GUANGZHOU R&F PROPERTIES CO., LTD.

Stock Code : 2777

ANNUAL REPORT 2007

About R&F

After over a decade of efforts, Guangzhou R&F Properties Co., Ltd. (the "Company" or "R&F") has seen its nationwide business expansion strategy bear fruit. Today, the Company's business spans 13 cities in China. In major cities like Guangzhou, Beijing and Tianjin, the Company has gained considerable market share and its brand name is widely recognized and respected. According to the National Statistics Bureau, in 2007 the Company remained No. 1 amongst property developers in China in terms of overall strength.

R&F has always focused on its core business, aiming to build up a diversified business profile based on residential property development. As part of its ongoing development strategy, an appropriate proportion of its portfolio is held in investment property.

During the past year, the Company expanded its land bank to include sites with strategic importance in newly-opened markets. Its existing land bank is currently sufficient to meet the Company's development requirements for the next four or five years.

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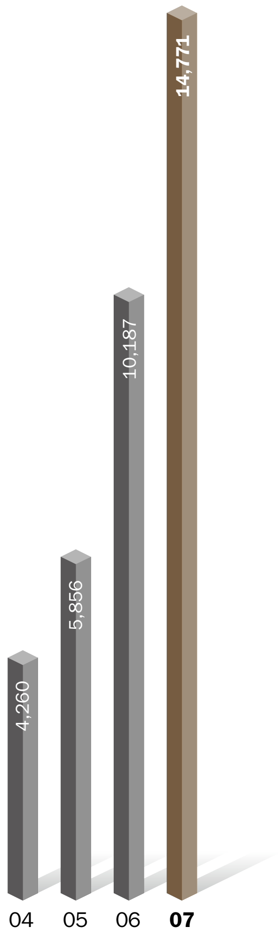
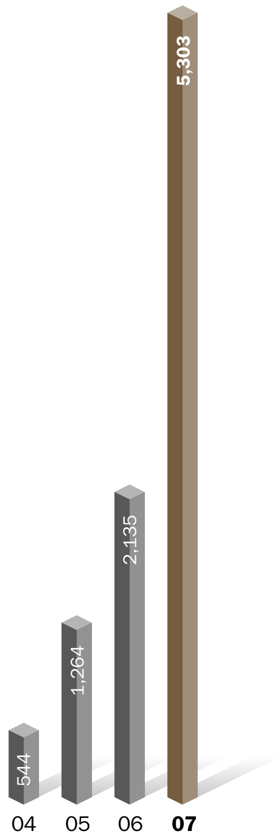
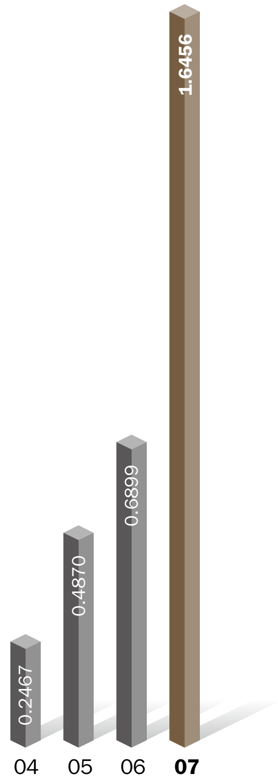
Financial Highlights



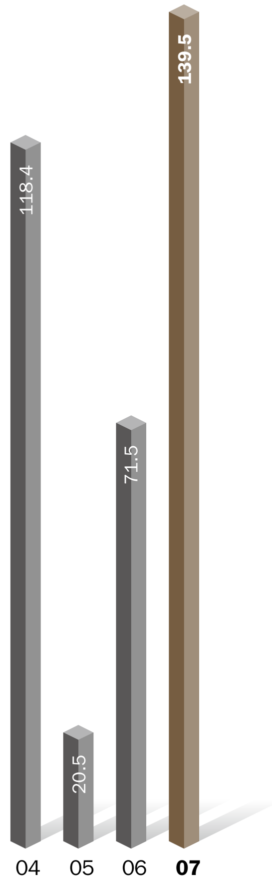
Turnover
RMB (in million)



Profit attributable to equity holders
RMB (in million)



Basic earnings per share
RMB



Net debt to equity ratio
%

	2007	2006	% changes
Operating Results (RMB'000)			
Turnover	**14,771,919**	10,186,765	45%
Gross Profit	**5,545,889**	3,672,921	51%
Profit for the year attributable to the equity holders of the Company	**5,302,786**	2,135,016	148%
Basic earnings per share (RMB)	**1.6456**	0.6899	139%
Dividends per share (RMB)	**0.4000**	0.3000	33%
Financial Position (RMB'000)			
Cash and cash equivalents	**2,286,566**	2,018,338	13%
Total assets	**54,195,891**	26,600,759	104%
Total liabilities	**41,496,011**	18,073,259	130%
Financial Ratios			
Net assets per share (RMB)	**3.92**	2.56	53%
Dividend payout ratio (%)	**24.3**	45.3	-46%
Return on Equity (%)	**50.1**	33.0	52%
Net debt to equity ratio (%)	**139.5**	71.5	95%

Developing for everyone

Land Bank / Location	Approximate GFA (sq.m.)	Percentage
Development Properties		
Guangzhou (and vicinity)	7,012,000	26.8%
Beijing	1,984,000	7.6%
Tianjin	2,888,000	11.0%
Xian	827,000	3.2%
Chongqing	7,389,000	28.2%
Hainan	494,000	1.9%
Chengdu	1,367,000	5.2%
Shenyang	151,000	0.6%
Shanghai (and vicinity)	719,000	2.7%
Taiyuan	2,416,000	9.2%
	25,247,000	96.4%
Investment Properties		
Guangzhou	498,000	1.9%
Beijing	252,000	1.0%
Tianjin	174,000	0.7%
	924,000	3.6%
Total	**26,171,000**	**100%**

Highlights of the Year

MAR 07

- Announcement of 2006 Annual Results

APR 07

- Proposal to issue A shares to be listed on Shanghai Stock Exchange
- The Group enters Eastern China
- Received "2007 Top 10 Charitable Enterprise in China" award

AUG 07

- Announcement of 2007 Interim Results
- The Group enters Taiyuan
- Signing Ceremony of Huizhou Longmen Yonghan Hot Spring project

JUN 07

- Annual General Meeting for 2006
- Extraordinary General Meeting, Domestic & H Shares Class Meeting to approve proposed A Share issue
- Acquires Guangzhou Tianli Construction Co., Ltd.

SEP 07

- Ranked among the top 500 tax payers in the PRC and No. 1 among all property developers
- The Group enters Foshan

NOV 07

- Ranked No. 1 in terms of overall strength among all property developers in China by the National Statistics Bureau for the third consecutive year
- Guangzhou headquarters moves to Guangzhou R&F Center

DEC 07

- Joint Venture with Sun Hung Kai Properties Ltd. and KWG Property Holding Limited to develop in Guangzhou Pearl River New Town the Lie De Cun Project
- Beijing headquarters moves to Beijing R&F Center

Letter to Shareholders

Dear Shareholders,

WE ARE PLEASED to report on an active and successful year past for our Group, Guangzhou R&F Properties. Both our turnover and profit margin met our targets for 2007, with turnover rising by around 45% and profits by 148% over the results for 2006. We are particularly proud that we managed to achieve this despite significant uncertainties in the market, as China's government continued with its implementation of measures to cool a runaway economy. Our total turnover for the year under review amounted to RMB14.8 billion, which represented sales of around 1.41 million square metres of saleable area. Our profit for the year was RMB5.315 billion. Contracted sales continued to be impressive, with the Group tallying up RMB16.1 billion in contracted sales over the year, representing 40% growth from 2006.

In the light of these results, the Board has proposed a final dividend of RMB0.25 per share, subject to approval by our shareholders at the annual general meeting.

From the point of view of replenishing and expanding our land bank during the course of 2007, we had a very good year. Four of our acquisitions were particularly large ones, and hold significant development potential. Our strong forward momentum was marked by a couple of changes towards the end of the year. In November we moved into our stunning new headquarters in the R&F Center in Guangzhou, and in December we occupied the brand-new Beijing R&F Center as our northern headquarters.

As at the end of 2007 we remain amongst China's leading property developers, and we are absolutely determined not to let this top tier status slip from our grasp. Our achievements over the past year have proved that R&F has a deep knowledge of the China property market and the needs of ordinary Chinese home-buyers. We are completely committed to providing quality homes in medium- and medium-high-end property developments. In short, we have the resources, the experience and the confidence to deliver what we are best at. We are convinced that this will continue to bring exceptionally rewarding benefits for homebuyers and investors alike.

▲ Guangzhou R&F Center

WE'RE COMMITTED TO QUALITY

▼ Guangzhou R&F Peach Garden

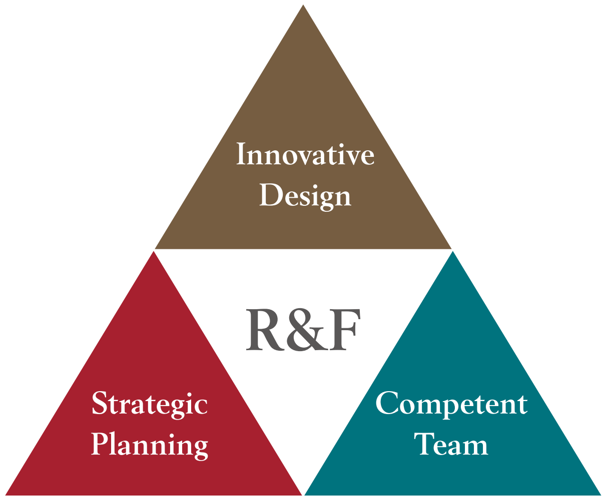
"From the point of view of replenishing and expanding our land bank, we had a very good year."

Making our mark felt across China

The Chinese government placed considerable pressure on players in the property sector over the year, and R&F performed very well under these conditions. We achieved a significant 40% rise in contracted sales over 2006, recording RMB16.1 billion of contracted sales for the year and achieving excellent average selling prices per square metre. This fine performance made it clear that, regardless of the macro environment, the Group has the products, the acumen and the business model to excel in the market and be a top performer in its sector.

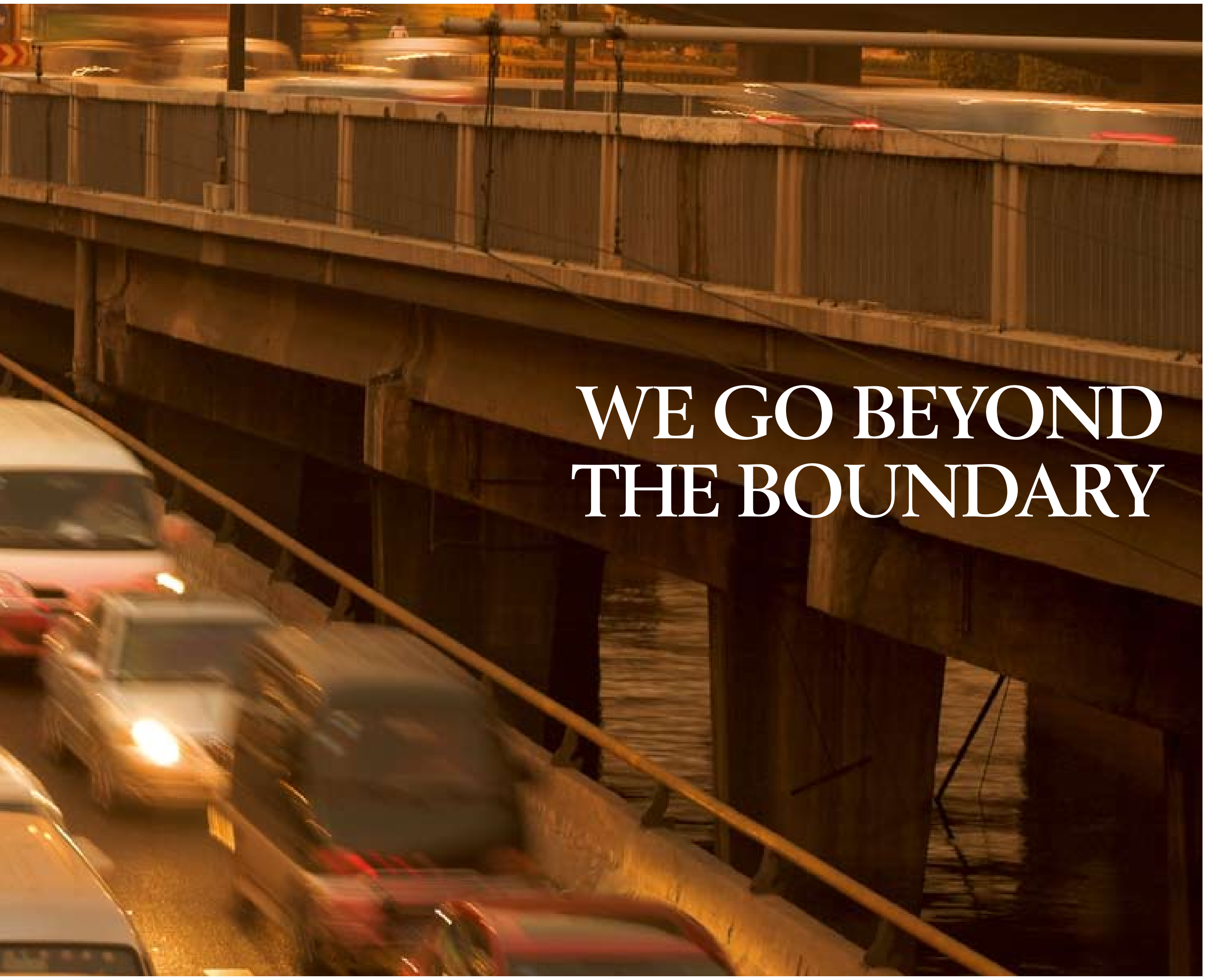
In recent years the Group has successfully expanded outwards from its traditional home territory of Guangzhou. We established an early presence in Beijing, and in 2004 we began our first project in nearby Tianjin, where in 2006 and 2007 we were involved in a total of five projects. Also in 2007, we took our first steps into the vibrant Shanghai market, embarking on two major projects there. Currently then, we have a strong profile in some of China's renowned 'tier-one' cities: Guangzhou, Beijing, Tianjin, and most recently Shanghai. These first-tier cities are, economically, China's most important, and our activities here remain our Group's primary focus.

◀ Chongqing R&F Modern Plaza



BRINGING PEOPLE TOGETHER

◄ Guangzhou R&F Center



WE GO BEYOND THE BOUNDARY

In addition, we have continued diversifying by expanding into good locations in municipality cities across the country, where land prices remain very reasonable and potential for adding value is high. For instance, in 2007 we developed our presence in Chongqing and Chengdu in Western China, where we have built up a particularly strong and promising land bank. We are very confident about opportunities here because of recent government initiatives and incentives that are encouraging economic development in the western parts of the country. Consider for example the public response to our R&F City project in Chongqing. Over 70% of the units made available to the public were pre-sold in the first week: that represents a remarkable take-up. We expect Western China to play a strong role in our business development plans over the next three or four years, as more of our projects come onto the market there.

"Over 70% of the units of our R&F City project in Chongqing made available to the public were pre-sold in the first week."

In 2007, the Group completed construction of a range of residential and commercial property projects with a total GFA of 2.07 million square metres, or a saleable area of 1.54 million square metres.

"We will be looking to boost profitability with a few simple but effective strategies."

▲ Tianjin R&F City

OUR PERFORMANCE: DISCIPLINE AND UNITED

▲ Guangzhou R&F Peach Garden

Steady land bank acquisition

Besides notching up a strong performance from our development and sales side, we continued to make steady and carefully-selected additions to our land bank, maintaining our strategy of only sourcing high-potential, reasonably-priced land in good locations. Over the year, our land bank acquisitions amounted to 20 pieces of land totalling 10.3 million square metres, bringing our current total land bank to 26.2 million square metres. We expect this to meet our development needs for the next three to five years.

Finance platforms

The Chinese government has implemented a number of measures designed to cool what is seen as an overheating property market. These measures are sure to have an impact on our industry in 2008. In particular, as bank finance becomes harder to come by, it will become increasingly important for developers to have access to other sources of capital for acquiring new land and taking advantage


READY TO MEET
NEW DEMAND

▼ The Ritz-Carlton, Guangzhou

"R&F is currently one of the few large companies to have begun building up a dedicated portfolio of investment properties."

▼ Grand Hyatt Guangzhou

of M&A opportunities. We are confident about expanding our financial platform through listings on both domestic and international stock markets, which will widen our options for gaining access to capital.

Investment portfolio comes to fruition

In the property development industry in China, R&F is currently one of the few large companies to have begun building up a dedicated portfolio of investment properties. This is despite the fact that, worldwide, many major property developers maintain investment property portfolios because they provide a steady and reliable income stream, and can be an excellent source of capital gains over time. Apart from these reasons, we also believe that our investments in high-quality properties are a good way of boosting the Group's reputation.

Currently, our investment properties consist of the new R&F Center in Guangzhou, now up and running, and two international 5-star hotels in the city, The Ritz-Carlton, Guangzhou and the Grand Hyatt, which are due to begin operation in March and April 2008 respectively. In Beijing, our extensive investment in the Beijing R&F

QUALITY HOUSING AND SUPERB LIVING IS OUR BUSINESS

"The Group has the products, the acumen and the business model to excel in the market."

City commercial complex is nearing fruition, and parts of this complex are emerging into the market. The office buildings of Beijing R&F City were tenanted from December 2007: the shopping mall there will open in May 2008, and the hotel in June. With almost all these properties coming into use in the first half of 2008, our investment properties will begin contributing additional cash flow for the 2008 fiscal year.

The Group's investment property portfolio currently amounts to around 15% of its overall business. We expect to add to this as high-quality opportunities arise, but residential housing development will remain the Group's core business and we do not expect the percentage of our investment property portfolio to rise above 25% of our overall business in the future.

The year ahead

Like most players in the property sector, we are expecting 2008 to bring its challenges. At the very least, we expect that the new measures being introduced by the government to prevent overheating will sort out businesses like R&F with sound fundamentals from smaller and less efficient players. We are also absolutely convinced that our proven business model will continue to excel in the coming year.

The government has shown its strong intention of controlling property prices so as to keep housing affordable and dampen speculation. As a result, property markets have become increasingly sensitive and jittery in recent months, and we expect them to remain like this in the coming year. Banks have tightened their positions and now have less scope to provide funds for property development.

▲ Guangzhou R&F Ying Tai Plaza

▼ Xian R&F City

▼ Chongqing R&F City

"Our goal is to grow our contracted sales to RMB24 billion in 2008. We believe that this target is realistic and completely acheivable."

REACHING NEW HEIGHTS WITH YOUR SUPPORT

▲ Guangzhou R&F Center

At R&F, we see this shift in market psychology and conditions as a big opportunity. The pressures that are building will, we believe, force the industry to consolidate. Some small- and medium-sized companies in the property business, unable to operate in the new tightened market, will find themselves having to sell projects to larger companies with the assets and resources to complete them. As an established major company, R&F expects to find exciting new opportunities to expand its portfolio.

We also believe that China still offers plenty of good quality land at very reasonable prices, despite money supply pressures. We will not be easing up our efforts to acquire the best of it, using our proven strategies of patience and perseverance.

"We are absolutely determined to remain amongst China's leading property developers."

Despite the more stringent economic conditions, our ambitious goal for the coming year is to grow our contracted sales from the RMB16.1 billion of 2007 to RMB24 billion. In terms of floor space, we expected to complete around 2.2 million square metres in 2008. We believe that these targets are realistic and completely achievable, especially given our strong reputation, the proven popularity of our developments, and the continuing demand for quality housing in the domestic market.

In the coming year we will also be looking to boost profitability with a few simple but effective strategies: managing our available funds more intelligently, controlling our costs more efficiently, and maintaining our policy of acquiring new land at moderate prices, as we did throughout 2007. Over the coming year we expect these measures will help us improve our net profit margin, which currently stands at around 20%. We feel this has the potential to rise to around 25%, partly as a direct result of our cost control strategies and partly because of benefits arising from recent changes in government tax policy.

In planning for 2008, we have constantly taken into account the loyalty and support of our investors when making important business decisions. For the coming year, we intend to leave our current dividend policy unchanged to reward our investors for their backing.

Market demand set to intensify

The prospects for R&F in the coming year are bright. Despite market cooling measures, there remains huge demand in the China housing market. In fact, the government expects between 300 and 400 million citizens to move from rural areas to cities over the next five to ten years, and that means that demand for affordable, quality urban housing is set to intensify considerably. Proven, well-managed and responsible companies like R&F are exceptionally well-placed to benefit from these upcoming demographic shifts.

To finish, we want to take this opportunity to thank each one of the Group's shareholders, investors, business associates and customers for the loyalty and confidence they have shown over the past year. At the same time, thanks are due to our fellow directors and staff for everything they have contributed towards the year's success. With this level of support and backing, we are absolutely confident that R&F will stay at the forefront of the property development industry in China for many years to come.

Li Sze Lim	**Zhang Li**
Chairman	*Co-chairman and*
	Chief Executive Officer

Business Review

CHINA'S ECONOMY continued to be robust in 2007 attaining double digit growth for the fifth consecutive year. Gross domestic product increased 11.4% to RMB24,661.9 billion. Increase in consumer goods prices including housing cost of 5% in the year was relatively modest when compared to the increase in the disposable income of city dwellers of 17.2%. With such strong economic performance, there was only moderate slowdown in the growth of housing demand despite further macro-economic measures. The Group believes that those measures have laid the foundation for a healthy property market in the long run.

Contracted sales

Contracted sales (which are recognized based on signing of sale and purchase agreements) is the key performance indicator of the Group's business. Sales activities rose steadily throughout the year with the contracted sales for each quarter higher than that of the immediately preceding quarter. The Group achieved a record contracted sales in 2007 of RMB16.1 billion or of saleable area 1.412 million sq.m. having increased 40% and 18% respectively from 2006. With the first ever sale in Chongqing registered upon the launch of Chongqing R&F Ocean Plaza in May 2007, the Group derived its contracted sales from 26 projects located in five cities including 16 in Guangzhou, five in Beijing, two in Tianjin, one in Xian and two in Chongqing with 19 projects had sales exceeded RMB100 million in the year. Of the total 26 projects, all were residential projects except for three commercial projects which accounted for approximately 8% of the total contracted sales. A notable transaction in the year was the block sale of Jia Sheng Centre Beijing R&F Edinburgh Plaza Tower B1 to a foreign investor in October 2007.

As property were pre-sold prior to completion, approximately 52% of 2007 contracted sales related to property delivered during the year whereas the other 48% related to property to be completed in 2008.

