



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

2008 INTERIM REPORT



Stock Code : 2777

*For identification purpose only

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Chairman's Message

RESULTS AND DIVIDEND

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008. The interim results have been reviewed by the audit committee of the Company.

	Unaudited six months ended 30 June 2008 (RMB'000)	Unaudited six months ended 30 June 2007 (RMB'000)	Percentage changes
Turnover	4,182,049	3,197,188	+31%
Profit for the half-year attributable to equity holders of the Company	1,558,508	667,965	+133%
Basic earnings per share (in RMB)	0.4837	0.2073	+133%
Dividend per share (in RMB)	Nil	0.1500	N/A

During the six months ended 30 June 2008, the Group's turnover rose by 31% and profit attributable to equity holders of the Company by 133% over that for the same period of 2007. Turnover for the period amounted to RMB4.182 billion which included RMB3.917 billion from sales of properties with 372,000 sq. m. of saleable area sold. Our profit for the period which included fair value gains from investment properties was RMB1.557 billion. Contracted sales from six cities met expectation and amounted to RMB7.9 billion, a 18% increase over the contracted sales for the six months ended 30 June 2007.

The Board has resolved that no interim dividend be paid for the six months ended 30 June 2008 (for the six months ended 30 June 2007: RMB0.15 per share).

BUSINESS REVIEW

In the first half of 2008, austerity measures implemented by the Central Government which aimed to prevent overheating of the economy and to control property prices at affordable level was in effect, creating uncertainties in the property market. Under such business environment, the Group has concentrated on the execution of its established strategies and proven business model.

After having established a presence in Western China where the Group has built up a sizable land bank in Chongqing and Chengdu as well as launched two projects in Chongqing in 2007, strategic geographical diversification has reached yet another stage. By the close of the current period, the Group was near to the launching of new projects in Taiyuan and Hainan. When pre-sale of the Taiyuan R&F City project subsequently commenced in July 2008, 329 units with a value of RMB186 million and represented over 60% of the units made available for sale were sold in the first week. Pre-sale of the Hainan R&F Bay Shore project was equally satisfactory with RMB130 million sales recorded in July 2008. Such encouraging market response not only attested to the competitiveness of our products but also gave us confidence that new projects in new cities will generate the momentum for future growth.

Although demand for property remains healthy, we do see moderate softening in property prices in the cities where we operate. Considering the current prices and other market factors, we will still strive to achieve our targeted contracted sales for the full year 2008 of RMB24 billion. We expect to be able to achieve this target with minor adjustments of selling prices to align with the market.

On the land bank front, the Group had a very good 2007 in which various plots of high-potential land were acquired at reasonable price and in good locations. Taiyuan is an excellent example. As at 30 June 2008, the Group's land bank stood at 27.01 million sq. m. With this key resource for project development sufficient to meet our development needs for the next three to five years safely secured, we could afford to significantly slow down the pace of land acquisition since the beginning of the year. This allowed us to consider only the best buying opportunities and also permitted flexibility in the deployment of liquid resources.

One major task of the Group is to keep on track the delivery schedule for not only 2008 but also the year beyond that will drive the growth of the Group. This is a very challenging task considering the huge GFA of the for-sale properties involved. GFA of 369,000 sq. m. were completed during the six months ended 30 June 2008 and 5,527,000 sq. m. of GFA were under construction on that date in 11 cities. For the second half of the year, we expect to complete another 2,000,000 sq. m. of GFA making a total of 2,369,000 sq. m. for 2008. We will use our excellent project management skill and will mobilize all the resources available to accomplish this massive construction activity.

The building up of a dedicated portfolio of investment properties is another important strategy of the Group. In the annual report for the year 2007, I reported that the Group's investment portfolio has come to fruition. Following the occupation of the Guangzhou R&F Center in November 2007 and the opening of The Ritz-Carlton, Guangzhou and the Grand Hyatt, Guangzhou earlier this year, the Group's Beijing portfolio including the Renaissance Beijing Capital Hotel, the Express of Holiday Inn Temple of Heaven Beijing and the R&F shopping mall were opened in July 2008 in time for the 2008 Olympics. The lease out of the Guangzhou R&F Center and the Beijing R&F shopping mall has been satisfactory while the occupancy of the hotels are expected to ramp up gradually. These and other existing investment properties will in time provide steady and reliable income stream and as they are high-quality properties carefully chosen, they can also be an excellent source of potential capital gain. We expect to add to this portfolio should high-quality opportunities arise but would emphasize that residential property development will remain the core business of the Group.

Throughout the period under review, the Group actively explored other financing platforms in addition to continually pursue the A share listing. We consider it vital, in the present tough environment, to be well prepared having more options for gaining access to capital.

PROSPECT

We are cautiously optimistic in respect of the PRC property market. We believe that despite market cooling measures, the demand for housing in China will remain huge given the irreversible urbanization trend. The Group as a top tier leading property developer in China which has the right expertise and a proven business model is well positioned to weather short-term ups and downs of the property market and grow from strength to strength in the long run.

ACKNOWLEDGEMENT

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

Li Sze Lim

Chairman

14 August 2008, Hong Kong

Management Discussion and Analysis

OPERATION REVIEW

The Group operates in 13 cities including Guangzhou, Hainan, Huizhou and Foshan in Southern China, Beijing, Tianjin, Xian, Taiyuan and Shenyang in Northern China, Chongqing and Chengdu in Western China and Shanghai and Kunshan in Eastern China.

SALE PROPERTIES

Sale properties under development

A total GFA of approximately 4,267,000 sq. m. of sale properties was under construction at the beginning of 2008. By the end of June 2008, GFA of for sale properties under construction increased to approximately 5,527,000 sq. m. comprising thirty-two projects. The following table set out the locations of the projects and their respective GFA and saleable areas.

