatives’, effective for annual periods beginning on or after 1 June 2006.
HK(IFRIC)-Int 10	‘Interim Financial Reporting and Impairment’, effective for annual periods beginning on or after 1 November 2006.

The Group has assessed the impact of the adoption of these new standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 require additional disclosures to be made in the annual consolidated financial statements.

The following new standards and interpretations are not yet effective and have not been early adopted by the Group.

HKFRS 8	'Segment', effective for annual periods beginning on or after 1 January 2009.
HK(IFRIC)-Int 11	'Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007
HK(IFRIC)-Int 12	'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008.

#### 4 TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the property development and property investment. The Group operates in the PRC and the sales of properties are mainly in Guangzhou, Beijing and Tianjin. Turnover represents sales of properties and rental income.

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

	Six months ended 30 June	
	2007	2006
<b>Turnover</b>		
Sales of properties	3,149,614	1,236,581
Rental income	47,574	33,117
	<u>3,197,188</u>	<u>1,269,698</u>
	Six months ended 30 June	
	2007	2006
<b>Turnover by geographical location</b>		
Guangzhou	1,588,308	757,950
Beijing	1,219,581	511,748
Tianjin	389,299	—
	<u>3,197,188</u>	<u>1,269,698</u>

Segment turnover is presented based on the places where the properties are located.

	As at	
	30 June 2007	31 December 2006
<b>Total assets</b>		
Guangzhou	17,842,207	12,854,421
Beijing	10,681,584	8,328,132
Tianjin	4,080,649	3,103,796
Xian	1,079,909	765,609
Chongqing	1,991,611	1,423,394
Kunshan	673,535	—
Huizhou	448,430	—
Shenyang	240,985	—
Shanghai	78,917	—
Others	312,441	125,407
	<u>37,430,268</u>	<u>26,600,759</u>

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

	Six months ended 30 June	
	2007	2006
<b>Capital expenditure</b>		
Guangzhou	818,229	1,221,701
Beijing	231,540	265,144
Tianjin	500,745	285,334
Chongqing	128,603	638,240
Hainan	358,818	—
Xian	1,383	861
Others	570	—
	<u>2,039,888</u>	<u>2,411,280</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	Current
<b>Six months ended 30 June 2006</b>					
Opening net book amount at 1 January 2006	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.	—	—	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 (Note 13)	(80)	—	(8,119)	(8,915)	(27,586)
<b>Closing net book amount 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>
<b>Six months ended 30 June 2007</b>					
Opening net book amount at 1 January 2007	50,620	926,153	1,311,101	8,098,580	2,579,891
Acquisition of subsidiaries (Note 20)	1,072,528	—	150,148	66,273	—
Acquisition of additional interests from minority shareholders	21,893	—	—	—	—
Additions	116	—	742,541	1,134,820	162,411
Disposals	—	—	—	—	—
Fair value gains (including in other gains) (Note 12)	—	167,901	—	—	—
Transfer to current portion	—	—	—	(1,648,684)	1,648,684
Transfer from properties under development	—	—	515,479	—	—
Transfer to cost of sales	—	—	—	—	(297,717)
Depreciation and amortisation (Note 13)	(89)	—	(11,419)	(30,787)	(42,257)
<b>Closing net book amount at 30 June 2007</b>	<b>1,145,068</b>	<b>1,094,054</b>	<b>2,707,850</b>	<b>7,620,202</b>	<b>4,051,012</b>

## 6 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2007	31 December 2006
Cash at bank and in hand	<b>3,680,304</b>	1,415,926

## 7 RESTRICTED CASH

	As at	
	30 June 2007	31 December 2006
Guarantee deposits for construction of pre-sold properties ( <i>Note (a)</i> )	<b>312,982</b>	171,865
Guarantee deposits for resettlement costs ( <i>Note (b)</i> )	<b>86,372</b>	176,311
Guarantee deposits for construction payable ( <i>Note (c)</i> )	<b>19,825</b>	20,835
Guarantee deposits for borrowings of the subsidiaries ( <i>Note (d)</i> )	<b>319,394</b>	114,450
Guarantee deposits for mortgage loans provided to customers ( <i>Note (e)</i> )	<b>101,444</b>	118,951
	<b>840,017</b>	602,412