Details of 2007 contracted sales by geographical distribution are set out below:

Location	**Approximate saleable area sold** (sq.m.)	**+/- % vs. 2006**	**Approximate total value** (RMB million)	**+/- % vs. 2006**
Guangzhou	508,000	-14%	7,038	16%
Beijing	436,000	14%	5,518	45%
Tianjin	231,000	28%	2,277	54%
Xian	93,000	127%	465	163%
Chongqing	144,000	–	864	–
Total	**1,412,000**	**18%**	**16,162**	**40%**

Projects under development

The Group's targeted contracted sales growth of approximately 50% to RMB24 billion is supported by a solid project pipeline. The total GFA under construction as at 31 December 2007, excluding investment projects, increased by 19.6% from 3.569 million sq.m. at 31 December 2006 to approximately 4.267 million sq.m. This sizable GFA under construction comprised 27 projects under development in China located in Guangzhou, Beijing, Tianjin, Xian, Chongqing, Chengdu, Kunshan, Shenyang and Hainan (as compared to 19 projects in five cities at 31 December 2006):

Location	Number of projects	Approximate total GFA (sq.m.)	Approximate saleable area (sq.m.)
Guangzhou	11	1,470,000	1,202,000
Beijing	4	707,000	491,000
Tianjin	4	862,000	731,000
Xian	1	186,000	145,000
Chongqing	3	671,000	488,000
Chengdu	1	229,000	229,000
Kunshan	1	75,000	75,000
Shenyang	1	22,000	20,000
Hainan	1	45,000	45,000
Total	**27**	**4,267,000**	**3,426,000**

Southern and Western China

Guangzhou, the economic centre of Southern China which saw 14.5% increase in gross domestic product to RMB705.1 billion and 13.2% increase in per capita disposable income in 2007, is the home base of the Group. The Group has the largest number of its project and GFA under development in Guangzhou. As at 31 December 2007, there were eight residential projects and three commercial projects under development. The residential projects included flagship projects Guangzhou R&F Peach Garden and Guangzhou R&F City which were in their forth and second phase respectively as well as Guangzhou R&F Jin Gang City, a blend of residential with logistic industry related property to take advantage of its proximity to Guangzhou Airport, which commenced development during the year. The three commercial projects including R&F Ying Feng Plaza, R&F Ying Xin Plaza and R&F Ying Tai Plaza are located in the Pearl River New Town which is Guangzhou's new CBD and where the Group has acquired a significant land bank. The present scale of the property under development meant that Guangzhou will remain an important centre of activities of the Group and also enable it to maintain a dominant position in the city's property market in the years to come.

Chongqing as one of the four municipality city is expected to match, given time, the economic vitality and living standard of its peers Beijing, Tianjin and Shanghai. The Group's confidence in the economic prospect of Chongqing is evident by the land bank it has amassed which is the largest among all cities in terms of GFA. Development of Chongqing R&F City which is situated in an area designated for the relocation of Chongqing University City commenced in the year. This is a massive project having a total GFA of 6.8 million sq.m. to be developed over a number of years. Together with R&F Ocean Square and R&F Modern Plaza, there were three projects under development at the end of 2007.

Hainan, located in the southernmost part of China, is the second largest island and the largest special economic zone of the country. Hainan with its geographical position has also developed a booming tourism industry. Being very positive on the potential of the island's tourism-based property market, the Group has launched during the year two projects comprising commercial and hospitality space viz. R&F Bay Shore at Xiangshui Bay with a GFA of approximately 322,000 sq.m..

Northern and Eastern China

Beijing was the first city the Group ventured into after Guangzhou in 2002 and has remained the most important business focus of the Group in Northern China. In 2007, domestic product of Beijing increased to RMB900.6 billion. The GDP growth rate of 12.3% was higher than the national average with growth in disposable income for urban residents increased 13.9%. With the success of the Group's early projects such as Beijing R&F City and R&F Festival City, the Group has established itself as one of the market leader and a renowned brand name in the city. At the end of 2007, there were four residential projects under development viz. R&F Festival City, R&F Peach Garden, R&F Bay Shore and R&F Danish Town. R&F Festival City is considered a flagship project with total GFA of approximately 1.12 million sq.m. of which 437,000 sq.m. was under development and 340,000 sq.m. remains to be developed. R&F Danish Town and R&F Peach Garden were two projects the construction of which was started in the year.

Tianjin is closely linked to Beijing both geographically and economically and is also one of the fastest growing cities in China with a 2007 GDP growth rate of 15.1%. The Group's first project in the city, Tianjin R&F City, has accumulated sales of RMB2.6 billion since launch in 2005 with 208,000 sq.m. GFA still under or to be developed at the end of the year. The overwhelming success of Tianjin R&F City has encouraged more rapid expansion into the property market of Tianjin. At 31 December 2007, the Group counted four residential projects under development. In addition to R&F City, development of R&F Bay Shore, R&F Peach Garden and the R&F Jinmen Lake were started during the year. Total GFA under development of these four projects amounted to 862,000 sq.m.

Xian, the capital city of Shaanxi Province, is an important industrial and tourism centre in Northwestern China. Development of the Group's project in the city, Xian R&F City, started in 2006. The total project size is approximately 988,000 sq.m. with 115,000 sq.m. already completed by the end of 2007 and 186,000 sq.m. under development.

Shanghai and vicinity property market although has long been one of the most important in China, the Group only first pushed into the market in April 2007 with the acquisition of a site in Kunshan. This was followed shortly by the acquisition of another site in the Qing Pu district. Both these site are for low density residential housing. Development of the Kunshan project has commenced in the year with GFA under development at 31 December 2007 amounted to 75,000 sq.m.

In addition to the projects under development in the above-mentioned cities, there were another two projects under development in Shenyang and Chengdu with a combined GFA under development of 251,000 sq.m.

Flagship Project

Guangzhou R&F Peach Garden

This project was the first flagship project of the Group in Guangzhou. Construction began in February 2003, with the project divided into five separate zones. Completion of the entire project is planned for the end of 2008. As at 31 December 2007, Zones A, B and C had all been completed, and Zones D and E were still under construction.

Guangzhou R&F City

As at 31 December 2007, Zones A, B, C and D in the Southern District of Guangzhou R&F City had been completed. Zones E, F and G were still under construction, with completion of the entire project planned for 2008.

Guangzhou R&F Jin Gang City

Located near Guangzhou's Baiyun Airport, this project has an approximate total GFA of 1.3 million sq.m.. Of this, approximately 625,000 sq.m. has been earmarked for the development of a logistics centre and related services, and construction has begun. The remaining portion will be developed as a multi-use project, to include residential apartments, a hotel and other facilities.

Foshan Project

This is a flagship project located in midtown Foshan. The site, which has an approximate area of 400,000 sq.m., was acquired by the Group in September 2007. This project has a total GFA of approximately 2.5 million sq.m., and the Group plans to develop it as multi-use project that will include high-class residential and commercial elements.

Beijing R&F City

As at 31 December 2007, Zones A, B and C of Beijing R&F City had been completed and delivered. Zones D and E were still under construction.

Beijing R&F Festival City

As at 31 December 2007, Zone A and parts of Zone B of this project had been completed. The remaining parts of Zone B and parts of Zone C were still under construction, while construction of the remaining parts of Zone C had yet to begin. The entire project is expected to be completed by the end of 2009.

Tianjin R&F City

As at 31 December 2007, the buildings on Lot No. 5 of Tianjin R&F City had been completed and delivered. Some buildings on Lot No. 6 were under construction, and construction of buildings on Lot No. 7 had not yet begun. The entire project is expected to be completed by the end of 2009.

Tianjin R&F Peach Garden

This project has a site area of approximately 166,000 sq.m. and a total GFA of approximately 620,000 sq.m.. The Group plans to develop it as a large-scale residential community.

Tianjin R&F Jinmen Lake

The Group acquired this site for development in July 2007, as another flagship project in Tianjin. It has a site area of 930,000 sq.m., and will be developed as a large-scale residential community. As at end of 2007, construction of some buildings in this project had begun.

Chengdu R&F Peach Garden

In October 2007, the Group acquired this lot for a flagship project in Chengdu. This project, with a site area of approximately 186,000 sq.m. and a total GFA approximately 840,000 sq.m. will be developed as a large-scale residential community.

Xian R&F City

As at 31 December 2007, Zone A and parts of buildings in Zone B of Xian R&F City had been completed. The remaining parts of Zone B and parts of building in Zone C were under construction, and the remaining parts of Zone C and Zone D had not begun. The whole project will be completed within the next three years.

Taiyuan R&F City

Taiyuan R&F City is the Group's first flagship project in Taiyuan, and was acquired by the Group in August 2007. The site area is approximately 1.056 million sq.m., and with a total GFA of approximately 2.11 million sq.m., and the project is planned as a multi-use community development.

Chongqing R&F City

In 2006, the Group acquired a lot with a site area of approximately 2.41 million sq.m. and a total above-ground GFA of approximately 6.8 million sq.m.. The Group plans to develop this site as a multi-use complex, to include residential and commercial projects. Construction of Zone A of Chongqing R&F City has now begun.

Land bank

The land bank of the Group increased 46% as a result of active acquisition during the year to approximately 26.171 million sq.m. GFA as at 31 December 2007. The Group's land bank now spread over 10 cities having acquired sites in four cities where the Group has previously no land.

Location	Approximate total GFA ('000 sq.m.)	Approximate saleable area ('000 sq.m.)
Guangzhou (and vicinity)	7,012	6,081
Beijing	1,984	1,745
Tianjin	2,888	2,560
Xian	827	749
Chongqing	7,389	7,347
Hainan	494	494
Chengdu	1,367	1,309
Shenyang	151	111
Shanghai (and vicinity)	719	719
Taiyuan	2,416	2,416
Investment Properties	924	648
Total	**26,171**	**24,179**

There were several major land acquisitions in 2007 including the R&F Jinmen Lake residential site in Tianjin with a GFA of approximately 1.575 million sq.m. at a cost of approximately RMB5 billion which is the largest land acquisition by value of the Group to-date, a site in Dong Ping New City, Foshan with approximately 2.52 million sq.m. GFA at approximately RMB4.71 billion, Taiyuan R&F City with approximately 2.11 million sq.m. GFA at approximately RMB680 million and a site at Lie De Cun, Pearl River New Town, Guangzhou with approximately 568,000 sq.m. which will be developed in cooperation with two other developers. Details of the land acquired in the year are set out below :

Name of project	Location	Approximate total GFA ('000 sq.m.)	Approximate saleable area ('000 sq.m.)	Acquired date
Guangzhou (and vicinity)				
R&F Modern Plaza (Phase II)	Haizhu District	36	28	January 2007
R&F Cambridge Terrace	Tianhe District	190	159	February 2007
R&F Sheng Yue Court	Liwan District	109	70	August 2007
Tong He Gan Xiu Suo Project	Baiyun District	9	9	September 2007
Lie De Cun Project	Tianhe District	568	568	October 2007
Foshan Project	Foshan	2,517	2,167	September 2007
Longmen Project	Huizhou	66	66	December 2007
Beijing				
R&F American Dream Island	Chao Yang District	251	251	August 2007
Tianjin				
Tianjin R&F City	Hexi District	150	150	February 2007
R&F Jinmen Lake	Hexi District	1,575	1,575	July 2007
Hainan				
Na Jia Project	Hai Kou	171	171	May 2007
Chengdu				
R&F Peach Garden	Xindu District	840	840	October 2007
R&F Panda City Phase I	Qingyang District	229	229	October 2007
R&F Panda City Phase II	Qingyang District	298	240	October 2007
Shanghai (and vicinity)				
Kunshan R&F Bay Shore Phase I	Kunshan	393	393	April 2007
Kunshan R&F Bay Shore Phase II	Kunshan	142	142	April 2007
R&F Peach Garden	Qing Pu District	184	184	June 2007
Shenyang				
Xianhu Project	Xianhu Town	151	111	January 2007
Taiyuan				
Taiyuan R&F City	Xinghualing	2,112	2,112	August 2007
Fen River West Project	Xiaodian District	304	304	December 2007
Total		**10,295**	**9,769**	

Investment properties

One strategy which differentiates the Group from other major PRC property developer is the building up of a carefully selected investment properties portfolio with capital gain potential to provide a steady cashflow stream. The Guangzhou R&F Center in the Pearl River New Town, Guangzhou readied for occupancy in November 2007 was the first major investment property completed and was then followed in December 2007 by Beijing R&F Center of Beijing R&F City commercial complex. The leasing out of the R&F Center is gathering momentum and the rental rate achieved were up to expectation. Other major investment properties due for completion in the near future in the first half of 2008 will be three hotels viz. The Ritz-Carlton, Guangzhou and the Grand Hyatt in Guangzhou and the Renaissance Beijing Capital Hotel and the shopping mall of the Beijing R&F City commercial complex. The completion and operation of these investment properties will significantly boost the rental income of the Group from the 2007 level of RMB96.6 million per annum.

Investment properties completed or in the pipeline :

Investment properties	Location	Description	Approximate total GFA ('000 sq.m.)
Guangzhou			
The Ritz-Carlton, Guangzhou	Pearl River New Town J2-7	5-star Hotel 350 rooms and 92 service apartment	104
Grand Hyatt, Guangzhou	Pearl River New Town F1-2	5-star Hotel 450 rooms and an office tower	115
R&F Center	Pearl River New Town J1-4	55-storey office building	163
Holiday Inn Airport Guangzhou	R&F Jing Gang City	4-star hotel 280 rooms	34
R&F Ying Kai Plaza	Pearl River New Town J1-1	Commercial/tourism	182
The Galaxy Guangzhou Marriott Executives Apartments	Pearl River New Town M1-4	Apartment 211 rooms	42
Huaguo Shan Project	Yue Xiu District	5-star hotel Commercial/tourism	20
Beijing			
Renaissance Beijing Capital Hotel	Beijing R&F City	5-star Hotel 540 rooms	59
R&F Center	Beijing R&F City	Office building	60
R&F Shopping Mall	Beijing R&F City	Shopping mall	171
Express of Holiday Inn Temple of Heaven Beijing	R&F Xinran Court/Plaza	4-star hotel 320 rooms	22

Investment properties	Locations	Description	Approximate total GFA ('000 sq.m.)
Tianjin			
Marriott Hotel	Tianjin R&F City	5-star hotel 400 rooms	38
Tianjin R&F City Commercial Complex	Tianjin R&F City	Office building, service apartment and shopping mall	136

Other events of significance

The Group acquired 100% interest in Guangzhou Tianli Construction Co., Ltd. ("Tianli") in June 2007 at a consideration of not less than RMB600 million or more than RMB1.1 billion to be determined based on four times of the 2007 audited after tax profit of Tianli. Tianli is a reputable contractor having proven track record in construction of residential and commercial building and prior to the acquisition, has been the Group's major contractor for many years. Acquisition of Tianli will ensure the availability to the Group of sufficient construction capacity to support the growth of the Group and also better control of the construction phase of development in respect of both cost and quality.

Outlook

Despite more stringent economic conditions and the ongoing concern on further cooling measures targeted on the property sector, the Group plans to grow contracted sales by more than 50% to approximately RMB24 billion in 2008. The driver of this targeted growth will be the launch of more new projects in more cities. In terms of completion and according to the construction plan for 2008, approximately 2.791 million sq.m. GFA will be completed in 2008:

	To be completed in 1st half 2008		To be completed in 2nd half 2008	
Location	Approximate total GFA (sq.m.)	Approximate total saleable (sq.m.)	Approximate total GFA (sq.m.)	Approximate total saleable (sq.m.)
Guangzhou	110,000	78,000	845,000	688,000
Beijing	96,000	91,000	273,000	247,000
Tianjin	184,000	131,000	279,000	263,000
Xian	96,000	88,000	56,000	45,000
Chongqing	227,000	146,000	480,000	322,000
Shenyang	–	–	51,000	41,000
Chengdu	–	–	18,000	14,000
Kunshan	–	–	76,000	48,000
Total	**713,000**	**534,000**	**2,078,000**	**1,668,000**

17 New Launches in

Northern China
(Beijing, Tianjin, Taiyuan, Shenyang)


1


5


2


6


3


7


4

1. Beijing R&F American Dream Island
2. Beijing R&F Danish Town
3. Beijing R&F Bay Shore
4. Tianjin R&F Peach Garden
5. Tianjin R&F Center
6. Taiyuan R&F City
7. Shenyang Xianhu Project

Southern China
(Guangzhou, Huizhou, Hainan)


8


9


10

8. Guangzhou R&F Golden Jubilee Garden
9. Guangzhou R&F Ying Tai Plaza
10. Guangzhou R&F Ying Feng Plaza

2008


11


12


13

11. Guangzhou R&F Jin Gang City
12. Huizhou R&F Li Gang Center
13. Hainan R&F Bay Shore

Western China
(Chengdu, Chongqing)

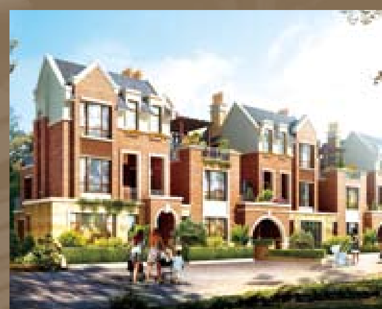

14


15

14. Chengdu R&F Stanley International Apartment
15. Chengdu R&F Peach Garden

Eastern China
(Shanghai, Kunshan)


16


17

16. Kunshan R&F Bay Shore
17. Shanghai R&F Peach Garden

Financial Review

Consolidated Income Statement

	Note	2007 (RMB'000)	2006 Restated* (RMB'000)	2007 vs. 2006 Restated Change (%)
Turnover	1	**14,771,919**	10,186,765	45%
Cost of sales	2	**(9,226,030)**	(6,513,844)	42%
Gross profit	3	**5,545,889**	3,672,921	51%
Other gains	4	**3,385,097**	381,969	786%
Selling and administrative expenses	5	**(671,306)**	(430,620)	56%
Other operating expenses		**(43,227)**	(15,636)	176%
Operating profit		**8,216,453**	3,608,634	128%
Finance costs – net	6	**(102,929)**	(49,741)	107%
Share of losses of jointly controlled entities and associates		**(3,918)**	–	N/A
Profit before income tax		**8,109,606**	3,558,893	128%
Income tax expense	7	**(2,794,367)**	(1,413,809)	98%
Profit for the year	8	**5,315,239**	2,145,084	148%

* *Land appreciation tax previously included in cost of sales reclassified to income tax expenses*

1. Turnover, made up of sale of properties, rental income and income from construction services upon the acquisition of Tianli Construction Co. Ltd., increased by 45% to RMB14.772 billion.

   In 2007, the completion of properties for sale went largely as planned, with 1.54 million sq.m. completed. Turnover from sale of properties increased by 43%, from RMB10.11 billion to RMB14.46 billion. In terms of saleable area, 1.406 million sq.m. were sold during the year, a 37% increase from the 1.025 million sq.m. in 2006. Overall average price per sq.m. for 2007 amounted to RMB10,287, 4.3% higher than the average price of RMB9,865 in the previous year.

   Overall sales fell short of the total saleable area completed in the year, mainly due to the postponement of the full-scale sale launch of R&F Xinran Court/Plaza in Beijing. R&F Xinran Court/Plaza was completed in phases between March and November 2007 with an aggregate saleable area of 128,300 sq.m. Of this total, only 17,000 sq.m. had been sold by the end of the year. This was because the Group did not actively pursue sales, taking time to finalise the best sales theme, sales channels and timing in order to maximize economic benefits given the unique features of this project.

Sale of properties in the year came from projects in Guangzhou, Beijing, Tianjin and also Xian with the completion of the first phase of Xian R&F City. Sales in Guangzhou, Beijing and Tianjin all increased as compared to the previous year, by 46%, 17% and 107% respectively. Sales of RMB7.464 billion in Guangzhou remained proportionally the most significant, accounting for 51% of the Group's total. That was followed by sales in Beijing, Tianjin and Xian at 34%, 12% and 3% respectively. Guangzhou also had the largest number of projects, including sizable projects such as the Peach Garden, Guangzhou R&F City and R&F Ying Li Plaza with sales in the year exceeding RMB1 billion, along with three other projects with sales of over RMB500 million. Selling prices in Guangzhou rose, most notably for mass residential property such as Guangzhou R&F City, which saw an increase of approximately 55% in average price per sq.m. that largely contributed to the overall increase of 12% for the year, to RMB11,039 per sq.m. In Beijing, the Group concentrated its sales efforts on just five projects and achieved RMB4.872 billion in sales. The Group sold the entire R&F Edinburgh Plaza Tower B1 to a foreign investor in October 2007 for a consideration of RMB1.71 billion, bringing total sales for this project to RMB1.946 billion, the highest of all the Group's projects. The overall average price per sq.m. for Beijing increased by a modest 4% to RMB11,080, mainly because of the increased weighting of R&F Festival City in the sale mix. This development has a lower average selling price of RMB6,991 per sq.m., despite an approximately 14% increase from the previous year. Tianjin R&F City and Xian R&F City, both flagship projects of the Group, were the sole projects on sale in Tianjin and Xian respectively. Sales of Tianjin R&F City in its second year more than doubled, from RMB837 million to RMB1.733 billion, ranking it among the Group's top projects. The average selling price increased by approximately 16%. The first sales of Xian R&F City were registered in the year, with sales reaching RMB392 million for the year.

The following table gives the breakdown of saleable area, turnover, and percentage attributable to the Group for the sale of properties during the year:

Project	Approximate saleable area sold (sq.m.)	Amount of turnover (RMB million)	Percentage attributable to the Group
Guangzhou			
R&F Peach Garden Phase I	85,110	725.00	85%
R&F Peach Garden Phase II & III	89,696	890.98	100%
R&F Peninsula Garden	41,218	365.55	100%
Guangzhou R&F City	214,724	1,746.80	100%
R&F West Garden	27,918	540.16	100%
R&F Jubilee Garden	71,857	850.70	100%
R&F Prosperous Place	38,610	544.92	100%
R&F Ying Long Plaza	2,713	36.52	100%
R&F Edinburgh International Apartment	21,589	334.81	100%
R&F Modern Plaza	3,247	82.93	100%
R&F Ying Li Plaza	74,690	1,286.49	100%
Others	4,787	59.46	100%
	676,159	7,464.32	
Beijing			
Beijing R&F City	67,842	1,019.57	100%
R&F Festival City	201,628	1,409.61	100%
R&F Xinran Court/Plaza	17,111	232.10	100%
R&F Edinburgh Apartment/Plaza	117,885	1,945.88	100%
Beijing R&F Peach Garden	35,236	264.72	100%
	439,702	4,871.88	
Tianjin			
Tianjin R&F City	205,207	1,733.01	100%
Xian			
Xian R&F City	84,671	392.00	100%
Total	**1,405,739**	**14,461.21**	

2. In addition to land and construction costs, cost of sales included capitalized interest and land premium amortization. Land appreciation tax ("LAT") was previously included under cost of sales but has now been reclassified as taxation in the income statement. Land and construction costs accounted for 97% (2006: 97%) of the total cost of sales. As part of its ongoing drive to improve quality, the Group has, amongst other improvements, continuously raised the standards of furnishing of its developments, which has meant a slight increase in construction costs. However, this has been done in a controlled manner to avoid any erosion of gross margin. Capitalised interest included in cost of sales increased to RMB291.6 million and 2.0% of turnover from sale of properties, from RMB185.5 million and 1.8% respectively in 2006. As a result of further expansion of the Group's land bank, land premium amortization more than tripled to reach RMB78 million, from RMB23 million the previous year.

3. Gross profit margin of sale of properties after adjustment to exclude LAT in the cost of sales increased to 38.1%, as compared to 35.6% for 2006. This improvement was less than the increase in the average selling price of 4.3%. This was because, apart from the factors affecting cost of sales mentioned above, gross margin was also affected by the sale mix. The lower gross margin typical of a new project in a new city such as Xian R&F City has a minor impact on the overall gross profit margin for the year.

4. A quite substantial amount of RMB3.385 billion (2006: RMB382 million) was recorded as other gains for the year. Of this total, the fair value gain on investment properties first put into use during the year, namely Guangzhou R&F Centre and Beijing R&F Centre, accounted for RMB2.762 billion. Reflecting the rising trend of property prices in Guangzhou and Beijing, the fair value of the other existing investment properties further rose by RMB319 million in 2007, which gave a total fair value gain from investment properties for the year of RMB3.081 billion. The profit arising from the disposal of partial interests in two projects amounting to RMB203 million was also included under other gains.