Location	Number of Project	Approximate GFA (sq. m.)	Approximate saleable area (sq. m.)
Guangzhou	12	1,797,000	1,540,000
Beijing	6	975,000	754,000
Tianjin	4	772,000	634,000
Xian	1	211,000	185,000
Chongqing	3	836,000	628,000
Huizhou	1	132,000	118,000
Hainan	1	45,000	45,000
Chengdu	1	297,000	190,000
Kunshan	1	76,000	76,000
Taiyuan	1	335,000	335,000
Shenyang	1	51,000	36,000
TOTAL	32	5,527,000	4,541,000

Sale properties completed in the first half of 2008

During the first half of 2008, the total GFA and saleable area completed were approximately 369,000 sq. m. and 322,000 sq. m. respectively. The total saleable area sold and recognized in the income statement including properties completed prior to 2008 was approximately 372,000 sq. m. with sale revenues amounted to RMB3,917 million, increased 14% and 24% respectively when compared with the first half of 2007.

Location/ Name of Project	Approximate GFA Completed (sq. m.)	Approximate saleable area Completed (sq. m.)	Approximate saleable area sold (sq. m.)	Amount of turnover (RMB million)	The Group's Interest
Guangzhou					
R&F Sheng Yue Court	106,000	72,000	56,000	956	100%
Beijing					
R&F City	30,000	27,000	27,000	447	100%
R&F Festival City	14,000	13,000	12,000	92	100%
Tianjin					
R&F City	62,000	56,000	57,000	549	100%
R&F Jinmen Lake	120,000	120,000	98,000	714	100%
Xian					
R&F City	37,000	34,000	33,000	174	100%
Others					
Properties completed before 2008	—	—	89,000	985	100%
Total	369,000	322,000	372,000	3,917	

Sale properties to be completed in the second half of 2008

Based on the construction schedule, it is expected that a total saleable area of approximately 1,821,000 sq. m. of sale properties would be completed and ready for delivery in the second half of 2008.

Location	Approximate GFA (sq. m.)	Approximate saleable area (sq. m.)
Guangzhou	734,000	694,000
Beijing	319,000	326,000
Tianjin	266,000	249,000
Xian	132,000	123,000
Chongqing	549,000	429,000
Total	2,000,000	1,821,000

Of the total saleable area to be completed in the second half of 2008, 53% was pre-sold before 31 July 2008.

CONTRACTED SALES

During the six months ended 30 June 2008, the Group had contracted sales with saleable area of approximately 705,000 sq. m. and total value of approximately RMB7,949 million.

Location	Approximate saleable area sold (sq. m.)	Approximate value (RMB million)
Guangzhou	240,000	3,373
Huizhou	23,000	260
Chongqing	144,000	789
Beijing	119,000	1,704
Tianjin	139,000	1,581
Xian	40,000	242
Total	705,000	7,949

INVESTMENT PROPERTIES

The effort to build up a dedicated portfolio of quality investment properties has borne fruit. As at 30 June 2008, the Group has completed four key investment properties and has several other projects in various stage of development.

Guangzhou

Following the completion in November 2007 of the Guangzhou R&F Centre, an international grade A office building a portion of which is used by the Group as its headquarters, the Group opened its two five-star hotels in the Pearl River New Town in Guangzhou, The Ritz-Carlton, Guangzhou and Grand Hyatt, Guangzhou in March 2008 and April 2008 respectively. The Guangzhou R&F Center commands top rental for office space in Guangzhou and occupancy is expected to reach a satisfactory level towards the end of the year. The occupancy rate of the two hotels was essentially in line with the occupancy rate of similar hotels in their opening phase of operation. These newly operational investment properties will boost significantly the rental income derived so far from existing properties including mainly the commercial podium of R&F Modern Plaza and R&F Square in Guangzhou. There are four other projects under development including three hotels and an executive service apartment.

Beijing / Tianjin

In June 2008, the shopping complex of the Beijing R&F Centre was completed. The office portion of the the Beijing R&F Center has been completed earlier on in December 2007. The lease out of the shopping complex has been most satisfactory and almost achieved full occupancy. Immediately after the current period in July 2008, the Renaissance Beijing Capital Hotel and the Express by Holiday Inn Temple of Heaven Beijing were opened. Two projects are now under development in Tianjin including a hotel and a commercial complex.

LAND BANK

As at 30 June 2008, the Group was in possession of the following land bank.

Area	Approximate GFA (sq. m.)	Approximate above ground saleable area (sq. m.)
Southern China	8,477,608	7,585,967
Northern China	8,338,886	5,149,134
Eastern China	719,586	665,386
Western China	8,880,947	8,655,426
Investment Properties	594,841	427,072
Total	27,011,868	22,482,985

FINANCIAL REVIEW

The profit for the six months ended 30 June 2008 increased 133% to RMB1,557.2 million from RMB667.8 million for the same period of 2007. A fair value gain after tax of RMB1,107.2 million recorded in the current period mainly upon the completion of the R&F shopping mall in Beijing was a main reason for the increase.

Turnover which comprised sales of properties, rental income, construction income and hotel operation revenue was RMB4.182 billion for the six months ended 30 June 2008 as compared to a turnover of RMB3.197 billion which comprised only sales of properties and rental income in the corresponding period of 2007. Sales of properties increased 24.3% to RMB3.917 billion (1H 2007: RMB3.150 billion) and represented 93.7% (1H 2007: 98.5%) of total turnover. In terms of saleable area, 372,000 sq. m. were sold, increased 14% over the 327,000 sq. m. for the first six months of 2007. Reflecting both the properties prices trend and the sale mix, average selling price rose to RMB10,530 per sq. m. from RMB9,630 per sq. m. Guangzhou projects accounted for 36% by value and 28% by saleable area of total sales of properties. With sales came mainly from R&F Sheng Yue Court which has an average selling price of RMB16,950 per sq. m. and Guangzhou R&F City which average selling price further increased by 15% from 2007's average to RMB9,350 per sq. m., average selling price for Guangzhou at RMB13,560 per sq. m. was above the overall average. Beijing sales represented 23% by value and 18% by saleable area of total sales and came mainly from three projects viz. Beijing R&F City, R&F Festival City and R&F Xinran Court. Beijing R&F City was the dominant project in the period accounted for 61% of total Beijing sales. Since Beijing R&F City's average selling price of RMB14,850 per sq. m. was much higher than the average selling price of R&F Festival City which was the key project in 2007, the average selling price of Beijing for the period increased to RMB13,520 per sq. m. from RMB11,080 for 2007. Tianjin with sales from two projects, Tianjin R&F City and R&F Jinmen Lake, came in top among all cities represented 36% by value and 44% by saleable area of total sales. The R&F Jinmen Lake project was acquired from a third party with certain portion of the project already pre-sold. Those units pre-sold at relatively lower average selling price of RMB7,300 per sq. m. were delivered in the period. However, with average selling price of Tianjin R&F City increased 24% over 2007's, overall Tianjin average selling price increased slightly to RMB8,600 per sq. m. Sales of Xian R&F City amounted to 5% by value and 10% by saleable area of the total sales.

