KEY TO THE FUTURE

Annual Report 2008

GUANGZHOU R&F PROPERTIES CO., LTD.

Stock Code: 2777

R&F

KEY TO SEEING BEYOND THE

15

Years of Experience in Residential Property Development

25,377,000

sq.m. of Land Bank

see page 20.

12

Flagship Projects

see page 22.

5,058

Dedicated Talents

see page 36.

1.3

Billion China population

Annual Report 2008


ORDINARY

ABOUT R&F

One of China's largest and most well-known property developers, Guangzhou R&F Properties Co., Ltd. has completed or is currently in the process of developing residential projects in 13 cities across the country. It enjoys significant market share in some of China's most important cities, including Guangzhou, Beijing and Tianjin. The R&F brand name is synonymous with quality and value nationwide.

R&F's core business has always been focused on residential property development, although a portion of its portfolio is held in investment properties as part of its ongoing development strategy. This investment portfolio includes prestigious hotels and shopping malls, five of which were opened in 2008. The Company has significant land bank holdings sufficient for several years of future development, and is positive about its prospects for 2009 as the domestic property market stabilizes.

Contents

See our
Achievements

March
- Announcement of 2007 Annual Results
- Grand opening of The Ritz-Carlton, Guangzhou

April
- Grand opening of Grand Hyatt Guangzhou

May
- Received 2008 Outstanding China Property Sector Stock from Economic Digest
- Annual General Meeting for 2007

June
- Received "2008 Contribution to Society Business Awards, 2008 Chinese Real Estate Corporate Citizenship Award and 2008 Commercial Real Estate Awards - R&F Center" from 21 Century Boao Real Estate Forum 2008
- Awarded "2008 Best 50 Companies of Investment Value in Guangdong"

August
- Announcement of 2008 Interim Results
- Awarded "Yue Xiu District Outstanding Private Enterprises of 2006-2007 "
- Ranked second amongst "Top 100 Guangdong Province Private Enterprises"

October
- Ranked among "2007 China Top 100 Tax Payers"

November
- Ranked No. 1 in terms of overall strength among all property developers in China by the National Statistics Bureau for the fourth consecutive year

December
- Extraordinary General Meeting to approve proposed issue of Domestic Corporate Bonds in the PRC

15 Years
of Experience in Residential
Property Development


广州富力地产股份有限公司
连续四年中国房地产业综合实力第一名
数据提供：国家统计局固定资产投资统计司
发布单位：中国行业企业信息发布中心
二〇〇八年十一月
证书
中国最具价值地产上市公司
2008
广州富力地产股份有限公司
广东最具投资价值上市公司50强
广州富力丽思卡尔顿酒店开业剪彩仪式
THE RITZ-CARLTON, GUANGZHOU
GRAND OPENING RIBBON CUTTING CEREMONY
2008.3.11
2006—2007年度
优秀民营企业
2007年度
中国企业所得税纳税百强
授予广州富力地产股份有限公司2006-2007年度
广东省百强民营企业
广东省人民政府
二〇〇八年八月
证书
2008中国社会责任特别大奖

See our Masterpiece

In recent years, R&F has developed more than 30 commercial and residential and property projects, including R&F Square, R&F Peach Garden, R&F Ying Long Plaza, The Ritz-Carlton Guangzhou, and Grand Hyatt Guangzhou. Each one represented a proud milestone for R&F. With 15 years of construction and marketing experience, R&F has developed impeccable quality standards for its housing products, garden design, planning of internal and external areas, property management, and community care. No wonder then that as a real estate enterprise it enjoys the highest levels of satisfaction from its customers.

Total 25,377,000 sq.m. of Land Bank

Investment Properties

Beijing

- Renaissance Beijing Capital Hotel
- R&F Center
- R&F Plaza
- Express of Holiday Inn Temple of Heaven Beijing

Tianjin

- Marriott Hotel
- Tianjin R&F City Commercial Complex

Guangzhou

- The Ritz-Carlton, Guangzhou
- Grand Hyatt Guangzhou
- R&F Center
- Holiday Inn Airport Guangzhou
- R&F Ying Kai Plaza
- The Galaxy Guangzhou Marriott Executives Apartments

See our Expertise

We attach great importance to fostering a fine team spirit. Our teams involved in development, design, engineering, sales, finance and logistics, all play an integral part in fashioning our success. To help us achieve ultimate levels of product quality while also controlling costs, we utilize an architectural design team with Class-A qualifications together with engineering experts who have powerful technology at their disposal. Our highly-trained sales team ensures that our products are then sold efficiently and professionally.

5,058

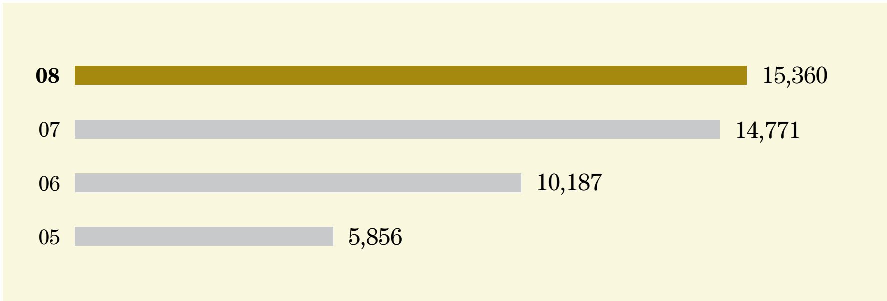
Dedicated Talents


Enter

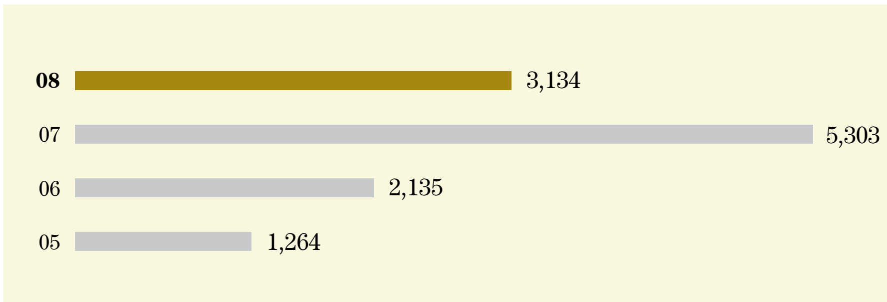
Financial Highlights

	2008	2007	% changes
Operating Results (RMB'000)			
Revenue	**15,360,151**	14,771,919	4%
Gross profit	**5,178,301**	5,545,889	-7%
Profit for the year attributable to the equity holders of the Company	**3,134,372**	5,302,786	-41%
Basic earnings per share (RMB)	**0.9727**	1.6456	-41%
Dividends per share (RMB)	**0.28**	0.40	-30%
Financial Position (RMB'000)			
Cash	**2,052,956**	2,286,566	-10%
Total assets	**54,967,615**	54,195,891	1%
Total liabilities	**40,001,927**	41,496,011	-4%
Financial Ratios			
Net assets per share (RMB)	**4.62**	3.92	18%
Dividend payout ratio (%)	**28.8**	24.3	19%
Return on equity (%)	**22.8**	50.1	-54%
Net debt to equity ratio (%)	**123.8**	139.5	-11%

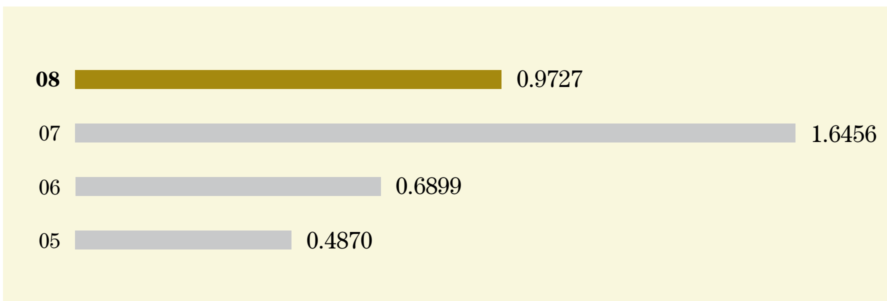
Revenue
RMB (in million)



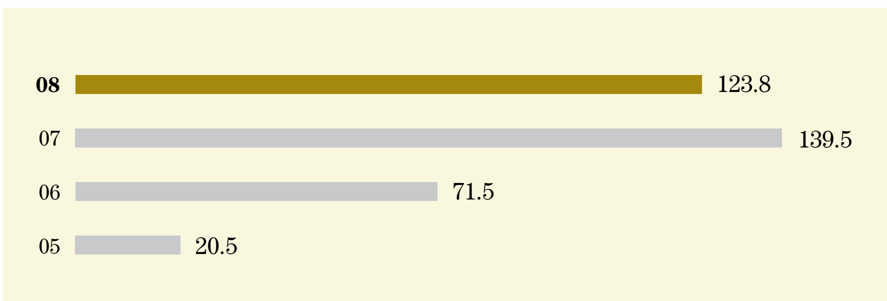
Profit Attributable to equity holders
RMB (in million)



Basic earnings per share
RMB



Net debt to equiity ratio
%



Letter to Shareholders

Dear Shareholders,

After the global economic challenges arising in 2008, the year ended on a series of positive notes as the PRC government took proactive steps to stabilize markets and mitigate the impact of the global credit crunch on China. For property developers such as our Group, these developments have brought a renewed confidence in our prospects for 2009. During 2008 we adjusted expectations and scaled down certain sales targets to reflect the changing macro-environment. Now, with new and robust government measures in place, we are seeing renewed market confidence and a growing appetite for property. As a result, we are cautiously optimistic about our prospects for the year ahead. Already in 2009, we have enjoyed the best January and February sales results in the company history which reached RMB3.43 billion, and the momentum gained from this has carried us into a strong March also.

Our results for 2008 reflect the wider economic fluctuations of the year past. We achieved a total turnover of RMB15.36 billion and net profit amounted to RMB3.153 billion. These figures by comparison with last year's turnover and profit, represented an increase of 4% and a fall of 41% respectively.

In the light of this, the Board has proposed a final dividend of RMB0.28 per share, subject to approval from our shareholders at the annual general meeting.

China economic stimuli

Economic confidence began to be restored in China from late 2008, as the government adjusted its macro-economic policies to boost markets across the board, including the property market. In November, it unveiled an economic stimulus package worth RMB4 trillion, supplemented by reductions in interest rates totaling 1.35 percentage points by the end of the year. This was a very clear signal that the government's earlier strategy of imposing austerity measures to rein in the property sector was over: instead, as the credit crunch impacted on China, the government moved quickly to foster stability and healthy development of the property industry. The stimulus package included measures designed to expand domestic consumption, stimulate growth, and stabilize the property market. As a sign of its commitment to maintaining a healthy property sector in China, the government officially designated the property industry a “Key Pillar Industry of the People’s Economy”.

In early December 2008, the government declared that one of its main priorities for 2009 would be to ensure the stability of the capital and real estate markets in China, as well as to ease the burden on first-home buyers. Following up on this, mortgage policies for second-home buyers were relaxed and business tax on real estate sales was waived under certain conditions. The 5.5% sales tax had previously been levied on all properties sold within five years of purchase; the new ruling reduced the wait necessary for tax-free sale to just two years. In the same month the government also sent out a strong message that stabilization of the property market was also the duty of local government, by announcing the cancellation of city property tax. Other measures introduced included the provision of mortgage support for people upgrading their homes.

This raft of measures to invigorate the property industry and support homebuyers has brought new confidence to the sector, and many analysts believe that, in China, barring unforeseen circumstances, the worst of the credit crisis is now over. At Guangzhou R&F Properties, we are already seeing confidence strengthen in early 2009, and we expect property prices to stabilize and transaction volume may rebound soon.

New measures and new confidence

With high quality products, a substantial land bank of prime land for future development, and a stable financial position, we believe that Guangzhou R&F Properties is one of the property development companies best positioned to benefit from the eventual upturn in the market. The trend towards urbanization in China is a massive one, which will continue inexorably despite market fluctuations from time to time. With proven expertise and a sound business model, we remain ideally placed to provide China with high-quality housing and reap good returns for our shareholders in the future.

Residential property developments in 2008

In July 2008 we began pre-sales of our Taiyuan R&F City project, to strong public interest. Within just the first week, a total of 329 units valued at RMB186 million were sold, representing over 60% of the total units put on sale. At the same time we enjoyed equally strong pre-sales from our Hainan R&F Bay Shore development, where we achieved RMB130 million in sales.

Other highlights for 2008 included sales at R&F Ying Feng Plaza in Pearl River New Town, which registered sales worth RMB115 million in just two weeks. Late in 2008, the Group launched a major new project in the old district of Guangzhou called R&F Golden Jubilee Garden. Within just four days of sales beginning on 27 November, 149 units in the complex were sold for a total of RMB190 million. The momentum continued into December at this popular development, with a further RMB180 million worth of apartments sold in that month.

In Beijing, meanwhile, the Group's R&F Danish Town project consisting of villa-style houses and apartments, was launched on 25 October. First day sales alone racked up RMB180 million for this prestige location, and continued strong thereafter. To date, sales to the value of RMB470 million have been made.

During the year the Group was also involved in construction projects for which total GFA amounted to 5.8 million square meters. Up to the end of February 2009, we have in hand pre-sale permits for a total of around 1.83 million sq.m., or approximately RMB18 billion worth of sales. Further pre-sale permits for residential and commercial development worth an additional RMB16 billion are expected to be obtained in the near future, giving the Group pre-saleable properties with a total combined value of around RMB34 billion, an ample amount for the year ahead.

Land bank acquisition

As at 31 December 2008, the Group's land bank stood at 25.4 million sq.m., a resource that will meet our development needs for the next three to five years. Given this, and bearing in mind the economic environment of the second half of the year, we have been able to slow down our pace of land bank acquisition considerably in recent months.

Investment portfolio

The Group is one of the few mainland property development companies to have a substantial portfolio of properties held specifically for rental purposes, made up of high-quality retail, office and hotel buildings. At the date of this report, the market valuation of our completed investment properties was approximately RMB15 billion. They include four hotels which between them offer a total of 1,590 rooms, along with two international grade-A office towers and two shopping complexes with a total of 350,000 square meters of leasable space. Besides providing the Group with a stable source of rental income, our investment properties represent growing capital value over the longer term. They can also act as excellent securities for acquiring longer term finance for new development projects.

Our rental income was boosted in 2008 with the opening, towards the beginning of the year, of the Ritz-Carlton and Grand Hyatt hotels in Guangzhou. A little later, in July, a number of our Beijing investment properties were launched in time for the Beijing Olympics. These included the Renaissance Beijing Capital Hotel, the Holiday Inn Express Beijing Temple of Heaven, and the Beijing R&F Plaza. All these properties are new and are still establishing their reputations. Occupancy of the hotels has naturally been affected by the global financial crisis, but we expect this high-quality accommodation to achieve good patronage in due course. Leasing at the Beijing R&F Plaza has meanwhile been satisfactory.

As we have emphasized in the past, residential property development will remain our core business, with investment property representing a small-scale diversification. In particular, given the current economic climate, we expect the pace at which we acquire or develop further investment properties to slow selectively in 2009.

2009 sales targets

In a sign of our optimism about China's property industry, we have set the Group's contracted sales target for 2009 with confidence at approximately RMB22 billion, some 37% higher than the contracted sales for 2008. As in the past, we will review these sales targets quarterly and adjust them in the light of changing market conditions. Our 2009 sales targets are drawn from a total of 38 projects scattered right around the country, so that we avoid over-reliance on any single region or local economy. In terms of overall value, we expect southern China to account for 40% of contracted sales, northern China for 45%, western China for 11%, and eastern China for 4%.

We lead the Market

Through our effort, we step into leading role in the property market that opens golden opportunities for our business development.

We take our contracted sales very seriously, not least because of their value in providing us with speedy cash returns on our developments. To make sure we turn these targets into realities, we have made sales and marketing one of the key components of our 2009 plan. For example, we are looking to improve our promotional tactics, and to be very quick in adjusting selling prices to match market conditions. In particular, we will be delegating more responsibility to our regional offices, making profitable sales their core activity.

Proactive initiatives in the face of new challenges

In the light of the current environment, the Group expects to pay stringent attention in the coming year to implementing cost control measures: for instance by using fixed price contracts, and by improving a platform that will enable materials to be sourced at optimum prices. We will also be tightening up on our operational management and generally working towards improved efficiency all round, with the aim of continuing to produce value for money products while maintaining our profit margins. If possible, we will look to improve efficiency through vertical integration, for example by forming specialized team internally that will provide us with services such as electrical and mechanical engineering, interior decoration, and landscaping.