*Note:*

- (a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain 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. 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, certain 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. Such guarantee deposits will only be released after completion of the related pre-sold properties.
- (c) According to the 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. Such guarantee deposits will only be released after settlement of the construction payables.
- (d) According to the relevant loan contracts, the Group is required to place at a designated bank account certain amount as deposits for securing the borrowings provided to certain subsidiaries. Such guarantee deposits will only be released after full repayment of the borrowings with maturity within one year.
- (e) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

The Directors of the Group are in the view that the restricted cash listed above will be released within one year.

## 8 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2007	31 December 2006
Trade receivables (Note)	276,421	313,026
Deposits, prepayments and other receivables	993,640	915,222
Due from related parties (Note 22(ix))	88,751	2,000
Less: provision for impairment of other receivables (Note 13)	(35,768)	(25,493)
	<u>1,323,044</u>	<u>1,204,755</u>
Less: non-current portion	(221,998)	(181,530)
Current portion	<u>1,101,046</u>	<u>1,023,225</u>

All receivable balances are denominated in Renminbi.

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

As at 30 June 2007 and 31 December 2006, the fair values 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 sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sales and purchase agreements. Purchasers of certain office units are required to settle the outstanding balances within 12 months as specified in the sales and purchase agreements. The ageing analysis of trade receivables at 30 June 2007 is as follows:

	As at	
	30 June 2007	31 December 2006
0 to 90 days	87,266	242,198
91 to 180 days	49,400	3,558
181 to 365 days	81,557	18,885
1 year to 2 years	29,277	34,382
Over 2 years	28,921	14,003
	<u>276,421</u>	<u>313,026</u>



**9 SHARE CAPITAL**

	Number of shares (thousands)	Ordinary shares	Share premium	Total
<b>At 1 January 2006 and 30 June 2006</b>				
– domestic shares	551,777	551,777	—	551,777
– H shares	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>
<b>At 30 June 2006</b>				
– subdivided domestic shares	1,655,331	—	—	—
– subdivided H shares	634,544	—	—	—
– net proceeds from subdivided H shares placed	169,200	42,300	1,568,564	1,610,864
	<u>3,222,367</u>	<u>805,592</u>	<u>3,636,625</u>	<u>4,442,217</u>
<b>At 31 December 2006</b>				
	<u>3,222,367</u>	<u>805,592</u>	<u>3,636,625</u>	<u>4,442,217</u>
<b>At 1 January 2007 and 30 June 2007</b>				
– domestic shares	2,207,108	551,777	—	551,777
– H shares	1,015,259	253,815	3,636,625	3,890,440
	<u>3,222,367</u>	<u>805,592</u>	<u>3,636,625</u>	<u>4,442,217</u>

As of 30 June 2006, the registered, issued and fully paid capital of the Company were RMB763,291,836, comprising 551,777,236 domestic shares and 211,514,600 H shares of RMB1 each.

On 28 September 2006, every domestic share and H share of RMB1 each were split into 4 subdivided domestic shares and 4 subdivided H shares of RMB0.25 each respectively.

Subsequent to the completion of subdivision, the registered, issued and fully paid capital of the Company were RMB763,291,836, divided into 3,053,167,344 shares of RMB0.25 each, comprising 2,207,108,944 subdivided domestic shares and 846,058,400 subdivided H shares.

On 3 October 2006, the registered, issued and fully paid capital of the Company were all increased to RMB805,591,836 by the issuance of an additional 169,200,000 new subdivided H shares of RMB0.25 each at HK\$9.55 per subdivided H share to the independent professional and institutional investors upon the placing.

Subsequent to the completion of the placing, the registered, issued and fully paid capital of the Company increased to RMB805,591,836, divided into 3,222,367,344 shares of RMB0.25 each, comprising 2,207,108,944 subdivided domestic shares and 1,015,258,400 subdivided H shares.