Cost of sales included, in addition to land and construction costs, also sales tax, capitalized interest and amortization of land premium. Land and construction costs made up 84% of the total costs. Cost of construction materials and labour had been on a rising trend but with continuous effort on cost control and efficient materials procurement, the cost of construction per sq. m. on an average basis increased approximately a manageable 14% from the same period of 2007. Capitalized interest amounted to RMB142.3 million and accounted for 5.3% of total cost of sales or 3.6% of sales of properties, up from RMB33.6 million previously as a result of the steady escalation of interest rate in the past two years. Amortization of land premium on the other hand reduced to RMB19.7 million (1H 2007 : RMB46.3 million).

Overall gross profit margin for the period was 36.3% as compared to 38.8% for the corresponding period of 2007. The construction and hotel operation which commenced in the second half of 2007 and in the current period respectively had slightly affected the gross margin. Isolating their effect, gross margin of sales of properties (including rental income) was 37.4%. Thanked to higher selling prices which offset increased costs, most projects in fact achieved better margin in the period. However, in the case of the Tianjin R&F Jinmen Lake project, the relatively low selling prices locked in before acquisition of the project by the Group resulted in a lower gross margin. With the project accounted for 18% of the total sales of properties for the period, it is estimated that the project had lowered the gross margin of properties sales by approximately 4.0%.

The other gains of RMB1,504 million (1H 2007 : RMB181.4 million) mainly included the fair value gain of the Beijing R&F shopping mall completed in the period.

Selling and administrative expenses increased by RMB278.6 million from RMB270.1 million for the six months ended 30 June 2007 to RMB548.7 million for the period. Taking out the expenses of the hotel and construction operation of RMB217.5 million, the increase in selling and administrative expenses was RMB61.1 million or 23%. Separately, selling expenses decrease 17% with the Group having managed to reduce advertising expenditures through efficient advertising program. Increase in administrative expenses was 37%. The increase was mainly in the area of staffing related costs as the Group continued to strengthen its organization and upgrade its employee compensation in general.

Interest expenses for the period increased to RMB787.2 million (1H 2007 : RMB299.8 million) as a result of borrowings increased to RMB20,590 million at 30 June 2008 from RMB13,761 million at 30 June 2007 and average interest rate increased 1.3% to 7.06%. Of this interest expenses, RMB680.2 million (1H 2007 : RMB270.2 million) had been capitalized with the balance RMB107.0 million (1H 2007 : RMB29.6 million) charged directly to income and if aggregate with the capitalized interest in cost of sales, total interest expenses included in the results of this period amounted to RMB249.3 million as compared to RMB63.2 million for the same period in 2007.

Income tax expenses included the charge for enterprise income tax ("EIT") and land appreciation tax ("LAT"). LAT for the period amounted to RMB207.9 million (1H 2007: RMB191.2 million) and equivalent to 5.3% (1H 2007: 6.1%) of sales of properties. EIT amounted to RMB585.3 million giving an effective tax rate of 27.3%. A certain subsidiary which was taxed based on turnover and certain non-deductible expenses caused the effective rate to deviate slightly from the standard rate of 25%.

Profit for the period increased 133% to RMB1,557.2 million with a net margin of 37.2% (1H 2007: RMB667.8 million and 20.9% respectively). Excluding the fair value gain of investment properties, profit would be RMB450 million and net margin 10.8% (1H 2007: RMB542 million and 16.9% respectively). The construction and hotel operation had short-term negative impact on net profit; due to the amortization of part of the purchase price of Guangzhou Tianli Construction Co. Ltd. and that the occupancy of the two Guangzhou hotels opened in the period would only improve over time, net profit for the period was reduced by approximately RMB216 million and net margin reduced by approximately 5.2%. Selling and administrative expenses as a percentage of total turnover was also higher due to the disproportional turnover of the first six months to that of the full year and affected net margin. The effect of these aforementioned factors on the net margin of the full year is expected to be much more limited in extent.

Financial resources and liquidity

At 30 June 2008, total cash on hand including amounts restricted for specified usage was RMB1,938 million (31 December 2007: RMB2,287 million). This level of cash was in a range the Group always maintains which is optimal for the operation of the Group. With total borrowings at the end of the period amounted to RMB20,590 million (31 December 2007: RMB19,900 million), net debt increased slightly to RMB18,652 million from RMB17,613 million at 31 December 2007. Despite this increase, net debt to equity ratio remained unchanged from 31 December 2007 at 139% due to the increase in equity during the period. Considering the Group's cash flow from sales and the reduced capital expenditures, the current borrowing level and net debt to equity ratio is expected to gradually decrease.

During the six months ended 30 June 2008, new borrowings of RMB4,584 million have been procured at interest rate ranging from 6.723% to 7.8435% while loans repaid amounted to RMB3,894 million. The effective interest rate of the total loan portfolio at 30 June 2008 was 7.06% (31 December 2007: 6.32%). Most of the loans were in RMB and at floating interest rate benchmarked to rates published by the People's Bank of China. The Group considered the RMB interest rate environment relatively stable and with income and assets predominantly in RMB that matched the loan currency, the Group did not consider it necessary to hedge either its interest rate or currency exposure.