We are also looking to improve our ratio of net debt to equity, with the aim of reducing it to around 80% by the end of 2009. We are exploring a number of measures to help us achieve this, which include boosting our cash flow from operations through better cost controls and faster sales from flexible pricing arrangements. We will also continue to look for reputable and financially proven joint venture partners whose expertise complements our own, and with whom we can co-develop projects while sharing expenses and risk.

Forging Ahead

We continuously look for long-term and valuable vision, seek out hidden business opportunity to give unprecedented value to our shareholder.

In terms of consolidating our financial platforms and improving our debt capital structure, we will be looking at options for procuring types of financial support other than commercial bank loans. This may include utilizing the proposed domestic corporate bonds, while also continuing to pursue our proposed A-share listing. In addition, where appropriate, we may consider disposing of investment properties in cases where their full value can be realized and disposal would not affect the Group's overall investment strategy.

Moving forward with confidence and vigour

Despite the challenges of 2008, the Group enters 2009 in a stable financial position, with a promising land bank, high quality projects that remain in demand, and an excellent reputation. We believe the Group remains one of China's biggest and best property development companies, and that renewed market stability will provide the impetus we need to move ahead strongly. We will remain focused on our traditional profit centers of Guangzhou, Beijing and Tianjin, where we have enjoyed so much success. However, we have now established a strategic presence nationally, with activities in over ten cities. Given this range of locations and potential customers, we will continue to develop and revamp our existing product lines to maximize potential for growth.

In conclusion, we want as always to thank our Group's fine set of shareholders, investors, business associates and customers. The confidence they have shown in the Group and its business strategies over the past year have made our task of working in such a difficult macro-environment that much easier. We must also thank our fellow directors and, of course, all the Group's staff members for their dedication and commitment. Having been braced by a year of challenge, we are excited about launching ourselves into a new year, ready to stand at the forefront of the market as a model of an intelligent, high-quality property developer.

Li Sze Lim
Chairman

Zhang Li
Co-chairman and
Chief Executive Officer

Despite the global financial turmoil of 2008, China's economy still managed to grow by a respectable 9%. Its gross domestic product for the year increased to RMB30.1 trillion, while city dwellers' disposable income rose by 8.4% in real terms. The property market, however, was particularly sensitive to the tightening of credit and deterioration in consumer confidence triggered by the financial crisis. For all property developers 2008 proved a difficult year, with volumes of property transactions contracting and selling prices falling by more than 30% from their 2007 peaks.

Contracted sales

Reflecting the downturn in market conditions, the Group's total contracted sales for 2008 amounted to RMB16 billion—roughly the same level as 2007, but short of the original contracted sales target for 2008 of RMB24 billion. In terms of saleable area, however, sales increased by 13% to 1.6 million sq.m. Contracted sales for the year were derived from 33 projects in 11 cities, as compared to 26 projects in five cities in 2007. The six new cities, consisting of Taiyuan, Shenyang, Huizhou, Hainan, Shanghai and Chengdu, had combined contracted sales of RMB1,145 million. At the top, Guangzhou had the highest level of contracted sales of RMB7.275 billion, an increase of 3% over 2007, followed by Beijing with RMB3.8 billion. As the Group continued to focus on residential development, its contracted sales from one commercial property amounted to RMB1.07 billion; the remainder came entirely from residential properties.

Details of the Group's 2008 contracted sales by geographical distribution are set out below:

Location	Approximate saleable area sold (sq.m.)	+/- % vs. 2007	Approximate total value (RMB million)	+/- % vs. 2007
Guangzhou	560,800	10%	7,275	3%
Beijing	361,400	-17%	3,800	-31%
Tianjin	224,400	-3%	2,200	-3%
Xian	67,600	-27%	400	-14%
Chongqing	234,500	63%	1,200	39%
Huizhou	36,300	-	400	-
Hainan	24,500	-	230	-
Shanghai	8,600	-	70	-
Taiyuan	75,000	-	380	-
Shenyang	6,300	-	60	-
Chengdu	600	-	5	-
Total	**1,600,000**	**13%**	**16,020**	**-1%**

Projects under development

In an unfavourable market environment, the Group strove to ensure its project pipeline and delivery schedule will be able to maintain the momentum needed to achieve its targeted contracted sales of RMB22 billion for 2009. At the same time, the Group is aiming to position itself to capitalize on an anticipated future rebound of the property market. Total GFA under construction as at 31 December 2008, excluding investment projects, increased by 25% from 4.267 million sq.m. as at 31 December 2007 to approximately 5.337 million sq.m. This sizable GFA under construction was made up of 35 projects in 12 cities. By comparison, at 31 December 2007 the Group was developing 27 projects in nine cities:

Location	Number of projects	Approximate total GFA (sq.m.)	Approximate saleable area (sq.m.)
Guangzhou	12	1,620,000	1,279,000
Beijing	6	755,000	630,000
Tianjin	5	1,104,000	844,000
Xian	1	83,000	77,000
Chongqing	3	538,000	405,000
Chengdu	2	390,000	314,000
Shanghai	1	51,000	51,000
Kunshan	1	74,000	74,000
Shenyang	1	86,000	86,000
Hainan	1	130,000	124,000
Taiyuan	1	213,000	205,000
Huizhou	1	293,000	215,000
Total	**35**	**5,337,000**	**4,304,000**

Southern and Western China

Guangzhou has many export-oriented industries and export trade makes up a significant part of its economy. Inevitably therefore the city has been affected by the global economic downturn, but it still managed to achieve 12.7% growth in GDP and 6.4% real growth in disposal income per capita. As the Group's headquarter city, the largest number of the Group's projects and the most GFA under development has always been in Guangzhou. As at 31 December 2008, the Group had seven residential projects and five commercial projects under development and a further six projects at the planning stage.

The Group early on recognized the immense potential of the Pearl River New Town, the fast maturing new CBD of Guangzhou, and mobilized substantial resources to position itself as the leading developer there. Of the Group's current projects in Guangzhou seven are located in the Pearl River New Town, namely R&F Ying Feng Plaza, R&F Ying Xin Plaza, R&F Ying Tai Plaza, R&F Ying Zun Plaza, R&F Ying Sheng Plaza, R&F International Commercial Center, and the Lei De Cun project. When these are placed alongside the Group's already completed developments in the area, which include the R&F Center, The Ritz-Carlton Guangzhou and the Grand Hyatt Guangzhou, it is evident how large a role the Group has played in shaping the urban landscape of the Pearl River New Town. Three projects were launched for sale during the year: the R&F Ying Tai Plaza and R&F Ying Feng Plaza in the Pearl River New Town, and R&F Jin Gang City, which is a blend of residential property and buildings tailored for the logistics industry, taking advantage of proximity to Guangzhou Airport. Sales also continued throughout the year at two multi-phase flagship residential projects, Guangzhou R&F Peach Garden and Guangzhou R&F City. The total of ten projects generated RMB7.275 billion in sales, amounting to 45% of the Group's total contracted sales. The Group expects Guangzhou to remain an important centre for its activity and anticipates being dominant in the city's property market for many years to come.

Chongqing Despite the global financial crisis, Chongqing is well-placed for healthy economic growth, due largely to its status as a direct municipality city and its strategic position in the opening up of western China for development. For these reasons, the Group is confident in the strength and resilience of Chongqing's property market. During the year, both development and sales proceeded strongly for all three of the Group's projects there, namely Chongqing R&F City, R&F Ocean Square and R&F Modern Plaza. Chongqing R&F City, situated in an area designated for the relocation of Chongqing University City and with a total GFA that may reach 6.8 million sq.m. upon completion, is by far the biggest project that the Group has undertaken to date. The pace at which development of this project proceeds will be regulated according to market demand. The three Chongqing projects together generated contracted sales of RMB1.2 billion during the year, a 39% increase over sales for 2007. These projects are expected to become even more competitive once certain ancillary facilities have been added or improved. For example, definitive plans have been made to develop a Hyatt hotel at R&F Ocean Square.

Hainan enjoys a strong and diversified economy that supports an active property market. More than just a tourist destination, Hainan Island also derives a significant part of its GDP from specialized industries such as petroleum exploration and other oceanic enterprises. In 2007 the Group acquired one of the few remaining prime seafront sites at Xiangshui Bay, on the island's southeast coast. The site has been developed into R&F Bay Shore, a mix of resort style low-rise apartments with ancillary facilities that include a resort hotel and a yacht club. Contracted sales for R&F Bay Shore amounted to RMB230 million in the year.

Huizhou is expected to be another important market for the Group. The Group's first project there is an integrated development destined to become a new landmark in the city. It will be comprised of luxury apartments, a grade-A office building, and a five star hotel. Pre-sales commenced in May 2008, with the Group achieving respectable contracted sales of RMB400 million in a flat market.

Northern and Eastern China

Beijing After Guangzhou, Beijing is the city in which the Group has the longest track record, and it is currently the location of the Group's northern headquarters. The Group's very successful debut project in Beijing was its Beijing R&F City, which on completion had over 1.2 million sq.m. GFA. Subsequent projects launched in Beijing, such as R&F Festival City and R&F Edinburgh Plaza, have also been very well received, and have helped the Group establish itself as a market leader and a well-known brand name in the city. During the year, the Group continued its ongoing development of R&F Festival City, R&F Peach Garden, R&F Bay Shore and R&F Danish Town in Beijing. It also began developing a new project, R&F American Dream Island, giving it a total of five residential projects under development as at the end of 2008. All these projects were also available for pre-sale during the year, and together generated RMB3.8 billion in contracted sales. This figure however represents a 31% decrease from total 2007 contracted sales. The decrease was mainly the result of a sluggish market and the fact that 2007 contracted sales were boosted by a one-off RMB1.71 billion block sale of Jia Sheng Center, Beijing R&F Edinburgh Plaza Tower B1 to a foreign investor. The top-selling project in 2008 was R&F Festival City, a flagship project with a planned total GFA of approximately 1.12 million sq.m. of which 587,000 sq.m. has already been developed. This development generated RMB1.18 billion in contracted sales.

Tianjin is one of the fastest growing cities in China, and is becoming ever more closely linked to Beijing economically following ongoing improvement in its transportation infrastructure. The Group's first project in Tianjin was Tianjin R&F City, launched in 2005 to a reception that outstripped expectations. Encouraged by this, the Group proceeded to acquire three more projects: R&F Jinmen Lake, R&F Bay Shore, and R&F Peach Garden. R&F Jinmen Lake is one of the Group's largest single projects, with a total GFA exceeding 1.5 million sq.m. Presale began in November 2007 and went well despite deteriorating market conditions, boosted by a central wetland area on the site which marks out the project as unique. Contracted sales of RMB918 million have been achieved, the highest amongst presales for the four Tianjin projects. Sales at R&F City, however, fell to RMB646 million from a contracted sales high of RMB1.8 billion in 2007. The other two projects, R&F Peach Garden and R&F Bay Shore, also began presale in the year, contributing RMB636 million to the total contracted sales for Tianjin. Nevertheless, total contracted sales decreased by 3% from 2007. All four Tianjin projects are sizable ones; GFA under development at year-end amounted to 1.10 million sq.m., indicating that Tianjin will remain a major focus of the Group in coming years.

Xian R&F City is the Group's sole project in Xian, capital city of Shaanxi Province. Drawn to the immense potential of this city due to its strong high-tech industry and booming tourism business, the Group began developing Xian R&F City in 2006. The size of the project is around 1.13 million sq.m. GFA, which will be developed gradually over several years. Contracted sales for the year amounted to RMB400 million, and over 222,000 sq.m. has been sold between the launch of the project and the end of 2008.

Shanghai and vicinity Compared with other major national property developers, the Group was a latecomer to this region. In the second half of 2007 it acquired two sites, which have been developed into the two low-density residential projects R&F Bay Shore and R&F Peach Gardens. R&F Bay Shore in the Kunshan area was launched on the market in September 2008 with an offering of 70 detached houses. In December 2008, 40 townhouses were also offered from R&F Peach Gardens in the Qing Pu District. The target buyers of high-end properties like these are the ones most affected by the financial crisis, and this may be a factor behind the initial slow sales of these two projects. However, given the limited supply of low density housing in this area, the Group is confident about the long-term success of these two projects.

Taiyuan R&F City in Taiyuan is a development that complements a city government initiative to overhaul the urban planning of Taiyuan. It is located in a part of the city that looks like becoming the residential neighbourhood of choice for aspiring locals. Development of the project has been divided into seven phases, with a total GFA of approximately 2.1 million sq.m. Presale of the project started in July 2008 and rang up RMB380 million for the year. With a second project, R&F Modern Plaza, coming on stream shortly, its Taiyuan operations will take on a more significant position in the Group.

Land bank

After a period of high activity, the Group suspended further acquisitions of land during the year. Consequently, at the end of 2008 the Group's land bank stood at approximately 25.4 million sq.m. GFA, distributed across 13 cities as shown in the table below. Land usage for the year was approximately 1.4 million sq.m. The land held in each city is sufficient for at least three years of further development. In some cities where the Group has acquired 'mega-sites', such as Chongqing and Taiyuan, developments are expected to span a number of years. For these reasons, the Group's temporary suspension of land acquisition should not have any adverse impact on its sustained long-term growth. The move will, however, significantly curtail capital expenditure in the near term.

Location	Approximate total GFA (sq.m.)	Approximate saleable area (sq.m.)
Development Properties		
Guangzhou	3,583,000	3,104,000
Foshan	2,517,000	2,167,000
Huizhou	292,000	214,000
Hainan	1,034,000	1,034,000
Chongqing	7,050,000	6,957,000
Chengdu	1,208,000	1,149,000
Kunshan	437,000	367,000
Shanghai	292,000	209,000
Beijing	1,776,000	1,420,000
Tianjin	3,079,000	2,721,000
Xian	630,000	577,000
Taiyuan	2,414,000	2,414,000
Shenyang	151,000	106,000
Investment Properties	914,000	742,000
Total	**25,377,000**	**23,181,000**

Investment properties

The Group has an established strategy of building up a portfolio of investment properties that offer a relatively stable rental income, to balance the inherent volatility of income from the sale of properties. A portfolio of quality investment properties also brings the Group the benefit of potential capital gain. This strategy has moved forward with the completion during the year of the first batch of the Group's investment properties. First, the R&F Centers in Guangzhou and Beijing were occupied in November 2007 and December 2007 respectively. Between March and August 2008, four hotels started operations, namely The Ritz-Carlton Guangzhou, the Grand Hyatt Guangzhou, the Renaissance Beijing Capital Hotel, and the Express of Holiday Inn Temple of Heaven Beijing. In addition, the R&F Plaza shopping mall opened in Beijing in July 2008. In view of the uncertain impact of the global financial crisis, the Group has decided to adjust the pace of the next phase of investment properties development. The second batch of planned investment properties will be completed from 2010 onwards, and will include the Chongqing Hyatt Hotel, the management contract of which was signed in June 2008.

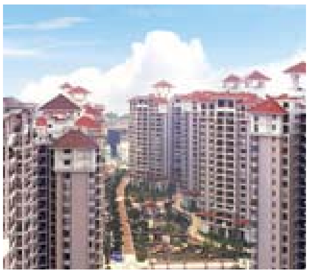
Investment properties completed or in the pipeline are as follows:

Investment properties	Location	Description	Approximate total GFA ('000 sq.m.)
Guangzhou			
The Ritz-Carlton, Guangzhou	Pearl River New Town J2-7	5-star hotel, 351 rooms and 91 serviced apartments	104
Grand Hyatt Guangzhou	Pearl River New Town F1-2	5-star hotel, 375 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 351 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	apartments 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 543 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 321 rooms	22
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, serviced apartments and shopping mall	136

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 2009. As at 31 December 2008, Zones A, B, C and E had been completed, and Zone D was still under construction.



Guangzhou R&F City

As at 31 December 2008, Zones A, B, C, D and E of Guangzhou R&F City had been completed. Zones F and G were still under construction, with completion of the entire project planned for 2009.

Guangzhou R&F Jin Gang City

Located near Guangzhou's Baiyun Airport, this project has an approximate total GFA of 1.5 million sq.m. of which approximately 625,000 sq.m. has been earmarked for the development of logistic-related properties. Currently, a part of the logistic properties have been completed and some are under construction, while the residential properties are under construction. Guangzhou R&F Jin Gang City will be developed into a large-scale integrated community comprising logistic park, residential community and commercial complex.