5. Selling and administrative expenses together increased by RMB240.7 million or 56% to RMB671.3 million (2006: RMB430.6 million), and as a percentage of turnover increased slightly to 4.5% (2006: 4.2%). Separately, selling expenses increased by a much more modest 17% to RMB188.3 million, equivalent to 1.3% of turnover, a further improvement from 1.6% for 2006. Administrative expenses on the other hand increased by 79% to RMB483.0 million, from RMB270.2 million in the previous year. Personnel costs represented the single largest expenditure item under administrative costs. The Group is committed to building up a strong work team, considering it a critical element for future development and success. The Group

allocated considerable resources in 2007 to this end, increasing personnel and related costs by RMB61.1 million to RMB152.9 million to strengthen both the number and calibre of its staff.

6. Interest expenses incurred for the year increased by 181% to RMB909.5 million (2006: RMB323.2 million) as a result of borrowings having increased by 151% to RMB19.9 billion at 31 December 2007 (RMB7,916 million at 31 December 2006) and the average interest rate having increased to 6.32% (2006: 5.74%). Within interest expenses, RMB806.6 million (2006: RMB273.5 million) had been capitalized leaving RMB102.9 million (2006: RMB49.7 million) charged directly to income. If aggregated with the capitalized interest in cost of sale, total interest expenses included in this year's results amounted to RMB394.5 million, as compared to RMB235.2 million in 2006.

7. The total taxation charge consisted of the aggregate of LAT, amounting to RMB715.7 million, and of enterprise income tax, amounting to RMB2,078.7 million. LAT for the year as a percentage of turnover from sale of properties was approximately 4.9%, which was not significantly different from the 4.2% in 2006. The effective rate of income tax on profit before tax was 28.1% (2006: 31.5%). This effective rate deviated from the theoretical rate of 33% mainly due to the effect of changes in the enterprise income tax rate from 33% to 25% beginning 1 January 2008 on the carrying value of deferred tax assets and liabilities.

8. Net profit for the year increased by 148% to RMB5.315 billion, from RMB2.145 billion. The increase in net profit was mainly due to the increase in turnover from sale of completed properties, and substantial fair value gains from investment properties. Net profit margin adjusted for the effect of fair value gains from investment properties was 20.3% (2006: 19.5%).

Consolidated Balance Sheet

	Note	2007 (RMB'000)	2006 Restated (RMB'000)	Changes (%)
ASSETS				
Non-current assets				
Land use rights	1	**10,342,679**	8,098,580	28%
Properties held for development	2	**2,859,095**	1,960,679	46%
Property, plant and equipment	3	**2,390,260**	1,311,101	82%
Investment properties	4	**5,366,774**	926,153	479%
Intangible assets	5	**1,019,806**	50,620	1915%
Interests in jointly controlled entities	6	**405,311**	–	N/A
Investments in associates		**35,216**	–	N/A
Deferred income tax assets	7	**297,155**	201,187	48%
Available-for-sale financial assets	8	**416,000**	144,762	187%
Trade and other receivables	9	**1,900,995**	181,530	947%
Current assets				
Properties under development	10	**12,357,422**	5,877,845	110%
Completed properties held for sale	11	**3,943,484**	1,788,546	120%
Land use rights	1	**5,047,634**	2,579,891	96%
Inventories		**177,233**	–	N/A
Trade and other receivables	9	**4,654,746**	1,023,225	355%
Tax prepayments		**695,515**	438,302	59%
Restricted cash	12	**956,875**	602,412	59%
Cash	12	**1,329,691**	1,415,926	-6%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	13	**(12,532,500)**	(4,508,000)	178%
Long-term payables		**(272,000)**	–	N/A
Deferred income tax liabilities		**(1,439,428)**	(479,258)	200%
Current liabilities				
Accruals and other payables	14	**(11,135,489)**	(3,919,623)	184%
Deposits received on sale of properties	15	**(6,542,480)**	(4,250,725)	54%
Current income tax liabilities		**(2,206,847)**	(1,507,919)	46%
Short-term bank loans	13	**(3,803,267)**	(1,914,734)	99%
Current portion of long-term bank loans	13	**(3,564,000)**	(1,493,000)	139%
SHAREHOLDERS' EQUITY		**12,625,541**	8,246,652	53%
Minority interest		**74,339**	280,848	-74%

1. The Group's land bank further expanded during the year with the acquisition of 20 pieces of land in eight cities. Reflecting this expansion, total land use rights (relating both to land held pending development classified as non-current assets, and land associated with properties under development and completed properties held for sale classified as current assets) increased by approximately RMB4.7 billion.

2. Mainly early stage costs and compensation fees for projects for which construction has not yet commenced. Additional costs incurred for two Guangzhou projects (the Liuhua Road project and the Jin Gang City project), the R&F American Dream Island project in Beijing, and the Kunshan project acquired during the year, mainly accounted for the increase.

3. Increased mainly due to the further costs of three hotels under construction (the Ritz-Carlton and the Grand Hyatt in Guangzhou and the Renaissance Beijing Capital Hotel), partially offset by the cost of the R&F Center, Guangzhou being transferred out to investment property upon completion .

4. The increase was mainly the fair value of the R&F Center, Guangzhou and the office building of the Beijing R&F City commercial complex (other than the portion for self-use) classified as investment properties upon their completion in the fourth quarter of 2007.

5. Increase related to the acquisition of Guangzhou Tianli Construction Co., Ltd.

6. Upon disposal of partial interest, a subsidiary engaged in a development project in Pearl River New Town, Guangzhou was reclassified as a jointly controlled entity.

7. The increase in deferred tax assets was attributable mainly to tax on non-deductible accruals and intra-group unrealized profit.

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

9. There was a significant increase in prepayments related to land acquisitions. As for trade receivables, those outstanding at the end of the year increased to RMB1.24 billion from RMB313 million at the previous year-end, mainly because of the receivables in respect of the balance of payment for the block sale of Jia Sheng Centre Beijing R&F Edinburgh Plaza Tower B1 amounting to RMB852 million; otherwise trade receivables remained at a low level and under tight credit controls.

10. Saleable area under development at end of 2007 was approximately 3.43 million sq.m. as compared to 2.51 million sq.m. at the end of 2006.

11. Being approximately 909,000 sq.m. in completed units, an increase from 361,000 sq. m. in the previous year. Guangzhou and Beijing accounted for approximately 46% and 44% of the total respectively.

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

13. Refer to "Financial resources, liquidity and liabilities"

14. Construction payables increased by RMB3.6 billion, in line with the increase in properties under development. Payables related to land acquired amounted to approximately RMB2.3 billion.

15. There were 13 properties under pre-sale at the end of 2007 as compared to 15 at the end of 2006.

Cashflow

	Note	**2007** (RMB'000)	**2006** (RMB'000)
Net cash used in operating activities	1	**(8,326,848)**	(3,452,637)
Net cash used in investing activities	2	**(1,226,560)**	(2,098,734)
Net cash generated from financing activities	3	**9,467,173**	5,388,440
Net increase/(decrease) in cash		**(86,235)**	(162,931)
Cash at 1 January		**1,415,926**	1,578,857
Cash at 31 December		**1,329,691**	1,415,926

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

2. Mainly cash used for construction of fixed assets and investment properties.

3. Mainly net additional bank borrowings of RMB10.6 billion.

Return on Equity

	2007 (RMB'000)	**2006** (RMB'000)
Equity at 1 January	**8,527,500**	5,308,912
Equity at 31 December	**12,699,880**	8,527,500
Average	**10,613,690**	6,509,973
Profit for the year	**5,315,239**	2,145,084
Return on equity %	**50.1%**	33.0%

Financial resources, liquidity and liabilities At 31 December 2007, the Group's cash amounted to RMB2,287 million and with a total borrowing at RMB19,900 million translated into a net debt to equity ratio of 139.5%, increasing from 71.5% the previous year. The Group allowed its gearing to temporarily increase to the current level in anticipation of the proposed A share issue. Given its expected operational cashflow, its debt maturity profile, its ability to refinance debts and its general record of financial discipline, the Group cashflow management is not reliant on the A share issue.

Debt profile

		Due within					
	Total	1 year	2 years	3–5 years	Over 5 years	Interest	
			(RMB million)				
Long-term bank loans	16,097	3,564	6,517	5,542	474	Floating	RMB5,252M secured
Short-term bank loans	3,803	3,803	–	–	–	Floating	RMB953M secured
	19,900	7,367	6,517	5,542	474		

During 2007, new borrowings of RMB16,351 million including RMB4,540 million short-term loan and RMB11,811 million in long-term loans, were procured at interest rates ranging from 4.18% to 8.217%. With loans repaid amounting to RMB4,367 million, total borrowings increased by RMB11,984 million. The effective interest rate of the total loan portfolio at 31 December 2007 was 6.32% (2006: 5.74%). As over 98% of its loans are in RMB and at normally stable floating interest rates benchmarked to rates published by the People's Bank of China, it has not been necessary to set up any hedging arrangements.

Charge on assets As at 31 December 2007, assets with total carrying values of RMB4,280 million were pledged to banks to secure bank loans amounting to RMB6,205 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 are released upon the issuance of real estate ownership certificates for the properties concerned. As at 31 December 2007, such guarantees totalled RMB7,839 million, a 71% increase from RMB4,585 million as at 31 December 2006.

Material acquisitions and disposals The following acquisitions and disposals took place during the year ended 31 December 2007:

1. The Company acquired the entire equity interest in Tianli in June 2007 at a consideration of not less than RMB600 million or not more than RMB1.1 billion, the actual price to be determined based on a sum four times the 2007 audited after-tax profit of Tianli. On this basis, the actual consideration was determined to be RMB1.1 billion. At 31 December 2007, RMB500 million of the total consideration had not been paid.

2. The Group disposed of 17.2% equity interest in a wholly owned subsidiary, Maxview Investment Limited ("Maxview") in December 2007. The disposal proceeds amounted to RMB184,457,000 and according to the terms of the sale agreement, Maxview became a jointly controlled entity of the Group. Maxview is an investment holding company which holds 75% interest in a project company, Guangzhou Shengjing Properties Development Co., Ltd.

3. The Group disposed of 33.33% equity interest in a wholly owned subsidiary, Value Success Investment Limited ("Value Success") in December 2007. The disposal proceeds amounted to RMB86,758,000 and according to the terms of the sale agreement, Value Success became a jointly controlled entity of the Group. Value Success is an investment holding company which indirectly holds 100% interest in a project company, Shenyang Yilong Housing Development Co., Ltd.

Investor Relations

▲ Mr. Li Sze Lim, Chairman of the Company, speaks with analysts at post-results announcement analysts meeting

Major Investor Relations Events in 2007
Mar 2007
2006 Annual Result Announcement Press conference and analysts meeting
June 2007
Extraordinary General Meeting, at which a resolution was passed regarding the proposed issuance of up to 450 million A-shares on the Shanghai Stock Exchange
Sept 2007
2007 Interim Result Announcement Press conference and analysts meeting

Since its listing, the Company's share price performance has stood out among its peers involved in the mainland property market and attracted the attention of the investment community. As of this writing, the Company's stock was being closely followed, analyzed and discussed in the investment reports of leading investment houses such as UBS AG, Macquarie Securities, JP Morgan, Morgan Stanley, Credit Suisse, Citicorp, Merrill Lynch, UOB, Goldman Sachs and Lehman Brothers. The Company remains dedicated to establishing and maintaining steady, long-term, and mutually trusting relationships with investors.

In 2007, the Company remained committed to its declared principles of "Equal Opportunity, Integrity and Credibility". We communicated with investors through a variety of channels which for the efficient disclosure of information include the constantly updated "Investor Relationship" page of the corporate website and disclosed investor-related information in a proactive, timely and comprehensive manner. This information included details of the Company's development strategies, our quarterly contracted sales, details of our operations, news updates on land acquisitions, regular results announcements, and some ad hoc announcements. The Company worked to ensure that all such information was true, accurate, complete and in time. These high standards of communication had the effect of strengthening links with existing and potential investors, enhancing investor understanding and recognition of the Company, boosting corporate governance, and creating extra value for investors. The Company also fostered interactive communication by seeking suggestions and comments from investors.

Given the proposed A-share listing, the Company will soon expand its financial platform coverage into the mainland China market. Here, our principles of "Integrity and Credibility" are paramount. We will regularly communicate and exchange ideas with domestic and overseas investors to maintain transparency, with a view to boosting its reputation in domestic and overseas capital markets. Investors can also use email to contact the Company, which is committed to responding accurately to all questions and suggestions as soon as practicable. The Company also maintains a frequently updated list of relevant organizations and individuals (e.g. investors and analysts) which it uses to widely circulate announcements, reports and other information by mail or email. Information about recent developments is also passed on to the Company's external public relations consultant, Financial Dynamics International, for dissemination to the media and the general public, helping generate a wider understanding of the Company's business and attracting potential investors. The Company's 2006 annual report was awarded the Real Estate Industry Gold Award at the 21st Annual International ARC Awards for Annual Reports, held in New York, USA.

As we did last year, in 2007 the Company arranged on-site tours and seminars for investors and analysts, as well as one-on-one meetings with senior management and visits to some of its major development sites. These physical inspections enabled investors and analysts to gain a better understanding of the Company's operations.

The Company's senior management has made every effort to build strong relationships with investors, for example by actively participating in forums and road shows organized by major investment institutions. At these investor forums and in one-on-one meetings, the Company passed on its updated information to all interested investors. These gatherings also provided opportunities to answer investors' questions directly.

Corporate Social Responsibility

Employee development

In 2007, the Group had 4,016 employees (2006:1,985).

The Company considers the quality of its human resources to be the most important factor determining its future corporate development. In 2007, in line with its expansion, the Company identified a number of outstanding personnel with high potential and gave them training in preparation for taking on a range of important positions.

In 2007, the Company made some solid achievements in staff training. For example, it introduced innovative overseas training techniques in the subjects of design, project management and quality management within the EMBA programme tailored for the Company's middle and top management. At the same time, progress was made in training in-house trainers, in preparation for fostering personnel with management potential.

In 2007, the Company implemented new measures in its appraisal mechanism, adopting two different appraisal systems, one for management personnel and one for ordinary employees. This will give a clearer picture of the performance of individuals, and help the Company better identify and encourage its most outstanding employees.

Charitable Donations

R&F is proud of its philanthropic achievements and the contributions it has made as part of its moral and social responsibilities. As a good corporate citizen, the Group made charitable donations in the past years of approximately RMB130 million, mostly in the areas of education, healthcare, social security, old age and the alleviation of poverty.

▲ In-house training program

▲ Overseas training program for management held in United Kingdom

In August 2007 the Company donated RMB10 million to help establish the "Guangzhou Voluntary Crime-Fighting and Anti-Narcotics Fund", which supports and encourages voluntary crime-fighting as a way of helping maintain social stability.

In early 2008, many parts of China were hit by the worst snowstorm of the past fifty years, which significantly affected China's economy. R&F donated RMB1 million for relief work and transportation for the Spring Festival.

In recognition of its corporate citizenship efforts, on 26 April 2007 R&F was named as a "2007 Top Ten Charitable Enterprise in China".

Chairman of R&F, Mr Li Sze Lim, was named "Philanthropist of South Guangdong" in the "South Guangdong Charity Commendation Award" organized by the Guangdong Province People's Government. The event aims at recognizing the charitable activities of both enterprises and individuals, and the title "Philanthropist of South Guangdong" is the highest honour to be awarded.

▲ Mr. Li Sze Lim, the Chairman of the Company presents a cheque for RMB10 million to "Guangzhou Voluntary Crime-Fighting and Anti-Narcotics Fund"

▲ Mr. Li Sze Lim, the Chairman of the Company was named "Philanthropist of South Guangdong" in the "South Guangdong Charity Commendation Award"

Corporate Governance Report

The Company is committed to good corporate governance practices, believing that they enhance shareholder value. The practices adopted by the Company place a focus upon maintaining a high-quality board, effective internal controls, a high level of transparency, and full accountability to shareholders. Throughout the year the Company complied with PRC Company Laws, the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and all other relevant laws and regulations.

The Board

The board of directors (the "Board") is charged with providing overall leadership for and effective control over the Company in a way that maximizes financial performance and shareholder value. The Board formulates business policies and strategies for the Group, including dividend policy and risk management strategies. It is also responsible for implementing internal controls and monitoring their effectiveness. The day-to-day execution of the Board's policies and strategies is delegated to the Company's executive directors and management.

At 31 December 2007 the Board consisted of nine directors. This number was made up of four executive directors: Mr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and Chief Executive Officer, Mr. Zhou Yaonan, and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin and Ms. Li Helen; and three independent non-executive directors, Mr. Dai Feng, Mr. Huang Kaiwen and Mr. Lai Ming, Joseph. Biographical details of the directors and their relationships, if any, are set out on pages 67 to 70 of this annual report. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a balanced mix of skills and expertise that will continue to provide the Company with effective leadership.

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

The Company has not established a nomination committee: instead, the Board is collectively responsible for the appointment of new directors either to fill casual vacancies or as additional Board members. Ms Zhang Lin, non-executive director, retired and was re-elected for a term of three years at the 2006 annual general meeting. Ms Li Helen, non-executive director, and all three independent non-executive directors, namely Mr. Dai Feng, Mr. Huang Kaiwen and Mr. Lai Ming, Joseph, will retire and offer themselves for re-election at the forthcoming 2007 annual general meeting.

All directors, including non-executive directors and independent non-executive directors, have devoted a reasonable amount of time and effort to the business affairs of the Company. All non-executive and independent non-executive directors possess appropriate academic and professional qualifications and related management experience, and have contributed advice to the Board. The Board believes that the ratio of executive directors to non-executive directors is reasonable, and provides checks and balances that are sufficient to safeguard the interests of shareholders and of the Group. The Board also believes that the independent judgments offered by non-executive directors and independent non-executive directors on issues relating to strategy, performance, conflicts of interest and management processes are valuable for taking into account and protecting the interests of the Company's shareholders.

All directors of the Company have access to timely information about the Group's business and are able to make further enquires whenever necessary. They also have unrestricted access to the advice and services of the company secretary, who is responsible for providing directors with board papers and related materials. The Board has also agreed that any director may seek independent professional advice on issues related to the Group's business at the Company's expense.

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

As Chairman, Mr. Li Sze Lim provides leadership and oversees the Board's workings. He ensures that all directors are properly briefed on issues arising at Board meetings, and receive comprehensive, relevant and reliable information in a timely manner. He is also responsible for the Board's effectiveness by ensuring that all key issues are discussed within the Board, and that the Board adopts good corporate governance practices and establishes effective communication channels with shareholders.

Mr. Zhang Li, the Co-chairman, is the Chief Executive Officer of the Company. He is responsible for the execution of all business policies, strategies, objectives and plans adopted by the Board. The role of the Chief Executive Officer is separate from that of the Chairman.

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 qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence from the Company.

The Board held four meetings during the year under review, and the attendance records of the directors are set out below:

Directors	Meetings attended/Total
Executive Directors	
Li Sze Lim	4/4
Zhang Li	4/4
Zhou Yaonan	3/4
Lu Jing	4/4
Non-executive Directors	
Zhang Lin	4/4
Li Helen	3/4
Independent Non-executive Directors	
Huang Kaiwen	4/4
Dai Feng	4/4
Lai Ming, Joseph	4/4

During these meetings, the directors discussed matters relating to business policies and strategies, corporate governance, and financial and internal control systems. They reviewed the interim and final business results and other relevant matters. All directors are urged to participate in these Board meetings in person, but those who are unable to attend in person can also participate via electronic media.

According to the Articles of Association, notice for Board meetings should be given to all directors at least 10 days prior to the date of a meeting. All directors are given the opportunity to include any matter they would like discussed in the agenda.

The company secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations are followed. He also prepares detailed minutes of each meeting. After the meeting, the draft minutes are circulated to all directors for comment as soon as practicable. All Board members are given a copy of the final approved minutes.

Should a matter being considered involve a potential conflict of interest for a director, the director concerned will abstain from voting. Independent non-executive directors with no conflicts of interest will be present at meetings dealing with such issues. The Board's audit committee and remuneration committee both adopt the practices used in the general Board meetings.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code"), laid out in Appendix 10 to the Listing Rules, as the code of conduct for directors in any dealings in the Company's securities. The Company has made specific enquiries of each director, each of whom has confirmed their compliance with the Model Code during the financial year ended 31 December 2007.

Supervisory committee

The supervisory committee of the Company consists of three members, including two supervisors who represent shareholders, Mr. Zheng Ercheng and Ms. Liang Yingmei, and one who represents employees, Mr. Feng Xiangyang. The supervisors effectively performed their supervisory duties relating to the Company's operations.

Audit committee and accountability

The audit committee was established on 27 June 2005 with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee reports to the Board and has held regular meetings to review and make recommendations for improving the Group's financial reporting processes and its internal controls. The committee is made up of three members: a non-executive director, Ms. Li Helen, and two independent non-executive directors, Mr. Dai Feng and Mr. Lai Ming, Joseph. The chairman of the committee is Mr. Lai Ming, Joseph, who has professional accounting qualifications and expertise in financial management.

The Board is responsible for presenting a clear and balanced assessment of the Group's performance, results and prospects. It is also responsible for preparing financial statements of accounts that give a true and fair view of the Company's finances. The audit committee is delegated by the Board to assess matters related to the financial statements of accounts and to provide recommendations and advice. It is also tasked with the following responsibilities, amongst others:

1. Coordinate with external auditors in respect of the annual audit on matters such as the scope of the audit and any issues arising from it; make recommendations to the Board on appointing or removing external auditors; and consider their remuneration and terms of engagement;

2. Review the Group's interim and annual financial statements, and other financial information relating to the Group;

3. Oversee the internal control procedures embedded within the Group's risk management system and its various operating departments; and

4. Carry out other duties as authorized by the Board in relation to financial and internal control matters.

The audit committee held two meetings during the year. Following Board practice, minutes of these meetings were circulated to all members for comment, approval and record as soon as practicable after each meeting. The audit committee reported that there was no material uncertainty that cast doubt on the Company's ability to continue as a going concern. There was no disagreement between the Board and the audit committee regarding the selection and appointment of external auditors. The audit committee has reviewed the accounting policies and practices adopted by the Company, and its annual report for the financial year ended 31 December 2007.

The attendance records of individual committee members are set out as below:

Committee members	Meetings attended/Total
Lai Ming, Joseph	2/2
Dai Feng	2/2
Li Helen	1/2

Remuneration of auditors

PricewaterhouseCoopers is the Company's external auditors. During the year the firm was not been engaged to perform any other work that could have conflicted with its role as auditors of the Company or otherwise compromised its independence.

The audit committee has recommended to the Board, and the Board has accordingly agreed, to propose the reappointment of PricewaterhouseCoopers as the external auditors of the Group until the date of the next annual general meeting, pending approval by shareholders at the forthcoming 2007 annual general meeting. During the year, the total remuneration paid in respect of audit services was RMB5 million.

Internal controls

The Board is responsible for maintaining a system of effective internal controls to protect the Group's assets and its shareholders' interests. The Board closely monitors the implementation of the Company's internal controls and risk management systems, assessing their effectiveness based on discussions with the management of the Company and its external auditors, as well as reviews conducted by the audit committee.

The Company's internal controls and audit functions are embedded within its various operational departments. The Group's system of internal controls includes a well-established corporate structure and an organization with clearly defined lines of responsibility and authority, which are set out in writing in an operation manual where appropriate. Each department is responsible for its daily operations, and is required to implement and monitor the strategies and policies adopted by the Board. Each department has a responsibility to effectively use Company resources so as to avoid misappropriation or damage to assets, and to prevent errors and fraud. Every department is given defined goals, which have been discussed in Board meetings and passed on to management through the executive directors. The executive directors will closely monitor the efforts to meet these goals, reviewing operational and financial results from time to time and taking any necessary actions for improving the Company's business activities.

These internal control and audit functions are reviewed and assessed on an on-going basis by the executive directors, and will be further reviewed and assessed at least once each year by the audit committee.

The Board believes that the existing system of internal controls is adequate and effective.