Charge on assets

As at 30 June 2008, certain properties and bank deposits were pledged to secure bank loans amounted to RMB6,682 million (at 31 December 2007: RMB6,205 million).

Contingent liabilities

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties. For guarantees provided in respect of residential properties, the guarantees would be released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2008, such guarantees totaled RMB9,136 million which increased 17% from RMB7,839 million as at 31 December 2007.

Employee and remuneration policies

As of 30 June 2008, the Group had approximately 5,240 employees (30 June 2007: 3,468) which included additional employees of two new hotels in Guangzhou. The Group provides competitive remuneration, including fringe benefits such as one-off discount on purchase of properties developed by the Group, and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus system. Job-related training is also provided from time to time.

Disclosure of Interests

SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2008 was as follows:

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, so far as the directors are aware, the following persons (other than the directors, supervisor and chief executive officer of the Company) held 5% or more interests or short position in the shares and underlying shares of the Company which would be required to be disclosed to the Company under Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register as required to be kept under section 336 of the SFO.

Name of shareholders	Types of shares	No. of shares (Note)	Percentage of H shares
JP Morgan Chase & Co.	"H" share	191,555,672(L)	18.87%
		8,634,600(S)	0.85%
		62,899,421(P)	6.20%
UBS AG	"H" share	191,101,841(L)	18.82%
		117,488,530(S)	11.57%
Morgan Stanley	"H" share	188,721,767(L)	18.59%
		78,318,198(S)	7.71%
Sloane Robinson LLP	"H" share	71,271,400(L)	7.02%
Lehman Brothers Holdings Inc.	"H" share	56,366,436(L)	5.55%
		65,932,779(S)	6.49%

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the interests of the directors and supervisors of the Company in the shares and underlying shares of the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered into the register required to be kept by the Company under section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers were as follows:

Long positions in the shares and underlying shares as at 30 June 2008 were as follows:

Directors	Type of interest	Number of Shares			Total	Percentage of total number of issued shares
		Personal	Spouse or children Under 18	Corporate Interest		
Li Sze Lim	Domestic share	1,045,092,672			1,060,092,672	32.90%
	"H" share	3,000,000	5,000,000	7,000,000		
Zhang Li	Domestic share	1,005,092,672	20,000,000		1,027,492,672	31.89%
	"H" share	2,000,000	400,000			
Lu Jing	Domestic share	35,078,352			35,078,352	1.09%
Zhou Yaonan	Domestic share	22,922,624			22,922,624	0.71%
Li Helen	"H" share	1,203,600			1,203,600	0.04%

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

Directors	Name of associated corporation	Type of interest	No. of shares	Percentage of total issued registered capital
Li Sze Lim	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35%
Zhang Li	Guangzhou Tianfu Property Development Co., Ltd. (Note 1)	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. (Note 2)	Corporate	N/A	35%

Note 1: Guangzhou Tianfu Property Development Co., Ltd. is 15% owned by Century Land Properties Limited which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li as to 50% each.

Note 2: Beijing Fushengli Investment Consulting Co., Ltd. is 70% owned by Sparks Real Estate Holdings Limited, a wholly owned subsidiary of Top Elite Group Limited which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li as to 50% each.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE GROUP

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries, nor its jointly controlled entity has purchased, redeemed or sold any of the Company's listed securities.

FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Company has not provided any financial assistance to or guarantee for facilities granted to affiliated companies (within the definition under chapter 13 of the Listing Rules) which together in aggregate would exceed the relevant percentage ratios of 8%, requiring disclosure under the Listing Rules.

Corporate Governance

BOARD COMPOSITION AND PRACTICE

The Board of the Company consists of nine members, including four executive directors, Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin (the sister of Mr. Zhang Li) and Ms. Li Helen (the sister of Mr. Li Sze Lim); and three independent non-executive directors, Mr. Huang Kaiwen, Mr. Dai Feng and Mr. Lai Ming, Joseph. Save as disclosed, there is no business or other relationship among members of the Board, and in particular between the chairman and the chief executive officer of the Company. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a mix of balanced skills and expertise to provide effective leadership of the Company.

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

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

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

The notice of Board meeting, as stipulated under Article 97 of the Articles of Association, will be given to all directors at least 10 days prior to the date of meeting. All directors are given opportunities to include any matters to be discussed in the agenda. The company secretary is responsible to the Board for ensuring that all board procedures are followed, and detailed minutes of the Board meetings are prepared, circulated and approved. The company secretary is also responsible for the Company’s compliance with the continuing obligations of the Listing Rules, Code on Takeovers and Mergers and Share Repurchases, Company Ordinance, SFO and other applicable laws, rules and regulations.

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

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

DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") as the code of conduct for directors in their dealings in the Company's securities. The Company made specific enquires with each director, and each of them confirmed that he or she had complied with the Model Code during the six months ended 30 June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group have been committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other laws and regulations of relevant jurisdictions. In particular, it has observed the rules and principles set out under the Code on Corporate Governance Practices as stated in the Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008.

AUDIT COMMITTEE

The audit committee of the Company was established on 27 June 2005. It has been set up with terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationship with external auditors, the Company's financial reporting, the internal control and risk management system.