Beijing R&F City

As at 31 December 2008, Zones A, B, C and D and parts of Zone E of Beijing R&F City had been completed and delivered. The remaining parts of Zone E were still under construction.

Beijing R&F Festival City

As at 31 December 2008, Zones A and B and parts of Zone C of this project had been completed. The remaining parts of Zone C were still under construction. The entire project is expected to be completed by the end of 2010.

Tianjin R&F City

As at 31 December 2008, the buildings on Lot No. 5 and parts of the buildings on Lot No. 6 had been completed and delivered. The remaining buildings on Lot No. 6 and the Lot No. 7 were under construction. The entire project is expected to be completed by the end of 2010.

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. Currently, some buildings are under construction. The entire project is expected to be completed by the end of 2010.

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 a total GFA of 1,570,000 sq.m., and will be developed as a large-scale residential community. Currently, one zone of this project has been completed and the other four zones are under construction.

Xian R&F City

As at 31 December 2008, Zones A and B and parts of Zone C had been completed. Part of the buildings in Zone C was under construction and Construction of Zone D had not begun. The whole project will be completed by the end of 2010.

Chongqing R&F City

In 2006, the Group acquired a lot with a site area of approximately 2 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, including residential and commercial buildings. Currently, part of the buildings in Zone A has been completed.

Chengdu R&F Peach Garden

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

Taiyuan R&F City

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

Outlook

Recently the property sector in China has shown early signs of recovery, apparently benefiting from the government's fiscal stimulus measures and related policies. During the recent market downturn, the Group has remained focused on two main things. First, it remains committed to developing a pipeline of quality projects that cater to the requirements of ever more sophisticated customers. Second, it is working on improving its marketing and selling infrastructure, not just in cities where the Group is well-established but also in those in which it is a relative newcomer. Through a combination of strenuous effort and its existing competitive strengths, the Group is well positioned to take advantage of an eventual rebound in the property market. Evidence for this is already being seen, for example in the above-expectation figure of RMB3.43 billion of contracted sales achieved by the Group for the first two months of 2009. This represents an increase of 71% over the corresponding period in 2008. The Group had 32 projects on sale at the end of the year, and expects to launch another 12 projects in 2009. Overall, considering the Group's fundamental strengths and an anticipated improvement of market sentiment, the Group is confident of achieving its contracted sales target of RMB22 billion for 2009.

The following is the completion schedule of 2009:

	To be completed in 1st half of 2009		To be completed in 2nd half of 2009	
Location	**Approximate total GFA (sq.m.)**	**Approximate total saleable area (sq.m.)**	**Approximate total GFA (sq.m.)**	**Approximate total saleable area (sq.m.)**
Southern	218,000	171,000	573,000	475,000
Western	69,000	67,000	164,000	156,000
Eastern	–	–	85,000	85,000
Northern	125,000	91,000	655,000	622,000
Investment Properties	–	–	370,000	271,000
Total	**412,000**	**329,000**	**1,847,000**	**1,609,000**

Financial Review

The Group's results for the year must be put into the context of a property market which for some time has been affected by austerity measures, and which further weakened in the latter half of the year as a result of the unfolding global financial crisis. Net profit for the year decreased by 41% to RMB3.153 billion, from RMB5.315 billion for 2007. The Group's hotel operation which began during the year reported a net loss of RMB183.9 million while its construction service, which had its first full year of results recorded a net loss of RMB76.5 million. These losses, together with a reduction in fair value gain from investment properties accounted for most of the decrease in the Group's net profit.

The Group's hotel operation is comprised of four hotels. The Ritz Carlton, Guangzhou first opened in March, the Grand Hyatt Guangzhou opened in April, while the Renaissance Beijing Capital Hotel and the Express of Holiday Inn Temple of Heaven Beijing both opened in July 2008. Average occupancy was as expected for hotels beginning operation. Net loss from the hotel operation was mainly the result of pre-opening expenses amounting to RMB85 million that were charged as costs for the period upon the opening of these hotels, but which was not able to be offset by normal operating profit. In regard to the Group's construction service, net loss was mainly caused by a RMB102 million amortization of intangible asset associated with the acquisition of Guangzhou Tianli Construction.

Fair value gain from investment properties, after tax, added approximately RMB1.1 billion (2007: RMB2.31 billion) to the Group's net profit for the year. This mainly arose from R&F Plaza, the Group's shopping mall in Beijing, which opened during the year. Market values of the Group's other investment properties in use since last year remained basically stable despite changing market condition and no significant adjustments to their stated fair value were needed.

Consolidated Income Statement

2008

	Note	Property Development (RMB'000)	Construction (RMB'000)	Property Investment (RMB'000)	Hotel Operation (RMB'000)	Group (RMB'000)
Revenue	1	14,729,468	290,408	156,980	183,295	15,360,151
Cost of sales	2	(9,734,846)	(219,645)	(9,292)	(218,067)	(10,181,850)
Gross profit / (loss)	3	4,994,622	70,763	147,688	(34,772)	5,178,301
Other gains – net		47,876	–	1,473,016	–	1,520,892
Selling and administrative expenses	4	(973,025)	(114,941)	(65,097)	(153,070)	(1,306,133)
Other operating income		30,750	2	–	–	30,752
Operating profit / (loss)		4,100,223	(44,176)	1,555,607	(187,842)	5,423,812
Finance costs – net	5	(194,105)	(21,278)	(68,528)	(57,291)	(341,202)
Share of results of jointly controlled entities and associates		(479)	7,812	–	–	7,333
Profit / (loss) before income tax		3,905,639	(57,642)	1,487,079	(245,133)	5,089,943
Income tax expense	6	(1,607,523)	(18,850)	(371,771)	61,283	(1,936,861)
Profit / (loss) for the year	7	2,298,116	(76,492)	1,115,308	(183,850)	3,153,082

2007

	Note	Property Development (RMB'000)	Construction (RMB'000)	Property Investment (RMB'000)	Hotel Operation (RMB'000)	Group (RMB'000)
Revenue	1	14,461,211	214,074	96,634	–	14,771,919
Cost of sales	2	(9,126,591)	(94,124)	(5,315)	–	(9,226,030)
Gross profit	3	5,334,620	119,950	91,319	–	5,545,889
Other gains – net		303,678	–	3,081,419	–	3,385,097
Selling and administrative expenses	4	(599,911)	(27,318)	(44,077)	–	(671,306)
Other operating expenses		(43,225)	(2)	–	–	(43,227)
Operating profit		4,995,162	92,630	3,128,661	–	8,216,453
Finance costs – net	5	(91,504)	(11,425)	–	–	(102,929)
Share of results of jointly controlled entities and associates		(52)	(3,866)	–	–	(3,918)
Profit before income tax		4,903,606	77,339	3,128,661	–	8,109,606
Income tax expense	6	(2,007,508)	(4,694)	(782,165)	–	(2,794,367)
Profit for the year	7	2,896,098	72,645	2,346,496	–	5,315,239

The Group engaged in its core activity of property sales in five cities, with Chongqing for the first time joining operation in Guangzhou, Beijing, Tianjin and Xian. Properties sale generated a net profit of RMB2.298 billion for the year, a 21% decrease from the net profit of RMB2.896 billion for 2007. Following are comments on turnover, cost of goods sold, gross margins and selling and administrative expenses relating to results from property development:

1. Turnover increased slightly by 1.9% to RMB14.73 billion from RMB14.46 billion in the previous year. In terms of saleable area sold, there was an increase of less than 1% to 1.413 million sq.m. from 1.406 million sq.m. in 2007. Average selling price per sq.m. increased by 1.3% to RMB10,420 reflecting the higher prices of properties sold in 2007 but delivered in the year under review. Market price of properties in Chongqing were however much lower than the other cities which moderated the overall average selling price. With six residential projects and one commercial project, Guangzhou enjoyed the highest sales of the five cities, amounting to RMB6.737 billion. This accounted for 46% of the Group's total turnover. Sales of the Group's top Guangzhou project R&F Peach Garden amounted to RMB1.414 billion. The average price for Guangzhou increased by 27% to RMB14,030 per sq.m. Major projects such as R&F Peach Garden, R&F Jubilee Garden and R&F City continued from the previous year, with average selling prices increasing in a range of between 6% to 39% over 2007. The Group's commercial project, R&F Ying Tai Plaza, achieved an average selling price of RMB19,840 per sq.m. This was higher than any of the Group's residential projects, among which R&F Jubilee Garden and R&F Cambridge Terrace achieved average selling price in excess of RMB16,000 per sq.m. Sales in Beijing amounted to RMB3.505 billion and accounted for 24% of the Group's total turnover. This turnover arose from sales of four projects and represented a decrease of 28% from turnover in 2007 when five projects were on sales. The average selling price of each individual project increased slightly, resulting in an overall increase of 2%. Continued robust sales of the flagship project R&F Festival City increased sales to RMB1.6 billion, almost half of the total turnover of Beijing's. Turnover from Tianjin increased by 36% to RMB2.363 billion following delivery of the Group's second Tianjin project, R&F Jinmen Lake, which achieved turnover of RMB1.008 billion. This turnover included sales already made at relatively lower prices when the Group acquired the projects. Average selling price was RMB8,150 per sq.m. while Tianjin R&F City's average selling price increased by 21% to RMB10,220 per sq.m. Turnover from Chongqing became significant during the year, accounting for 11% of the Group's total turnover, following delivery of three projects: R&F Ocean Square, R&F Modern Plaza and R&F City. Market prices in Chongqing were lower than elsewhere and the Group's average selling price was RMB5,875; this arose from sale of 265,500 sq.m. of saleable area which generated RMB1.560 billion in turnover. Meanwhile, the Group's sole project in Xian, R&F City, reached maturity with turnover increasing by 44% and average selling price by 22%.

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 Cambridge Terrace	80,630	1,086.56	100%
R&F Peach Garden Phase II & III	111,030	1,414.26	100%
R&F Sheng Yue Court	56,420	956.36	100%
Guangzhou R&F City	80,800	693.67	100%
R&F Ying Tai Plaza	37,060	735.15	100%
R&F Jubilee Garden	85,740	1,410.25	100%
R&F Modern Plaza	24,650	367.31	100%
Others	3,970	73.68	100%
	480,300	6,737.24	
Beijing			
Beijing R&F City	42,610	643.66	100%
R&F Festival City	157,690	1,600.38	100%
R&F Xinran Court/Plaza	17,320	256.15	100%
Beijing R&F Peach Garden	91,930	975.99	100%
Others	1,380	28.69	100%
	310,930	3,504.87	
Tianjin			
Tianjin R&F City	132,630	1,355.65	100%
R&F Jinmen Lake	123,630	1,007.55	100%
	256,260	2,363.20	
Chongqing			
R&F Ocean Square	159,230	1,067.12	100%
R&F Modern Plaza	91,300	431.19	100%
R&F City	14,970	61.45	100%
	265,500	1,559.76	
Xian			
Xian R&F City	100,280	564.40	100%
Total	**1,413,270**	**14,729.47**	

2. Cost of goods sold was made up mainly of land and construction costs, along with capitalized interest which accounted for approximately 5% of the total cost of goods sold. Per sq.m. costs of land and construction was considered stable given price trends for labour and building materials: for all cities except Guangzhou, per sq.m. costs rose by less than 10% over the previous year. Average land and construction costs per sq.m. for Guangzhou increased by approximately 34% to RMB8,260 per sq.m. This was a deliberate move to upgrade quality in view of the rising selling price to provide our customers with superior value for money products. Capitalised interest included in cost of sales increased to RMB455.5 million and amounted to 3.1% of turnover from sale of properties, from RMB291.6 million and 2% respectively in 2007.

3. Overall gross margin for the year was 33.9%, 3% lower than that of 2007's. Results from Chongqing were recognized for the first time, and returned a gross margin of 17%: this is estimated to have a negative impact of approximately 2% on the Group's overall gross margin. In the Group's traditional markets, the gross margins of most projects were relatively uniform, falling into a narrow range that indicates a sustainable and mature pattern of development. Of projects carried on from the previous year, all but two improved gross margin for the year.

4. Selling and administration expenses for the year increased by RMB373.1 million to RMB973 million. This was in line with the increase in breadth of the Group's operations which were extended to cover 12 cities in which 34 projects were on sale and 35 projects were under development. Turnover remain roughly at the same level as in the previous year, but as an essential investment for the future, selling and administrative expenses as a percentage of turnover increased to 6.6% from 4.1% in the previous year. Separately, selling expenses amounted to RMB277.8 million, an increase of RMB90 million. This was because in 2008, the Group had nine more projects on sale than in 2007. Administrative expenses, on the other hand, increased by RMB283.6 million to RMB695.2 million, partly due to the Group setting up three additional offices in Shanghai, Huizhou and Hainan. Payroll costs accounted for 36% of administrative expenses, and these increased due to expanding staffing for a growing organization and improving remuneration level for employees.

5. Finance cost made up of interest expenses incurred less the amount of interest capitalized to development costs increased by 231% to RMB341.2 million (2007: 102.9 million). With outstanding loans averaging RMB21.014 billion and an average interest rate of 6.77%, total interest expenses for the year amounted to RMB1,578.6 million. This exceeded interest expenses for 2007 by 74% as a result of the increase in outstanding loan and higher interest rates. Capitalized interest released to cost of goods sold amounted to RMB455.5 million as compared to RMB291.6 million for the previous year reflected the rising interest rates over the past couple of years. Aggregate interest costs included in this year's result amounted to RMB796.7 million (2007: RMB394.5 million).

6. Land appreciation tax (LAT) of RMB793.4 million (2007: RMB715.7 million) and Enterprise Income Tax of RMB1.1434 billion brought total income tax expenses for the year to RMB1.9369 billion. As a percentage of turnover, LAT increased to 5.4% from 4.9% of 2007. This increase was the result of relatively fewer projects qualifying for the ordinary residential standard exemption. For example, Guangzhou R&F Peach Garden was exempted from LAT last year but accounted for 14.5% of total LAT for the year under review. The effective enterprise income tax rate changed to 26.6% (2007: 28.1%), deviating from the standard rate by 1.6% because of permanent differences which limited the tax deductible amount for salary and selling expenses.

7. The Group maintained turnover at 2007 levels, but net profit was RMB3.153 billion as compared to RMB5.315 billion in the previous year. The factor that had the most impact in this case were the RMB635 million increase in the Group's selling and administrative expenses and the 3% drop in its gross margin.

Consolidated Balance Sheet

	Note	2008 (RMB'000)	2007 (RMB'000)	Changes (%)
ASSETS				
Non-current assets				
Land use rights	1	7,852,506	10,342,679	-24%
Properties held for development	2	3,641,129	2,859,095	27%
Property, plant and equipment	3	3,367,336	2,390,260	41%
Investment properties	4	7,360,581	5,366,774	37%
Intangible assets	5	876,328	1,019,806	-14%
Interests in jointly controlled entities	6	628,998	405,311	55%
Investments in associates		43,028	35,216	22%
Deferred income tax assets	7	310,984	297,155	5%
Available-for-sale financial assets	8	132,903	416,000	-68%
Trade and other receivables	9	365,539	1,900,995	-81%
Current assets				
Properties under development	10	10,858,159	12,357,422	-12%
Available-for-sale financial assets	8	171,097	–	N/A
Completed properties held for sale	11	6,419,998	3,943,484	63%
Land use rights	1	6,141,743	5,047,634	22%
Inventories		116,986	177,233	-34%
Trade and other receivables	9	3,914,990	4,654,746	-16%
Tax prepayments		712,354	695,515	2%
Restricted cash	12	603,288	956,875	-37%
Cash	12	1,449,668	1,329,691	9%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	13	10,982,500	12,532,500	-12%
Long-term payables		136,000	272,000	-50%
Deferred income tax liabilities		1,648,911	1,439,428	15%
Current liabilities				
Accruals and other payables	14	9,264,791	11,135,489	-17%
Deposits received on sale of properties	15	6,117,317	6,542,480	-6%
Current income tax liabilities		2,363,986	2,206,847	7%
Short-term bank loans	13	2,188,922	3,803,267	-42%
Current portion of long-term bank loans	13	7,299,500	3,564,000	105%
SHAREHOLDERS' EQUITY		14,872,639	12,625,541	18%
Minority interest		93,049	74,339	25%

1. With no significant land purchase in the year, total land bank including both current portion and non-current portion decreased by RMB1.40 billion representing the amount of land used less payment of outstanding land premium in the year.