Remuneration committee

The remuneration committee was established on 27 June 2005, with written terms of reference. The committee comprises three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Dai Feng and Mr. Huang Kaiwen. Mr. Li Sze Lim is the chairman of the committee.

The remuneration committee is responsible for formulating and recommending to the Board policy on remuneration-related matters including, among others, bonus structures and provident funds. The Company's remuneration policy is designed to ensure that the remuneration offered to employees, including executive directors and senior management, is based on factors such as levels of skill, knowledge, responsibility and involvement in the Company's affairs. The committee determines the remuneration packages of executive directors and members of senior management. The remuneration of executive directors is linked to the Company's business performance and profitability in the context of current market conditions. Individual directors and senior management are not involved in determining their own levels of remuneration.

During the year the remuneration committee held one meeting, in which it reviewed the Company's remuneration policies, its terms of service contracts, and the performance of executive directors and senior managers. It reported that the compensation payable to each director and senior manager was in accordance with contractual terms, and that such compensation was fair and not excessive.

The attendance records of individual committee members are set out below:

Committee members	Meetings attended/Total
Li Sze Lim	1/1
Dai Feng	1/1
Huang Kaiwen	1/1

Details of emoluments paid to the directors for the year are set out in the notes to the financial statement on page 144.

Investor and shareholder relations

The Company aims to maintain amicable relationships with its shareholders and investors, and to enhance the transparency of its business operations. It disseminates information about its business operations to investors and shareholders in a timely manner using a variety of channels and methods. In addition to publishing interim and annual reports, the Company occasionally meets with analysts and holds press conferences. Enquiries and suggestions from shareholders, investors, media and the general public are followed up by executive directors or appropriate management staff. The corporate website is another channel through which the Company provides up-to-date information.

The Company takes every precaution in its handling of price-sensitive information. During the one-month period before its financial results are released, the Company's directors and senior management staff are prohibited from dealing in the Company's shares. Interviews with financial analysts and media are restricted.

The annual general meeting also serves as an important channel of communication between directors and shareholders. The chairman personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. During the annual general meeting, the chairman of the Board and its committees are present to answer any queries from shareholders. The chairman will also propose separate resolutions for each issue to be considered at the annual general meeting.

The proceedings of the annual general meeting are reviewed periodically to ensure that shareholders' rights are maintained. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 45 days prior to the date of the meeting.

Directors' Report

The directors are pleased to submit their report, together with the audited financial statements of the Group, for the year ended 31 December 2007.

Principal activities

The Group's principal activity is the development of quality residential and commercial properties for sale in China, and its target customers are members of China's large and growing middle class. The Group also develops hotels, office buildings and shopping malls in Guangzhou, Beijing and other cities, which are held as investment properties.

An analysis of the Group's turnover and total assets during the financial year, by geographical distribution, is set out in note 5 to the financial statements.

Principal subsidiaries, associated companies and jointly controlled entities

A list of principal subsidiaries, associated companies and jointly controlled entities, together with their places of operation and incorporation and their issued capital and registered capital, is set out in notes 11, 12 and 13 to the financial statements.

Results

The profit of the Group for the year ended 31 December 2007 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 74 to 160 of this annual report.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 161 of this annual report. The summary of results is for comparative purposes only, and does not form an integral part of the audited financial statements.

Interim dividend

The Board declared an interim dividend for the six months ended 30 June 2007 of RMB0.15 per share, or a Hong Kong dollar equivalent of HK$0.15477 per share.

Final dividend

The Board has passed a resolution proposing the distribution of final dividends for 2007 at RMB0.25 per share. The proposed final dividend, if approved by shareholders at the annual general meeting (the "AGM") on 30 May 2008, will be paid to shareholders (including holders of both domestic shares and H shares) whose names appear on the register of members on 30 May 2008. The proposed dividend has not been reflected in the financial statements as at 31 December 2007.

According to the Articles of Association, dividends payable to shareholders are calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares are paid in RMB, whereas dividends payable to holders of the Company's H shares are paid in Hong Kong dollars. The exchange rate to be adopted is the average closing exchange rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividends.

Closing of register of members

The register of members will be closed from 14 April 2008 to 30 May 2008 (both days inclusive). In order to establish entitlement to the proposed final dividend to be approved at the AGM, and entitlement to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's H share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Friday, 11 April 2008.

Purchase, redemption or sales of listed securities of the company

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries nor its jointly controlled entity purchased, redeemed or sold any of the Company's listed securities.

Major suppliers and customers

During the year, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers combined was less than 30% of the Group's total turnover.

Donations

During the year, the total amount of charitable donations made by the Group was approximately RMB23.91 million (2006: RMB10.41 million).

Property, plant and equipment

The detailed changes in property, plant and equipment of the Group for the year are set out in note 8 to the financial statements.

Bank borrowings

Particulars of the bank borrowings of the Group as at 31 December 2007 are set out in note 24 to the financial statements.

Capitalized borrowing costs

Borrowing costs capitalized by the Group during the year amounted to approximately RMB807 million (2006: approximately RMB273 million).

Major properties
Major properties of the Group as at 31 December 2007 are set out on pages 162 to 166 of this annual report.

Share premium and reserves
Movements in the share premium and reserves of the Company during the year up to 31 December 2007 are set out in note 22 to the financial statements.

Distributable reserves
In accordance with the Articles of Association, distribution of dividends should be made out of distributable reserves, this being the lower amount either as determined under the Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the PRC ("PRC GAAP") or as determined under the Hong Kong Financial Reporting Standards ("HKFRS"). As at 31 December 2007, the Company's distributable reserves were approximately RMB2.009 billion, being the smaller of the distributable reserves as determined under the PRC GAAP and HKFRS.

Capital
Details of movements in the share capital of the Company during the year up to 31 December 2007 are set out in the statement of changes in equity on page 79 of this annual report.

The registered capital of the Company as at 31 December 2004 was RMB551,777,236, divided into 551,777,236 ordinary shares at a nominal value of RMB1.00 each.

On 8 May 2005, the Company obtained approval from the China Securities Regulatory Commission for the issuance of H shares to be listed on the main board of the Stock Exchange of Hong Kong Limited. On 14 July 2005, a total of 183,925,800 H shares of the Company were issued and listed on the main board of the Stock Exchange of Hong Kong Limited. On 8 August 2005, an additional 27,588,800 new H shares were issued and listed on the main board of the Stock Exchange of Hong Kong Limited as a result of the full exercise of an over-allotment option granted by the Company to the underwriters.

After the issue, the total issued share capital of the Company increased to RMB763,291,836, and share premium increased to RMB2,068,061,000.

On 28 September 2006, the Company obtained approvals from the China Securities Regulatory Commission and the Stock Exchange for a share subdivision from one existing ordinary share of RMB1.00 to four shares of RMB0.25. The share capital structure of the Company, after the share subdivision, is shown as in the table below.

Type of shares	No. of shares	Percentage of the total issued shares
Domestic shares	2,207,108,944	72.3%
H shares	846,058,400	27.7%
Total	**3,053,167,344**	**100.0%**

On 21 September 2006, the Company entered into a share placing agreement with JP Morgan Securities Limited and Morgan Stanley & Co., International Limited pursuant to which an aggregate of 169,200,000 subdivided new H shares were issued to investors. The Placing was completed on 3 October 2006. The share capital structure of the Company, after the Placing, is as follows:

Type of shares	No. of shares	Percentage of the total issued shares
Domestic shares	2,207,108,944	68.5%
H shares	1,015,258,400	31.5%
Total	**3,222,367,344**	**100.0%**

Directors and supervisors

The directors of the Company during the year were:

Executive Directors
Mr. Li Sze Lim
Mr. Zhang Li
Mr. Zhou Yaonan
Mr. Lu Jing

Non-executive Directors
Ms. Zhang Lin
Ms. Li Helen

Independent Non-executive Directors
Mr. Huang Kaiwen
Mr. Dai Feng
Mr. Lai Ming, Joseph

Supervisors
Mr. Feng Xiangyang
Ms. Liang Yingmei
Mr. Zheng Ercheng

In accordance with Article 92 of the Articles of Association, Ms. Li Helen, non-executive director and the independent non-executive directors, Mr. Huang Kaiwen, Mr. Dai Feng and Mr. Lai Ming, Joseph retire by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

Directors and supervisors' service contracts

Each of the directors and supervisors of the Company has entered into a service contract with the Company for a term of three years. None of the directors or supervisors has entered into any service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and supervisors' interests in contracts

No contract of significance to which the Company or any of its subsidiaries or jointly controlled entities was a party, and in which a director or a supervisor of the Company was materially interested, whether directly or indirectly, subsisted at any time during the year or as at 31 December 2007.

Directors' interests in competing business

During the year the following directors had interests in the following businesses which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group, other than those businesses where the directors were appointed as director of the businesses concerned to represent the interests of the Company/Group:

	Businesses which are considered to compete or be likely to compete, either directly or indirectly, with the business of the Group		
Name of Director	**Name of Entity**	**Description of Business**	**Nature of the interest of the director in the entity**
Mr. Li Sze Lim	Beijing Fushengli Investment Consulting Co., Ltd. ("Fushengli")	Owns an office building in Beijing for rental income	Shareholder
	Huizhou Golden Swan Hotspring Co., Ltd ("Golden Swan")	Spa Hotel	Shareholder
Mr. Zhang Li	Beijing Fushengli Investment Consulting Co., Ltd.	Owns an office building in Beijing for rental income	Shareholder
	Huizhou Golden Swan Hotspring Co., Ltd	Spa Hotel	Shareholder

Mr. Li Sze Lim and Mr. Zhang Li have confirmed that Fushengli and Golden Swan has no intention of engaging in any business (save as disclosed) which competes or is likely to compete with the Group. The Company's directors are of the view that the Company is capable of carrying on its business independently of Fushengli and Golden Swan.

Directors' and supervisors' interests and short positions in the shares and underlying shares and debentures of the company

As at 31 December 2007, the beneficial interests and short positions of the directors and supervisors of the Company and any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV 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:

(a) Long positions in the shares, underlying shares and debentures of the Company as at 31 December 2007 were as follows:

		Number of Shares				
Director	**Nature of Interest**	**Personal**	**Spouse or child under 18**	**Corporate Interest**	**Total**	**Percentage of the total number of issued shares**
Li Sze Lim	Domestic shares	1,045,092,672				
	H shares	1,000,000	5,000,000	2,000,000	1,053,092,672	32.68%
Zhang Li	Domestic shares	1,005,092,672	20,000,000			
	H shares		1,100,000		1,026,192,672	31.85%
Lu Jing	Domestic shares	35,078,352			35,078,352	1.09%
Zhou Yaonan	Domestic shares	22,922,624				
	H shares	18,000			22,940,624	0.71%
Li Helen	H shares	1,203,600			1,203,600	0.04%

(b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO)

Director	**Name of associated corporation**	**Type**	**No. of shares**	**Percentage of the total number of issued shares**
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. (Note)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd.	Corporate	N/A	35.0%
Zhang Li	Guangzhou Tianfu Property Development Co., Ltd. (Note)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd.	Corporate	N/A	35.0%

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

Substantial shareholders and other persons' interests in the shares and underlying shares of the company

As at 31 December 2007, so far as the directors are aware, only the following persons (other than the directors, supervisors and chief executive officer of the Company) held 5% or more beneficial interests or short positions 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 SFO, as recorded in the register as required to be kept under section 336 of the SFO.

Name of shareholder	Type of share	Number of shares (Note)	Percentage of H shares
UBS AG	"H" share	182,314,340(L)	17.96%
		99,608,663(S)	9.81%
JP Morgan Chase & Co.	"H" share	151,631,314(L)	14.94%
		15,006,600(S)	1.48%
		24,371,257(P)	2.40%
Morgan Stanley	"H" share	105,793,041(L)	10.42%
		58,364,013(S)	5.75%
Baring Asset Management	"H" share	70,189,062(L)	6.91%
Sloan Robertson LLP	"H" share	55,199,800(L)	5.43%
The Goldman Sachs Group, Inc.	"H" share	51,922,000(L)	5.11%
		10,690,000(S)	1.05%
Mirae Asset Global Investments (Hong Kong) Limited	"H" share	51,329,600(L)	5.06%
Deutsche Bank Aktiengesellschaft	"H" share	51,130,941(L)	5.04%
		32,008,193(S)	3.15%

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

Share option scheme

The Group did not adopt any share option scheme during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 of 8%, requiring disclosure under the Listing Rules.

Connected transactions

During the year, the following continuing connected transactions took place on normal commercial terms:

1. **Provision of restaurant services by Guangzhou Fuligong Restaurant Co., Ltd. to the Company**
   On 27 June 2005, the Company entered into an agreement with Fuligong Restaurant Co., Ltd. ("Fuligong"). Fuligong agreed to provide restaurant services to members of the Group from time to time under normal commercial terms, which are to be no less favourable than those available to independent third parties. The agreement was for a period commencing from the date of the listing 14 July 2005 to 31 December 2007.

   Fuligong is wholly owned by Mr. Li Sze Lim and Mr. Zhang Li, who are the directors and controlling shareholders of the Company. Fuligong is therefore a connected person of the Company.

   The total amount spent on purchase of restaurant services for the year ended 31 December 2007 amounted to approximately RMB10,742,000.

2. **Appointment of Beijing Hengfu Property Management Co., Ltd. as the management company by Fushengli**
   On 1 May 2005, Beijing Hengfu Property Management Co., Ltd. ("Beijing Hengfu") and Fushengli entered into an agreement pursuant to which Fushengli appointed Beijing Hengfu to provide management services in respect of Block B2 of Beijing R&F City at a monthly administrative fee of RMB41,000, a monthly fee of RMB18 per square meter in respect of occupied offices and shop areas, and a monthly fee of RMB150 per car parking space. The agreement dates from 1 May 2005 to 30 April 2007. According to the terms of the agreement, Beijing Henfu continued to provide management services to Fushengli upon the expiration of the contract until further notice.

   The total amount received by Beijing Hengfu for the year ended 31 December 2007 amounted to RMB852,000 (2006: RMB852,000).

3. **Lease of properties to Beijing R&F by Fushengli**
   Beijing R&F and a subsidiary entered into three tenancy agreements with Fushengli for certain units of Block B2 of Beijing R&F City. Two of the agreements were for a tenancy period from January 2007 to December 2007 with an aggregate monthly rental of RMB812,558. The third agreement covered a period from April 2007 to December 2007 at a monthly rental of RMB281,910. The rents were determined with reference to prevailing market rates.

The total rental for the year ended 31 December 2007 amounted to RMB12,288,000.

Items 2 and 3 of the continuing connected transactions under the Listing Rule 14A.34(1) as mentioned above involved Fushengli. As of 31 December 2007, Fushengli was beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 35% each. Both Mr. Li Sze Lim and Mr. Zhang Li are directors and controlling shareholders of the Company, and therefore Fushengli is a connected person.

4. **Lease of properties from Central Hope Limited ("Central Hope")**
   The Company entered into a tenancy agreement with Central Hope to lease the property as our office in Hong Kong from 14 July 2007 to 13 July 2009 at a monthly rent of HK$20,000. It is a renewal tenancy agreement and the rent was determined with reference to prevailing market rates.

   Central Hope is wholly owned by Mr. Li Sze Lim and Mr. Zhang Li, who are the directors of controlling shareholders of the Company. Central Hope is therefore a connected person of the Company

   The total amount paid by the Company for the year ended 31 December 2007 amounted to HK$238,575.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company, who have confirmed that the aforesaid connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditors of the Company to perform certain fact-finding procedures regarding the above continuing connected transactions on a sample basis, in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported to the Board their findings on the selected samples based on the agreed procedures.

Post Balance Sheet Events

There were no significant post balance sheet events.

Management contracts

No contract for the management and administration of the Group was entered into or was subsisting during the year.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Auditors

The financial statements of the Group have been audited by PricewaterhouseCoopers and it has indicated its willingness to be continuously in office. A resolution will be proposed by the Board at the AGM to re-appoint the firm as the auditors of the Group until the close of the next annual general meeting.

By order of the Board
Chairman
Li Sze Lim
Guangzhou, China
13 March 2008

Report of the Supervisory Committee

Dear Shareholders,

During 2007, the Supervisory Committee (the "Committee") carried out its supervisory duties conscientiously and diligently to protect the interests of shareholders, in accordance with PRC Company Law and the Company's Articles of Association.

The Committee consists of three members: Mr. Feng Xiangyang, who was elected from amongst the Company's employees; and Ms. Liang Yingmei and Mr. Zheng Ercheng, both independent supervisors representing shareholders' interests. A member of the Committee attended the meeting of the Board of Directors at which the Company's final 2007 results were approved, and one will also attend the upcoming 2007 annual general meeting.

Throughout the year, members of the Committee closely monitored the performance of the Company's directors and senior management, and reviewed all material policies formulated and important decisions taken. The Committee considers that the directors and senior management have conducted the Company's business diligently and honestly with the aim of advancing its stated corporate goals, and that they have acted in the best interests of the Company and its shareholders and in compliance with the laws and regulations of the PRC and the Company's Articles of Association.

The Committee has reviewed the financial statements for the year ended 31 December 2007, prepared in accordance with Hong Kong Financial Reporting Standards and audited by the Company's auditors, PricewaterhouseCoopers. The Committee has also reviewed the report of the directors and the profit appropriation proposal to be presented by the Board at the forthcoming 2007 annual general meeting. The Committee considers that the financial statements reflect a true and fair view of the Company's financial position and the results of its operations, and that they comply with all regulations applicable to the Company.

The Committee is satisfied with the business performance and achievement of the Company in 2007, and has great confidence in its future.

By order of the Supervisory Committee
Feng Xiangyang
Convenor
Guangzhou, PRC
13 March 2008

Directors And Supervisors

Executive Directors

Li Sze Lim (李思廉) ***aged 50, is the Chairman of the Company***

Mr. Li has a wealth of experience and profound knowledge of property development and other related businesses. In 1993, Mr. Li started his career in the real estate business and in August 1994, Mr. Li Sze Lim and Mr. Zhang Li together founded Guangzhou R&F Properties. Since then, he has taken on the position of Chairman of the Company and is also responsible for managing the sales and financial backbone of the company in his capacity as an executive director, while sharing the responsibility of defining corporate strategy and making critical decisions with Mr. Zhang, Co-chairman and Chief Executive Officer of the Company. Today, the Company has expanded from Guangzhou to over ten cities including Beijing, Tianjin, Xian, Chongqing and Hainan. These expansion successes have driven the size of the business to a nationwide level and have put the Company at the top of all property development companies in China. Mr. Li obtained his bachelor degree in mathematics in 1978 from the Chinese University of Hong Kong and was a merchant when starting his career.

Mr. Li did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a controlling shareholder of the Company. Save as disclosed, Mr. Li does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 1,045,092,672 domestic shares, 6,000,000 H shares and a corporate interest of 2,000,000 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Li and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Li will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

Zhang Li (張力) ***aged 54, is the Co-chairman and Chief Executive Officer of the Company***

Mr. Zhang has a wealth of experience in property development and other related businesses. In 1993, Mr. Zhang began to engage in real estate development and in August 1994, together with Mr. Li, founded Guangzhou R&F Properties. He has since taken on the positions of Vice Chairman and President, and was appointed Co-Chairman and Chief Executive Officer of the Company in 2005. Mr. Zhang utilizes his expertise in land acquisition, engineering, construction and cost control, and in managing daily operations. Together with Mr. Li, he shares the responsibility of defining the Company's corporate strategy and in making critical decisions for the Company. Mr. Zhang started his career in the construction and renovation business.

Mr. Zhang did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co., Ltd. and a controlling shareholder of the Company. Save as disclosed, Mr. Zhang does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 1,025,092,672 domestic shares and 1,100,000 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zhang and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zhang will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

Zhou Yaonan (周耀南) ***aged 53, is an Executive Director of the Company and General Manager***

Mr. Zhou is primarily responsible for coordinating and monitoring the construction and development of property developments; his remit includes the selection of contractors and quality control. He was appointed as a Deputy General Manager when he joined the Group in October 1995 and was made General Manager in 2005. He was elected as an Executive Director of the Board in October 2001. Prior to joining the Group, he was the Section Chief of the Construction Materials Division of the Education Bureau of Tianhe District in Guangzhou from 1990 to 1995. He held various teaching and administrative positions with a number of middle schools in Guangzhou from 1970 to 1990, after graduating from South China Normal University with a bachelor's degree.

Mr. Zhou did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co. Ltd. and a shareholder of the Company. Mr. Zhou does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 22,922,624 domestic shares and 18,000 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Zhou and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Zhou will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

Lu Jing (吕劲) ***aged 47, is an Executive Director of the Company and Deputy General Manager***

Mr. Lu has been with the Company since the formation of Tianli Properties Development Co., Ltd. in August 1994, and has been serving as Deputy General Manager since then. He was elected as Executive Director of the Board in October 2001. He was the General Manager of Beijing R&F Properties Development Co. Ltd. and R&F (Beijing) Properties Development Co. Ltd., both subsidiaries of the Company, and was responsible for the Company's development projects in Beijing. He is currently the vice chairman of a subsidiary of the Company, Shanghai R&F Properties Development Co., Ltd., and is primarily responsible for the Company's development projects in Eastern China. He graduated from the Guangdong University of Mining in 1982 with a bachelor's degree in industrial automation. He has also been awarded an EMBA degree from Peking University. Prior to joining the Company, Mr. Lu was deputy manager of a pharmaceutical factory in Guangzhou.

Mr. Lu did not hold any directorship in any other listed public company within the last three years. He is a director of Guangzhou R&F Properties Co. Ltd. and a shareholder of the Company. Mr. Lu does not have any relationships with any other directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest of 35,078,352 domestic shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Mr. Lu and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Lu will be determined by the Board with reference to job responsibilities and the Group's performance and profitability.

Non-executive Directors

Zhang Lin (張琳) ***aged 59, was elected a Non-executive Director of the Board in June 2004***

Ms. Zhang served as a lecturer at the South China University of Technology from 1982 to 1993 and as an associate professor from 1993 to 2003, teaching electrical and electronic engineering technology. Ms. Zhang graduated from the South China University of Technology having majored in electrical engineering. Ms. Zhang is the sister of Zhang Li.

Ms. Zhang did not hold any directorship in any other listed public company within the last three years. There is a service contract signed between the Company and Ms. Zhang and she will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Ms. Zhang will be determined by the Board.

Li Helen (李海倫) ***aged 56, was appointed a Non-executive Director of the Board in May 2005***

Ms. Li has over 25 years of experience in international trade and has held various senior executive positions with several international companies. From 1986 to 1987 she was the Managing Director of Sunrise Knitwear Ltd., a knitwear manufacturing company in Hong Kong and a subsidiary of Hong Kong Sales Knitwear Ltd. From 1988 to 2005 she was the president of Great Seas Marketing Inc., a Canadian garment wholesale and distribution company. Ms. Li is the sister of Mr. Li Sze Lim.

Ms. Li did not hold any directorship in any other listed public company within the last three years. She has a personal interest of 1,203,600 H shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is a service contract signed between the Company and Ms. Li and she will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Ms. Li will be determined by the Board.

Independent Non-executive Directors

Huang Kaiwen (黃開文) ***aged 74, is an Independent Non-executive Director of the Company***

Mr. Huang held senior administrative positions with various schools and colleges from 1963 to 1979. From 1979 to 1996 he was a division chief, deputy director general and director general of the Guangzhou Bureau of Land Resources and Housing Administration. Mr. Huang became one of the Company's independent Non-executive Directors in May 2005.

Mr. Huang did not hold any directorship in any other listed public company within the last three years. There is a service contract signed between the Company and Mr. Huang and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Huang will be determined by the Board.