The audit committee comprises Mr. Lai Ming, Joseph (Chairman of the audit committee) and Mr. Dai Feng who are independent non-executive directors of the Company and Ms. Li Helen who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2008. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited results for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

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

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

SHAREHOLDERS RELATION

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

Condensed Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	30 June 2008 Unaudited	31 December 2007 Audited
ASSETS			
Non-current assets			
Land use rights	5	9,088,987	10,342,679
Properties held for development		1,809,563	2,859,095
Property, plant and equipment	5	3,310,847	2,390,260
Investment properties	5	7,363,831	5,366,774
Intangible assets	5	921,454	1,019,806
Interests in jointly controlled entities		404,532	405,311
Investments in associates		36,737	35,216
Deferred income tax assets		417,894	297,155
Available-for-sale financial assets		181,867	416,000
Trade and other receivables	8	2,132,124	1,900,995
Total non-current assets		25,667,836	25,033,291
Current assets			
Properties under development		14,185,102	12,357,422
Available-for-sale financial assets		234,133	—
Completed properties held for sale		3,912,693	3,943,484
Land use rights	5	6,342,866	5,047,634
Inventories		229,688	177,233
Trade and other receivables	8	3,565,162	4,654,746
Tax prepayments		1,131,848	695,515
Cash	6	1,238,601	1,329,691
Restricted cash	7	699,748	956,875
Total current assets		31,539,841	29,162,600
Total assets	4	57,207,677	54,195,891
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	805,592	805,592
Other reserves		4,434,497	4,434,497
Retained earnings			
- Proposed dividend	17	—	805,592
- Others		8,140,686	6,579,860
		13,380,775	12,625,541
Minority interest in equity		72,992	74,339
Total equity		13,453,767	12,699,880

Condensed Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	30 June 2008 Unaudited	31 December 2007 Audited
LIABILITIES			
Non-current liabilities			
Long-term bank loans	10	12,516,250	12,532,500
Long-term payables		272,000	272,000
Deferred income tax liabilities		1,773,366	1,439,428
Total non-current liabilities		14,561,616	14,243,928
Current liabilities			
Accruals and other payables	11	9,391,168	11,135,489
Deposits received on sale of properties		9,664,836	6,542,480
Current income tax liabilities		2,062,889	2,206,847
Short-term bank loans	10	2,583,601	3,803,267
Current portion of long-term bank loans	10	5,489,800	3,564,000
Total current liabilities		29,192,294	27,252,083
Total liabilities		43,753,910	41,496,011
Total equity and liabilities		57,207,677	54,195,891
Net current assets		2,347,547	1,910,517
Total assets less current liabilities		28,015,383	26,943,808

The notes on pages 20 to 38 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Income Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited	
		Six months ended 30 June 2008	2007 Restated
Turnover	4	4,182,049	3,197,188
Cost of sales		(2,664,062)	(1,957,097)
Gross profit		1,517,987	1,240,091
Other gains	12	1,504,344	181,445
Selling and administrative expenses		(548,713)	(270,134)
Other operating expenses		(17,013)	(23,637)
Operating profit	13	2,456,605	1,127,765
Finance costs - net	14	(106,982)	(29,599)
Share of gains of jointly controlled entities		1,521	—
Share of losses of associates		(779)	—
Profit before income tax		2,350,365	1,098,166
Income tax expense	15	(793,204)	(430,350)
Profit for the period		1,557,161	667,816
Attributable to:			
– Equity holders of the Company		1,558,508	667,965
– Minority interest		(1,347)	(149)
		1,557,161	667,816
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in RMB Yuan per share)	16	0.4837	0.2073
Dividend	17	—	483,355
Dividend per share, expressed in RMB per share	17	—	0.1500

The notes on pages 20 to 38 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited					
	Attributable to equity holders of the Company			Total	Minority interest	Total equity
	Share capital	Other reserves	Retained earnings			
Balance at 1 January 2007	805,592	4,092,217	3,348,843	8,246,652	280,848	8,527,500
Profit for the period	—	—	667,965	667,965	(149)	667,816
Reduction of minority interest resulting from acquisition of additional interests in a subsidiary	—	—	—	—	(229,577)	(229,577)
Capital contributions from a minority shareholder	—	—	—	—	400	400
Acquisition of subsidiaries	—	—	—	—	149	149
Dividend paid to minority shareholders	—	—	—	—	(29,534)	(29,534)
Dividend relating to 2006 paid in June 2007	—	—	(644,473)	(644,473)	—	(644,473)
Balance at 30 June 2007	805,592	4,092,217	3,372,335	8,270,144	22,137	8,292,281
Balance at 1 January 2008	805,592	4,434,497	7,385,452	12,625,541	74,339	12,699,880
Profit for the period	—	—	1,558,508	1,558,508	(1,347)	1,557,161
Dividend relating to 2007 paid in June 2008	—	—	(803,274)	(803,274)	—	(803,274)
Balance at 30 June 2008	805,592	4,434,497	8,140,686	13,380,775	72,992	13,453,767

The notes on pages 20 to 38 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited	
		Six months ended 30 June	
		2008	2007
Cash flows from / (used in) operating activities – net		734,337	(1,179,137)
Cash flows from investing activities:			
– acquisition of subsidiaries, net of cash acquired		—	(346,626)
– acquisition of additional interests in a subsidiary		—	(251,470)
– purchases of property, plant and equipment		(932,751)	(742,541)
– proceeds from sale of property, plant and equipment		177	—
– purchases of intangible assets		(35)	—
– interest received		20,572	13,099
Cash flows used in investing activities – net		(912,037)	(1,327,538)
Cash flows from financing activities:			
– proceeds from borrowings	10	4,584,040	7,326,255
– repayments of borrowings	10	(3,894,156)	(1,881,195)
– dividend paid to minority shareholders		—	(29,534)
– dividend paid to equity holders of the Company		(803,274)	(644,473)
– proceeds from shareholders	21	200,000	—
Cash flows from financing activities – net		86,610	4,771,053
Net (decrease) / increase in cash		(91,090)	2,264,378
Cash at beginning of period		1,329,691	1,415,926
Cash at end of period		1,238,601	3,680,304

The notes on pages 20 to 38 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

1 General information

Guangzhou R&F Properties Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) on 31 August 1994 as a company with limited liability under the Company Law of the PRC.

The Company is primarily engaged in the development and sales of properties, property investment and hotel operations in the PRC. 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.

This condensed consolidated interim financial information was approved for issue on 14 August 2008.