2. Being costs incurred prior to commencement of construction and the increase was mainly the costs incurred on ten new projects. Many of these projects were in cities new to the Group including Chongqing, Hainan, Shanghai and Taiyuan. Costs transferred out during the year upon commencement of construction related mainly to Kunshan's R&F Bay Shore and Beijing's R&F American Dream Island.

3. Increased mainly due to the further costs of the Group's four hotels (the Ritz-Carlton and the Grand Hyatt in Guangzhou, the Renaissance Beijing Capital Hotel and Express of Holiday Inn Temple of Heaven Beijing) completed in the year. Carrying cost of these four hotels accounted for 78% of total Property, Plant and Equipments.

4. The increase was mainly the fair value of the Beijing R&F Plaza first put into use in July 2008. For all other investment properties already in use at the beginning of the year, there was no material change in their fair value on a portfolio basis.

5. Decreased as a result of the amortisation of intangible asset associated with the acquisition of Guangzhou Tianli Construction Co., Ltd.

6. Increase being additional contribution to a jointly controlled entity engaged in the development of the Lei De Cun project in Guangzhou in which the Group holds 33.34% interest.

7. Deferred tax assets that arose from tax losses carried forward of group companies was a main reason for the increase.

8. A 19.58% interest in Guangzhou Securities Co., Ltd. was the only available-for-sale financial assets. The Group has during the year contracted to sell a portion of this stake equivalent to 11.02% interest. As the completion of this sale was pending satisfaction of certain conditions, the sale interest was classified to current asset. The fair value of the total 19.58% interest declined in the year from RMB416 million to RMB304 million based on independent valuation.

9. Trade receivables under efficient credit control remained at a low level relative to the turnover of the Group. Amount outstanding at the end of the year decreased by RMB614 million due to collection of the balance payment for the block sale of Jia Sheng Center Beijing R&F Edinburgh Plaza Tower B1 which was outstanding at 31 December 2007. Deposits and prepayments also decreased RMB1,737 million as deposits paid for land acquisition were reclassified upon obtaining title documents.

10. Saleable area under development at the end of 2008 further increased by 0.87 million sq. m. to 4.30 million sq. m. but the total costs determined also by the extent of completion decreased.

11. Beijing accounted for 40% of completed properties held for sale and included a substantial number of car park space in R&F City and also commercial units at R&F Xinran Court. Guangzhou accounted for 32% and R&F City and R&F Ying Tai Plaza were the major projects.

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

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

14. Construction payables representing approximately 62% of the total and decreased by RMB0.4 billion on completion of certain major projects in Beijing.

15. Being pre-sale proceeds from 26 projects most of which will be delivered in 2009.

Cashflow

	Note	2008 (RMB'000)	2007 (RMB'000)
Net cash generated from/(used in) operating activities	1	1,314,932	(8,326,848)
Net cash used in investing activities	2	(962,836)	(1,226,560)
Net cash (used in)/generated from financing activities	3	(232,119)	9,467,173
Net increase/(decrease) in cash		119,977	(86,235)
Cash at 1 January		1,329,691	1,415,926
Cash at 31 December		1,449,668	1,329,691

1. Positive cash inflow from operation a result of significant reduction in the amount of land premium paid by approximately RMB4.3 billion.

2. 2008 cash used in investing activities mainly for construction of two hotels in Beijing.

3. Dividend paid offset by net additional bank borrowings amounted to RMB571 million for the year was the cash used in financing activities.

Return on Equity

	2008 (RMB'000)	2007 (RMB'000)
Equity at 1 January	12,699,880	8,527,500
Equity at 31 December	14,965,688	12,699,880
Average	13,832,784	10,613,690
Profit for the year	3,153,082	5,315,239
Return on equity %	22.8%	50.1%

Financial resources, liquidity and liabilities At 31 December 2008, the Group's cash amounted to RMB2,053 million and with a total borrowing at RMB20,471 million translated into a net debt to equity ratio of 123.8%, improving from 139.5% the previous year. The Group has secured from various relationship banks uncommitted credit facilities amounting to approximately RMB26 billion. Such credit facilities indicate that the banks are prepared to lend to the Group up to the limit of the facilities when certain conditions are met such as the presentation of suitable projects and specified documents e.g. construction permits. Approximately RMB13 billion of such credit facilities were unutilized at the end of the year giving the Group ample standby financial resources. In addition to continue to pursue a proposed A share issue, the Group has also commenced application for the issuance of a domestic corporate bonds up to RMB6 billion. These two financing plans will improve the capital structure of the Group if materialize but they are not essential to the Group's liquidity position.

Debt profile

		Due within					
	Total	1 year	2 years	3–5 years	Over 5 years	Interest	
		(RMB million)					
Long-term bank loans	18,282	7,299	8,297	2,455	231	Floating	RMB7,114M secured
Short-term bank loans	2,189	2,189	–	–	–	Floating	RMB1,485M secured
	20,471	9,488	8,297	2,455	231		

During 2008, new borrowings of RMB9,700 million including RMB3,320 million short-term loan and RMB6,380 million in long-term loans were procured. With loans repaid amounting to RMB9,129 million, total borrowings increased by RMB571 million. The effective interest rate of the total loan portfolio at 31 December 2008 was 6.77% (2007: 6.32%). As over 97% 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.

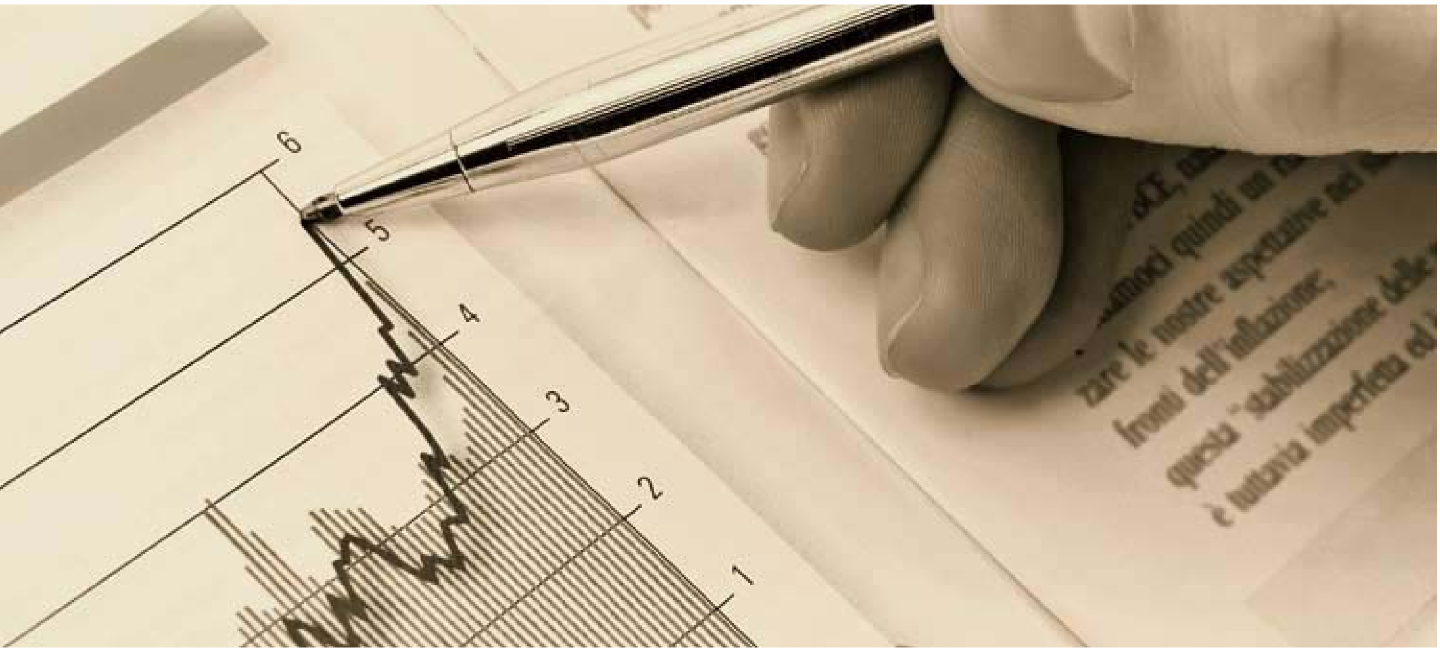
Charge on assets As at 31 December 2008, assets with total carrying values of RMB11,861 million were pledged to banks to secure bank loans amounting to RMB8,599 million (at 31 December 2007: RMB6,205 million).

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 are released upon the issuance of real estate ownership certificates for the properties concerned. As at 31 December 2008, such guarantees totaled RMB9,664 million, a 24% increase from RMB7,839 million as at 31 December 2007.

Material acquisitions and disposals

There were no material acquisitions and disposals during the year ended 31 December 2008.

Investor Relations



Over the years, investor relations in the China Property sector had always played a key role in educating and informing the investment community. In this frequently changing business environment, together with mainland macro policy changes, we believe keeping a constant two-way communication channel open with our investors and shareholders is very important. We have maintained a steady attendance in a wide variety of international investment conferences, outreaching to investors around the world. Regularly holding conference calls through investment banks and 1-on-1 calls are also one of the most effective and efficient ways to share views of the latest changes and reaffirming confidence in our shareholders and investors, particularly through the year 2008. Without proper communication channels available for investors and shareholders to directly reach company's management when necessary, given the variety of events in 2008, rumors and accusations could have potentially caused devastating aftermath for a company.

Up keeping our tradition, Guangzhou R&F Properties will continue to improve its transparency as we move forward to 2009. Our initiatives to issue monthly and quarterly newsletters, including frequent update of news and information about our business activities are already in place. Among others information, monthly contracted sales achieved and targets, acquisitions and other large corporate financial activities are always popular data points. In 2009, we welcome all investors and shareholders to visit us at our projects in China to captivate the excitement and energy in the rejuvenated Chinese economy and commitment of our Company in this coming era.

The Company would like to thank all shareholders and investors whom have given positive feedback and constructive comments to the company on investor relations. We would also like to thank the China property analyst community for their hard work in up keeping transparency of the sector and each company. Our sincere thanks to all the analysts covering our Company.

Conference attended in 2008:

January
UBS Greater China Conference 2008 – Shanghai
March
Credit Suisse Asian Investment Conference 2008 (AIC) – Hong Kong
April
JPMorgan 4th Annual China Conference 2008 – Beijing
May
13th Annual CLSA China Forum - Shanghai
Macquarie Greater China Property Conference – Guangzhou
September
UBS Hong Kong/China Property Day 2008 – Hong Kong
October
Citi Greater China Investor Conference 2008 – Macau
Macquarie International Real Estate Conference, UK – London
Macquarie International Real Estate Conference, US – New York
JPMorgan Real Estate Corporate Access Days – Hong Kong
November
Morgan Stanley Asia Pacific Summit 2008 – Singapore
December
CLSA HK & China Corporate Access mini-conference – Hong Kong

Banks / Securities companies covering R&F:

- ABN AMRO
- Barclays Capital
- BNP Paribas Securities (Asia) Limited
- BOCI Research Limited
- BOCOM International Holdings Company Limited
- Cazenove Asia Ltd
- CCB International Securities Limited
- China International Capital Corporation Hong Kong Securities Limited
- CIMB-GK Securities (HK) Ltd.
- Citic Securities International
- Citigroup Global Markets Asia Limited
- CLSA Research Limited
- Credit Suisse (Hong Kong) Limited
- Daiwa Institute of Research (H.K.) Ltd.
- Daiwa Securities SMBC Hong Kong Limited
- DBS Vickers (Hong Kong) Limited
- Deutsche Bank AG
- Goldman Sachs (Asia) L.L.C.
- Guotai Junan Securities
- HSBC Global Research
- ICEA Securities Asia Limited
- J.P. Morgan Securities (Asia Pacific) Limited
- Kim Eng Securities (HK) Ltd
- Kingsway Financial Services Group Limited
- Macquarie Capital Securities Limited
- MainFirst Securities Hong Kong Ltd.
- Merrill Lynch (Asia Pacific) Ltd
- Mitsubishi UFJ Asset Management
- Morgan Stanley Asia Limited
- Nomura International (Hong Kong) Limited
- Platinum Securities Company Limited
- The Hongkong and Shanghai Banking Coporation Limited
- The Royal Bank of Scotland Group
- Shenyin Wanguo Asset Management (Asia) Ltd.
- Sumitomo Mitsui Asset Management (Hong Kong) Limited
- Sun Hung Kai Financial Securities Limited
- Taifook Asset Management Limited
- UBS AG
- UOB Kay Hian (Hong Kong)

Corporate Social Responsibility

Mr. Li Sze Lim, Chairman of the Company, receive a "Appreciation award" from "2008 World Youth Choir's Tour to China for celebration of the Olympics"

Management training in Japan

Employee development

In 2008, the Group had 5,058 employees (2007: 4,016).

In 2008, the Group optimized the management of its organisational structure to enable its employees to excel in their posts, and made its staff team more compact, capable and competitive. Meanwhile, The Group also coordinated the communications and mutual learning between the employees of its subsidiaries to allow them to play a critical role in the Group's nationwide strategic development.

In 2008, we further consolidated and innovated our staff training. As a result, the staff training work aligned more closely to the Company's development strategy and became more systematic and specific; a system for talents development was established setting a training framework for the future. Overseas training which had a significant impact on the management philosophy, concept, style, expertise, or even the work values of the Company's middle and top management staff and core technical personnel we continued to be conducted in an orderly manner helping them to enhance their management skills.

In respect of performance appraisal, in 2008, the Group completed the work planning for its performance appraisal module and the appraisal improvement plan, formulated a draft plan for team assessment and revised its staff appraisal plan, which laid a solid foundation for an improved and practical performance appraisal mechanism.

In addition, the Group completed the functional and process testing of the E-HR system, and its daily human resources work gradually migrated to the E-HR system. Systematical training on the use of the system for human resources personnels of the Group's subsidiaries were conducted with good results.

Community Service

During the past year, R&F continued its endeavors to maintain its positive image as a good "corporate citizen", never forget to serve the society and people, and to assume its corporate and social responsibilities. Up to 31 December 2008, the Group had made various charitable donations in an aggregate amount of more than RMB 150 million.

In May 2008, an earthquake rarely seen in history happened in the western part of China and caught the hearts of the Chinese people. R&F made a donation of RMB13 million to support the disaster stricken area for reconstruction of schools meant to offer a warm learning and living condition for orphans.

To celebrate the Olympic Games hosted in Beijing in August 2008 and fully demonstrate the Olympic theme of "one world and one dream", a series of activities in Guangzhou of the "2008 World Youth Choir's Tour to China for Celebration of the Olympics", exclusively sponsored by R&F, were held in Guangzhou.

In 9 October 2008, Mr. Li Sze Lim, Chairman of R&F, attended the foundation stone laying ceremony of the "R&F Charity Building" to be funded and constructed by the Company. Upon completion, the building will be delivered to the Home for the Aged in Guangzhou, in order to provide a good place with hospital services for the aged people there and allow them to enjoy better medical and health care services.

At the China Philanthropy Conference held on 5 December 2008, Mr. Li Sze Lim, Chairman of R&F, was granted the national award of "Most Caring Charity Donor". This is the second time for him to be honored with the award after the "Chinese Charity Award" in 2005.

Top:
Mr. Zhang Li, the Co-chairman and Chief Executive Officer of the Company, represents the Company to make a donation to support the Sichuan earthquake reconstruction

Bottom:
Mr. Li Sze Lim, the Chairman of the Company, attends the foundation stone laying ceremony of the "R&F Charity Building"

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 2008 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 56 to 59 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. All four executive director, namely Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing, will retire and offer themselves for re-election at the forthcoming 2008 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 and the Company consider each of them to be independent.

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	3/4
Zhou Yaonan	3/4
Lu Jing	4/4
Non-executive Directors	
Zhang Lin	4/4
Li Helen	4/4
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 2008.

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 2008.

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	2/2

Remuneration of auditor

PricewaterhouseCoopers is the Company's external auditor. During the year the firm was not been engaged to perform any other work that could have conflicted with its role as auditor 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 2008 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 126.

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 period as prescribed by the Listing Rules 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.

Report of the Directors

The directors are pleased to submit their report, together with the audited financial statements of the Group, for the year ended 31 December 2008.

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 business segment, 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, 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 2008 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 63 to 137 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 138 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 no interim dividend for the six months ended 30 June 2008.