Dai Feng (戴逢) ***aged 65, is an Independent Non-executive Director of the Company***

Mr. Dai has over 40 years of experience in urban planning and administration, specializing in urban planning, design and related information technology. Currently, he is a member of the Expert Committee of Ministry of Urban Planning of China. Since 2000, he has been a part-time professor at a number of universities and was a consultant to the China Association of City Planning, an association which studies issues concerning the reform of urban planning in China and assists the government in the drafting of development plans. He is also a fellow of the Euroasian Academy of Sciences. Since 1985, he has won various prizes in urban planning and the application of advanced technology. His achievements in applying advanced technology in urban planning have been recognized by China's Ministry of Construction. Mr. Dai became an independent Non-executive Director of the Company in May 2005.

Mr. Dai is an independent director of Poly Real Estate Group Limited, Guangzhou Donghua Enterprise Co., Ltd. and KWG Property Holding Limited. There is a service contract signed between the Company and Mr. Dai and he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company. The emolument payable to Mr. Dai will be determined by the Board.

Lai Ming, Joseph (黎明) ***aged 63, was appointed as an Independent Non-executive Director of the Company in May 2005***

Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia, the Chartered Institute of Management Accountants ("CIMA") and the HK Institute of Directors. He co-founded the Hong Kong Centre of CIMA in 1973 and was its president from 1974 to 1975 and from 1979 to 1980. He was the president of the HKICPA in 1986 and is presently on its Investigation Panel. Mr. Lai is also an advisor to the Corporate Governance Committee of the Hong Kong China Division of CPA Australia.

Until his retirement in 2004, Mr. Lai served several Hong Kong listed companies in key management positions with a particular emphasis on corporate finance, organization and management information. He is an independent non-executive director of Dynasty Fine Wines Group Ltd., Jolimark Holdings Ltd., Shinhint Acoustic Holdings Ltd. and Country Garden Holidays Company Limited. Mr. Lai is also a founding member and director of Opera H.K. Ltd. and a director of the Research and Development Corp. of the Hong Kong University of Science and Technology.

Supervisors

Feng Xiangyang (鳳向陽) ***aged 60, is a Supervisor of the Company***

Mr. Feng held various positions in the government of the Tianhe District of Guangzhou, including those of deputy director of the Transportation Bureau and the director of the Bureau of Township Enterprises of the Tianhe District from 1985 to 1990; and vice district governor of the Tianhe District from 1990 to 1996. He joined the Group in August 2001 as a manager in the Engineering Department, and was elected deputy general manager in 2005. He was appointed as a Supervisor in June 2004 to act as a representative of the Company's employees.

Liang Yingmei (梁英梅) ***aged 67, is a Supervisor of the Company***

Ms. Liang has over 40 years of experience in the construction industry. She has been the chairman of the Association of the Construction Materials Industry of Guangzhou since 2000. Prior to 2000, she served as an engineer, a deputy general manager and finally chairman and general manager of Guangzhou Construction Materials Group Corporation. Ms. Liang received a bachelor's degree in chemistry from the South China University of Technology in 1964. She was appointed as a Supervisor of the Company in June 2004 to act as a representative of the Company's shareholders.

Zheng Ercheng (鄭爾城) ***aged 50, is a Supervisor of the Company***

Mr. Zheng has extensive experience in the China banking industry and financial sector. He was sub-branch deputy governor and then governor of China Construction Bank, Guangzhou Branch, Tianhe Sub-branch from 1987 to 1997 and general manager of the International Business Department of the Guangzhou Branch of the China Construction Bank from 1997 to 1999. He was the general manager of the Guangzhou Branch of Cinda Asset Management Company from 1999 to 2000. He became a Supervisor of the Company in June 2004, to act as a representative of the Company's shareholders. He is also the general manager of Guangzhou Fuze Property Development Company.

Independent Auditor's Report

羅兵咸永道會計師事務所

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Independent Auditor's Report
To the shareholders of Guangzhou R&F Properties Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 74 to 160, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 March 2008

Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
ASSETS	Note	**2007**	**2006 Restated**
Non-current assets			
Land use rights	6	**10,342,679**	8,098,580
Properties held for development	7	**2,859,095**	1,960,679
Property, plant and equipment	8	**2,390,260**	1,311,101
Investment properties	9	**5,366,774**	926,153
Intangible assets	10	**1,019,806**	50,620
Interests in jointly controlled entities	12	**405,311**	–
Investments in associates	13	**35,216**	–
Deferred income tax assets	26	**297,155**	201,187
Available-for-sale financial assets	14	**416,000**	144,762
Trade and other receivables	15	**1,900,995**	181,530
		25,033,291	12,874,612
Current assets			
Properties under development	7	**12,357,422**	5,877,845
Completed properties held for sale	16	**3,943,484**	1,788,546
Land use rights	6	**5,047,634**	2,579,891
Inventories	17	**177,233**	–
Trade and other receivables	15	**4,654,746**	1,023,225
Tax prepayments	25	**695,515**	438,302
Restricted cash	18	**956,875**	602,412
Cash	19	**1,329,691**	1,415,926
		29,162,600	13,726,147
Total assets		**54,195,891**	26,600,759
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**805,592**	805,592
Other reserves	22	**4,434,497**	4,092,217
Retained earnings	21		
– Proposed final dividend	35	**805,592**	644,473
– Others		**6,579,860**	2,704,370
		12,625,541	8,246,652
Minority interest in equity		**74,339**	280,848
Total equity		**12,699,880**	**8,527,500**

(All amounts in RMB Yuan thousands unless otherwise stated)

LIABILITIES	Note	As at 31 December 2007	As at 31 December 2006 Restated
Non-current liabilities			
Long-term bank loans	24	**12,532,500**	4,508,000
Long-term payables		**272,000**	–
Deferred income tax liabilities	26	**1,439,428**	479,258
		14,243,928	4,987,258
Current liabilities			
Accruals and other payables	23	**11,135,489**	3,919,623
Deposits received on sale of properties		**6,542,480**	4,250,725
Current income tax liabilities	27	**2,206,847**	1,507,919
Short-term bank loans	24	**3,803,267**	1,914,734
Current portion of long-term bank loans	24	**3,564,000**	1,493,000
		27,252,083	13,086,001
Total liabilities		**41,496,011**	18,073,259
Total equity and liabilities		**54,195,891**	26,600,759
Net current assets		**1,910,517**	640,146
Total assets less current liabilities		**26,943,808**	**13,514,758**

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 81 to 160 are an integral part of these consolidated financial statements.

Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
ASSETS	Note	**2007**	**2006 Restated**
Non-current assets			
Land use rights	6	**1,509,401**	1,079,911
Properties held for development	7	**600,820**	417,768
Property, plant and equipment	8	**42,908**	43,303
Investment properties	9	**223,675**	189,295
Intangible assets	10	**4,492**	1,413
Investments in subsidiaries	11	**7,455,517**	5,469,150
Interests in jointly controlled entities	12	**22,139**	–
Deferred income tax assets	26	**45,805**	50,191
Available-for-sale financial assets	14	**416,000**	144,762
Trade and other receivables	15	**1,602,801**	39,468
		11,923,558	7,435,261
Current assets			
Properties under development	7	**1,335,321**	1,118,951
Completed properties held for sale	16	**1,437,281**	639,263
Land use rights	6	**724,469**	442,191
Trade and other receivables	15	**6,859,790**	4,518,194
Tax prepayments	25	**109,941**	99,047
Restricted cash	18	**395,850**	387,748
Cash	19	**331,128**	513,716
		11,193,780	7,719,110
Total assets		**23,117,338**	15,154,371
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**805,592**	805,592
Other reserves	22	**4,434,497**	4,092,217
Retained earnings	21		
– Proposed final dividend	35	**805,592**	644,473
– Others		**1,257,417**	283,764
Total equity		**7,303,098**	**5,826,046**

(All amounts in RMB Yuan thousands unless otherwise stated)

LIABILITIES	Note	As at 31 December 2007	As at 31 December 2006 Restated
Non-current liabilities			
Long-term bank loans	24	**4,788,000**	1,958,000
Deferred income tax liabilities	26	**146,308**	96,273
		4,934,308	2,054,273
Current liabilities			
Accruals and other payables	23	**7,155,681**	4,217,140
Deposits received on sale of properties		**1,177,237**	1,081,325
Current income tax liabilities	27	**1,024,421**	577,587
Short-term bank loans	24	**902,593**	500,000
Current portion of long-term bank loans	24	**620,000**	898,000
		10,879,932	7,274,052
Total liabilities		**15,814,240**	9,328,325
Total equity and liabilities		**23,117,338**	15,154,371
Net current assets		**313,848**	445,058
Total assets less current liabilities		**12,237,406**	**7,880,319**

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 81 to 160 are an integral part of this financial statement.

Consolidated Income Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2007	2006 Restated
Turnover	5	**14,771,919**	10,186,765
Cost of sales	29	**(9,226,030)**	(6,513,844)
Gross profit		**5,545,889**	3,672,921
Other gains	28	**3,385,097**	381,969
Selling and administrative expenses	29	**(671,306)**	(430,620)
Other operating expenses	29	**(43,227)**	(15,636)
Operating profit		**8,216,453**	3,608,634
Finance costs — net	31	**(102,929)**	(49,741)
Share of losses of jointly controlled entities	12	**(52)**	–
Share of losses of associates	13	**(3,866)**	–
Profit before income tax		**8,109,606**	3,558,893
Income tax expense	32	**(2,794,367)**	(1,413,809)
Profit for the year		**5,315,239**	2,145,084
Attributable to:			
Equity holders of the Company		**5,302,786**	2,135,016
Minority interest		**12,453**	10,068
		5,315,239	2,145,084
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in RMB Yuan per share)	34	**1.6456**	0.6899
Dividends	35	**1,288,445**	966,710
Dividends per share (expressed in RMB Yuan per share)		**0.4000**	**0.3000**

The notes on pages 81 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2006		763,292	2,465,610	2,039,837	5,268,739	40,173	5,308,912
Fair value gain, net of tax:							
– available-for-sale financial assets		–	58,043	–	58,043	–	58,043
Issuance of H shares	20	42,300	–	–	42,300	–	42,300
Share premium	20	–	1,568,564	–	1,568,564	–	1,568,564
Business combinations		–	–	–	–	230,107	230,107
Profit for the year		–	–	2,135,016	2,135,016	10,068	2,145,084
Dividends relating to 2005 final and 2006 interim		–	–	(826,010)	(826,010)	–	(826,010)
Capital contributions from minority shareholder		–	–	–	–	500	500
Balance at 31 December 2006		805,592	4,092,217	3,348,843	8,246,652	280,848	8,527,500
Balance at 1 January 2007		805,592	4,092,217	3,348,843	8,246,652	280,848	8,527,500
Fair value gain, net of tax:							
– available-for-sale financial assets		–	203,429	–	203,429	–	203,429
Acquisition of additional interests in a subsidiary from minority shareholder		–	–	–	–	(229,577)	(229,577)
Business combinations	40	–	–	–	–	149	149
Profit for the year		–	–	5,302,786	5,302,786	12,453	5,315,239
Dividends relating to 2006 final and 2007 interim	35	–	–	(1,127,326)	(1,127,326)	–	(1,127,326)
Dividends paid to minority shareholder		–	–	–	–	(29,534)	(29,534)
Transfers	22	–	138,851	(138,851)	–	–	–
Capital contributions from minority shareholder		–	–	–	–	40,000	40,000
Balance at 31 December 2007		**805,592**	**4,434,497**	**7,385,452**	**12,625,541**	**74,339**	**12,699,880**

The notes on pages 81 to 160 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2007	2006 Restated
Cash flows from operating activities			
Cash used in operations	36	**(5,806,198)**	(2,170,250)
Interest paid	31	**(909,487)**	(323,214)
Enterprise income tax and land appreciation tax paid		**(1,611,163)**	(959,173)
Net cash used in operating activities		**(8,326,848)**	(3,452,637)
Cash flows from investing activities			
Business combinations	40	**159,652**	(1,564,425)
Purchase of property, plant and equipment	8	**(1,087,055)**	(580,638)
Purchase of intangible assets	10	**(5,220)**	–
Proceeds from sale of property, plant and equipment	36	**860**	7,042
Acquisition of additional interests in a subsidiary		**(213,970)**	–
Proceeds from sale of shares of associates	13	**995**	–
Cash outflow resulted from disposal of subsidiaries	41	**(110,818)**	–
Interest received	28	**28,996**	39,287
Net cash used in investing activities		**(1,226,560)**	(2,098,734)
Cash flows from financing activities			
Proceeds from issuance of H shares		**–**	1,610,864
Proceeds from borrowings		**14,951,201**	6,300,734
Repayments of borrowings		**(4,367,168)**	(1,660,000)
Movement in balances with shareholders	42	**–**	(37,648)
Contributions from minority shareholders		**40,000**	500
Dividends paid to minority shareholders		**(29,534)**	–
Dividends paid to the Company's shareholders	35	**(1,127,326)**	(826,010)
Net cash generated from financing activities		**9,467,173**	5,388,440
Net decrease in cash and cash equivalents		**(86,235)**	(162,931)
Cash at beginning of the year		**1,415,926**	1,578,857
Cash at end of the year	**19**	**1,329,691**	**1,415,926**

The notes on pages 81 to 160 are an integral part of these consolidated financial statements.

1. General information

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") mainly engages in the development and sale of properties in the People's Republic of China (the "PRC").

The Company was established in 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 address of its registered office is No. 19 Jiaochang Road East, Guangzhou 510055 PRC.

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

These consolidated financial statements are presented in thousands of units of RMB Yuan (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets, financial liabilities and investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) ***Standards, amendments and interpretations effective in 2007 and relevant to the Group's operations***

- HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements — Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) ***Standards, amendments and interpretations effective in 2007 and relevant to the Group's operations*** (continued)

- HK(IFRIC)-Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 9, "Re-assessment of embedded derivatives", requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. Management believes that this interpretation should not have a significant impact on the Group as the Group has already been using principle consistent with HK(IFRIC)-Int 9.

- HK(IFRIC)-Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's consolidated financial statements.

(b) ***Interpretation effective in 2007 but not relevant to the Group's operations***

- HK(IFRIC)-Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies".

(c) ***Standards and amendments that are not yet effective and have not been early adopted by the Group***

The following standards and amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) ***Standards and amendments that are not yet effective and have not been early adopted by the Group*** (continued)

- HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's consolidated financial statements.

- HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009, but it is not expected to have any impact on the Group's consolidated financial statements.

(d) ***Interpretations that are not yet effective and not relevant to the Group's operations***

The following interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but are not relevant to the Group's operations:

- HK(IFRIC)-Int 11, "HKFRS 2 — Group and treasury share transactions" (effective from 1 March 2007) .

- HK(IFRIC)-Int 12, "Service concession arrangements" (effective from 1 January 2008).

- HK(IFRIC)-Int 13, "Customer loyalty programmes" (effective from 1 July 2008).

- HK(IFRIC)-Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008).

2. Summary of significant accounting policies (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) ***Subsidiaries***

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) ***Transactions with minority interest***

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) ***Jointly controlled entities***

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(d) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2.9). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2.5 Property, plant and equipment

Buildings comprise mainly office premises. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20–30 years
– Furniture, fixtures and equipment	5 years
– Motor vehicles	6 years
– Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains or other operating expenses in the consolidated income statements.

2.6 Assets under construction

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to investment properties.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.7 Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

2. Summary of significant accounting policies (continued)

2.7 Investment properties (continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement as part of other gains.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

2.8 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or jointly controlled entities is included in investments in associates or jointly controlled entities and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (Note 2.9). Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2. Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(b) ***Construction licences***

Construction licences are stated at historical cost on acquisition. The construction licences are subject to the annual renewal with relevant governmental authorities and the useful life of which is considered indefinite.

Separately recognised construction licences are tested annually for impairment and carried at cost less accumulated impairment losses (Note 2.9).

(c) ***Customer contracts***

Customer contracts are stated at historical cost on acquisition, and are amortised over the estimated contracting periods.

(d) ***Computer software***

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

2.9 Impairment of investments in subsidiaries, jointly controlled entities, associates, and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash" in the balance sheet (Note 2.15 and 2.16).

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(b) *Available-for-sale financial assets* (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Impairment testing of trade receivables is described in Note 2.15.

2.11 Properties held for/under development

Properties held for/under development are stated at the lower of cost and net realisable value and comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On commencement of construction, properties held for development are transferred to properties under development. On completion, the properties are transferred to completed properties held for sale.

2.12 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

2.13 Inventories

Inventories are construction materials, which are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Construction contracts

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. Summary of significant accounting policies (continued)

2.14 Construction contracts (continued)

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and other receivables.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.15 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within selling and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and administrative expenses in the consolidated income statement.

2.16 Cash

Cash includes cash in hand and deposits held at call with banks.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (continued)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. Borrowing costs cease to be capitalised when substantially all the activities necessary to prepare the asset for its intended use or sale are completed.

2.20 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Summary of significant accounting policies (continued)

2.21 Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2.22 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of significant accounting policies (continued)

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) ***Sale of properties***

Revenue from sale of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and ready for delivery to the purchasers pursuant to the sale agreements. Deposits and installments received on properties sold prior to their completion are included in current liabilities.

(b) ***Construction services***

Revenue arising from construction services is recognised in the accounting period in which the service is rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided (Note 2.14).

(c) ***Rental income***

Operating lease rental income is recognised on a straight-line basis over the lease term.

(d) ***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) ***Dividend income***

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (continued)

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(1) *The Group is the lessee*

(a) *The Group is the lessee other than operating lease of land use rights*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and are amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development and assets under construction. The amortisation during the period before the commencement and after the completion of construction of the properties is expensed in the consolidated income statement. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties (Note 2.7).

(2) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.25 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.26 Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) ***Market risk***

(i) *Foreign exchange risk*

The Group operates in the PRC with most of the transactions denominated in RMB, except for certain proceeds from sale of subsidiaries and borrowings denominated in foreign currencies, as well as dividends to equity holders of H Shares declared in RMB and paid in HK dollars ("HKD"). The Group has not hedged its foreign exchange rate risk. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The table below summarises the impact of changes of foreign exchange rate with all other variables held at constant on the Group's post-tax profit for the year.

	RMB against the foreign currency	
	weaken by 10%	strengthen by 10%
	impact on post-tax profit for the year	
Denominated in HKD		
Cash	3,997	(3,997)
Borrowings	(16,795)	16,795
Denominated in US dollars ("USD")		
Cash	34	(34)
Trade and other receivables	8,224	(8,224)
Borrowings	(13,574)	13,574

(ii) *Price risk*

The Group is exposed to equity securities price risk because available-for-sale financial assets held by the Group, which are not publicly traded, would be influenced by market price. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(iii) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swaps arrangements but will consider hedging interest rate risk should the need arise.

The table below summarises the impact of changes of interest rate with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	10% higher	10% lower
	Impact on post-tax profit for the year	
Borrowings at variable rates	(47,457)	47,457

(b) *Credit risk*

The extent of credit exposure of the Group is aggregate carrying value of cash deposits in banks and trade and other receivables except for prepayments. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history and deposits are placed with high-credit-quality banks.

During the year, the Group's sales to the top five customers accounted for approximately 12% of the total revenue (2006: 2%). As at 31 December 2007, approximately 71% (2006: 26%) of the trade receivables was concentrated on the top five customers. The Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has the right to cancel the contracts once repayment from the customers is in default.

Other than the above, the Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

(All amounts in RMB Yuan thousands unless otherwise stated)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) ***Liquidity risk***

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to meet its construction commitments.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2007					
Borrowings	8,451,786	7,148,581	5,830,631	511,213	21,942,211
Accrual and other payables	11,135,489	–	–	–	11,135,489
Long-term payable	–	136,000	136,000	–	272,000
At 31 December 2006					
Borrowings	3,778,424	2,750,859	1,596,590	550,895	8,676,768
Accrual and other payables	3,919,623	–	–	–	3,919,623
Company					
At 31 December 2007					
Borrowings	1,897,741	2,677,999	2,431,680	–	7,007,420
Accrual and other payables	7,155,681	–	–	–	7,155,681
At 31 December 2006					
Borrowings	1,550,956	883,273	1,211,782	–	3,646,011
Accrual and other payables	4,217,140	–	–	–	4,217,140

3. Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and restricted cash. Total capital is capital and reserves attributable to the Company's equity holders.

The gearing ratio is calculated as follows:

	2007	2006
Total borrowings (Note 24)	19,899,767	7,915,734
Less: Cash and restricted cash	(2,286,566)	(2,018,338)
Net debt	17,613,201	5,897,396
Capital and reserves attributable to the Company's equity holders	12,625,541	8,246,652
Gearing ratio	**139.5%**	**71.5%**

3.3 Fair value estimation

The fair value of financial instruments, including unlisted equity investments, that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods (i.e. market prices for similar financial assets and financial liabilities and estimated discounted cash flows) and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

A sensitivity analysis on key assumptions used in the calculation has been carried out. Management believes that any possible change in key assumptions within a reasonable range would not result in any impairment of goodwill as at 31 December 2007.

(b) Estimated impairment of construction licences

Useful life of construction licences is indefinite and therefore, the carrying amount is subject to test annually for impairment, in accordance with the accounting policy in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Were the royalty rate applied in the calculation lower than management estimates by 10%, the Group would have recognised an impairment by RMB32,000,000.

(c) Current taxation and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

4. Critical accounting estimates and judgements (continued)

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax expense of the Group. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the period in which such determination is made.

(e) Estimate of fair value of investment properties

In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Were the market price to differ by 5% from management estimates, it is estimated that fair value gains would change by RMB268,000,000 in future periods.

(f) Estimate of fair value of available-for-sale financial assets

The fair value of the Group's available-for-sale financial assets is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The calculation and valuations require the use of judgement and estimates.

Were the market price to differ by 5% from management estimates, it is estimated that the balance of available-for-sale financial assets would change by RMB20,800,000.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. Turnover and segment information

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

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

	Year ended 31 December	
Turnover	**2007**	**2006**
Sale of properties	**14,461,211**	10,108,107
Construction services income	**214,074**	–
Rental income	**96,634**	78,658
	14,771,919	**10,186,765**

	Year ended 31 December	
Turnover by geographical location	**2007**	**2006**
Guangzhou	**7,744,758**	5,164,123
Beijing	**4,902,158**	4,185,987
Tianjin	**1,733,007**	836,655
Xian	**391,996**	–
	14,771,919	**10,186,765**

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

5. Turnover and segment information (continued)

Total assets	As at 31 December 2007	2006
Guangzhou	**20,489,975**	12,854,421
Beijing	**13,652,574**	8,328,132
Tianjin	**10,590,559**	3,103,796
Chongqing	**3,709,430**	1,423,394
Xian	**736,159**	765,609
Others	**5,017,194**	125,407
	54,195,891	**26,600,759**

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

Capital expenditure	Year ended 31 December 2007	2006
Guangzhou	**2,100,845**	700,643
Beijing	**26,296**	15,458
Tianjin	**29,888**	33,301
Chongqing	**19,320**	3,924
Xian	**2,369**	–
Others	**7,978**	3,126
	2,186,696	**756,452**

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

(All amounts in RMB Yuan thousands unless otherwise stated)

6. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group			
	2007		2006	
	Non-current	Current	Non-current	Current
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	**10,342,679**	5,047,634	**8,098,580**	2,579,891

	Group			
	2007		2006	
	Non-current	Current	Non-current	Current
Opening	**8,098,580**	2,579,891	**2,677,801**	2,173,985
Additions	**6,645,497**	259,123	**5,067,069**	83,923
Business combinations	**–**	–	**1,598,380**	13,519
Transfers to current portion	**(3,745,219)**	3,745,219	**(1,231,337)**	1,231,337
Transfers to cost of sales	**–**	(1,143,891)	**–**	(860,156)
Transfers to investment properties (Note 9)	**–**	(287,794)	**–**	–
Amortisation of prepaid operating lease payments	**(40,179)**	(104,914)	**(13,333)**	(62,717)
Disposals of subsidiaries (Note 41)	**(616,000)**	–	**–**	–
	10,342,679	**5,047,634**	**8,098,580**	**2,579,891**

	Company			
	2007		2006	
	Non-current	Current	Non-current	Current
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	**1,509,401**	724,469	**1,079,911**	442,191

6. Land use rights (continued)

	Company			
	2007		2006	
	Non-current	Current	Non-current	Current
Opening	**1,079,911**	442,191	**781,940**	584,160
Additions	**930,051**	39,628	**503,473**	33,780
Transfers to current portion	**(498,187)**	498,187	**(202,325)**	202,325
Transfers to cost of sales	**–**	(242,801)	**–**	(363,191)
Amortisation of prepaid operating lease payments	**(2,374)**	(12,736)	**(3,177)**	(14,883)
	1,509,401	**724,469**	**1,079,911**	**442,191**

The Group had made payments for land use rights of RMB6,073,332,000 as at 31 December 2007 (2006: RMB4,537,560,000), for which the Group was in the process of applying for formal land use rights certificates.