2 Basis of preparation

This condensed consolidated interim financial information for the six-month ended 30 June 2008 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

HK(IFRIC) – Int 11	‘HKFRS2 – Group and treasury share transactions’
HK(IFRIC) - Int 12	‘Service concession arrangement’
HK(IFRIC) - Int 14	‘HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

HKFRS 8	‘Operating segments’
HKAS 23 (amendment)	‘Borrowing costs’
HKFRS 2 (amendment)	‘Share-based payment’
HKFRS 3 (amendment)	‘Business combinations’ and consequential amendments to HKAS 27, ‘Consolidated and separate financial statements’, HKAS 28, ‘Investments in associates’ and HKAS 31, ‘Interests in joint ventures’.
HKAS 1 (amendment)	‘Presentation of financial statements’
HKAS 32 (amendment)	‘Financial instruments: presentation’
HK(IFRIC) – Int 13	‘Customer loyalty programmes’

3 Accounting policies (continued)

The effect of the adoption of HKFRS 3 (revised) is being assessed by the management while the adoption of the other new standards, amendments to standards and interpretations listed above in future period is not expected to result in material impact.

4 Turnover and segment information

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

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

Turnover	Six months ended 30 June	
	2008	2007
Sales of properties	3,917,442	3,149,614
Income from construction services	163,191	—
Rental income	59,360	47,574
Income from hotel operations	42,056	—
	4,182,049	3,197,188

Turnover by geographical location	Six months ended 30 June	
	2008	2007
Guangzhou	1,645,608	1,588,308
Beijing	921,013	1,219,581
Tianjin	1,415,793	389,299
Xi'an	199,635	—
	4,182,049	3,197,188

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

4 Turnover and segment information (continued)

Total assets	As at	
	30 June 2008	31 December 2007
Guangzhou	21,018,038	20,489,975
Beijing	15,644,539	13,652,574
Tianjin	8,886,641	10,590,559
Chongqing	4,253,317	3,709,430
Xian	1,413,794	736,159
Others	5,991,348	5,017,194
	57,207,677	54,195,891

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

Capital expenditure	Six months ended 30 June	
	2008	2007
Guangzhou	974,268	818,229
Beijing	169,531	231,540
Tianjin	3,663	500,745
Chongqing	12,705	128,603
Hainan	339	358,818
Xian	240	1,383
Others	5,348	570
	1,166,094	2,039,888

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

5 Capital expenditure

	Intangible assets	Investment properties	Property, plant and equipment	Land use rights Non-current	Current
Six months ended 30 June 2007					
Opening net book amount at 1 January 2007	50,620	926,153	1,311,101	8,098,580	2,579,891
Acquisition of subsidiaries	1,072,528	—	150,148	66,273	—
Acquisition of additional interests from minority shareholders	21,893	—	—	—	—
Additions	116	—	742,541	1,134,820	162,411
Fair value gains (including in other gains) (Note 12)	—	167,901	—	—	—
Transfer between current and non-current portion	—	—	—	(1,648,684)	1,648,684
Transfer from properties under development	—	—	515,479	—	—
Transfer to cost of sales	—	—	—	—	(297,717)
Depreciation and amortisation	(89)	—	(11,419)	(30,787)	(42,257)
Closing net book amount at 30 June 2007	1,145,068	1,094,054	2,707,850	7,620,202	4,051,012
Six months ended 30 June 2008					
Opening net book amount at 1 January 2008	1,019,806	5,366,774	2,390,260	10,342,679	5,047,634
Additions	35	196,220	969,839	540,530	75,786
Disposals	—	—	(177)	—	—
Fair value gains (including in other gains) (Note 12)	—	1,476,266	—	—	—
Transfer between current and non-current portion	—	—	—	(1,759,447)	1,759,447
Transfer from properties under development	—	286,165	—	—	—
Transfer from land use rights	—	38,406	—	—	(38,406)
Transfer to cost of sales	—	—	—	—	(418,058)
Depreciation and amortisation	(98,387)	—	(49,075)	(34,775)	(83,537)
Closing net book amount at 30 June 2008	921,454	7,363,831	3,310,847	9,088,987	6,342,866

6 Cash

	As at	
	30 June 2008	31 December 2007
Cash at bank and in hand	1,238,601	1,329,691

7 Restricted cash

	As at	
	30 June 2008	31 December 2007
Guarantee deposits for construction of pre-sold properties (Note (a))	202,857	77,768
Guarantee deposits for resettlement costs (Note (b))	233,806	372,437
Guarantee deposits for construction payable (Note (c))	96,099	129,711
Guarantee deposits for subsidiaries' borrowings (Note (d) and 10)	104,087	303,162
Guarantee deposits for mortgage loans provided to customers (Note (e))	62,899	73,797
	699,748	956,875

Note:

- (a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings which are subject to demolition for development. The deposits can only be used for such resettlement costs according to the payment schedule.
- (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.
- (d) According to the relevant loan contracts, the Group is required to place at a designated bank account certain amount as deposits for securing borrowings provided to subsidiaries. Such guarantee deposits will only be released after full repayment of borrowings.
- (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 above will be released within one year.

8 Trade and other receivables

	As at	
	30 June 2008	31 December 2007
Trade receivables		
- Due from jointly controlled entities (Note a and 21 (xi))	187,749	199,038
- Due from related parties (Note a and 21 (xi))	13,196	191,874
- Due from third parties (Note a)	1,239,663	1,240,528
	1,440,608	1,631,440
Other receivables	788,356	1,154,461
Prepayments	2,785,526	3,072,926
Due from jointly controlled entities (Note 21(xi))	698,592	722,725
Due from related parties (Note 21(xi))	8,824	—
Less: provision for impairment of other receivables	(24,620)	(25,811)
	5,697,286	6,555,741
Less: non-current portion	(2,132,124)	(1,900,995)
Current portion	3,565,162	4,654,746

The carrying amounts of the Group's trade and other receivables, net of provision for impairment, are denominated in the following currencies:

	As at	
	30 June 2008	31 December 2007
RMB	5,697,286	6,432,988
USD	—	122,753
	5,697,286	6,555,741

The carrying amounts of trade and other receivables, net of provision for impairment, approximate their fair value.