Final dividend

The Board has passed a resolution proposing the distribution of final dividends for 2008 at RMB0.28 per share. The proposed final dividend, if approved by shareholders at the annual general meeting (the "AGM") on 27 May 2009, will be paid to shareholders (including holders of both domestic shares and H shares) whose names appear on the register of members on 27 May 2009. The proposed dividend has not been reflected in the financial statements as at 31 December 2008.

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 27 April 2009 to 27 May 2009 (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, 24 April 2009.

Purchase, redemption or sales of listed securities of the company

During the year ended 31 December 2008, 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 RMB29.20 million (2007: RMB23.91 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 2008 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 RMB1,237 million (2007: approximately RMB807 million).

Major properties

Major properties of the Group as at 31 December 2008 are set out on pages 139 to 142 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 2008 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 2008, the Company's distributable reserves were approximately RMB2.308 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 2008 are set out in the statement of changes in equity on page 68 of this annual report.

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, all executive directors, Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing, and the Supervisor, Mr. Feng Xianyang, 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 2008.

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 2008, 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 2008 were as follows:

Director	Nature of Interest	Number of Shares 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	10,000,000	5,000,000	7,000,000	1,067,092,672	33.12%
Zhang Li	Domestic shares	1,005,092,672	20,000,000			
	H shares	4,074,400	400,000		1,029,567,072	31.95%
Lu Jing	Domestic shares	35,078,352			35,078,352	1.09%
Zhou Yaonan	Domestic shares	22,922,624			22,922,624	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 total issued capital
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 2008, 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
Morgan Stanley	"H" share	205,577,871(L)	20.24%
		51,141,062(S)	5.03%
UBS AG	"H" share	160,972,502(L)	15.86%
		146,946,932(S)	14.47%
JP Morgan Chase & Co.	"H" share	70,683,089(L)	6.96%
		5,745,600(S)	0.57%
		56,627,856(P)	5.58%
Deutsche Bank Aktiengesellschaft	"H" share	70,130,115(L)	6.91%
		53,036,789(S)	5.22%
BNP Paribas Asset Management	"H" share	62,483,200(L)	6.15%
Lehman Brothers Holdings Inc.	"H" share	51,049,240(L)	5.03%
		67,663,183(S)	6.66%

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 connected transactions took place on normal commercial terms:

1. On 21 November 2008, a wholly owned subsidiary of the Company, Beijing R&F Properties Development Limited, entered into a sale agreement with Mr. Li Sze Lim for the sale of a residential property, Unit E3, Phase IV of Beijing R&F City, Guangqumenwai Main Street, Chaoyang District, Beijing at a consideration of RMB40,468,120 with full payment not later than 30 December 2008. The property sold under the agreement was properties developed for sale in the ordinary and normal course of business of the Company and was purchased by Mr. Li for his personal use. Mr. Li is a director and substantial shareholder of the Company and is hence a connected person of the Company.

2. On 21 November 2008, a wholly owned subsidiary of the Company, Beijing R&F Properties Development Limited, entered into sale agreement with Mr. Zhang Li and Zhang Liang for the sale of a residential property, Unit E6, Phase IV of Beijing R&F City, Guangqumenwai Main Street, Chaoyang District, Beijing at a consideration of RMB42,272,560 with full payment not later than 30 December 2008. The property sold under the agreement was properties developed for sale in the ordinary and normal course of business of the Company and was purchased by both Mr. Zhangs for their personal uses. Mr. Zhang Li is a director and substantial shareholder of the Company and Mr. Zhang Liang is the son of Mr. Zhang Li, they are hence connected person of the Company.

3. On 22 December 2008, a wholly owned subsidiary of the Company, Guangzhou R&F Hengsheng Properties Development Co, Ltd., entered into a sale agreement with Mr. Li Sze Lim for the sale of a residential property, Unit 3801, Level 37-39, R&F Ritz Carlton Service Apartment, 3 Xing An Road, Tianhe District, Guanghzou at a consideration of RMB44,710,258 with full payment not later than 21 January 2009. The property sold under the agreement was properties developed in the ordinary and normal course of business of the Company and was purchased by Mr. Li for his personal use. Mr. Li is a director and substantial shareholder of the Company and is hence a connected person of the Company.

4. On 22 December 2008, a wholly owned subsidiary of the Company, Guangzhou R&F Hengsheng Properties Development Co, Ltd., has entered into a sale agreement with Mr. Zhang Liang for the sale of a residential property, Unit 3802, Level 37-39, R&F Ritz Carlton Service Apartment, 3 Xing An Road, Tianhe District, Guangzhou at a consideration of RMB56,794,466 with full payment not later than 21 January 2009. The property sold under the agreement was properties developed in the ordinary and normal course of business of the Company and was purchased by Mr. Zhang for his personal use. Mr. Zhang Liang is the son of Mr. Zhang Li who is a director and substantial shareholder of the Company. Mr. Zhang Liang is hence a connected person of the Company.

5. Provision of Environmental Protection Installations

During the year, the Company had entered into various contracts with Guangzhou Canton-Rich Environmental Inc. ("Canton-Rich") amounting to RMB13,014,770 for the installation of environmental protection systems in the Group's property projects. The payment of all the above services was settled before 31 December 2008. Canton-Rich is 49% owned by each of Mr. Li Sze Lim and Mr. Zhang Li, the controlling shareholders and directors of the Company, and therefore a connected person of the Company.

Continuing connected transactions

6. Provision of restaurant services by Guangzhou Fuligong Restaurant Co., Ltd. to the Company

On 9 July 2008, 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 1 January 2008 until further notice.

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 2008 amounted to approximately RMB14,449,000 (2007: RMB10,742,000).

7. 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", a wholly owned subsidiary of the Company) 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 2008 amounted to RMB852,000 (2007: RMB852,000).

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.

8. Lease of properties from Central Hope Limited (''Central Hope")

The Company entered into a tenancy agreement with Central Hope to lease a property used as the Company 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 and 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 2008 amounted to HK$240,000.

9. Lease of properties from Lancaster-Toprich Limited ("Lancaster-Toprich")

The Company entered into a tenancy agreement with Lancaster-Toprich to lease a property used as the Company 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.

Lancaster-Toprich is 99% owned by Mr. Li Sze Lim, who is a director and controlling shareholder of the Company. Lancaster-Toprich is therefore a connected person of the Company.

The total amount paid by the Company for the year ended 31 December 2008 amounted to HK$240,000.

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.

The Company's auditor, PricewaterhouseCoopers, has examined the continuing connected transactions as referred to in items 6 to 9 above for the year ended 31 December 2008 ("Transactions") and reported in its letter to the Company that the Transactions (i) have been approved by the board of directors of the Company; (ii) the pricing were in accordance with the pricing policies of the Company; and (iii) have been carried out in accordance with the relevant agreements governing these continuing connected transactions. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the continuing connected transactions as referred to in items 6 to 9 above.

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.

Auditor

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 auditor of the Company until the close of the next annual general meeting.

By order of the Board
Chairman
Li Sze Lim
Guangzhou, China
17 March 2009

Report of the Supervisory Committee

Dear Shareholders,

During 2008, 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 2008 results were approved, and one will also attend the upcoming 2008 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 2008, prepared in accordance with Hong Kong Financial Reporting Standards and audited by the Company's auditor, 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 2008 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 2008, and has great confidence in its future.

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

17 March 2009

Directors and Supervisors

Executive Directors

Li Sze Lim (李思廉) aged 51, is the Chairman of the Company

Mr. Li obtained his bachelor degree in mathematics in 1978 from the Chinese University of Hong Kong and was a merchant prior to starting his career in the real estate business in 1993. In August 1994, Mr. Li Sze Lim and Mr. Zhang Li together founded Guangzhou R&F Properties. He has now taken on the position of Executive Director and Chairman of the Company. He is also responsible for managing the sales and financial backbone of the Company. Mr. Li is the Chairman of the Council of Guangdong Chamber of Real Estate, a part-time professor of the Lingnan College of Sun Yat-Sen University. He is also a director and a part-time professor of Jinan University.

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, 15,000,000 H shares and a corporate interest of 7,000,000 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 55, is the Co-chairman and Chief Executive Officer of the Company

Mr. Zhang started his career in the construction and renovation business. Prior to joining the Company, he was the secretary of Youth League Committee of Guangzhou 2nd Light Industry Bureau and the head of production department of Guangzhou Baiyun District Township Enterprise Administration. 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 now taken on the positions of Executive Director, Co-Chairman and Chief Executive Officer of the Company. Mr. Zhang is responsible for land acquisition, engineering, construction, cost control and managing daily operations. Mr. Zhang is a member of the 11th National Committee of the Chinese People's Political Consultative Conference, the Vice Chairman of China Real Estate Chamber of Commerce and, a director and part-time professor of Jinan University.

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 4,474,400 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 54, 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 projects; including 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 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 48, 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 60, 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 Mr. 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 57, 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 75

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 66

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 64

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. Mr. Lai is also an advisor to the Corporate Governance Committee of the Hong Kong China Division of CPA Australia. Mr. Lai became an independent non-executive director of the Company in May 2005.

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 director of the Research and Development Corp. of the Hong Kong University of Science and Technology.

Supervisors

Feng Xiangyang (鳳向陽) aged 61

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 appointed a deputy general manager in 2005. He was elected as a Supervisor in June 2004 to act as a representative of the Company's employees.

Liang Yingmei (梁英梅) aged 68

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 51

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

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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 63 to 137, which comprise the consolidated and company balance sheets as at 31 December 2008, 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.

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

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 2008 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, 17 March 2009

Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
ASSETS	Note	**2008**	2007
Non-current assets			
Land use rights	6	**7,852,506**	10,342,679
Properties held for development	7	**3,641,129**	2,859,095
Property, plant and equipment	8	**3,367,336**	2,390,260
Investment properties	9	**7,360,581**	5,366,774
Intangible assets	10	**876,328**	1,019,806
Interests in jointly controlled entities	12	**628,998**	405,311
Interests in associates	13	**43,028**	35,216
Deferred income tax assets	26	**310,984**	297,155
Available-for-sale financial assets	14	**132,903**	416,000
Trade and other receivables	15	**365,539**	1,900,995
		24,579,332	25,033,291
Current assets			
Properties under development	7	**10,858,159**	12,357,422
Available-for-sale financial assets	14	**171,097**	—
Completed properties held for sale	16	**6,419,998**	3,943,484
Land use rights	6	**6,141,743**	5,047,634
Inventories	17	**116,986**	177,233
Trade and other receivables	15	**3,914,990**	4,654,746
Tax prepayments	25	**712,354**	695,515
Restricted cash	18	**603,288**	956,875
Cash	19	**1,449,668**	1,329,691
		30,388,283	29,162,600
Total assets		**54,967,615**	54,195,891
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**805,592**	805,592
Other reserves	22	**4,350,497**	4,434,497
Retained earnings			
- Proposed final dividend	35	**902,263**	805,592
- Others		**8,814,287**	6,579,860
		14,872,639	12,625,541
Minority interest in equity		**93,049**	74,339
Total equity		**14,965,688**	12,699,880

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
LIABILITIES	Note	**2008**	2007
Non-current liabilities			
Long-term bank loans	24	**10,982,500**	12,532,500
Long-term payables		**136,000**	272,000
Deferred income tax liabilities	26	**1,648,911**	1,439,428
		12,767,411	14,243,928
Current liabilities			
Accruals and other payables	23	**9,264,791**	11,135,489
Deposits received on sale of properties		**6,117,317**	6,542,480
Current income tax liabilities	27	**2,363,986**	2,206,847
Short-term bank loans	24	**2,188,922**	3,803,267
Current portion of long-term bank loans	24	**7,299,500**	3,564,000
		27,234,516	27,252,083
Total liabilities		**40,001,927**	41,496,011
Total equity and liabilities		**54,967,615**	54,195,891
Net current assets		**3,153,767**	1,910,517
Total assets less current liabilities		**27,733,099**	26,943,808

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 70 to 137 are an integral part of these financial statements.

Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
ASSETS	Note	**2008**	2007
Non-current assets			
Land use rights	6	**556,616**	1,509,401
Properties held for development	7	**710,522**	600,820
Property, plant and equipment	8	**76,641**	42,908
Investment properties	9	**220,920**	223,675
Intangible assets	10	**4,055**	4,492
Investments in subsidiaries	11	**8,909,963**	7,455,517
Interests in jointly controlled entities	12	**246,305**	22,139
Deferred income tax assets	26	**20,242**	45,805
Available-for-sale financial assets	14	**132,903**	416,000
Trade and other receivables	15	**118,434**	1,602,801
		10,996,601	11,923,558
Current assets			
Properties under development	7	**1,990,781**	1,335,321
Available-for-sale financial assets	14	**171,097**	—
Completed properties held for sale	16	**1,056,378**	1,437,281
Land use rights	6	**702,004**	724,469
Trade and other receivables	15	**8,126,125**	6,859,790
Tax prepayments	25	**111,900**	109,941
Restricted cash	18	**223,468**	395,850
Cash	19	**498,989**	331,128
		12,880,742	11,193,780
Total assets		**23,877,343**	23,117,338
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**805,592**	805,592
Other reserves	22	**4,350,497**	4,434,497
Retained earnings			
- Proposed final dividend	35	**902,263**	805,592
- Others		**1,405,825**	1,257,417
Total equity		**7,464,177**	7,303,098

Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
LIABILITIES	Note	**2008**	2007
Non-current liabilities			
Long-term bank loans	24	**3,470,000**	4,788,000
Deferred income tax liabilities	26	**132,145**	146,308
		3,602,145	4,934,308
Current liabilities			
Accruals and other payables	23	**7,995,692**	7,155,681
Deposits received on sale of properties		**969,273**	1,177,237
Current income tax liabilities	27	**946,056**	1,024,421
Short-term bank loans	24	**300,000**	902,593
Current portion of long-term bank loans	24	**2,600,000**	620,000
		12,811,021	10,879,932
Total liabilities		**16,413,166**	15,814,240
Total equity and liabilities		**23,877,343**	23,117,338
Net current assets		**69,721**	313,848
Total assets less current liabilities		**11,066,322**	12,237,406

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 70 to 137 are an integral part of these financial statements.

Consolidated Income Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2008	2007
Revenue	5	**15,360,151**	14,771,919
Cost of sales	29	**(10,181,850)**	(9,226,030)
Gross profit		**5,178,301**	5,545,889
Other gains - net	28	**1,520,892**	3,385,097
Selling and administrative expenses	29	**(1,306,133)**	(671,306)
Other operating income/(expenses)	29	**30,752**	(43,227)
Operating profit		**5,423,812**	8,216,453
Finance costs	31	**(341,202)**	(102,929)
Share of results of jointly controlled entities	12	**(479)**	(52)
Share of results of associates	13	**7,812**	(3,866)
Profit before income tax		**5,089,943**	8,109,606
Income tax expense	32	**(1,936,861)**	(2,794,367)
Profit for the year		**3,153,082**	5,315,239
Attributable to:			
Equity holders of the Company		**3,134,372**	5,302,786
Minority interest		**18,710**	12,453
		3,153,082	5,315,239
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in RMB Yuan per share)	34	**0.9727**	1.6456
Dividends	35	**902,263**	1,288,445
Dividend per share (expressed in RMB Yuan per share)		**0.2800**	0.4000

The notes on pages 70 to 137 are an integral part of these 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					
	Note	Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
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							
- Group		—	203,429	—	203,429	—	203,429
Net income recognised directly in equity		—	203,429	—	203,429	—	203,429
Profit for the year		—	—	5,302,786	5,302,786	12,453	5,315,239
Total recognised income and expense for 2007		—	203,429	5,302,786	5,506,215	12,453	5,518,668
Acquisition of additional interests in a subsidiary from minority interests		—	—	—	—	(229,577)	(229,577)
Business combinations		—	—	—	—	149	149
Dividends relating to 2006 and 2007 interim		—	—	(1,127,326)	(1,127,326)	—	(1,127,326)
Dividends paid to minority interests		—	—	—	—	(29,534)	(29,534)
Transfers	22	—	138,851	(138,851)	—	—	—
Capital contributions from minority interests		—	—	—	—	40,000	40,000
		—	138,851	(1,266,177)	(1,127,326)	(218,962)	(1,346,288)
Balance at 31 December 2007		805,592	4,434,497	7,385,452	12,625,541	74,339	12,699,880
Balance at 1 January 2008		805,592	4,434,497	7,385,452	12,625,541	74,339	12,699,880
Fair value loss, net of tax:							
- available-for-sale financial assets							
- Group		—	(84,000)	—	(84,000)	—	(84,000)
Net expense recognised directly in equity		—	(84,000)	—	(84,000)	—	(84,000)
Profit for the year		—	—	3,134,372	3,134,372	18,710	3,153,082
Total recognised income and expense for 2008		—	(84,000)	3,134,372	3,050,372	18,710	3,069,082
Final dividends for 2007		—	—	(803,274)	(803,274)	—	(803,274)
Balance at 31 December 2008		805,592	4,350,497	9,716,550	14,872,639	93,049	14,965,688

The notes on pages 70 to 137 are an integral part of these financial statements.