## 10 BANK LOANS

	As at	
	30 June 2007	31 December 2006
Short-term bank loans		
– Secured	1,013,044	159,734
– Unsecured	3,040,000	1,755,000
	<u>4,053,044</u>	<u>1,914,734</u>
Long-term bank loans		
– Secured	2,657,750	1,164,000
– Unsecured	7,050,000	4,837,000
	<u>9,707,750</u>	<u>6,001,000</u>
Less: Current portion of long-term bank loans	<u>(1,696,000)</u>	<u>(1,493,000)</u>
	<u><u>8,011,750</u></u>	<u><u>4,508,000</u></u>

Movements in borrowings are analysed as follows:

**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	(1,325,000)
<b>Closing amount as at 30 June 2006</b>	<u>5,980,000</u>

**Six months ended 31 December 2006**

Opening amount as at 30 June 2006	5,980,000
Addition of borrowings	2,270,734
Repayments of borrowings	(335,000)
<b>Closing amount as at 31 December 2006</b>	<u>7,915,734</u>

**Six months ended 30 June 2007**

Opening amount as at 1 January 2007	7,915,734
Addition of borrowings	7,326,255
Repayments of borrowings	(1,881,195)
Acquisition of subsidiaries (Note 20)	400,000
<b>Closing amount as at 30 June 2007</b>	<u><u>13,760,794</u></u>

Bank loans totalling RMB3,670,794,000 as of 30 June 2007 (as of 31 December 2006: RMB1,323,734,000) were secured by time deposits, property, plant and equipment, properties under development and completed properties held for sale of the Group with total carrying values of RMB5,716,467,000 as at 30 June 2007 (as of 31 December 2006: RMB1,263,306,000).

The majority of unsecured borrowings of RMB9,890,000,000 (as of 31 December 2006: RMB6,392,000,000) are supported by guarantees. Details are as follows:

	As at	
	30 June 2007	31 December 2006
<u>Guarantors</u>		
The Company	6,364,000	3,934,000
Subsidiaries	3,266,000	2,278,000
Li Sze Lim and Zhang Li	30,000	30,000
The Company together with third parties	80,000	—
The Company, a subsidiary together with Li Sze Lim and Zhang Li	150,000	150,000
	<u>9,890,000</u>	<u>6,392,000</u>

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

## 11 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2007	31 December 2006
Amounts due to related parties ( <i>Note a and 22(ix)</i> )	34,306	2,747
Due to customers on construction contracts	21,306	—
Construction payables ( <i>Note b</i> )	3,568,803	2,508,657
Other payables and accrued charges	2,981,723	1,893,668
	<u>6,606,138</u>	<u>4,405,072</u>

All payable and accrual balances are denominated in RMB.

*Note:*

- (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**

	Six months ended 30 June	
	2007	2006
Fair value gains on investment properties ( <i>Note 5</i> )	167,901	—
Negative goodwill recognised	—	125,301
Interest income	13,099	15,796
Others	445	(44)
	181,445	141,053
	181,445	141,053

**13 OPERATING PROFIT**

The following items have been credited/charged to the operating profit during the interim period:

	Six months ended 30 June	
	2007	2006
<b>Crediting:</b>		
Reversal of provision for doubtful debts	—	4,428
<b>Charging:</b>		
Depreciation ( <i>Note 5</i> )	11,419	8,119
Amortisation of software ( <i>Note 5</i> )	89	80
Provision for impairment of other receivables ( <i>Note 8</i> )	10,275	—
Amortisation of land use rights	47,231	13,124

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 2007, 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 2007, there was no indication of impairment.

## 14 FINANCE COSTS

	Six months ended 30 June	
	2007	2006
Interest on bank loans	299,755	122,565
Less: Amount capitalised in property, plant and equipment and properties under development	(270,156)	(107,501)
	<u>29,599</u>	<u>15,064</u>

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties is 5.89% per annum for the six months ended 30 June 2007 (30 June 2006: 5.74%).

## 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 the six months ended 30 June 2007 (for the six months ended 30 June 2006: 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 2006, the applicable income tax rate for the profits generated from the property development projects with advances received prior to 2006 by 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 profits.

For six months ended 30 June 2007, the applicable income tax rate for the profits generated from the companies was 33% based on taxable profits.