The Company had made payments for land use rights of RMB1,484,013,000 as at 31 December 2007 (2006: RMB553,964,000), for which the Company was in the process of applying for formal land use rights certificates.

The prepaid operating lease payments were amortised in the following category:

	Group	
	2007	2006
Charge to consolidated income statement (Note 29)	**77,884**	22,990
Capitalised in property, plant and equipment and properties under development	**67,209**	53,060
	145,093	**76,050**

Land use rights pledged as collateral is as follows:

	Group		Company	
	2007	2006	2007	2006
Land use rights	**662,585**	—	—	—

(All amounts in RMB Yuan thousands unless otherwise stated)

7. Properties held for/under development

	Group		Company	
	2007	2006	2007	2006
Beyond normal operating cycle included in non-current assets	**2,859,095**	1,960,679	**600,820**	417,768
Within normal operating cycle included in current assets	**12,357,422**	5,877,845	**1,335,321**	1,118,951
	15,216,517	7,838,524	**1,936,141**	1,536,719
Amount comprises:				
Construction costs and capitalised expenditures	**14,835,633**	7,647,435	**1,711,001**	1,471,748
Finance costs capitalised	**380,884**	191,089	**225,140**	64,971
	15,216,517	**7,838,524**	**1,936,141**	**1,536,719**

The capitalisation rate of borrowings is as follows:

	Group		Company	
	2007	2006	2007	2006
Capitalisation rate	**6.33%**	5.59%	**6.30%**	5.69%

Properties held for/under development pledged as collateral is as follows:

	Group		Company	
	2007	2006	2007	2006
Properties held for/under development	**430,105**	210,549	**–**	–

All properties held for/under development are located in the PRC.

8. Property, plant and equipment

	Group					
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Machinery	Assets under construction (Note a)	Total
At 1 January 2006						
Cost	33,266	31,032	48,924	–	7,086	120,308
Accumulated depreciation	(4,275)	(10,005)	(15,619)	–	–	(29,899)
Net book amount	28,991	21,027	33,305	–	7,086	90,409
Year ended 31 December 2006						
Opening net book amount	28,991	21,027	33,305	–	7,086	90,409
Additions	38	13,280	16,467	–	550,853	580,638
Disposals (Note 36)	–	(77)	–	–	(7,086)	(7,163)
Depreciation (Note 29 and 36)	(1,051)	(7,585)	(9,289)	–	–	(17,925)
Business combinations	–	76	310	–	–	386
Transfers from properties under development	–	–	–	–	664,756	664,756
Closing net book amount	27,978	26,721	40,793	–	1,215,609	1,311,101
At 31 December 2006						
Cost	33,304	44,311	65,701	–	1,215,609	1,358,925
Accumulated depreciation	(5,326)	(17,590)	(24,908)	–		(47,824)
Net book amount	**27,978**	**26,721**	**40,793**	**–**	**1,215,609**	**1,311,101**

(All amounts in RMB Yuan thousands unless otherwise stated)

8. Property, plant and equipment (continued)

	Group					
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Machinery	Assets under construction (Note a)	Total
Year ended 31 December 2007						
Opening net book amount	27,978	26,721	40,793	–	1,215,609	1,311,101
Additions	13,480	15,385	29,571	36,229	992,390	1,087,055
Disposals (Note 36)	(35)	(13)	(3,112)	(436)	–	(3,596)
Depreciation (Note 29 and 36)	(2,692)	(8,406)	(12,479)	(12,188)	–	(35,765)
Business combinations (Note 40)	4,804	2,484	4,909	116,494	16,027	144,718
Transfers	193,728	–	–	–	(193,728)	–
Transfers to investment properties (Note 9)	–	–	–	–	(830,743)	(830,743)
Transfers from properties under development	90,895	–	–	–	626,595	717,490
Closing net book amount	328,158	36,171	59,682	140,099	1,826,150	2,390,260
At 31 December 2007						
Cost	336,601	62,762	99,021	199,425	1,826,150	2,523,959
Accumulated depreciation	(8,443)	(26,591)	(39,339)	(59,326)	–	(133,699)
Net book amount	**328,158**	**36,171**	**59,682**	**140,099**	**1,826,150**	**2,390,260**

Bank borrowings are secured on buildings and assets under construction for the value of RMB1,375,454,000 (2006: RMB719,229,000) for the Group (Note 24).

The capitalisation rate of borrowings for assets under construction was 6.44% for the year ended 31 December 2007 (2006: 5.58%). Interest capitalised in assets under construction amounted to RMB102,598,000 as at 31 December 2007 (2006: RMB48,176,000).

(a) Assets under construction mainly comprise three hotels being constructed in Guangzhou and Beijing, which are expected to be ready for service in 2008.

8. Property, plant and equipment (continued)

	Company					
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Machinery	Assets under construction	Total
At 1 January 2006						
Cost	28,152	9,148	22,713	–	–	60,013
Accumulated depreciation	(4,118)	(4,226)	(8,766)	–	–	(17,110)
Net book amount	24,034	4,922	13,947	–	–	42,903
Year ended 31 December 2006						
Opening net book amount	24,034	4,922	13,947	–	–	42,903
Additions	–	1,693	5,181	–	–	6,874
Depreciation	(888)	(1,665)	(3,921)	–	–	(6,474)
Closing net book amount	23,146	4,950	15,207	–	–	43,303
At 31 December 2006						
Cost	28,152	10,841	27,894	–	–	66,887
Accumulated depreciation	(5,006)	(5,891)	(12,687)	–	–	(23,584)
Net book amount	23,146	4,950	15,207	–	–	43,303
Year ended 31 December 2007						
Opening net book amount	23,146	4,950	15,207	–	–	43,303
Additions	552	635	5,404	–	–	6,591
Depreciation	(1,364)	(1,355)	(4,267)	–	–	(6,986)
Closing net book amount	22,334	4,230	16,344	–	–	42,908
At 31 December 2007						
Cost	28,704	11,476	33,298	–	–	73,478
Accumulated depreciation	(6,370)	(7,246)	(16,954)	–	–	(30,570)
Net book amount	**22,334**	**4,230**	**16,344**	**–**	**–**	**42,908**

(All amounts in RMB Yuan thousands unless otherwise stated)

8. Property, plant and equipment (continued)

Bank borrowings are secured on buildings for the value of RMB21,341,000 (2006: RMB22,182,000) for the Company (Note 24).

Depreciation was expensed in the following category in the consolidated income statement:

	Group	
	2007	2006
Selling and administrative expenses	19,637	16,758
Other operating expenses	16,128	1,167
	35,765	17,925

9. Investment properties

	Group		Company	
	2007	2006	2007	2006
Beginning of the year	926,153	293,000	189,295	–
Business combinations		259,576		–
Transfers from completed properties held for sale	–	142,974	–	83,871
Transfers from assets under constructions (Note 8)	830,743	–	–	–
Transfers from properties under development	240,665	–	–	–
Transfers from land use rights (Note 6)	287,794	–	–	–
Fair value gains (including in other gains) (Note 28 and 36)	3,081,419	230,603	34,380	105,424
End of the year	**5,366,774**	**926,153**	**223,675**	**189,295**

9. Investment properties (continued)

The investment properties were revalued on 31 December 2007 by independent, professionally qualified valuers, Vigers Appraisal & Consulting Limited or Guangdong Hengxin Valuation and Land Evaluation Consulting Limited. Valuations were based on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

Gross rental income from the Group's investment properties during the year amounted to RMB75,696,000 (2006: RMB 50,676,000).

Investment properties pledged as collateral is as follow:

	Group		Company	
	2007	2006	2007	2006
Investment properties	**1,488,996**	199,254	**36,094**	36,094

The period of leases whereby the Group leases out its investment properties under operating leases is more than one year.

(All amounts in RMB Yuan thousands unless otherwise stated)

10. Intangible assets

	Group					Company
	Goodwill (Note a)	Construction licences (Note b)	Customer contracts	Software	Total	Software
At 1 January 2006						
Cost	19,350	–	–	1,600	20,950	1,600
Accumulated amortisation and impairment	(2,983)	–	–	(27)	(3,010)	(27)
Net book amount	16,367	–	–	1,573	17,940	1,573
Year ended 31 December 2006						
Opening net book amount	16,367	–	–	1,573	17,940	1,573
Business combinations	32,840	–	–	–	32,840	–
Amortisation charge	–	–	–	(160)	(160)	(160)
Closing net book amount	49,207	–	–	1,413	50,620	1,413
At 31 December 2006						
Cost	52,190	–	–	1,600	53,790	1,600
Accumulated amortisation and impairment	(2,983)	–	–	(187)	(3,170)	(187)
Net book amount	49,207	–	–	1,413	50,620	1,413
At 1 January 2007						
Opening net book amount	49,207	–	–	1,413	50,620	1,413
Additions	–	–	–	5,220	5,220	3,225
Business combinations (Note 40)	468,528	282,000	322,000	–	1,072,528	–
Acquisition of additional interest in a subsidiary from minority shareholder	21,893	–	–	–	21,893	–
Amortisation charge	–	–	(130,255)	(200)	(130,455)	(146)
Closing net book amount	539,628	282,000	191,745	6,433	1,019,806	4,492
At 31 December 2007						
Cost	542,611	282,000	322,000	6,820	1,153,431	4,825
Accumulated amortisation and impairment	(2,983)	–	(130,255)	(387)	(133,625)	(333)
Net book amount	**539,628**	**282,000**	**191,745**	**6,433**	**1,019,806**	**4,492**

10. Intangible assets (continued)

Intangible assets are amortised in the following category:

	Group	
	2007	2006
Selling and administrative expenses (Note 29)	200	160
Cost of sales (Note 29)	72,376	–
Capitalised in properties under development	57,879	–
	130,455	160

Note a:

Impairment test for goodwill
Goodwill is allocated to the Group's cash generating units identified according to business segment of property development.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year's period. Cash flows beyond the five-year's period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

Gross margin	9%
Growth rate	3%–8%
Discount rate	14%

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

Note b:

Impairment test for construction licences
The recoverable amount is determined based on value-in-use calculations under relief from royalty method. These calculations use cash flow projections based on financial budgets approved by management covering a five-year's period. Cash flows beyond the five-year's period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

Royalty rate	1%
Growth rate	3%–8%
Discount rate	17.5%

Management determined royalty rate based on past performance and the industry practice. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

(All amounts in RMB Yuan thousands unless otherwise stated)

11. Investments in subsidiaries

	Company 2007	Company 2006
Investments, at cost:		
Unlisted shares	**7,455,517**	5,469,150

The following is a list of the principal subsidiaries at 31 December 2007:

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries — incorporated in the PRC:						
廣州東圃房地產開發有限公司	29 October 1997	Limited liability company	RMB20,000,000	90%	10%	Property development in the PRC
廣州吉浩源房地產開發有限公司	3 March 2000	Limited liability company	RMB20,000,000	90%	10%	Property development in the PRC
廣州市金鼎房地產發展有限公司 (“Jinding Properties”)	31 August 1994	Limited liability company	RMB8,000,000	90%	10%	Property development in the PRC
廣州天富房地產開發有限公司	8 July 2002	Sino-foreign joint venture with limited liability	USD21,000,000	85%	–	Property development in the PRC
廣州富力興盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of office buildings in the PRC
廣州富力恒盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of hotel buildings in the PRC

11. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries — incorporated in the PRC:						
廣州富力鼎盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	Development and investment of hotel buildings in the PRC
廣州富力億盛房地產開發有限公司	31 August 2005	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力嘉盛房地產開發有限公司	29 September 2005	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力創盛房地產開發有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
廣州富力智盛房地產開發有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
廣州富力超盛房地產開發有限公司	8 December 2005	Limited liability company	RMB100,000,000	100%	–	Property development in the PRC
中山富力城房地產開發有限公司	23 January 2006	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州中嘉房地產開發有限公司	13 March 2006	Limited liability company	RMB10,000,000	90%	5%	Property development in the PRC
廣州市花都富力房地產開發有限公司	30 June 2006	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州永富房地產開發有限公司	19 December 2006	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

11. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries — incorporated in the PRC:						
廣州富力廣告公司	14 August 2002	Limited liability company	RMB1,010,000	90%	10%	Advertising agency in the PRC
廣州市住宅建築設計院有限公司	26 April 1995	Limited liability company	RMB3,080,000	90%	10%	Residential architecture design in the PRC
廣州天富建設工程監理有限公司	29 December 2001	Limited liability company	RMB3,010,000	–	100%	Construction supervision and consultancy in the PRC
廣州恒富擔保有限公司	24 October 2003	Limited liability company	RMB60,000,000	–	100%	Finance and consultancy in the PRC
深圳鼎力創業投資有限公司	4 August 2003	Limited liability company	RMB100,000,000	90%	10%	Investment holdings in the PRC
廣州富力美好置業發展有限公司	10 November 2003	Limited liability company	RMB3,010,000	80%	20%	Property leasing in the PRC
廣州天力物業發展有限公司	10 December 1997	Limited liability company	RMB5,000,000	90%	10%	Property management in the PRC
富力地產集團有限公司	8 July 1994	Limited liability company	RMB120,000,000	90%	10%	Investment holding in the PRC
深圳奔望實業發展有限公司	20 May 1997	Limited liability company	RMB6,000,000	–	100%	Investment holding in the PRC

11. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries — incorporated in the PRC:						
廣州富力裝飾工程有限公司	27 April 2006	Limited liability company	RMB10,000,000	90%	10%	Provision of interior design service in the PRC
廣州富力百貨商貿有限公司	24 August 2006	Limited liability company	RMB10,000,000	90%	10%	Retail business in the PRC
北京富力城房地產開發有限公司	24 April 2002	Limited liability company	RMB1,394,781,578	95.98%	4.02%	Property development in the PRC
富力 (北京) 地產開發有限公司	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	Property development in the PRC
北京華恩房地產開發有限公司	5 September 2000	Limited liability company	RMB30,000,000	52%	48%	Property development in the PRC
北京地源達房地產開發有限公司	7 February 2002	Sino-foreign joint venture with limited liability	USD5,000,000	–	100%	Property development in the PRC
北京鴻高置業發展有限公司	8 June 1999	Limited liability company	RMB60,000,000	–	100%	Property development in the PRC
北京龍熙順景房地產開發有限公司	20 August 2001	Limited liability company	RMB29,000,000	–	75%	Property development in the PRC
北京富力天創廣告有限公司	24 October 2002	Limited liability company	RMB1,000,000	–	100%	Advertising agency in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

11. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries — incorporated in the PRC:						
北京恒富物業管理有限公司	12 December 2002	Limited liability company	RMB5,000,000	–	100%	Property management in the PRC
北京京城市政工程有限公司	6 March 2003	Limited liability company	RMB5,000,000	–	100%	Construction sub-contracting in the PRC
北京富力歐美園林綠化工程有限公司	6 March 2003	Limited liability company	RMB5,000,000	–	100%	Gardening and virescence construction in the PRC
北京天越門窗製造有限公司	8 August 2003	Limited liability company	RMB2,000,000	–	100%	Manufacture of aluminium frame and sales of construction and decoration materials in the PRC
北京富力會康體俱樂部有限公司	15 October 2004	Limited liability company	RMB3,000,000	–	100%	Operation of a recreational club in the PRC
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB604,280,000	98.35%	1.65%	Property development in the PRC
天津鴻富房地產開發有限公司	30 June 2006	Limited liability company	RMB300,000,000	–	100%	Property development in the PRC

11. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Indirect	Principal activities and place of operations
Subsidiaries — incorporated in the PRC:						
西安富力房地產開發有限公司	26 September 2005	Limited liability company	RMB502,507,000	80.1%	19.9%	Property development in the PRC
西安保德信房地產開發有限公司	8 August 2005	Limited liability company	RMB65,000,000	–	100%	Property development in the PRC
西安濱湖花園房地產開發有限公司	8 August 2005	Limited liability company	RMB55,000,000	–	100%	Property development in the PRC
重慶富力城房地產開發有限公司	30 December 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB10,000,000	100%	–	Property development in the PRC
湖南富力房地產開發有限公司	12 July 2006	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力地產（重慶）有限公司	26 January 2007	Limited liability company	RMB100,000,000	80%	20%	Property development in the PRC
成都富力房地產開發有限公司	27 March 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
惠州富力房地產開發有限公司	10 April 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
海南富力房地產開發有限公司	29 March 2007	Limited liability company	RMB100,000,000	95%	5%	Property development in the PRC
北京極富房地產開發有限公司	30 August 2007	Limited liability company	RMB30,000,000	100%	–	Property development in the PRC

(All amounts in RMB Yuan thousands unless otherwise stated)

11. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries — incorporated in the PRC:						
上海富力房地產開發有限公司	24 April 2007	Limited liability company	RMB200,000,000	95%	5%	Property development in the PRC
龍門富力房地產開發有限公司	6 September 2007	Limited liability company	RMB20,000,000	95%	5%	Property development in the PRC
昆山國銀置業有限公司	7 September 2002	Limited liability company	RMB10,000,000	95%	5%	Property development in the PRC
海南那甲旅業開發有限公司	27 November 1998	Limited liability company	RMB4,000,000	95%	5%	Property development in the PRC
廣州天力建築工程有限公司	27 November 1998	Limited liability company	RMB50,000,000	90%	10%	Construction company in the PRC
太原富力城房地產開發有限公司	14 August 2007	Limited liability company	RMB250,000,000	–	100%	Property development in the PRC
天津耀華投資發展有限公司	14 August 2007	Limited liability company	RMB32,000,000	–	100%	Property development in the PRC
廣州空港綜合物流園有限公司	11 June 2006	Limited liability company	RMB10,000,000	95%	5%	Storage and logistics in the PRC
北京天葉信恒房地產開發有限公司	1 November 2001	Limited liability company	RMB16,000,000	–	100%	Property development in the PRC

11. Investments in subsidiaries (continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and place of operations
Subsidiaries — incorporated in the PRC:						
昆山新延房地產開發有限公司	16 November 2000	Limited liability company	RMB8,000,000	–	100%	Property development in the PRC
廣州楊帆房地產開發有限公司	4 September 2007	Limited liability company	RMB100,000,000	–	60%	Property development in the PRC
佛山富力房地產開發有限公司	7 November 2007	Limited liability company	RMB20,000,000	95%	5%	Property development in the PRC
重慶永富房地產開發有限公司	18 December 2006	Limited liability company	RMB10,000,000	–	100%	Property development in the PRC
上海浦衛房地產開發有限公司	18 July 2006	Limited liability company	RMB8,000,000	–	100%	Property development in the PRC
天津濱海投資有限公司	25 December 2007	Limited liability company	RMB5,000,000	–	100%	Property development in the PRC
Subsidiaries — incorporated in Hong Kong:						
R&F Properties (HK) Company Limited	25 August 2005	Limited liability company	HKD10,000	100%	–	Investment holding in Hong Kong
Subsidiaries — incorporated in British Virgin Islands (BVI):						
R&F Properties (BVI) Co., Ltd.	31 March 2006	Limited liability company	USD1	–	100%	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	–	100%	Investment holding in BVI

12. Interests in jointly controlled entities

	Group	
	2007	2006
Beginning of the year	–	372,510
Interest in Maxview Investment Limited ("Maxview")	**405,311**	–
Interest in Value Success Investment Limited ("Value Success")	**52**	–
Acquisition of additional interest in Jinding Properties	–	(372,510)
Share of losses (Note 36)	**(52)**	–
End of the year	**405,311**	**–**

	Company	
	2007	2006
Interests in jointly controlled entities	**22,139**	–

The results of the Group's principal jointly controlled entities , all of which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Profit/ (loss)	Attributable equity interests	
			RMB'000	RMB'000	RMB'000	Direct	Indirect
Maxview	USD50,000	BVI	1,090,610	628,610	768	–	82.80%
Value Success	USD10,000	BVI	352,683	385,083	(78)	–	66.67%
Precious Wave Investments Limited	USD50,000	BVI	686,842	686,865	(23)	–	50.00%
Guangzhou Shengjing Properties Development Co., Ltd	USD8,000	PRC	319,626	361	–	25.00%	62.10%
富力（瀋陽）房地產開發有限公司	RMB152,356,000	PRC	314,011	161,655	–	–	66.67%
Shenyang Yilong Housing Development Co., Ltd.	RMB20,000,000	PRC	206,638	199,542	–	–	66.67%
Quality Express Limited	HKD 10,000	HK	–	9	(19)	–	50.00%

12. Interests in jointly controlled entities (continued)

The proportionate interest in capital commitments relating to the Group's interests in jointly controlled entities are RMB717,509,000 at 31 December 2007 (2006: Nil).

There are no other contingent liabilities relating to the Group's interests in jointly controlled entities.

13. Investments in associates

	Group	
	2007	**2006**
Beginning of the year	–	–
Business combinations (Note 40)	**40,077**	–
Share of losses (Note 36)	**(3,866)**	–
Partial disposals of interests in associates	**(995)**	–
End of the year	**35,216**	**–**

The results of the Group's principal associates, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	**Particulars of issued shares held** RMB'000	**Country of incorporation**	**Assets** RMB'000	**Liabilities** RMB'000	**Revenues** RMB'000	**Profit/ (loss)** RMB'000	**Equity interests Indirect**
Beijing Fushengli Investment Consulting Co., Ltd.	91,913	PRC	251,962	154,477	50,218	(10,970)	30%
Guangzhou F&C Communication Technology Ltd.	3,010	PRC	5,881	5,533	520	(2,662)	50%
Guangzhou Yifu Investment Co., Ltd.	16,800	PRC	19,403	81	–	2,520	30%
Guangzhou Chaoli Concrete Co., Ltd.	20,000	PRC	129,442	106,783	223,978	1,743	21%

There are no other contingent liabilities or capital commitments relating to the Group's interests in associates.

(All amounts in RMB Yuan thousands unless otherwise stated)

14. Available-for-sale financial assets

	Group and Company	
	2007	2006
Beginning of the year	144,762	85,369
Fair value gain	271,238	59,393
End of the year	**416,000**	**144,762**

15. Trade and other receivables

	Group		Company	
	2007	2006	2007	2006
Trade receivables (Note a)	1,240,528	313,026	329,137	203,498
Other receivables (Note b)	1,154,461	902,243	812,079	620,725
Prepayments (Note c)	3,072,926	12,979	1,332,845	–
Due from subsidiaries	–	–	5,995,730	3,740,771
Due from jointly controlled entities (Note 42 (xii))	921,763	–	–	–
Due from related parties (Note 42 (xii))	191,874	2,000	–	2,000
Less: provision for impairment of other receivables (Note f)	(25,811)	(25,493)	(7,200)	(9,332)
	6,555,741	1,204,755	8,462,591	4,557,662
Less: non-current portion (Note c and d)	(1,900,995)	(181,530)	(1,602,801)	(39,468)
Current portion	**4,654,746**	**1,023,225**	**6,859,790**	**4,518,194**

15. Trade and other receivables (continued)

The carrying amounts of trade and other receivables approximate to their fair values.