Consolidated Cash Flow Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2008	2007
Cash flows from operating activities			
Cash generated from/(used in) operations	36	**4,381,669**	(5,806,198)
Interest paid		**(1,558,506)**	(909,487)
Enterprise income tax and land appreciation tax paid		**(1,508,231)**	(1,611,163)
Net cash generated from/(used in) operating activities		**1,314,932**	(8,326,848)
Cash flows from investing activities			
Business combinations		**—**	159,652
Purchase of property, plant and equipment		**(866,505)**	(1,087,055)
Purchase of intangible assets		**(8,321)**	(5,220)
Proceeds from sale of property, plant and equipment	36	**106,642**	860
Acquisition of additional interests in a subsidiary		**—**	(213,970)
Capital contribution made to a jointly controlled entity	12	**(224,166)**	—
Proceeds from sales of shares	13	**—**	995
Cash outflow resulted from disposal of subsidiaries		**—**	(110,818)
Interest received		**29,514**	28,996
Net cash used in investing activities		**(962,836)**	(1,226,560)
Cash flows from financing activities			
Proceeds from borrowings		**9,700,539**	14,951,201
Repayments of borrowings		**(9,129,384)**	(4,367,168)
Contributions from minority interests		**—**	40,000
Dividends paid to minority interests		**—**	(29,534)
Dividends paid to the Company's shareholders		**(803,274)**	(1,127,326)
Net cash (used in)/generated from financing activities		**(232,119)**	9,467,173
Net increase/(decrease) in cash		**119,977**	(86,235)
Cash at beginning of the year		**1,329,691**	1,415,926
Cash at end of the year	19	**1,449,668**	1,329,691

The notes on pages 70 to 137 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB Yuan thousands unless otherwise stated)

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 is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the 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 17 March 2009.

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 Group meets its day to day working capital requirements mainly through sales of properties as well as credit lines offered by major domestic banks. The Directors have prepared cash flow projections for the period up to 31 March 2010. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2009 are disclosed in Note 3.1. Should there be any unexpected changes in economic conditions affecting the anticipated cash flows, the Group has a number of alternative plans, as disclosed in Note3.1, to mitigate the potential impacts. The Directors consider that the Group will have sufficient financial resources to finance its operations and continue as a going concern in the foreseeable future and consequently have prepared the financial statements on the going concern basis.

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Amendment effective in 2008 and relevant to the Group's operations

- HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

(b) Interpretations effective in 2008 but not relevant to the Group's operations

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

- HK(IFRIC) - Int 11, 'HKFRS 2 - Group and treasury share transactions'.
- HK(IFRIC) - Int 12, 'Service Concession arrangements'.
- HK(IFRIC) - Int 14, 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

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

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

- HKAS 23 (Revised), '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 has applied the capitalisation method for the borrowing cost and it is not expected to have any material impact on the Group's consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- 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. The impact is still being assessed in detail by management.

- HK(IFRIC) - Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009) supercedes HK Int-3, 'Revenue - Pre-completion contracts for the sale of development properties'. HK(IFRIC) - Int 15 clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. The Group will apply HK(IFRIC) - Int 15 from 1 January 2009, but it is not expected to have any material impact on the Group's consolidated financial statements.

- Improvements to HKFRS by Hong Kong Institute of Certified Public Accountants ("HKICPA") published in October 2008

➢ HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated financial statements.

➢ HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.

- HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Group will apply the HKAS 40 (Amendment) to measure the value of investment property under construction from 1 January 2009.

- There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's consolidated financial statements and have therefore not been analysed in detail.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant to the Group's operations:

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- HKAS 39 (amendment) 'Financial Instruments: Recognition and Measurement' - 'Eligible hedged items' (effective from 1 July 2009).
- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements (effective from 1 July 2009).
- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008).
- HK(IFRIC) - Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).
- HK(IFRIC) - Int 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009).
- HK(IFRIC) - Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009).
- HKICPA's improvements to HKFRS published in October 2008

➢ HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January 2009).

➢ HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

➢ HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

➢ HKAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

➢ HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is related to disclosures if an investment in associate is accounted for in accordance with HKAS39.

➢ HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

➢ HKAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009).

➢ HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

➢ HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

➢ HKAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).

➢ HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009).

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 at 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. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements 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 for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests 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.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(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.

(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 identified on acquisition, net of any accumulated impairment loss. See Note 2.9 for the impairment of non-financial assets including goodwill.

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 arising in investments 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. Summary of significant accounting policies (continued)

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.

2.4 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 the Group's 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 or valuation where items are remeasured. 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance costs - net'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains - net'.

2.5 Property, plant and equipment

Buildings comprise mainly office premises and hotel buildings. 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 on property, plant and equipment is calculated using the straight-line method to allocate their costs 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

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains - net' 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 or discounted cash flow projections. 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.

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.

2. Summary of significant accounting policies (continued)

2.7 Investment properties (continued)

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 is tested 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 according to operating segment.

(b) Construction licence

Construction licence is acquired in a business combination and is recognised at fair value at the acquisition date. Construction licence is renewable annually at minimal cost. The Directors of the Group are of the view that the Group has both intention and ability to renew the construction licence continuously and the useful life of the construction licence is considered as indefinite. Construction licence is tested annually for impairment and carried at deemed cost less accumulated impairment losses (Note 2.9).

(c) Customer contracts

Customer contracts are acquired in a business combination and are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at deemed cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the execution of the customer contracts.

(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 of five years.

2. Summary of significant accounting policies (continued)

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

Assets that have an indefinite useful life, for example goodwill, 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

2.10.1 Classification

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. The Group's loans and receivables comprise 'trade and other receivables' and 'cash' in the balance sheet (Note 2.15 and 2.16).

(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.

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement

Regular way 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.

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. Summary of significant accounting policies (continued)

2.11 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expense and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle, which are classified as properties held for development under non-current assets.

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.

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. Summary of significant accounting policies (continued)

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 receivable is uncollectible, it is written off against the allowance account for 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.

2.19 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. Summary of significant accounting policies (continued)

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 only 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.

2.21 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 retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible 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 the MPF 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. Summary of significant accounting policies (continued)

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.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services 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 when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as deposits received on sale of properties under 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) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

(e) 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.

2. Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(f) Dividend income

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

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 prior to the commencement of construction. 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.

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. The global financial turmoil in 2008 has brought adverse impact on the economic conditions. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and renewal of bank borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most of the transactions denominated in RMB, except for certain borrowings amounting to RMB484,922,000 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 in foreign exchange rate at 31 December 2008 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	1,371	(1,371)
Borrowings	(36,369)	36,369
Denominated in US dollars ("USD")		
Cash	45	(45)

(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.

(All amounts in RMB Yuan thousands unless otherwise stated)

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 issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued 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 swap arrangements but will consider hedging interest rate risk should the need arise.

The table below summarises the impact of changes in interest rate at 31 December 2008 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	(95,301)	95,301

(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.

The Group has no significant concentration of credit risk. Management does not expect any losses from non-performance by the banks and financial institutions, as they are with good reputation. Credit risk related to trade receivables is the risk that the receivables cannot be collected on the due date. 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. No single customer accounted for more than 10% of the Group's trade receivables as at 31 December 2008 (2007: one single customer accounted for more than 10% of trade receivables).

(c) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The Directors have prepared cash flow projections for the period up to 31 March 2010. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2009 include: (1) Unit selling price in 2009 is not expected to fluctuate significantly from that of 2008. Sales volume in 2009 is expected to be higher than that of 2008. The contracted sales in 2009 are expected to be derived from 38 projects over 10 cities within the PRC. (2) All bank borrowings due for repayment in 2009 are anticipated to be renewed successfully under credit lines for which the Group has received non binding letters of intent or strategic cooperation letters from certain domestic banks. The issuance of such non binding offers for credit lines is not uncommon in the PRC.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress of investment properties as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures, accelerating sales with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposal of certain investment properties with acceptable prices to the Group and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. Subsequent to year end, the Group has also obtained committed facilities of RMB1.1 billion from a bank. In addition, with more favourable policies being implemented by the Central Government and the Guangdong Provincial Government, management is confident that the Group will be able to achieve its business plans.

The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

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 2008					
Borrowings	10,629,072	8,718,729	2,876,264	—	22,224,065
Accrual and other payables	9,264,791	—	—	—	9,264,791
Long-term payable	—	136,000	—	—	136,000
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
Company					
At 31 December 2008					
Borrowings	3,255,831	2,608,428	1,052,268	—	6,916,527
Accrual and other payables	7,995,692	—	—	—	7,995,692
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

Note:

Interest on borrowings is calculated on borrowings held as at 31 December 2008 and 2007. Floating-rate interest is estimated using the current interest rate as at 31 December 2008 and 2007 respectively.

(All amounts in RMB Yuan thousands unless otherwise stated)

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:

	2008	2007
Total borrowings (Note 24)	**20,470,922**	19,899,767
Less: Cash and restricted cash	**(2,052,956)**	(2,286,566)
Net debt	**18,417,966**	17,613,201
Capital and reserves attributable to the Company's equity holders	**14,872,639**	12,625,541
Gearing ratio	**123.8%**	139.5%

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.

4. Critical accounting estimates and judgements (continued)

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.

Key assumptions used in the value-in-use calculations are disclosed in Note 10.

A sensitivity analysis on key assumptions used in the calculation has been carried out. Were the gross margin or growth rate lower than management estimates by 20%, or discount rate higher than management estimates by 20% with other variables held at constant, the Group would not suffer any impairment in goodwill as at 31 December 2008.

(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.

Key assumptions used in the value-in-use calculations are disclosed in Note 10.

Were the royalty rate applied in the calculation lower than management estimates by 10% with other variables held at constant, the Group would have recognised an impairment by RMB28,100,000. Were the growth rate lower than management estimates by 10% with other variables held at constant, the Group would have recognised an impairment by RMB10,987,000. Were the discount rate higher than management estimates by 10% with other variables held at constant, the Group would have recognised an impairment by RMB28,938,000.

(c) Current taxation and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment 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 tax assets and income tax expense 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 provisions of land appreciation taxes in the period in which such determination is made.

(e) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. 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;

(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; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market. The valuations are reviewed annually by external valuers.

Were the discount rate higher than management estimates by 10% with other variables held at constant, the Group would have decreased its gross profit by RMB667,395,000.

4. Critical accounting estimates and judgements (continued)

(f) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

Were the net sales value lower than management estimates by 10% with other variables held at constant, the Group would have recognised an impairment by RMB82,000,000.

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

The fair value of the Group's available-for-sale financial assets that is not quoted in active markets is is determined by using valuation techniques. The Group uses a variety of analysis and methods. To the extent practical, models use only observable data; however, areas such as market price of comparable financial assets, credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of available-for-sale financial assets.

Were the market price lower than 5% from management estimates, it is estimated that the balance of available-for-sale financial assets would decrease by RMB15,200,000.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. Revenue and segment information

Primary reporting format - business segment

The Group is principally engaged in the property development, construction, property investment and hotel operations. As all of the Group's consolidated revenue and results are attributable to the market in the PRC and all of the Group's consolidated assets are located in the PRC, no geographical segment information is presented.

The segment results, capital expenditure and other segment items for the year ended 31 December 2008 and the segment assets and liabilities at 31 December 2008 are as follows:

	Property development	Construction	Property investment	Hotel operations	Elimination	Group
Revenue						
Gross segment revenue	14,729,468	5,040,592	168,943	196,710	—	20,135,713
Inter-segment revenue	—	(4,750,184)	(11,963)	(13,415)	—	(4,775,562)
	14,729,468	290,408	156,980	183,295	—	15,360,151
Gross profit/(loss)	4,994,622	550,291	159,651	(21,357)	(504,906)	5,178,301
Operating profit/(loss)	4,100,220	435,352	1,555,611	(187,843)	(479,528)	5,423,812
Finance costs						(341,202)
Share of results of jointly controlled entities						(479)
Share of results of associates						7,812
Profit before income tax						5,089,943
Income tax expense						(1,936,861)
Profit for the year						3,153,082
Depreciation	53,090	1,043	—	77,709	—	131,842
Amortisation	2,350	—	—	8,883	135,639	146,872
(Reversal of)/Provision for impairment of receivables	(2,247)	940	(12)	(463)	—	(1,782)
Gross segment assets	42,281,610	2,977,082	7,360,581	3,323,586	(2,262,254)	53,680,605
Interests in jointly controlled entities						628,998
Interests in associates						43,028
Deferred income tax assets						310,984
Available-for-sale financial assets						304,000
Total assets						54,967,615
Gross segment liabilities	13,435,222	2,161,437	—	1,630,167	(1,708,718)	15,518,108
Current income tax liabilities						2,363,986
Deferred income tax liabilities						1,648,911
Bank loans						20,470,922
Total liabilities						40,001,927
Capital expenditure	195,440	39,688	520,791	948,883	—	1,704,802

5. Revenue and segment information (continued)

Primary reporting format - business segment (continued)

The segment results, capital expenditure and other segment items for the year ended 31 December 2007 and the segment assets and liabilities at 31 December 2007 are as follows:

	Property development	Construction	Property investment	Hotel operations	Elimination	Group
Revenue						
Gross segment revenue	14,461,211	3,034,938	96,634	—	—	17,592,783
Inter-segment revenue	—	(2,820,864)	—	—	—	(2,820,864)
	14,461,211	214,074	96,634	—	—	14,771,919
Gross profit	5,334,620	397,987	91,319	—	(278,037)	5,545,889
Operating profit	4,995,163	370,667	3,128,660	—	(278,037)	8,216,453
Finance costs						(102,929)
Share of results of jointly controlled entities						(52)
Share of results of associates						(3,866)
Profit before income tax						8,109,606
Income tax expense						(2,794,367)
Profit for the year						5,315,239
Depreciation	35,179	586	—	—	—	35,765
Amortisation	78,084	—	—	—	72,376	150,460
Provision for impairment of receivables	2,335	1,479	—	—	—	3,814
Gross segment assets	44,236,348	2,860,887	5,366,774	2,383,090	(1,804,890)	53,042,209
Interests in jointly controlled entities						405,311
Interests in associates						35,216
Deferred income tax assets						297,155
Available-for-sale financial assets						416,000
Total assets						54,195,891
Gross segment liabilities	16,637,646	1,945,765	—	852,367	(1,485,809)	17,949,969
Current income tax liabilities						2,206,847
Deferred income tax liabilities						1,439,428
Bank loans						19,899,767
Total liabilities						41,496,011
Capital expenditure	694,721	36,229	1,359,202	1,078,815	—	3,168,967

Pricing policy for inter-segment transactions is determined by reference to market price.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. Revenue and segment information (continued)

Primary reporting format - business segment (continued)

Segment assets consist primarily of property, plant and equipment, intangible assets, investment properties, land use rights, properties held for / under development, completed properties held for sale, inventories, receivables, prepayments and operating cash. They exclude interests in jointly controlled entities, interests in associates, deferred income tax assets and available-for-sale financial assets.

Segment liabilities consist primarily of operating liabilities. They exclude deferred income tax liabilities, current income tax liabilities and bank loans.

Capital expenditure comprises additions to property, plant and equipment (Note 8), investment properties (Note 9) and intangible assets (Note 10).