- (c) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax liabilities has been written down by RMB77,138,000 in the six-month period ended 30 June 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
Current income tax		
– PRC enterprise income tax	<b>394,215</b>	117,547
Deferred income tax	<b>(155,098)</b>	(29,696)
	<b>239,117</b>	87,851

## 16 EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006 Restated
Profit attributable to equity holders of the Company (RMB thousands)	<b>667,965</b>	258,989
Weighted average number of ordinary shares in issue (thousands)	<b>3,222,367</b>	3,053,167
Earnings per share (RMB per share)	<b>0.2073</b>	0.0848

The weighted average number of ordinary shares for the purpose of earnings per share for the six months ended 30 June 2006 have been adjusted for the Company's share subdivision in September 2006, details of which are set out in Note 9.

Diluted earnings per share are not presented as the Group has no dilutive potential shares for both of the six months ended 30 June 2007 and 2006.

## 17 DIVIDENDS

A 2006 final dividend of RMB0.20 (on a post-split basis) (2005 final: RMB0.66, on a pre-split basis) per ordinary share, totaling RMB 644,473,000 (2005 final: RMB 503,773,000) was paid in June 2007.

An interim dividend in respect of six months ended 30 June 2007 of RMB 0.15 (on a post-split basis) (2006: RMB0.40, on a pre-split basis) per ordinary share, amounting to a total dividend of RMB483,355,000 was proposed at the Board Meeting on 30 August 2007. The condensed consolidated interim financial information does not reflect this dividend payable.

	Six months ended 30 June	
	2007	2006
Proposed interim dividend of RMB 0.15 (on a post-split basis) (2006 interim: RMB0.40, on a pre-split basis) per ordinary share	<b>483,355</b>	305,317

## 18 COMMITMENTS

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

	As at	
	30 June 2007	31 December 2006
Authorised but not contracted for	<b>5,442,333</b>	6,780,748
Contracted but not provided for	<b>6,911,287</b>	7,663,836
	<b>12,353,620</b>	14,444,584

### (b) Lease commitments for operating leases

At 30 June 2007, the Group had future aggregate minimum lease expense for land and buildings under non-cancellable operating leases as follows:

	As at	
	30 June 2007	31 December 2006
Not later than one year	<b>17,655</b>	17,131
Later than one year and not later than five years	<b>6,190</b>	6,630
Over five years	<b>1,824</b>	1,612
	<b>25,669</b>	25,373

**(c) Other commitments:**

During six months ended 30 June 2007, the Group entered into certain purchase agreements to acquire equity interests in a number of PRC companies for the purposes of acquiring land use rights located in various major cities in the PRC. Payment obligations of the Group were established when the other contracting parties have fulfilled their respective contractual obligations as specified in the contracts. The total commitments as of 31 December 2006 and 30 June 2007 were as follows:

	As at	
	30 June 2007	31 December 2006
Contracted but not provided for	<u>7,146,985</u>	<u>1,249,322</u>

**19 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE**

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

	As at	
	30 June 2007	31 December 2006
Not later than one year	90,754	74,179
Later than one year and not later than five years	282,955	268,857
Over five years	563,821	413,812
	<u>937,530</u>	<u>756,848</u>

**20 BUSINESS COMBINATIONS**

- (i) On 1 January 2007, the Group acquired the entire equity interest in Shenyang Yilong Housing Development Co., Ltd. ("Shenyang Yilong") for an aggregate consideration of RMB161,500,000. This company is principally engaged in property development business in the PRC.

Details of net assets acquired and goodwill are as follows:

<b>Purchase consideration:</b>	
– cash paid	142,500
– accrued consideration to be paid on schedule	19,000
	<u>161,500</u>
<b>Total purchase consideration</b>	161,500
– fair value of net identifiable assets acquired (see below)	161,500
	<u>—</u>
Cost of acquisition over fair value of the net assets acquired	<u>—</u>



The assets and liabilities as of 1 January 2007 arising from the acquisition were as follows:

	Acquiree's carrying amount	Fair value
Cash and cash equivalents	109	109
Trade and other receivables	5,786	5,786
Property, plant and equipment	609	609
Properties held for development	89,835	199,909
Land use rights	25,973	25,973
Accruals and other payables	(50,200)	(50,200)
Deferred income tax liabilities	—	(20,686)
	<hr/>	<hr/>
Net identifiable assets acquired	72,112	161,500
	<hr/>	<hr/>
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		142,500
– cash and cash equivalents in subsidiary acquired		(109)
		<hr/>
Cash outflow on acquisition		<u>142,391</u>

- (ii) On 5 June 2007, the Group acquired the entire equity interest in Guangzhou Tianli Construction Co., Ltd. (“Tianli Construction”) for an aggregate consideration equals to four times the audited net profit after tax of Tianli Construction for the year ending 31 December 2007. The purchase consideration shall not be less than RMB600,000,000 but not more than RMB1,100,000,000. The company is principally engaged in providing construction services to the Group and other property development companies.

The forecast net profit after tax of Tianli Construction for the year ending 31 December 2007 is estimated to be over RMB275,000,000 based on profit forecast prepared by management. As a result, the purchase consideration is estimated to be RMB1,100,000,000.

Details of net assets acquired and goodwill are as follows:

<b>Purchase consideration:</b>		
– cash paid		600,000
– accrued consideration to be paid on schedule		500,000
		<hr/>
<b>Total purchase consideration</b>		1,100,000
– Fair value of net identifiable assets acquired (see below)		631,472
		<hr/>
Cost of acquisition over fair value of the net assets acquired		<u>468,528</u>

The assets and liabilities as of 5 June 2007 arising from the acquisition were as follows:

	<b>Acquiree's carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	759,652	759,652
Inventories	246,422	246,422
Due from customers on construction contracts	214,618	214,618
Trade and other receivables	245,272	245,272
Property, plant and equipment	144,719	144,719
Intangible assets ( <i>Note</i> )	—	604,000
Interest in associates	40,077	40,077
Short-term bank loans	(400,000)	(400,000)
Accruals and other payables	(881,279)	(881,279)
Current income tax liabilities	(190,860)	(190,860)
Deferred income tax liabilities	—	(151,000)
Minority interest	(149)	(149)
	<hr/>	<hr/>
Net identifiable assets acquired	178,472	631,472
	<hr/>	<hr/>
Inflow of cash to acquire business, net of cash acquired:		
– cash consideration		600,000
– cash and cash equivalents in subsidiary acquired		(759,652)
		<hr/>
Cash inflow on acquisition		<u>(159,652)</u>

*Note:* The intangible assets comprised of construction license and customer contracts and were valued on 5 June 2007 by independent, professionally qualified valuers, Sallmanns (Far East) Limited.

- (iii) On 22 March 2007, the Group acquired the entire equity interest in Beijing Tianye Xinheng Property Development Co., Ltd. (“Tianye Xinheng”) for an aggregate consideration of RMB83,000,000. This company is principally engaged in property development business in the PRC.

Details of net assets acquired and goodwill are as follows:

<b>Purchase consideration:</b>	
– cash paid	66,400
– accrued consideration to be paid on schedule	16,600
	<hr/>
<b>Total purchase consideration</b>	83,000
– fair value of net identifiable assets acquired (see below)	83,000
	<hr/>
Cost of acquisition over fair value of the net assets acquired	<u>—</u>

The assets and liabilities as of 22 March 2007 arising from the acquisition were as follows:

	<b>Acquiree's carrying amount</b>	<b>Fair value</b>
Properties under development	99,740	99,740
Property, plant and equipment	4,820	4,820
Accruals and other payables	(21,560)	(21,560)
	<hr/>	<hr/>
Net identifiable assets acquired	83,000	83,000
	<hr/>	<hr/>
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		66,400
– cash and cash equivalents in subsidiary acquired		—
		<hr/>
Cash outflow on acquisition		<u>66,400</u>

- (iv) On 14 February 2007, the Group acquired the entire equity interest in Kunshan Guoyin Property Development Co., Ltd. (“Kunshan Guoyin”) for an aggregate consideration of RMB552,800,000. This company is principally engaged in property development business in the PRC.