(a) Trade 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 sale and purchase agreements. The ageing analysis of trade receivables at 31 December 2007 is as follows:

	Group		Company	
	2007	2006	2007	2006
0 to 90 days	950,992	242,198	77,954	172,667
91 to 180 days	111,436	3,558	97,118	440
181 to 365 days	90,000	18,885	86,985	5,876
1 year to 2 years	50,747	34,382	49,881	11,513
Over 2 years	37,353	14,003	17,199	13,002
	1,240,528	313,026	329,137	203,498

Trade receivables which are past due are analysed as below:

	Group		Company	
	2007	2006	2007	2006
Fully performing under credit term	1,227,328	313,026	329,137	203,498
Past due and impaired	13,200	–	–	–
	1,240,528	313,026	329,137	203,498

For past due and impaired receivables, the Group has the right to cancel the sales contracts and take over the legal title and possession of the underlying properties for re-sales. Therefore, the Directors consider that the receivables would be recovered and no provision was made against past due and impaired receivables as at 31 December 2007 (2006: Nil).

(All amounts in RMB Yuan thousands unless otherwise stated)

15. Trade and other receivables (continued)

(b) Other receivables

The ageing analysis of other receivables at 31 December 2007 is as follows:

	Group		Company	
	2007	2006	2007	2006
0 to 1 year	991,564	772,904	801,372	611,720
1 year to 2 years	139,117	103,043	7,017	1,922
2 year to 3 years	3,241	17,525	54	1,645
Over 3 years	20,539	8,771	3,636	5,438
	1,154,461	902,243	812,079	620,725

It mainly represents deposits for acquisition of land use rights through tendering system.

Other receivables which are not performing are analysed as below:

	Group		Company	
	2007	2006	2007	2006
Performing under normal business	1,125,766	874,087	801,372	605,720
Non-performing and impaired	28,695	28,156	10,707	15,005
Other receivables	1,154,461	902,243	812,079	620,725
Less: provision for impairment	(25,811)	(25,493)	(7,200)	(9,332)
Other receivables — net	1,128,650	876,750	804,879	611,393

(c) It represents deposits for acquisition of certain project companies from third parties, which has been included in non-current receivables; and prepayments for purchases of construction materials.

(d) The effective interest rates on non-current receivables ranged from 4.6% to 5.8% (2006: from 4.1% to 5.6 %).

(e) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
RMB	6,432,988	1,204,755	8,462,591	4,557,662
USD	122,753	–	–	–
	6,555,741	1,204,755	8,462,591	4,557,662

15. Trade and other receivables (continued)

(f) Movements on the provision for impairment of other receivables are as follows:

	Group		Company	
	2007	2006	2007	2006
Beginning of the year	**25,493**	18,252	**9,332**	7,686
Provision for doubtful debts (Note 29 and 36)	**3,814**	7,241	**1,364**	1,646
Receivables written-offs	**(3,496)**	–	**(3,496)**	–
End of the year	**25,811**	**25,493**	**7,200**	**9,332**

16. Completed properties held for sale

	Group		Company	
	2007	2006	2007	2006
Construction costs and capitalised expenditures	**3,891,311**	1,760,810	**1,392,453**	621,493
Finance costs capitalised	**52,173**	27,736	**44,828**	17,770
	3,943,484	**1,788,546**	**1,437,281**	**639,263**

Completed properties held for sale pledged as collateral is as follows:

	Group		Company	
	2007	2006	2007	2006
Completed properties held for sales	**19,824**	19,824	**19,824**	19,824

All completed properties held for sale are located in the PRC on leases between 40 to 70 years and are stated at cost.

(All amounts in RMB Yuan thousands unless otherwise stated)

17. Inventories

	Group	
	2007	2006
Construction materials	177,233	–

18. Restricted cash

	Group		Company	
	2007	2006	2007	2006
Guarantee deposits for construction of pre-sold properties (Note a)	77,768	171,865	46,769	116,878
Guarantee deposits for resettlement costs (Note b)	372,437	176,311	44,806	155,313
Guarantee deposits for construction payable (Note c)	129,711	20,835	1,113	280
Guarantee deposits for subsidiaries' borrowings (Note d)	303,162	114,450	303,162	114,450
Guarantee deposits for mortgage loans provided to customers (Note e)	73,797	118,951	–	827
	956,875	602,412	395,850	387,748

Notes:

(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.

(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 in payment. Such guarantee deposits will only be released after settlement of the construction payables.

18. Restricted cash (continued)

Notes: (continued)

(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 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 in payment 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 as above will be released within one year.

19. Cash

	Group		Company	
	2007	2006	2007	2006
Cash at bank and in hand	**1,329,691**	1,415,926	**331,128**	513,716

	Group		Company	
	2007	2006	2007	2006
Denominated in:				
– RMB	**1,269,522**	1,003,705	**329,918**	158,507
– USD	**507**	38,550	**370**	–
– HKD	**59,662**	373,671	**840**	355,209
	1,329,691	**1,415,926**	**331,128**	**513,716**

The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

20. Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 1 January 2006				
– domestic shares	551,777	551,777	–	551,777
– H shares	211,515	211,515	2,068,061	2,279,576
	763,292	763,292	2,068,061	2,831,353
– 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
At 31 December 2006	3,222,367	805,592	3,636,625	4,442,217
At 1 January and 31 December 2007				
– domestic shares	2,207,108	551,777	–	551,777
– H shares	1,015,259	253,815	3,636,625	3,890,440
	3,222,367	**805,592**	**3,636,625**	**4,442,217**

As at 31 December 2007 and 2006, the registered, issued and fully paid capital of the Company was RMB805,592,000, divided into 3,222,367,000 shares of RMB0.25 each, comprising 2,207,108,000 subdivided domestic shares and 1,015,259,000 subdivided H shares.

21. Retained earnings

	Group		Company	
	2007	2006	2007	2006
Beginning of the year	**3,348,843**	2,039,837	**928,237**	840,986
Profit for the year	**5,302,786**	2,135,016	**2,400,949**	913,261
Transfers to statutory reserve fund	**(138,851)**	–	**(138,851)**	–
Dividends (Note 35)	**(1,127,326)**	(826,010)	**(1,127,326)**	(826,010)
End of the year	**7,385,452**	**3,348,843**	**2,063,009**	**928,237**

22. Other reserves

	Share premium	Share issuance costs	Available-for-sale financial assets	Statutory reserve fund	Statutory public benefit fund	Total
(a) Group						
Balance at 1 January 2006	2,068,061	–	(2,744)	266,862	133,431	2,465,610
Share premium	1,598,444	–	–	–	–	1,598,444
Share issuance costs	–	(29,880)	–	–	–	(29,880)
Set off share issuance costs against share premium	(29,880)	29,880	–	–	–	–
Transfers				133,431	(133,431)	–
Fair value gain of available-for-sale financial assets, net of tax	–	–	58,043	–	–	58,043
Balance at 31 December 2006	3,636,625	–	55,299	400,293	–	4,092,217
Balance at 1 January 2007	3,636,625	–	55,299	400,293	–	4,092,217
Transfers from retained earnings	–	–	–	138,851	–	138,851
Fair value gain of available-for-sale financial assets, net of tax	–	–	203,429	–	–	203,429
Balance at 31 December 2007	**3,636,625**	**–**	**258,728**	**539,144**	**–**	**4,434,497**

(All amounts in RMB Yuan thousands unless otherwise stated)

22. Other reserves (continued)

	Share premium	Share issuance costs	Available-for-sale financial assets	Statutory reserve fund	Statutory public benefit fund	Total
(b) Company						
Balance at 1 January 2006	2,068,061	–	(2,744)	266,862	133,431	2,465,610
Share premium	1,598,444	–	–	–	–	1,598,444
Share issuance costs	–	(29,880)	–	–	–	(29,880)
Set off share issuance costs against share premium	(29,880)	29,880	–	–	–	–
Transfers				133,431	(133,431)	–
Fair value gain of available-for-sale financial assets, net of tax	–	–	58,043	–	–	58,043
Balance at 31 December 2006	3,636,625	–	55,299	400,293	–	4,092,217
Balance at 1 January 2007	3,636,625	–	55,299	400,293	–	4,092,217
Transfer from retained earnings	–	–	–	138,851	–	138,851
Fair value gain of available-for-sale financial assets, net of tax	–	–	203,429	–	–	203,429
Balance at 31 December 2007	**3,636,625**	**–**	**258,728**	**539,144**	**–**	**4,434,497**

22. Other reserves (continued)

Notes:

(i) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profit of each year, these subsidiaries shall set aside 10% of their net profits as reported in their statutory accounts for the statutory reserve fund until the balance of such fund has reached 50% of its registered capital.

(ii) Pursuant to the amendments to the Company Law in the PRC effective 1 January 2006, the PRC companies are not required to provide statutory public welfare fund. According to the relevant accounting regulations, these companies have transferred the balances of statutory public welfare fund to statutory surplus reserve since 1 January 2006.

(iii) These funds form part of the shareholders' funds and are not distributable other than on liquidation.

(iv) Dividends will be distributed out of the Group's distributable reserves, which represent the lower amount as determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") and HKFRS. As at 31 December 2007, the Company's distributable reserves were approximately RMB2,009 million (2006: RMB928 million), being the smaller of the distributable reserves as determined under the PRC GAAP and HKFRS.

(v) Share premium can be utilised for increasing paid-up capital as approved by the Directors.

23. Accruals and other payables

	Group		Company	
	2007	**2006**	**2007**	**2006**
Amounts due to subsidiaries (Note a)	–	–	**4,619,426**	2,975,090
Amounts due to jointly controlled entities (Note a and 42(xii))	**778,305**	–	**318,145**	–
Amounts due to associates (Note a and 42(xii))	**63,605**	2,747	–	–
Construction payables (Note b)	**6,149,878**	2,508,657	**1,587,676**	783,247
Other payables and accrued charges	**4,143,701**	1,408,219	**630,434**	458,803
	11,135,489	**3,919,623**	**7,155,681**	**4,217,140**

All payable and accrual balances are denominated in RMB.

(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.

(c) The carrying amounts of accruals and other payables are approximate to their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

24. Bank loans

	Group		Company	
	2007	2006	2007	2006
Short-term bank loans				
– Secured	**953,267**	159,734	**202,593**	–
– Unsecured	**2,850,000**	1,755,000	**700,000**	500,000
	3,803,267	1,914,734	**902,593**	500,000
Long-term bank loans				
– Secured	**5,251,500**	1,164,000	**1,278,000**	1,078,000
– Unsecured	**10,845,000**	4,837,000	**4,130,000**	1,778,000
	16,096,500	6,001,000	**5,408,000**	2,856,000
Less: Current portion of long-term bank loans	**(3,564,000)**	(1,493,000)	**(620,000)**	(898,000)
	12,532,500	**4,508,000**	**4,788,000**	**1,958,000**

Bank loans totaling RMB6,204,767,000 of the Group and RMB1,480,593,000 of the Company as of 31 December 2007 were secured by followings:

	Group		Company	
	2007	2006	2007	2006
Land use rights (Note 6)	**662,585**	–	–	–
Properties held for/under development (Note 7)	**430,105**	210,549	–	–
Property, plant and equipment (Note 8)	**1,375,454**	719,229	**21,341**	22,182
Investment properties (Note 9)	**1,488,996**	199,254	**36,094**	36,094
Completed properties held for sale (Note 16)	**19,824**	19,824	**19,824**	19,824
Restricted cash (Note 18)	**303,162**	114,450	**303,162**	114,450
	4,280,126	**1,263,306**	**380,421**	**192,550**

24. Bank loans (continued)

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

	Group		Company	
	2007	2006	2007	2006
Guarantors				
The Company	8,625,000	3,934,000		–
Subsidiaries	4,790,000	2,278,000	4,730,000	2,078,000
A third party together with Li Sze Lim and Zhang Li	30,000	30,000	–	–
The Company, a subsidiary together with Li Sze Lim and Zhang Li	150,000	150,000	–	–
	13,595,000	**6,392,000**	**4,730,000**	**2,078,000**

The maturity of bank loans is as follows:

	Group		Company	
	2007	2006	2007	2006
Within one year	7,367,267	3,407,734	1,522,593	1,398,000
Between one and two years	6,517,000	2,554,000	2,438,000	780,000
Between two and five years	5,542,000	1,468,000	2,350,000	1,178,000
Over five years	473,500	486,000	–	–
Total bank loans	**19,899,767**	**7,915,734**	**6,310,593**	**3,356,000**

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
RMB	19,446,500	7,815,349	6,108,000	3,356,000
HKD	250,674	100,385	–	–
USD	202,593	–	202,593	–
	19,899,767	**7,915,734**	**6,310,593**	**3,356,000**

(All amounts in RMB Yuan thousands unless otherwise stated)

24. Bank loans (continued)

Interests are charged based on floating rates on outstanding principals and the weighted average effective interest rates at the balance sheet date are as follows:

	2007	2006
RMB bank loans — floating rates	**6.34%**	5.80%
HKD bank loans — floating rates	**5.23%**	4.61%

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are all within one year.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Group			
	Carrying amounts		Fair values	
	2007	2006	2007	2006
Bank loans	**12,532,500**	4,508,000	**12,547,979**	4,508,000

	Company			
	Carrying amounts		Fair values	
	2007	2006	2007	2006
Bank loans	**4,788,000**	1,958,000	**4,792,138**	1,958,000

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 6.66% (2006: 5.84%).

The carrying amounts of short-term borrowings approximate to their fair values.

25. Tax prepayments

Tax prepayments amounts are as follows:

	Group		Company	
	2007	2006	2007	2006
Enterprise income tax prepayments	343,386	206,460	56,331	51,741
Land appreciation tax prepayments	67,411	27,483	10,765	7,081
Business tax prepayments	282,548	202,885	41,891	39,418
Other tax prepayments	2,170	1,474	954	807
	695,515	438,302	109,941	99,047

26. Deferred income tax

There were no offsetting of deferred income tax assets and liabilities in 2006 and 2007.

	Group		Company	
	2007	2006	2007	2006
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	64,570	27,052	7,288	–
– Deferred tax assets to be recovered within 12 months	232,585	174,135	38,517	50,191
	297,155	201,187	45,805	50,191
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	(199,457)	(276,062)	(43,547)	(15,364)
– Deferred tax liabilities to be recovered within 12 months	(1,239,971)	(203,196)	(102,761)	(80,909)
	(1,439,428)	(479,258)	(146,308)	(96,273)

(All amounts in RMB Yuan thousands unless otherwise stated)

26. Deferred income tax (continued)

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2007	2006	2007	2006
Beginning of the year	**(278,071)**	(346,908)	**(46,082)**	(4,783)
Business combinations (Note 40)	**(151,000)**	(180,284)	**–**	–
Tax charged directly to equity	**(67,809)**	(1,350)	**(67,809)**	(1,350)
(Charge)/credit to income statement (Note 32)	**(645,393)**	250,471	**13,388**	(39,949)
End of the year	**(1,142,273)**	**(278,071)**	**(100,503)**	**(46,082)**

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax liabilities:

	Group			
	Timing difference in sales recognition	Fair value/ revaluation gain	Others	Total
At 1 January 2006	22,525	367,898	7,296	397,719
Business combinations	–	180,181	103	180,284
(Credit)/charge to consolidated income statement	(49,941)	(59,223)	10,419	(98,745)
At 31 December 2006	(27,416)	488,856	17,818	479,258
Business combinations (Note 40)	–	151,000	–	151,000
Tax charged directly to equity	–	67,809	–	67,809
Charge/(credit) to consolidated income statement	171,273	587,906	(17,818)	741,361
At 31 December 2007	**143,857**	**1,295,571**	**–**	**1,439,428**

26. Deferred income tax (continued)

	Company			
	Timing difference in sales recognition	Fair value/ revaluation gain	Others	Total
At 1 January 2006	9,762	–	(3,629)	6,133
Charge to income statement	50,283	34,790	5,067	90,140
At 31 December 2006	60,045	34,790	1,438	96,273
Tax charged directly to equity	–	67,809		67,809
(Credit)/charge to income statement	(16,497)	161	(1,438)	(17,774)
At 31 December 2007	**43,548**	**102,760**	**–**	**146,308**

Deferred tax assets

	Group				
	Accruals	Tax losses	Un-realised profit	Others	Total
At 1 January 2006	–	47,424	–	3,387	50,811
Tax directly charged to equity	–	–	–	(1,350)	(1,350)
Credit/(charge) to consolidated income statement	168,258	(16,532)	–	–	151,726
At 31 December 2006	168,258	30,892	–	2,037	201,187
(Charge)/credit to consolidated income statement	(16,904)	9,571	72,379	30,922	95,968
At 31 December 2007	**151,354**	**40,463**	**72,379**	**32,959**	**297,155**

(All amounts in RMB Yuan thousands unless otherwise stated)

26. Deferred income tax (continued)

	Company			
	Accruals	Tax losses	Others	Total
At 1 January 2006	–	–	1,350	1,350
Tax directly charged to equity	–	–	(1,350)	(1,350)
Credit to income statement	50,191	–	–	50,191
At 31 December 2006	50,191	–	–	50,191
(Charge)/credit to income statement	(11,674)	–	7,288	(4,386)
At 31 December 2007	**38,517**	**–**	**7,288**	**45,805**

27. Current income tax liabilities

	Group		Company	
	2007	2006	2007	2006
Land appreciation tax payable	**1,110,414**	485,449	**510,554**	246,209
Income tax payable	**1,096,433**	1,022,470	**513,867**	331,378
	2,206,847	**1,507,919**	**1,024,421**	**577,587**

28. Other gains

	2007	2006
Interest income (Note 36)	**28,996**	39,287
Negative goodwill recognised (Note 36)	**–**	105,504
Gain on disposal of subsidiaries (Note 36 and 41)	**202,503**	–
Fair value gains on investment properties (Note 9 and 36)	**3,081,419**	230,603
Others	**72,179**	6,575
	3,385,097	**381,969**

29. Expenses by nature

Expenses by nature comprising cost of sales, selling and administrative expenses and other operating expenses are analysed as follows:

	2007	2006
Charging:		
Cost of completed properties sold	**8,218,782**	5,929,078
Employee benefit expense (Note 30)	**283,252**	178,805
Amortisation of land use rights (Note 6 and 36)	**77,884**	22,990
Office expenses	**62,266**	34,176
Depreciation (Note 8 and 36)	**35,765**	17,925
Amortisation of software (Note 10 and 36)	**200**	160
Amortisation of customer contracts (Note 10 and 36)	**72,376**	–
Business taxes and other levies	**856,988**	561,776
Loss on sale of property, plant and equipment (Note 36)	**2,736**	121
Auditors' remuneration	**6,050**	3,560
Operating lease payments	**17,463**	15,455
Provision for doubtful debts (Note 15 and 36)	**3,814**	7,241
Advertising cost	**115,040**	115,590
Others	**187,947**	73,223
	9,940,563	**6,960,100**

30. Employee benefit expense

The employee benefit expense, including Directors' emoluments is as follows:

	2007	2006
Wages and salaries	**250,222**	168,211
Retirement scheme contributions	**21,156**	7,447
Other allowances and benefits	**11,874**	3,147
	283,252	**178,805**

(All amounts in RMB Yuan thousands unless otherwise stated)

30. Employee benefit expense (continued)

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name of Director	Salary	Other benefits (i)	Total
Executive Directors			
Mr. Li Sze Lim	2,600	338	2,938
Mr. Zhang Li	2,600	336	2,936
Mr. Zhou Yaonan	2,390	236	2,626
Mr. Lu Jing	1,890	274	2,164
Non-executive Directors			
Ms. Zhang Lin	323	–	323
Ms. Li Helen	323	–	323
Independent non-executive Directors			
Mr. Huang Kaiwen	276	–	276
Mr. Dai Feng	258	–	258
Mr. Lai Ming, Joseph	258	–	258

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Salary	Other benefits (i)	Total
Executive Directors			
Mr. Li Sze Lim	2,600	338	2,938
Mr. Zhang Li	2,600	336	2,936
Mr. Zhou Yaonan	1,700	236	1,936
Mr. Lu Jing	1,668	274	1,942
Non-executive Directors			
Ms. Zhang Lin	301	–	301
Ms. Li Helen	301	–	301
Independent non-executive Directors			
Mr. Huang Kaiwen	240	–	240
Mr. Dai Feng	240	–	240
Mr. Lai Ming, Joseph	241	–	241

30. Employee benefit expense (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2006: four) Directors whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining one (2006: one) individual during the year is as follows:

	2007	2006
Salaries	4,290	3,300
Retirement scheme contributions and other benefits	236	236
	4,526	3,536

The emolument of the individual fell within the following bands:

	Number of individuals	
	2007	2006
Emolument bands		
RMB 3,500,001 to RMB 4,000,000	–	1
RMB 4,000,001 to RMB 5,000,000	1	–

Notes:

(i) Other benefits mainly include welfare and transportation expenses.

(ii) No Directors of the Company waived or agreed to waive any remuneration for the year ended 31 December 2007 (2006: Nil).

(iii) During the year, no emolument was paid by the Group to any of the above Directors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(All amounts in RMB Yuan thousands unless otherwise stated)

31. Finance costs

	2007	2006
Interest on bank loans	909,487	323,214
Amount capitalised in property, plant and equipment and properties under development	(806,558)	(273,473)
	102,929	49,741

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties is 6.37% per annum for the year ended 31 December 2007 (2006: 5.74%).

32. Income tax expense

	2007	2006
Current PRC enterprise income tax	1,433,287	1,237,706
Deferred PRC enterprise income tax (Note 26)	645,393	(250,471)
Net (Note a)	2,078,680	987,235
Current PRC land appreciation tax (Note b)	715,687	426,574
Total income tax expenses (Note c)	**2,794,367**	**1,413,809**

(a) **PRC enterprise income tax**

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

For the year ended 31 December 2006, the applicable income tax rate for the profits generated from the property development projects with advances received prior to 2007 by a 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 the year ended 31 December 2007, the applicable income tax rate for the profits generated from property construction by a subsidiary was 3.9% 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.

32. Income tax expense (continued)

(a) PRC enterprise income tax (continued)

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new EIT Law"). The new EIT Law reduces the enterprise income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. As a result of the new EIT Law, the carrying value of deferred tax liabilities has been written down against profit and loss account, amounting to RMB281,757,000 for the year ended 31 December 2007.

(b) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(c) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2007	2006
Profit before income tax	**8,109,606**	3,558,893
Calculated at tax rate of 33%	**2,676,170**	1,174,435
Effect of future tax rate change from 33% to 25%	**(281,757)**	–
Effect of different income tax regime of certain companies	**(5,838)**	(41,163)
Income not subject to taxation	**(91,827)**	(34,816)
Expenses not deductible for taxation purposes	**4,838**	22,070
Effect of higher tax rates for the appreciation of land in the PRC	**479,510**	285,805
Others	**13,271**	7,478
Tax charge (Note 36)	**2,794,367**	**1,413,809**

33. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB2,400,949,000 (2006: RMB913,261,000).

34. Basic and diluted earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (Note 20).

	2007	2006
Profit attributable to equity holders of the Company	5,302,786	2,135,016
Weighted average number of ordinary shares in issue (thousands)	3,222,367	3,094,538
Earnings per share (RMB per share)	**1.6456**	**0.6899**

There were no dilutive potential shares during the years presented above.

35. Dividends

	2007	2006
Interim dividend paid of RMB0.15 (on a post-split basis) (2006: RMB0.40, on a pre-split basis) per ordinary share	482,853	322,237
Proposed final dividend of RMB0.25 (2006: RMB0.20) per ordinary share (on a post-split basis)	805,592	644,473
	1,288,445	**966,710**

A 2006 final dividend of RMB0.20 per ordinary share, totaling RMB644,473,000 was paid in June 2007.