6. Land use rights

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

	Group			
	2008		2007	
	Non-current	**Current**	Non-current	Current
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	**7,852,506**	**6,141,743**	10,342,679	5,047,634

	Group			
	2008		2007	
	Non-current	**Current**	Non-current	Current
Opening	**10,342,679**	**5,047,634**	8,098,580	2,579,891
Additions	**1,057,189**	**331,498**	6,645,497	259,123
Transfer to current portion	**(2,594,498)**	**2,594,498**	(3,745,219)	3,745,219
Charge to income statement	**(22,815)**	**(1,793,481)**	(40,179)	(1,248,805)
Transfer to investment properties (Note 9)	**—**	**(38,406)**	—	(287,794)
Transfer to a jointly controlled entity	**(930,049)**	**—**	—	—
Disposal of subsidiaries	**—**	**—**	(616,000)	—
	7,852,506	**6,141,743**	10,342,679	5,047,634

	Company			
	2008		2007	
	Non-current	**Current**	Non-current	Current
Outside Hong Kong in the PRC, held on:				
Leases of between 40 to 70 years	**556,616**	**702,004**	1,509,401	724,469

6. Land use rights (continued)

	Company			
	2008		2007	
	Non-current	**Current**	Non-current	Current
Opening	**1,509,401**	**724,469**	1,079,911	442,191
Additions	**59,957**	**88,094**	930,051	39,628
Transfer to current portion	**(82,693)**	**82,693**	(498,187)	498,187
Charge to income statement	**—**	**(193,252)**	(2,374)	(255,537)
Transfer to a jointly controlled entity	**(930,049)**	**—**	—	—
	556,616	**702,004**	1,509,401	724,469

The Group had made payments for land use rights of RMB3,952,770,000 as at 31 December 2008 (2007: RMB6,073,332,000), 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 RMB307,239,000 as at 31 December 2008 (2007: RMB1,484,013,000), for which the Company was in the process of applying for formal land use rights certificates.

Land use rights pledged as collateral is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Land use rights (Note 24)	**1,000,417**	662,585	**—**	—

7. Properties held for/under development

	Group		Company	
	2008	2007	**2008**	2007
Beyond normal operating cycle included in non-current assets	**3,641,129**	2,859,095	**710,522**	600,820
Within normal operating cycle included in current assets	**10,858,159**	12,357,422	**1,990,781**	1,335,321
	14,499,288	15,216,517	**2,701,303**	1,936,141
Amount comprises:				
Construction costs and capitalised expenditures	**13,409,254**	14,835,633	**2,209,991**	1,711,001
Finance costs capitalised	**1,090,034**	380,884	**491,312**	225,140
	14,499,288	15,216,517	**2,701,303**	1,936,141

(All amounts in RMB Yuan thousands unless otherwise stated)

7. Properties held for/under development (continued)

The capitalisation rate of borrowings is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Capitalisation rate	**6.84%**	6.33%	**6.97%**	6.30%

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

	Group		Company	
	2008	2007	**2008**	2007
Properties held for/under development (Note 24)	**1,307,608**	430,105	**—**	—

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

8. Property, plant and equipment

	Group						
	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Motor vehicles	Machinery	Assets under construction	Total
At 1 January 2007							
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
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
Transfers	193,728	—	—	—	—	(193,728)	—
Disposals (Note 36)	(35)	—	(13)	(3,112)	(436)	—	(3,596)
Depreciation (Notes 29 and 36)	(2,692)	—	(8,406)	(12,479)	(12,188)	—	(35,765)
Business combinations	4,804	—	2,484	4,909	116,494	16,027	144,718
Transfer to investment properties (Note 9)	—	—	—	—	—	(830,743)	(830,743)
Transfer 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
Year ended 31 December 2008							
Opening net book amount	328,158	—	36,171	59,682	140,099	1,826,150	2,390,260
Additions	47,608	—	38,446	40,978	39,688	1,008,970	1,175,690
Transfers	300	2,534,006	204,449	—	—	(2,738,755)	—
Disposals (Note 36)	(1,320)	(57,253)	(359)	(572)	(7,268)	—	(66,772)
Depreciation (Notes 29 and 36)	(15,566)	(48,385)	(31,730)	(18,616)	(17,545)	—	(131,842)
Closing net book amount	359,180	2,428,368	246,977	81,472	154,974	96,365	3,367,336
At 31 December 2008							
Cost	383,189	2,476,753	305,298	139,427	231,845	96,365	3,632,877
Accumulated depreciation	(24,009)	(48,385)	(58,321)	(57,955)	(76,871)	—	(265,541)
Net book amount	359,180	2,428,368	246,977	81,472	154,974	96,365	3,367,336

Bank borrowings are secured on buildings and assets under construction for the value of RMB2,025,542,000 (2007: RMB1,375,454,000) for the Group (Note 24).

The capitalisation rate of borrowings for assets under construction was 6.76% for the year ended 31 December 2008 (2007: 6.44%). Interest capitalised in assets under construction amounted to RMB42,208,000 for the year ended 31 December 2008 (2007: RMB102,598,000).

(All amounts in RMB Yuan thousands unless otherwise stated)

8. Property, plant and equipment (continued)

	Company			
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
At 1 January 2007				
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
Year ended 31 December 2008				
Opening net book amount	22,334	4,230	16,344	42,908
Additions	32,520	3,764	5,658	41,942
Depreciation	(1,910)	(1,831)	(4,468)	(8,209)
Closing net book amount	52,944	6,163	17,534	76,641
At 31 December 2008				
Cost	61,224	15,240	38,955	115,419
Accumulated depreciation	(8,280)	(9,077)	(21,421)	(38,778)
Net book amount	52,944	6,163	17,534	76,641

Bank borrowings are secured on buildings for the value of RMB16,952,000 (2007: RMB21,341,000) for the Company (Note 24).

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

	Group	
	2008	2007
Selling and administrative expenses	**35,159**	19,637
Cost of sales	**96,683**	16,128
	131,842	35,765

9. Investment properties

	Group		Company	
	2008	2007	**2008**	2007
At 1 January	**5,366,774**	926,153	**223,675**	189,295
Additions	**196,220**	—	**—**	—
Transfer from assets under constructions (Note 8)	**—**	830,743	**—**	—
Transfer from properties under development	**286,165**	240,665	**—**	—
Transfer from land use rights (Note 6)	**38,406**	287,794	**—**	—
Fair value gain/(loss) – net (including in other gains – net) (Notes 28 and 36)	**1,473,016**	3,081,419	**(2,755)**	34,380
At 31 December	**7,360,581**	5,366,774	**220,920**	223,675

The investment properties were revalued on 31 December 2008 by independent, professionally qualified valuers, either Vigers Appraisal & Consulting Limited or China Commerce Assets Appraisal Co., Ltd. Valuations were performed using discounted cash flow projections based on estimates of future cash flows derived from the terms of any existing lease and other contracts and from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Gross rental income from the Group's investment properties during the year amounted to RMB156,980,000 (2007: RMB75,696,000).

Investment properties pledged as collateral is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Investment properties (Note 24)	**6,739,186**	1,488,996	**—**	36,094

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

(All amounts in RMB Yuan thousands unless otherwise stated)

10. Intangible assets

	Group					Company
	Goodwill (Note a)	Construction licence (Note b)	Customer contracts	Software	Total	Software
At 1 January 2007						
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
Year ended 31 December 2007						
Opening net book amount	49,207	—	—	1,413	50,620	1,413
Additions	—	—	—	5,220	5,220	3,225
Business combinations	468,528	282,000	322,000	—	1,072,528	—
Acquisition of minority interests	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
At 1 January 2008						
Opening net book amount	539,628	282,000	191,745	6,433	1,019,806	4,492
Additions	—	—	—	8,321	8,321	48
Amortisation charge	—	—	(150,751)	(1,048)	(151,799)	(485)
Closing net book amount	539,628	282,000	40,994	13,706	876,328	4,055
At 31 December 2008						
Cost	542,611	282,000	322,000	15,141	1,161,752	4,873
Accumulated amortisation and impairment	(2,983)	—	(281,006)	(1,435)	(285,424)	(818)
Net book amount	539,628	282,000	40,994	13,706	876,328	4,055

10. Intangible assets (continued)

Intangible assets are amortised in the following category:

	Group	
	2008	2007
Selling and administrative expenses	**1,048**	200
Cost of sales	**106,983**	72,376
Capitalised in properties under development	**43,768**	57,879
	151,799	130,455

Note a:

Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units identified according to business segment of construction service. 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 period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

Gross margin	10%
Growth rate	3% - 8%
Discount rate	16.7%

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 licence

The recoverable amount is determined by estimating the value of royalty which the company is exempted from by virtue of the fact that it owns the licence. The value of royalty is determined by a royalty rate of the licence multiplied by the net revenue expected to be generated by the company and then capitalised at a discounted rate. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year 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	17.2%

Management determined royalty rate based on past performance and the industry factor. 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 2008	Company 2007
Investments, at cost:		
Unlisted shares	**8,909,963**	7,455,517

The following is a list of principal subsidiaries at 31 December 2008:

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:						
廣州東圜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
廣州金鼎房地產開發有限公司	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
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
廣州富力億盛置業發展有限公司	31 August 2005	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力嘉盛置業發展有限公司	29 September 2005	Limited liability company	RMB100,000,000	90%	10%	Property development in the PRC
廣州富力創盛置業發展有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	Property development in the PRC
廣州富力智盛置業發展有限公司	4 November 2005	Limited liability company	RMB100,000,000	50%	50%	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: (continued)						
廣州富力超盛置業發展有限公司	8 December 2005	Limited liability company	RMB100,000,000	100%	—	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
廣州永富地產開發有限公司	19 December 2006	Limited liability company	RMB100,000,000	95%	5%	Property development 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	RMB5,000,000	90%	10%	Residential architecture design in the PRC
廣州市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
廣州天力建築工程有限公司	20 May 1993	Limited liability company	RMB50,000,000	90%	10%	Construction company 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 holdings in the PRC
廣州富力國際空港綜合物流園有限公司	11 June 2006	Limited liability	RMB10,000,000 company	95%	5%	Storage and logistics 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
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

(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: (continued)						
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
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
深圳市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
深圳市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
佛山富力房地產開發有限公司	07 November 2007	Limited liability company	RMB20,000,000	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
龍門富力房地產開發有限公司	6 September 2007	Limited liability company	RMB100,000,000	95%	5%	Property development 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	RMB300,000,000	—	100%	Property development in the PRC
北京龍熙順景房地產開發有限責任公司	20 August 2001	Limited liability company	RMB29,000,000	—	100%	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
北京恒富物業管理有限公司	12 December 2002	Limited liability company	RMB5,000,000	—	100%	Property management for self-developed properties 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: (continued)						
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
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
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
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	RMB370,000,000	—	100%	Property development in the PRC
天津耀華投資發展有限公司	27 September 2002	Limited liability company	RMB320,000,000	—	100%	Property development in the PRC
天津濱海投資有限公司	25 December 2007	Limited liability company	RMB50,000,000	—	100%	Property development in the PRC
天津富景投資發展有限公司	25 December 2008	Limited liability company	RMB10,000,000	—	100%	Property development in the PRC
天津富力會休閒健身娛樂有限公司	23 October 2008	Limited liability company	RMB100,000	—	100%	Operation of a recreational club 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

(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: (continued)						
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
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
重慶永富房地產開發有限公司	18 December 2007	Limited liability company	RMB10,000,000	—	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	RMB 660,000,000	50%	50%	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	93.94%	6.06%	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
四川富力百貨商貿有限公司	12 March 2008	Limited liability company	RMB10,000,000	—	100%	Property operation 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
上海浦衛房地產開發有限公司	18 July 2006	Limited liability company	RMB108,000,000	—	100%	Property development 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
昆山國銀置業有限公司	9 July 2002	Limited liability company	RMB200,000,000	95%	5%	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
海南三林發展有限公司	17 January 1995	Limited liability company	RMB25,210, 000	—	100%	Property development in the PRC
海南朝陽房地產發展有限公司	4 April 1995	Limited liability company	RMB11,060,000	—	100%	Property development in the PRC
海南三林旅業開發有限公司	7 March 1995	Limited liability company	RMB24,900,000	—	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: (continued)						
海南紅樹林度假村有限公司	24 March 1995	Limited liability company	RMB11,650,000	—	100%	Property development in the PRC
海南明強房地產發展有限公司	26 April 1995	Limited liability company	RMB11,700,000	—	100%	Property development in the PRC
海南易通生態科技有限公司	27 January 1994	Limited liability company	HKD15,000,000	—	100%	Property development in the PRC
海南怡豐房地產發展（香港）公司	27 January 1994	Limited liability company	HKD15,000,000	100%	—	Property development in the PRC
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB100,000,000	100%	—	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
海南那甲旅業開發有限公司	27 November 1998	Limited liability company	RMB100,000,000	99.8%	0.2%	Property development in the PRC
海南協興地產發展（香港）有限公司	26 January 1994	Limited liability company	HKD15,000,000	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 2008	Group 2007
At 1 January	**405,311**	—
Interest in 廣州市富景房地產開發有限公司（「廣州富景」）	**224,166**	—
Interest in Maxview Investments Limited ("Maxview")	**—**	405,311
Interest in Value Success Investments Limited ("Value Success")	**—**	52
Share of results (Note 36)	**(479)**	(52)
At 31 December	**628,998**	405,311

	Company 2008	Company 2007
At 1 January	**22,139**	—
Interest in 廣州富景	**224,166**	—
Interest in Maxview	**—**	22,139
At 31 December	**246,305**	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 RMB'000	Liabilities RMB'000	Profit/ (loss) RMB'000	% interest held Direct	% interest held Indirect
Maxview	USD50,000	BVI	675,510	192,075	(579)	—	82.80%
Value Success	USD10,000	BVI	444,909	455,833	(8,105)	—	66.67%
Henic International Limited	HKD10,000	HK	18	21	(1)	—	82.80%
廣州聖景房地產開發有限公司（「廣州聖景」）	USD80,000,000	PRC	653,704	192,075	(382)	25.00%	62.10%
富力（瀋陽）房地產開發有限公司（「富力（瀋陽）」）	USD20,000,000	PRC	234,091	92,995	(5,664)	—	66.67%
瀋陽億隆房屋開發有限公司（「瀋陽億隆」）	RMB20,000,000	PRC	434,914	439,659	(11,841)	—	66.67%
廣州富景	HKD76,600,000	PRC	2,867,532	2,338,290	(93)	33.34%	—

Pursuant to the joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities by obtaining more than one half of the voting rights.

The proportionate interest in capital commitments relating to the Group's interests in jointly controlled entities are RMB707,298,000 at 31 December 2008 (2007: RMB717,509,000).

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

13. Interests in associates

	Group	
	2008	2007
At 1 January	**35,216**	—
Business combinations	**—**	40,077
Share of results (Note 36)	**7,812**	(3,866)
Partial disposals of interests in associates	**—**	(995)
At 31 December	**43,028**	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	% Interest held Indirect
北京富盛利房地產經紀有限公司(「北京富盛利」)	91,913	PRC	298,369	176,188	113,340	24,696	30%
廣州富力城信信息科技有限公司(「富力城信」)*	3,010	PRC	5,881	5,533	—	—	50%
廣州溢富投資有限公司(「溢富投資」)	16,800	PRC	20,112	2,534	—	(1)	30%
廣州超力混凝土有限公司(「超力混凝土」)	20,000	PRC	115,375	91,034	253,824	1,919	21%

* Pursuant to the article of association of the entity, the Group has the power to participate in the financial and operating policy decisions but not control or jointly control over the entity.

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

14. Available-for-sale financial assets

	Group and Company	
	2008	2007
At 1 January	**416,000**	144,762
Fair value (loss)/gain recognised in equity before tax	**(112,000)**	271,238
At 31 December	**304,000**	416,000
Less: non-current portion	**(132,903)**	(416,000)
Current portion	**171,097**	—

As at 31 December 2008 and 2007, available-for-sale financial assets represented the Group's equity investments in Guangzhou Securities Co., Ltd., which are not quoted in active market.

There were no impairment provisions on available-for-sale financial assets during the year (2007: Nil).

The carrying amounts of the Group's available-for-sale financial assets are denominated in RMB.

The fair value of the Group's available-for-sale financial assets was revalued on 31 December 2008 by independent, qualified valuer Yangcheng Appraisals Co., Ltd. Valuation was performed by using valuation techniques.