8 Trade and other receivables (continued)

Note (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 sales and purchase agreements. The ageing analysis of trade receivables at 30 June 2008 was as follows:

	As at	
	30 June 2008	31 December 2007
0 to 90 days	351,579	1,341,904
91 to 180 days	100,292	111,436
181 to 365 days	914,063	90,000
1 year to 2 years	44,176	50,747
Over 2 years	30,498	37,353
	1,440,608	1,631,440

9 Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 31 December 2007 and 30 June 2008				
- 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

At 31 December 2007 and 30 June 2008, 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 domestic shares and 1,015,259,000 H shares.

10 Bank loans

	As at	
	30 June 2008	31 December 2007
Short-term bank loans		
– Secured	978,601	953,267
– Unsecured	1,605,000	2,850,000
	2,583,601	3,803,267
Long-term bank loans		
– Secured	5,703,050	5,251,500
– Unsecured	12,303,000	10,845,000
	18,006,050	16,096,500
Less: Current portion of long-term bank loans	(5,489,800)	(3,564,000)
	12,516,250	12,532,500

Movements in borrowings are analysed as follows:

Six months ended 30 June 2007	
Opening amount at 1 January 2007	7,915,734
Addition of borrowings	7,326,255
Repayments of borrowings	(1,881,195)
Acquisition of subsidiaries	400,000
Closing amount at 30 June 2007	13,760,794
Six months ended 30 June 2008	
Opening amount at 1 January 2008	19,899,767
Addition of borrowings	4,584,040
Repayments of borrowings	(3,894,156)
Closing amount at 30 June 2008	20,589,651

10 Bank loans (continued)

Bank loans at 30 June 2008 were secured by the following:

	As at	
	30 June 2008	31 December 2007
Land use rights	644,145	662,585
Properties held for / under development	—	430,105
Property, plant and equipment	1,998,085	1,375,454
Investment properties	2,322,516	1,488,996
Completed properties held for sale	39,678	19,824
Restricted cash (Note 7)	104,087	303,162
Investments in subsidiaries	138,438	—
	5,246,949	4,280,126

The majority of unsecured borrowings of RMB13,908,000,000 (31 December 2007: RMB13,595,000,000) are supported by guarantees. Details are as follows:

	As at	
	30 June 2008	31 December 2007
Guarantors		
The Company	9,318,000	8,625,000
Subsidiaries	4,560,000	4,790,000
Li Sze Lim and Zhang Li	30,000	30,000
The Company, a subsidiary together with Li Sze Lim and Zhang Li	—	150,000
	13,908,000	13,595,000

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

	As at	
	30 June 2008	31 December 2007
RMB	20,111,050	19,446,500
HKD	478,601	250,674
USD	—	202,593
	20,589,651	19,899,767

11 Accruals and other payables

	As at	
	30 June 2008	31 December 2007
Amounts due to jointly controlled entities (Note 21 (xi))	458,810	778,305
Amounts due to associates (Note 21 (xi))	146,206	63,605
Amounts due to related parties (Note 21 (xi))	234,886	—
Construction payables (Note a)	4,857,549	6,149,878
Other payables and accrued charges	3,693,717	4,143,701
	9,391,168	11,135,489

All payable and accrual balances are denominated in RMB.

Note

- (a) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade payables is presented.
- (b) The carrying amounts of accruals and other payables approximate their fair value.

12 Other gains

	Six months ended 30 June	
	2008	2007
Fair value gains on investment properties (Note 5)	1,476,266	167,901
Interest income	20,572	13,099
Others	7,506	445
	1,504,344	181,445

13 Operating profit

The following items of unusual nature, size or incidence have been credited / charged to the operating profit during the period:

	Six months ended 30 June	
	2008	2007
Crediting:		
Reversal of provision for doubtful debts	(4,980)	—
Charging:		
Depreciation (Note 5)	49,075	11,419
Amortisation of intangible assets	28,384	89
Amortisation of land use rights	22,542	47,231
Provision for impairment of other receivables	3,789	10,275
Loss on disposal of property, plant and equipment	177	—

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. There was no indication of impairment during the period.

14 Finance costs

	Six months ended 30 June	
	2008	2007
Interest on bank loans	787,189	299,755
Less: Amount capitalised in property, plant and equipment and properties under development	(680,207)	(270,156)
	106,982	29,599

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties is 7.01% per annum for the six months ended 30 June 2008 (30 June 2007: 5.89%).

15 Income tax expense

	Six months ended 30 June	
	2008	2007 Restated
Current income tax		
– PRC enterprise income tax (Note b)	338,426	394,215
Deferred income tax	246,893	(155,098)
	585,319	239,117
Current PRC land appreciation tax (Note c)	207,885	191,233
Total income tax expenses	793,204	430,350

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

(b) PRC enterprise income tax

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

For six months ended 30 June 2008, the applicable income tax rate for the profits generated from property construction by a subsidiary was 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 25% based on taxable profits.

(c) 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 sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

16 Earnings per share

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

	Six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company (RMB thousands)	1,558,508	667,965
Weighted average number of ordinary shares in issue (thousands)	3,222,367	3,222,367
Earnings per share (RMB per share)	0.4837	0.2073

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

17 Dividend

A 2007 final dividend of RMB0.25 per ordinary share, totalling RMB803,274,000 was paid in June 2008.

No interim dividend in respect of six months ended 30 June 2008 was proposed by the board of directors (six months ended 30 June 2007: RMB0.15 per ordinary share, totalling RMB483,355,000).