An interim dividend in respect of six months ended 30 June 2007 of RMB0.15 per ordinary share, amounting to a total dividend of RMB482,853,000 was paid in October 2007.

2007 final dividend of RMB0.25 (2006: RMB0.20) per ordinary share, amounting to a total dividend of RMB805,592,000 which is based on the number of shares as at 31 December 2007 is to be approved by the shareholders at the Annual General Meeting on 30 May 2008 which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2008. These financial statements do not reflect this dividend payable.

36. Cash used in operations

	2007	2006 Restated
Profit for the year	**5,315,239**	2,145,084
Adjustments for:		
– Tax (Note 32)	**2,794,367**	1,413,809
– Interest income (Note 28)	**(28,996)**	(39,287)
– Interest expense (Note 31)	**102,929**	49,741
– Depreciation (Note 8 and 29)	**35,765**	17,925
– Amortisation of software (Note 10 and 29)	**200**	160
– Amortisation of customer contracts (Note 10 and 29)	**72,376**	–
– Loss on sale of property, plant and equipment (Note 29)	**2,736**	121
– Provision for doubtful debts (Note 15 and 29)	**3,814**	7,241
– Negative goodwill recognised (Note 28)	**–**	(105,504)
– Share of losses of jointly controlled entities	**52**	–
– Share of losses of associates	**3,866**	–
– Gain on disposal of subsidiaries (Note 28)	**(202,503)**	–
– Fair value gains on investment properties (Note 9 and 28)	**(3,081,419)**	(230,603)
– Amortisation of land use rights (Note 6 and 29)	**77,884**	22,990
– Operating profit before changes in working capital	**5,096,310**	3,281,677
Changes in working capital:		
– Land use rights, properties held for/under development and completed properties held for sale	**(14,634,978)**	(5,627,454)
– Trade receivables	**(1,117,939)**	(99,515)
– Other receivables, deposits and prepayments	**(4,450,073)**	164,015
– Restricted cash	**(354,463)**	11,837
– Deposits received on sale of properties	**2,291,755**	125,579
– Accruals and other payables	**7,385,694**	(40,072)
– Business tax prepayments	**(79,663)**	(2,558)
– Business tax payable	**57,159**	16,241
Net cash used in operations	**(5,806,198)**	**(2,170,250)**

(All amounts in RMB Yuan thousands unless otherwise stated)

36. Cash used in operations (continued)

In the cashflow statement, proceeds for sale of property, plant and equipment comprised:

	2007	2006
Net book amount (Note 8)	3,596	7,163
Loss on sale of property, plant and equipment (Note 29)	(2,736)	(121)
Proceeds from sale of property, plant and equipment	**860**	**7,042**

Non-cash transactions
The Group sold and leased back certain property units amounting to RMB64 million for the year ended 31 December 2007. The lease periods ranging from two to four years (2006: RMB45 million).

37. Financial guarantee contracts

The face values of the financial guarantees issued by the Group and the Company as at 31 December 2007 are analysed as below:

	Group		Company	
	2007	2006	2007	2006
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note a)	7,839,071	4,585,405	2,898,564	1,827,629
Guarantees given to banks for bank loans of (Note b)				
– a third party	–	355,000	–	355,000
– subsidiaries	–	–	4,771,000	4,093,687
	7,839,071	**4,940,405**	**7,669,564**	**6,276,316**

37. Financial guarantee contracts (continued)

Notes:

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon (i) issuance of the real estate ownership certificate which will generally be available within an average period of 25 months upon 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.

(b) It represents guarantees provided to a third party and the subsidiaries of the Group to obtain bank loans. The Directors considered that the fair value of these contracts at the date of inception was minimal and understood the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

38. Commitments

(a) Commitments for expenditure on land use rights and properties under/held for development

	2007	2006
Authorised but not contracted for	8,216,154	6,780,748
Contracted but not provided for	11,242,745	7,663,836
	19,458,899	14,444,584

(b) Lease commitments for operating leases

At 31 December 2007, the Group had future aggregate minimum lease expense under non-cancellable operating leases in respect of land and buildings as follows:

	2007	2006
Not later than one year	6,988	17,131
Later than one year and not later than five years	3,097	6,630
Over five years	15,799	1,612
	25,884	25,373

(All amounts in RMB Yuan thousands unless otherwise stated)

38. Commitments (continued)

(c) Other commitments

During the year ended 31 December 2007, the Group entered into certain purchase agreements to acquire equity interest 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 at 31 December 2007 were as follows:

	2007	2006
Contracted but not provided for	**2,915,312**	1,249,322

39. Future minimum rental payments receivable

At 31 December 2007, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Group		Company	
	2007	2006	2007	2006
Not later than one year	**84,954**	74,179	**29,240**	20,699
Later than one year and not later than five years	**259,977**	268,857	**46,930**	37,336
Over five years	**506,735**	413,812	**11,621**	13,448
	851,666	**756,848**	**87,791**	**71,483**

40. Business combinations

On 5 June 2007, the Group acquired the entire equity interests in Guangzhou Tianli Construction Co., Ltd. ("Tianli Construction") for an aggregate consideration of RMB1,100,000,000. This company is principally engaged in providing construction services to the Group and other property development companies.

40. Business combinations (continued)

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– cash paid	600,000
– accrued consideration to be paid on schedule	500,000
Total purchase consideration	1,100,000
– Fair value of net identifiable assets acquired — shown as below	631,472
Goodwill (Note 10)	**468,528**

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Group's acquisition of Tianli Construction.

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

	Acquiree's carrying amount	Fair value
Cash	759,652	759,652
Inventories	246,422	246,422
Due from customers on construction contracts	214,619	214,619
Trade and other receivables	245,272	245,272
Property, plant and equipment (Note 8)	144,718	144,718
Intangible assets (Note 10)	–	604,000
Interests in associates (Note 13)	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 (Note 26)	–	(151,000)
Minority interests	(149)	(149)
Net identifiable assets acquired	178,472	631,472
Inflow of cash to acquire business, net of cash paid:		
– cash in subsidiary acquired		759,652
– cash consideration paid		(600,000)
Cash inflow on acquisition		**159,652**

(All amounts in RMB Yuan thousands unless otherwise stated)

41. Disposal of subsidiaries

(i) On 30 December 2007, the Group disposed 17.2% equity interest in a wholly owned subsidiary, Maxview, at a proceed of RMB184,457,000 and entered into a contractual arrangement with the contracting party to undertake joint control over Maxview. As a result, Maxview became a jointly controlled entity of the Group. Maxview is an investment holding company and its principal investment is holding 75% equity interest in Guangzhou Shengjing Properties Development Co., Ltd., which was established on 27 August 2007 to engage in property development in the PRC.

Details of net assets disposed of are as follows:

Consideration	184,457
– proportion of net assets disposed of — shown as below	(79,511)
Gain (Note 28)	**104,946**

The assets and liabilities arising from the disposal were as follows:

	Carrying amount
Cash	146,013
Property held for development	9,675
Land use rights (Note 6)	616,000
Due from the Company	318,145
Due to a subsidiary of the Group	(604,990)
Other assets	777
Other liabilities	(23,347)
Net assets	462,273
Disposal proportion	17.2%
Net assets disposed of	79,511
Inflow of cash to dispose the subsidiary, net of cash disposed of:	
– cash consideration received	184,457
– cash in subsidiary disposed of	(146,013)
Cash inflow on disposal	**38,444**

41. Disposal of subsidiaries (continued)

(ii) On 31 December 2007, the Group disposed 33.33% equity interest in a wholly owned subsidiary, Value Success, at a proceed of RMB86,758,000 and entered into a contractual arrangement with the contracting party to undertake joint control over Value Success. As a result, Value Success became a jointly controlled entity of the Group. Value Success is an investment holding company and its principal investment is holding 100% equity interest in Shenyang Yilong Housing Development Co., Ltd. which was established on 12 December 2001 to engage in property development in the PRC.

Details of net liabilities disposed of are as follows:

Consideration	86,758
– proportion of net liabilities disposed of — shown as below	10,799
Gain (Note 28)	**97,557**

The assets and liabilities arising from the disposal were as follows:

	Carrying amount
Cash	149,262
Property held for development	169,489
Due to the subsidiaries of the Group	(316,773)
Other assets	679
Other liabilities	(35,057)
Net liabilities	(32,400)
Disposal proportion	33.33%
Net liabilities disposed of	(10,799)
Outflow of cash to dispose the subsidiary, net of cash disposed of:	
– cash consideration received	–
– cash in subsidiary disposed of	(149,262)
Cash outflow on disposal	**(149,262)**

(All amounts in RMB Yuan thousands unless otherwise stated)

42. Significant related-party transactions

The Group is controlled by Li Sze Lim and Zhang Li (both are national of PRC), who owns 32.68% and 31.85% of the Company's shares.

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 24 above.

(ii) Provision of restaurant services

	2007	2006
Common shareholders:		
Guangzhou Fuligong Restaurant Co., Ltd.	**10,742**	8,918

(iii) Lease of properties

	2007	2006
Common shareholders:		
Beijing Fushengli Investment Consulting Co., Ltd.*	**11,775**	8,970
Central Hope Co., Ltd.	**230**	–
Lancester-Toprich Ltd.	**110**	–

(iv) Drinking water system charges

	2007	2006
Common shareholders:		
Guangzhou Canton-Rich Environmental Inc.	**7,753**	5,143

42. Significant related-party transactions (continued)

(v) Key management compensation

	2007	2006
Salaries and welfare benefits	**15,190**	13,288

(vi) Appointment as lease agent

	2007	2006
Common shareholders:		
Beijing Fushengli Investment Consulting Co.,Ltd.*	**–**	1,630

(vii) Appointment as property management

	2007	2006
Common shareholders:		
Beijing Fushengli Investment Consulting Co., Ltd.*	**852**	852

(viii) Purchase of properties

	2007	2006
Common shareholders:		
Guangzhou Yifu Properties Co., Ltd.	**18,490**	–

(ix) Purchase of construction materials

	2007	2006
Associates:		
Guangzhou Chaoli Concrete Co., Ltd.	**91,990**	–

* Beijing Fushengli Investment Consulting Co., Ltd. is also an associate of the Group since the acquisition of Tianli Construction on 5 June 2007.

42. Significant related-party transactions (continued)

(x) Provision of design services

	2007	2006
Common shareholders:		
Zhongshan Shidi Properties Development Co., Ltd.	1,465	–

(xi) Provision of construction services

	2007	2006
Common shareholders:		
Huizhou Golden Swan Hotspring Co., Ltd.	150,642	–
Zhongshan Shidi Properties Development Co., Ltd.	44,179	–
	194,821	–

42. Significant related-party transactions (continued)

(xii) Balances with related parties

As at 31 December 2007, the Group had the following significant non-trade balances with related parties:

	2007	2006
Due from:		
Jointly controlled entities		
Maxview (Note a)	**604,990**	–
Value Success (Note a)	**97,735**	–
Shenyang Yilong Housing Development Co., Ltd. (Note a)	**199,038**	
富力（瀋陽）房地產開發有限公司	**20,000**	
	921,763	–
Common shareholders		
Huizhou Golden Swan Hotspring Co., Ltd. (Note b)	**146,258**	–
Zhongshan Shidi Properties Development Co., Ltd. (Note b)	**44,179**	–
Guangzhou Fuligong Restaurant Co., Ltd.	**1,437**	–
Guangzhou Yifu Properties Co., Ltd.	**–**	2,000
	191,874	2,000
	1,113,637	2,000
Due to:		
Jointly controlled entities (Note a)		
Guangzhou Shengjing Properties Development Co., Ltd.	**318,145**	–
Precious Wave Investments Limited	**458,897**	–
Shenyang Yilong Housing Development Co., Ltd.	**1,263**	–
	778,305	–
Associates		
Beijing Fushengli Investment Consulting Co., Ltd.	**6,224**	2,747
Guangzhou Yifu Investment Co., Ltd.	**2,520**	–
Guangzhou F&C Communication Technology Ltd.	**5**	–
Guangzhou Chaoli Concrete Co., Ltd. (Note c)	**54,856**	–
	63,605	2,747
	841,910	**2,747**

(All amounts in RMB Yuan thousands unless otherwise stated)

42. Significant related-party transactions (continued)

(xii) Balances with related parties (continued)

(a) It represents prepayments for purchases of land use rights on behalf of the Group or jointly controlled entities.

(b) It represents receivables relating to construction services provided by Tianli Construction which will be settled in various construction stages.

(c) It represents payables relating to purchases of construction materials by Tianli Construction, of which monthly settlements are made based on contract terms.

The balances with related parties are interest free, unsecured and have no fixed repayment terms. These related parties have no default history.

	Maximum amount outstanding for the year	
	2007	2006
Due to:		
Li Sze Lim and Zhang Li	–	37,648

43. Reclassification of comparative figures

Within the comparative figures stated in the consolidated financial statements, land appreciation tax expense of RMB426,574,000 previously included in cost of sales for the year ended 31 December 2006 was reclassified as income tax expense in the consolidated income statement and provision for land appreciation tax of RMB485,449,000 previously included in other payables as at 31 December 2006 was reclassified as current income tax liabilities in the consolidated balance sheet.

The above reclassification are made so as to conform to current year's presentation as the Company's Directors are of the view that it would be more appropriate to reflect the land appreciation tax as an income tax expense in the current year and the outstanding provision as income tax liabilities, after a reassessment of the nature of land appreciation tax and a study of the market practices.

Five-Year Financial Summary

Consolidated Balance Sheet (as at 31 December)

	2007	2006	2005	2004	2003
Non-current assets	**25,033,291**	12,874,612	5,775,162	4,669,869	1,560,050
Current assets	**29,162,600**	13,726,147	11,501,634	7,473,397	5,198,213
Total assets	**54,195,891**	26,600,759	17,276,796	12,143,266	6,758,263
Non-current liabilities	**14,243,928**	4,987,258	2,253,933	1,776,368	1,054,154
Current liabilities	**27,252,083**	13,086,001	9,713,951	8,303,612	4,133,530
Total liabilities	**41,496,011**	18,073,259	11,967,884	10,079,980	5,187,684
Total equity	**12,699,880**	8,527,500	5,308,912	2,063,286	1,570,579

Consolidated Income Statement (year ended 31 December)

	2007	2006 (Restated)	2005 (Restated)	2004 (Restated)	2003 (Restated)
Turnover	**14,771,919**	10,186,765	5,855,764	4,260,396	2,792,707
Cost of sales	**(9,226,030)**	(6,513,844)	(4,256,983)	(3,323,630)	(2,099,148)
Gross profit	**5,545,889**	3,672,921	1,598,781	936,766	693,559
Other gains	**3,385,097**	381,969	195,261	48,067	22,210
Selling and administrative expenses	**(671,306)**	(430,620)	(360,486)	(238,769)	(187,651)
Other operating (expenses)/income	**(43,227)**	(15,636)	(22,266)	11,247	(20,695)
Operating profit	**8,216,453**	3,608,634	1,411,290	757,311	507,423
Finance costs	**(102,929)**	(49,741)	(39,467)	(58,576)	(36,511)
Share of (losses)/ profits of jointly controlled entity	**(52)**	–	309,073	65,166	–
Share of losses of associates	**(3,866)**	–	–	–	–
Profit before income tax	**8,109,606**	3,558,893	1,680,896	763,901	470,912
Income tax expense	**(2,794,367)**	(1,413,809)	(415,212)	(222,884)	(67,686)
Profit for the year	**5,315,239**	2,145,084	1,265,684	541,017	403,226
Attributable to:					
Equity holders of the Company	**5,302,786**	2,135,016	1,263,778	544,558	408,836
Minority interest	**12,453**	10,068	1,906	(3,541)	(5,610)

Major Properties Held by the Group

Property	The Group's Interest (%)	Location	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Properties for sale (under-development)						
Guangzhou						
R&F Square (South Court)	100%	Liwan District	27,397	122,000	45,000	2008
Guangzhou R&F City	100%	Baiyun District	227,429	569,000	162,000	2009
R&F Peach Garden Phase II	100%	Baiyun District	137,468	552,000	335,000	2008
R&F Jubilee Garden	100%	Haizhu District	32,682	182,000	94,000	2008
R&F Cambridge Terrace	100%	Tianhe District	36,345	190,000	190,000	pending
R&F Modern Plaza Phase II	100%	Haizhu District	15,634	36,000	32,000	2008
R&F Sheng Yue Court	100%	Liwan District	14,478	109,000	109,000	2008
R&F Golden Jubilee Garden	100%	Haizhu District	13,352	160,000	160,000	2009
R&F Jin Gang City (excluding Holiday Inn Airport Guangzhou)	100%	Baiyun District	1,119,211	1,525,000	1,525,000	pending
R&F Ying Tai Plaza	100%	Tianhe District	14,390	134,000	134,000	2008
R&F Ying Feng Plaza	100%	Tianhe District	8,328	83,000	83,000	2009
R&F Ying Xin Plaza	100%	Tianhe District	7,880	121,000	121,000	2009
Beijing						
Beijing R&F City (excluding Commercial Complex)	100%	Chaoyang District	350,728	1,217,000	26,000	2008
R&F Festival City	100%	Chaoyang District	341,249	1,123,000	773,000	2010
R&F Peach Garden	100%	Haidian District	125,750	282,000	251,000	2009
R&F Danish Town	100%	Daxing District	607,333	514,000	514,000	pending

Property	The Group's Interest (%)	Location	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
R&F Xinran Court/Plaza (excluding Express by Holiday Inn Temple of Heaven Beijing)	100%	Chaoyang District	51,009	238,000	8,000	2008
R&F Bay Shore	100%	Shunyi District	226,805	158,000	158,000	2009
Tianjin						
Tianjin R&F City (excluding Commercial Complex)	100%	Nankai District	156,899	753,000	208,000	2009
R&F Peach Garden	100%	Jinnan District	166,400	620,000	620,000	2009
R&F Bay Shore	100%	Xiqing District	101,355	334,000	334,000	2009
R&F Jinmen Lake	100%	Hexi District	930,932	1,575,000	1,575,000	pending
Chongqing						
R&F Modern Plaza	100%	Nanan District	78,404	233,000	233,000	2009
R&F Ocean Plaza	100%	Jiangbei District	55,215	360,000	360,000	2009
Chongqing R&F City	100%	Shapingba District	2,012,888	6,794,000	6,794,000	pending
Xian						
Xian R&F City	100%	Changan District	388,694	1,134,000	826,000	2009
Shenyang						
Xianhu Project	66.67%	Dongling District	373,406	151,000	151,000	pending
Hainan						
R&F Bay Shore	100%	Sanya Town	1,242,062	322,000	322,000	pending
Chengdu						
R&F Panda City Phase I	100%	Qingyang District	29,409	229,000	229,000	pending

Property	The Group's Interest (%)	Location	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Kunshan						
R&F Bay Shore Phase I	100%	Dianshan Lake	921,333	393,000	393,000	pending
Properties for sale (under planning)						
Guangzhou						
Liuhua Road Project	100%	Liwan District	38,358	132,000	132,000	2009
Jinshazhou Project	100%	Baiyun District	101,355	218,000	218,000	pending
Lie De Cun Project	50%	Tianhe District	114,176	568,000	568,000	pending
Tong He Gan Xiu Suo Project	100%	Baiyun District	33,287	9,000	9,000	pending
R&F Ying Zun Plaza (excluding the Galaxy R&F Marriott Executive Apartment)	100%	Tianhe District	9,182	127,000	127,000	2009
R&F Ying Cheng Plaza	100%	Tianhe District	11,523	107,000	107,000	pending
R&F International Commercial Center	100%	Tianhe District	7,918	141,000	141,000	2009
Beijing						
R&F American Dream Island	100%	Chaoyang District	87,170	251,000	251,000	pending
Tianjin						
R&F Center	100%	Hexi District	9,588	150,000	150,000	pending
Shanghai						
R&F Peach Garden	100%	QingPu District	231,983	183,000	183,000	pending
Kunshan						
R&F Bay Shore Phase II	100%	Dian Shan Lake	142,390	142,000	142,000	pending

Property	The Group's Interest (%)	Location	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Foshan						
Foshan Project	100%	Chancheng District	399,647	2,517,000	2,517,000	pending
Chengdu						
R&F Panda City Phase II	100%	Qingyang District	16,193	297,000	297,000	pending
R&F Peach Garden	100%	Xindu District	186,666	840,000	840,000	pending
Taiyuan						
Taiyuan R&F City	100%	Xing Hua Ling	1,056,200	2,112,000	2,112,000	pending
Fen He Xi Project	100%	Xiaodian District	87,022	304,000	304,000	pending
Huizhou						
Longmen Project	100%	Longmen Town	67,809	66,000	66,000	pending
R&F Li Gang Center	100%	Jiangbei District	47,936	224,000	224,000	pending
Hainan						
Na Jia Project	100%	Haikou City	453,000	171,000	171,000	pending
Properties for investment (completed)						
Guangzhou						
R&F Center	100%	Tianhe District	8,117	163,000	163,000	N/A
Properties for investment (under-development)						
Guangzhou						
Grand Hyatt Guangzhou	100%	Tianhe District	10,291	115,000	115,000	2008
The Ritz-Carlton, Guangzhou	100%	Tianhe District	6,895	104,000	104,000	2008

Property	The Group's Interest (%)	Location	Site Area (sq.m.)	Total GFA (sq.m.)	GFA held by the Group (sq.m.)	Expected Date of Completion
Beijing						
Beijing R&F City Shopping Mall*	100%	Chaoyang District	43,703	290,000	290,000	2008
Express by Holiday Inn Temple of Heaven Beijing	100%	Xuanwu District	6,190	22,000	22,000	2008
Properties for investment (under planning)						
Guangzhou						
R&F Ying Kai Plaza	87.1%	Tianhe District	7,944	182,000	182,000	2009
Huaguoshan Project	100%	Yuexiu District	29,838	20,000	20,000	pending
The Galaxy, Guangzhou R&F Marriott Executive Apartment	100%	Tianhe District	4,000	42,000	42,000	pending
Holiday Inn Airport Guangzhou	100%	Huadu District	4,405	34,000	34,000	pending
Tianjin						
Tianjin R&F City Commercial Complex	100%	Nankai District	46,793	174,000	174,000	pending

* *including investment property (completed) of Beijing R&F Center*

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, Chow Oi Wah, Fergus
Company Secretary	Chow Oi Wah, Fergus
Registered Office in the PRC	No. 19 Jiaochang Road East, Guangzhou 510055 PRC
Principal Place of Business in the PRC	45–54/F., R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou 510623 PRC
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	Computershare Hong Kong Investor Services Limited Shop 1806–1807, 18/F., Hopewell Centre, 183 Queen's Road, East Wanchai, Hong Kong
Principal Bankers	Industrial and Commercial Bank of China Bank of China China Construction Bank China Merchant Bank China Minsheng Banking Corp. Ltd.
Website	www.rfchina.com

Shareholders' Information

Shareholders' Calendar

Interim results announcement	30 August 2007
Interim dividend paid	30 October 2007
Final results announcement	13 March 2008
Closure of register of members	14 April 2008 to 30 May 2008 (both days inclusive)
Annual general meeting	30 May 2008
Final dividend payable date	To be announced

Listing Information

The Company's H shares were listed on The Stock Exchange of Hong Kong Limited on 14 July 2005.

Stock Code

Hong Kong Stock Exchange	2777
Reuters	2777.HK
Bloomberg	2777HK

Board Lot Size 400 shares

Share Information

Year	Stock Price*	
	High HK$	Low HK$
2005 (from 14 July to 31 Dec)	6.9375	2.70
2006	17.14	6.675
2007	45.60	12.80

* *4-for-1 share sub-division adjusted*

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

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* for identification purpose only