Details of net assets acquired and goodwill are as follows:

<b>Purchase consideration:</b>	
– cash paid	297,520
– accrued consideration to be paid on schedule	255,280
	<hr/>
<b>Total purchase consideration</b>	552,800
– fair value of net identifiable assets acquired (see below)	552,800
	<hr/>
Cost of acquisition over fair value of the net assets acquired	<u>—</u>

The assets and liabilities as of 14 February 2007 arising from the acquisition were as follows:

	<b>Acquiree's carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	33	33
Trade and other receivables	412	412
Properties held for development	248,988	632,790
Land use rights	40,300	40,300
Accruals and other payables	(7,742)	(7,742)
Deferred income tax liabilities	—	(112,993)
	<hr/>	<hr/>
Net identifiable assets acquired	281,991	552,800
	<hr/>	<hr/>
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		297,520
– cash and cash equivalents in subsidiary acquired		(33)
		<hr/>
Cash outflow on acquisition		<u>297,487</u>

## 21 FINANCIAL GUARANTEE CONTRACTS

	<b>As at</b>	
	<b>30 June 2007</b>	31 December 2006
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties ( <i>Note</i> )	<b>7,229,285</b>	4,585,405
Guarantees given to banks for bank loans of a third party	—	355,000
	<hr/>	<hr/>
	<b><u>7,229,285</u></b>	<b><u>4,940,405</u></b>

*Note:*

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 the completion of guarantee registration; (ii) completion of mortgage registration and (iii) issuance of the real estate miscellaneous right certificate relating to the relevant property.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

## 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 shares were held by three other individuals. Subsequent to the listing of the shares of the Company on 14 July 2005, the exercise of the over-allotment option on 8 August 2005, the placement on 3 October 2006 and certain share transfers, the interests held by Li Sze Lim and Zhang Li became 32.59% and 31.84% respectively.

Services provided are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

### i) Commitments and contingencies

Guarantees for the bank loans are given by Li Sze Lim and Zhang Li, details of which are set out in Note 10 above.

### ii) Provision of restaurant services

	Six months ended 30 June	
	2007	2006
Common shareholders: Guangzhou Fuligong Restaurant Co., Ltd.	<u>5,715</u>	<u>4,557</u>

### iii) Lease of properties

	Six months ended 30 June	
	2007	2006
Common shareholders: Beijing Fushengli Investment Consulting Co., Ltd.	<u>5,464</u>	<u>5,681</u>

### iv) Drinking water system charges

	Six months ended 30 June	
	2007	2006
Common shareholders: Guangzhou Canton-rich Environmental Inc.	<u>754</u>	<u>3,122</u>

### v) Key management compensation

	Six months ended 30 June	
	2007	2006
Salaries and welfare benefits	<u>7,408</u>	<u>3,397</u>

**vi) Appointment as property management**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
Common shareholders: Beijing Fushengli Investment Consulting Co., Ltd.	<u><u>426</u></u>	<u><u>—</u></u>

**vii) Purchase of properties**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
Common shareholders: Guangzhou Yifu Properties Co., Ltd.	<u><u>18,490</u></u>	<u><u>—</u></u>

**viii) Purchase of concrete**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
Associates : Guangzhou Chaoli Concrete Co., Ltd.	<u><u>4,161</u></u>	<u><u>—</u></u>

**ix) Balances with related parties**

As at 30 June 2007, the Group had the following significant non-trade balances with related parties:

	<b>30 June 2007</b>	<b>As at 31 December 2006</b>
Due from:		
Common shareholders:		
Huizhou Golden Swan Hotspring Co., Ltd.	40,595	—
Beijing Fushengli Investment Consulting Co., Ltd.	39,362	—
Zhongshan Shidi Properties Co., Ltd.	8,794	—
Guangzhou Yifu Properties Co., Ltd.	—	2,000
	<u>88,751</u>	<u>2,000</u>
Due to:		
Associates:		
Guangzhou Chaoli Concrete Co., Ltd.	26,025	—
Guangzhou Yifu Investment Co., Ltd.	2,520	—
Guangzhou R&F Cheng Xin Information Technology Ltd.	1,000	—
Common shareholders:		
Beijing Fushengli Investment Consulting Co., Ltd.	4,761	2,747
	<u>34,306</u>	<u>2,747</u>

**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)