18 Commitments

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

	As at	
	30 June 2008	31 December 2007
Authorised but not contracted for	11,010,600	8,216,154
Contracted but not provided for	13,765,156	11,242,745
	24,775,756	19,458,899

(b) Operating lease commitments

At 30 June 2008, the Group had future aggregate minimum lease expense for land and buildings under non-cancellable operating leases as follows:

	As at	
	30 June 2008	31 December 2007
Not later than one year	4,269	6,988
Later than one year and not later than five years	3,755	3,097
Over five years	15,412	15,799
	23,436	25,884

(c) Other commitments

During six months ended 30 June 2008, the Group entered into certain purchase agreements to acquire equity interests in a number of PRC companies for the purposes of acquiring land use rights located in various major cities in the PRC. Payment obligations of the Group were established when the other contracting parties have fulfilled their respective contractual obligations as specified in the contracts. The total commitments at 30 June 2008 were as follows:

	As at	
	30 June 2008	31 December 2007
Contracted but not provided for	658,386	2,915,312

19 Future minimum rental payments receivable

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

	As at	
	30 June 2008	31 December 2007
Not later than one year	326,723	84,954
Later than one year and not later than five years	892,075	259,977
Over five years	936,892	506,735
	2,155,690	851,666

20 Financial guarantee contracts

	As at	
	30 June 2008	31 December 2007
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	9,136,362	7,839,071

Note

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

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

21 Significant related-party transactions

The Group was controlled by Li Sze Lim and Zhang Li (both are national of the PRC), who owns 32.90% and 31.89% 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 10 above.

ii) **Provision of restaurant services**

	Six months ended 30 June	
	2008	2007
Common shareholders:		
Guangzhou Fuligong Restaurant Co., Ltd.	9,267	5,715

iii) **Lease of properties**

	Six months ended 30 June	
	2008	2007
Common shareholders:		
Beijing Fushengli Investment Consulting Co., Ltd.	—	5,464
Central Hope Co., Ltd.	120	—
Lancaster-Toprich Ltd.	120	—
	240	5,464

iv) **Drinking water system charges**

	Six months ended 30 June	
	2008	2007
Common shareholders:		
Guangzhou Canton-rich Environmental Inc.	3,507	754

v) **Key management compensation**

	Six months ended 30 June	
	2008	2007
Salaries and welfare benefits	8,360	7,408

21 Significant related-party transactions (continued)

vi) Appointment as property management

	Six months ended 30 June	
	2008	2007
Common shareholders:		
Beijing Fushengli Investment Consulting Co., Ltd.	426	426

vii) Purchase of properties

	Six months ended 30 June	
	2008	2007
Common shareholders:		
Guangzhou Yifu Properties Co., Ltd.	—	18,490

viii) Purchase of concrete

	Six months ended 30 June	
	2008	2007
Associates:		
Guangzhou Chaoli Concrete Co., Ltd.	78,256	4,161

ix) Provision of design services

	Six months ended 30 June	
	2008	2007
Common shareholders:		
Zhongshan Shidi Properties Development Co., Ltd	250	—

x) Provision of construction services

	Six months ended 30 June	
	2008	2007
Common shareholders:		
Huizhou Golden Swan Hotspring Co., Ltd.	56,052	—
Zhongshan Shidi Properties Development Co., Ltd.	17,791	—
Shenyang Yilong Housing development Co., Ltd	20,584	—
	94,427	—

21 Significant related-party transactions (continued)

xi) Balances with related parties

As at 30 June 2008, the Group had the following significant balances with related parties:

	As at	
	30 June 2008	31 December 2007
Due from:		
Jointly controlled entities		
- Non-trade balances		
Maxview Investment Limited	606,826	604,990
Value Success Investment Limited	91,766	97,735
R&F (Shenyang) Properties Development Co., Ltd.	—	20,000
	698,592	722,725
- Trade balance		
Shenyang Yilong Housing Development Co., Ltd.	187,749	199,038
Common shareholders:		
- Non-trade balance		
Beijing Fushengli Investment Consulting Co., Ltd.	8,824	—
- Trade balances		
Zhongshan Shidi Properties Development Co., Ltd.	13,196	44,179
Huizhou Golden Swan Hotspring Co., Ltd.	—	146,258
Guangzhou Fuligong Restaurant Co., Ltd.	—	1,437
	13,196	191,874
	908,361	1,113,637

21 Significant related-party transactions (continued)

xi) Balances with related parties (continued)

	As at	
	30 June 2008	31 December 2007
Due to:		
Jointly controlled entities		
- Non-trade balances		
Guangzhou Shengjing Properties Development Co., Ltd.	446,895	318,145
R&F (Shenyang) Properties Development Co., Ltd.	11,915	—
Shenyang Yilong Housing Development Co., Ltd.	—	1,263
Precious Wave Investments Limited	—	458,897
	458,810	778,305
Associates		
- Non-trade balances		
Guangzhou Yifu Investment Co., Ltd.	2,520	2,520
Guangzhou F&C Communication Technology Ltd.	5	5
Guangzhou Fujing Properites Development Co., Ltd	76,518	—
Beijing Fushengli Investment Consulting Co., Ltd.	—	6,224
	79,043	8,749
- Trade balance		
Guangzhou Chaoli Concrete Co., Ltd.	67,163	54,856
	146,206	63,605
Common shareholders:		
- Trade balance		
Huizhou Golden Swan Hotspring Co., Ltd.	10,933	—
- Non-trade balances		
Guangzhou Canton-rich Environmental Inc.	7,953	—
Guangdong South China Environmental Protection Investment Co., Ltd	16,000	—
	23,953	—
Shareholders:		
- Non-trade balances		
Mr. Li Sze Lim, Mr. Zhang Li	200,000	—
	234,886	—
	839,902	841,910

The balances with related parties are interest free, unsecured and have no repayment terms, except for the balance with shareholders which is subject to annual benchmark lending rate and is repayable on demand.

22 Reclassification of comparative figures

Within the comparative figures stated in the condensed consolidated interim financial information, land appreciation tax expense of RMB191,233,000 previously included in cost of sales for the six months ended 30 June 2007 was reclassified as income tax expense in the condensed consolidated income statement.

The above reclassification are made so as to conform to current period'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 period, after a reassessment of the nature of land appreciation tax and a study of the market practice.

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

Corporate Information

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 Merchants Bank China Minsheng Banking Corp. Ltd.
Website	www.rfchina.com