(All amounts in RMB Yuan thousands unless otherwise stated)

15. Trade and other receivables

	Group		Company	
	2008	2007	**2008**	2007
Trade receivables				
- Due from jointly controlled entities (Notes (a) and 40 (xiv))	**19,679**	—	**—**	—
- Due from related parties (Notes (a) and 40 (xiv))	**181,790**	191,874	**—**	—
- Due from third parties (Note (a))	**617,265**	1,240,528	**178,685**	329,137
	818,734	1,432,402	**178,685**	329,137
Other receivables (Note (b))	**885,819**	1,154,461	**352,662**	812,079
Prepayments (Note (c))	**1,602,902**	3,072,926	**161,260**	1,332,845
Due from subsidiaries (Note (d))	**—**	—	**7,132,750**	5,995,730
Due from jointly controlled entities (Note 40 (xiv))	**942,804**	921,763	**426,416**	—
Due from associates (Note 40 (xiv))	**54,181**	—	**—**	—
Due from a related party (Note 40 (xiv))	**118**	—	**—**	—
Less: provision for impairment of other receivables (Note (f))	**(24,029)**	(25,811)	**(7,214)**	(7,200)
Total (Note (e))	**4,280,529**	6,555,741	**8,244,559**	8,462,591
Less: non-current portion (Note (c))	**(365,539)**	(1,900,995)	**(118,434)**	(1,602,801)
Current portion	**3,914,990**	4,654,746	**8,126,125**	6,859,790

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

15. Trade and other receivables (continued)

(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 and commercial 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 31 December 2008 is as follows:

	Group		Company	
	2008	2007	**2008**	2007
0 to 90 days	**575,089**	1,142,866	**57,307**	77,954
91 to 180 days	**36,248**	111,436	**12,131**	97,118
181 to 365 days	**69,134**	90,000	**53,579**	86,985
1 year to 2 years	**108,221**	50,747	**44,021**	49,881
Over 2 years	**30,042**	37,353	**11,647**	17,199
	818,734	1,432,402	**178,685**	329,137

Trade receivables which are past due are analysed as below:

	Group		Company	
	2008	2007	**2008**	2007
Fully performing under credit terms	**805,534**	1,419,202	**178,685**	329,137
Past due but not impaired	**13,200**	13,200	**—**	—
	818,734	1,432,402	**178,685**	329,137

For past due but not 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 receivables as at 31 December 2008 (2007: 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 2008 is as follows:

	Group		Company	
	2008	2007	**2008**	2007
0 to 1 year	**362,477**	991,564	**64,629**	801,372
1 year to 2 years	**416,612**	139,117	**281,463**	7,017
2 year to 3 years	**85,002**	3,241	**4,187**	54
Over 3 years	**21,728**	20,539	**2,383**	3,636
	885,819	1,154,461	**352,662**	812,079

It mainly represents deposits for acquisitions of land use rights through tendering system. Such deposits would be transferred to prepayments when the tender is successful. Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 38).

Other receivables which are not performing are analysed as below:

	Group		Company	
	2008	2007	**2008**	2007
Performing under normal business	**856,360**	1,125,766	**340,532**	801,372
Non-performing and impaired	**29,459**	28,695	**12,130**	10,707
Other receivables	**885,819**	1,154,461	**352,662**	812,079
Less: provision for impairment	**(24,029)**	(25,811)	**(7,214)**	(7,200)
Other receivables – net	**861,790**	1,128,650	**345,448**	804,879

(c) It represents prepayments for acquisitions of certain project companies from third parties and prepayments for purchases of construction materials.

(d) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

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

	Group		Company	
	2008	2007	**2008**	2007
RMB	**4,280,529**	6,432,988	**8,244,559**	8,462,591
USD	**—**	122,753	**—**	—
	4,280,529	6,555,741	**8,244,559**	8,462,591

15. Trade and other receivables (continued)

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

	Group		Company	
	2008	2007	**2008**	2007
At 1 January	**25,811**	25,493	**7,200**	9,332
Reversal of provision for doubtful debts (Notes 29 and 36)	**(5,756)**	—	**(2,334)**	—
Provision for doubtful debts (Notes 29 and 36)	**3,974**	3,814	**2,348**	1,364
Receivables written-offs	**—**	(3,496)	**—**	(3,496)
At 31 December	**24,029**	25,811	**7,214**	7,200

16. Completed properties held for sale

	Group		Company	
	2008	2007	**2008**	2007
Construction costs and capitalised expenditures	**5,834,962**	3,891,311	**958,469**	1,392,453
Finance costs capitalised	**585,036**	52,173	**97,909**	44,828
	6,419,998	3,943,484	**1,056,378**	1,437,281

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

	Group		Company	
	2008	2007	**2008**	2007
Completed properties held for sale (Note 24)	**573,217**	19,824	**119,215**	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.

17. Inventories

	Group	
	2008	2007
Construction materials	**110,814**	177,233
Inventories for hotel operations	**6,172**	—
	116,986	177,233

(All amounts in RMB Yuan thousands unless otherwise stated)

18. Restricted cash

	Group		Company	
	2008	2007	**2008**	2007
Guarantee deposits for construction of pre-sold properties (Note (a))	**200,190**	77,768	**106,208**	46,769
Guarantee deposits for resettlement costs (Note (b))	**198,746**	372,437	**16,899**	44,806
Guarantee deposits for construction payable (Note (c))	**84,349**	129,711	**284**	1,113
Guarantee deposits for borrowings of a subsidiary (Notes (d) and 24)	**100,077**	303,162	**100,077**	303,162
Guarantee deposits for mortgage loans provided to customers (Note (e))	**19,926**	73,797	**—**	—
	603,288	956,875	**223,468**	395,850

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 the borrowings provided to a subsidiary. 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 of the view that the restricted cash listed as above will be released within one year.

19. Cash

	Group		Company	
	2008	2007	**2008**	2007
Cash at bank and in hand	**1,449,668**	1,329,691	**498,989**	331,128

	Group		Company	
	2008	2007	**2008**	2007
Denominated in:				
-RMB	**1,430,780**	1,269,522	**497,645**	329,918
-USD	**604**	507	**—**	370
-HKD	**18,284**	59,662	**1,344**	840
	1,449,668	1,329,691	**498,989**	331,128

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 31 December 2008 and 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

At 31 December 2008 and 2007, 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.

21. Retained earnings

	Group		Company	
	2008	2007	**2008**	2007
At 1 January	**7,385,452**	3,348,843	**2,063,009**	928,237
Profit for the year	**3,134,372**	5,302,786	**1,048,353**	2,400,949
Transfer to statutory reserve fund	**—**	(138,851)	**—**	(138,851)
Dividends (Note 35)	**(803,274)**	(1,127,326)	**(803,274)**	(1,127,326)
At 31 December	**9,716,550**	7,385,452	**2,308,088**	2,063,009

(All amounts in RMB Yuan thousands unless otherwise stated)

22. Other reserves

	Share premium	Available -for-sale financial assets	Statutory reserve fund	Total
(a) Group				
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
Balance at 1 January 2008	3,636,625	258,728	539,144	4,434,497
Fair value loss of available-for-sale financial assets, net of tax	—	(84,000)	—	(84,000)
Balance at 31 December 2008	3,636,625	174,728	539,144	4,350,497
(b) Company				
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
Balance at 1 January 2008	3,636,625	258,728	539,144	4,434,497
Fair value loss of available-for-sale financial assets, net of tax	—	(84,000)	—	(84,000)
Balance at 31 December 2008	3,636,625	174,728	539,144	4,350,497

Note:

(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) Statutory reserve fund forms part of the shareholders' funds and is not distributable other than on liquidation.

(iii) 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 2008, the Company's distributable reserves were approximately RMB2,308 million (2007: RMB2,009 million), being the smaller of the distributable reserves as determined under the PRC GAAP and HKFRS.

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

23. Accruals and other payables

	Group		Company	
	2008	2007	**2008**	2007
Amounts due to subsidiaries (Note (a))	**—**	—	**5,308,497**	4,619,426
Amounts due to jointly controlled entities (Notes (a) and 40 (xiv))	**11,915**	778,305	**—**	318,145
Amounts due to associates (Notes (a) and 40 (xiv))	**53,878**	63,605	**51,353**	—
Amounts due to related parties (Notes (a) and 40 (xiv))	**25,237**	—	**25,265**	—
Construction payables (Note (b))	**5,781,904**	6,149,878	**1,600,681**	1,587,676
Other payables and accrued charges (Note (c))	**3,391,857**	4,143,701	**1,009,896**	630,434
	9,264,791	11,135,489	**7,995,692**	7,155,681

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 balance mainly represents payables arising from acquisitions of equity interests in certain companies.

(d) The carrying amounts of accruals and other payables approximate their fair value.

24. Bank loans

	Group		Company	
	2008	2007	**2008**	2007
Short-term bank loans				
– Secured	**1,484,922**	953,267	**200,000**	202,593
– Unsecured	**704,000**	2,850,000	**100,000**	700,000
	2,188,922	3,803,267	**300,000**	902,593
Long-term bank loans				
– Secured	**7,114,000**	5,251,500	**2,215,000**	1,278,000
– Unsecured	**11,168,000**	10,845,000	**3,855,000**	4,130,000
	18,282,000	16,096,500	**6,070,000**	5,408,000
Less: Current portion of long-term bank loans	**(7,299,500)**	(3,564,000)	**(2,600,000)**	(620,000)
	10,982,500	12,532,500	**3,470,000**	4,788,000

(All amounts in RMB Yuan thousands unless otherwise stated)

24. Bank loans (continued)

At 31 December 2008, bank loans totaling RMB8,598,922,000 (31 December 2007: RMB6,204,767,000) of the Group and RMB2,415,000,000 (31 December 2007: RMB1,480,593,000) of the Company were secured by the following:

	Group		Company	
	2008	2007	**2008**	2007
Land use rights (Note 6)	**1,000,417**	662,585	**—**	—
Properties held for/under development (Note 7)	**1,307,608**	430,105	**—**	—
Property, plant and equipment (Note 8)	**2,025,542**	1,375,454	**16,952**	21,341
Investment properties (Note 9)	**6,739,186**	1,488,996	**—**	36,094
Completed properties held for sale (Note 16)	**573,217**	19,824	**119,215**	19,824
Restricted cash (Note 18)	**100,077**	303,162	**100,077**	303,162
Equity investments in subsidiaries	**114,874**	—	**—**	—
	11,860,921	4,280,126	**236,244**	380,421

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

	Group		Company	
	2008	2007	**2008**	2007
Guarantors				
The Company	**7,917,000**	8,625,000	**—**	—
Subsidiaries	**3,955,000**	4,790,000	**3,955,000**	4,730,000
Li Sze Lim and Zhang Li	**—**	30,000	**—**	—
The Company, a subsidiary together with Li Sze Lim and Zhang Li	**—**	150,000	**—**	—
	11,872,000	13,595,000	**3,955,000**	4,730,000

The maturity of bank loans is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Within one year	**9,488,422**	7,367,267	**2,900,000**	1,522,593
Between one and two years	**8,296,500**	6,517,000	**2,455,000**	2,438,000
Between two and five years	**2,455,000**	5,542,000	**1,015,000**	2,350,000
Over five years	**231,000**	473,500	**—**	—
Total bank loans	**20,470,922**	19,899,767	**6,370,000**	6,310,593

24. Bank loans (continued)

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

	Group		Company	
	2008	2007	**2008**	2007
RMB	**19,986,000**	19,446,500	**6,370,000**	6,108,000
HKD	**484,922**	250,674	**—**	—
USD	**—**	202,593	**—**	202,593
	20,470,922	19,899,767	**6,370,000**	6,310,593

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:

	2008	2007
RMB bank loans - floating rates	**6.83%**	6.34%
HKD bank loans - floating rates	**3.45%**	5.23%

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	
	2008	2007	**2008**	2007
Bank loans	**10,982,500**	12,532,500	**10,983,165**	12,547,979

	Company			
	Carrying amounts		Fair values	
	2008	2007	**2008**	2007
Bank loans	**3,470,000**	4,788,000	**3,468,902**	4,792,138

The fair values are based on cash flows discounted at the borrowing rate of 6.96% (2007: 6.66%).

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

(All amounts in RMB Yuan thousands unless otherwise stated)

25. Tax prepayments

Tax prepayment amounts are as follows:

	Group		Company	
	2008	2007	**2008**	2007
Enterprise income tax prepayments	**322,259**	343,386	**48,464**	56,331
Land appreciation tax prepayments	**60,918**	67,411	**9,693**	10,765
Business tax prepayments	**326,665**	282,548	**53,310**	41,891
Other tax prepayments	**2,512**	2,170	**433**	954
	712,354	695,515	**111,900**	109,941

Tax prepayments are calculated based on certain percentage of cash received from pre-sale of properties.

26. Deferred income tax

There were no offsettings of deferred income tax assets and liabilities in 2007 and 2008.

	Group		Company	
	2008	2007	**2008**	2007
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**105,628**	64,570	**10,892**	7,288
– Deferred tax assets to be recovered within 12 months	**205,356**	232,585	**9,350**	38,517
	310,984	297,155	**20,242**	45,805
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	**(39,374)**	(199,457)	**(16,454)**	(43,547)
– Deferred tax liabilities to be recovered within 12 months	**(1,609,537)**	(1,239,971)	**(115,691)**	(102,761)
	(1,648,911)	(1,439,428)	**(132,145)**	(146,308)

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

	Group		Company	
	2008	2007	**2008**	2007
At 1 January	**(1,142,273)**	(278,071)	**(100,503)**	(46,082)
Business combinations	**—**	(151,000)	**—**	—
Tax credited/(charged) directly to equity	**28,000**	(67,809)	**28,000**	(67,809)
(Charged)/credited to income statement (Note 32)	**(223,654)**	(645,393)	**(39,400)**	13,388
At 31 December	**(1,337,927)**	(1,142,273)	**(111,903)**	(100,503)

26. Deferred income tax (continued)

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 gain on investment properties	Revaluation gain arising from business combinations	Revaluation of available -for-sale financial assets	Others	Total
At 1 January 2007	(27,416)	100,303	388,553	—	17,818	479,258
Business combinations	—	—	151,000	—	—	151,000
Tax credited/(charged) directly to equity	—	—	—	67,809	—	67,809
Charged/(credited) to income statement	171,273	742,854	(154,948)	—	(17,818)	741,361
At 31 December 2007	143,857	843,157	384,605	67,809	—	1,439,428
Tax credited directly to equity	—	—	—	(28,000)	—	(28,000)
(Credited)/charged to income statement	(118,838)	368,254	(67,029)	—	55,096	237,483
At 31 December 2008	25,019	1,211,411	317,576	39,809	55,096	1,648,911

	Company				
	Timing difference in sales recognition	Fair value gain on investment properties	Revaluation of available -for-sale financial assets	Others	Total
At 1 January 2007	60,045	34,790	—	1,438	96,273
Tax charged directly to equity	—	—	67,809	—	67,809
(Credited)/charged to income statement	(16,497)	161	—	(1,438)	(17,774)
At 31 December 2007	43,548	34,951	67,809	—	146,308
Tax credited directly to equity	—	—	(28,000)	—	(28,000)
(Credited)/charged to income statement	(27,094)	(689)	—	41,620	13,837
At 31 December 2008	16,454	34,262	39,809	41,620	132,145

(All amounts in RMB Yuan thousands unless otherwise stated)

26. Deferred income tax (continued)

Deferred tax assets:

	Group				
	Accruals	**Tax losses**	**Un-realised profit**	**Others**	**Total**
At 1 January 2007	168,258	30,892	—	2,037	201,187
(Charged)/credited to 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
(Charged)/credited to income statement	(119,439)	111,043	15,808	6,417	13,829
At 31 December 2008	31,915	151,506	88,187	39,376	310,984

	Company		
	Accruals	**Others**	**Total**
At 1 January 2007	50,191	—	50,191
(Charged)/credited to income statement	(11,674)	7,288	(4,386)
At 31 December 2007	38,517	7,288	45,805
(Charged)/credited to income statement	(27,624)	2,061	(25,563)
At 31 December 2008	10,893	9,349	20,242

27. Current income tax liabilities

	Group		Company	
	2008	2007	**2008**	2007
Land appreciation tax payable	**1,705,393**	1,110,414	**829,254**	510,554
Income tax payable	**658,593**	1,096,433	**116,802**	513,867
	2,363,986	2,206,847	**946,056**	1,024,421

28. Other gains - net

	2008	2007
Gain on disposal of subsidiaries (Note 36)	**—**	202,503
Fair value gain on investment properties – net (Notes 9 and 36)	**1,473,016**	3,081,419
Others	**47,876**	101,175
	1,520,892	3,385,097

29. Expenses by nature

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

	2008	2007
Crediting		
Reversal of provision for doubtful debts (Notes 15 and 36)	**(5,756)**	—
Gain on sale of property, plant and equipment (Note 36)	**(40,536)**	—
	(46,292)	—
Charging:		
Cost of completed properties sold	**9,058,115**	8,218,782
Employee benefit expense (Note 30)	**543,317**	283,252
Amortisation of land use rights, software and customer contracts (Note 36)	**146,872**	150,460
Office expenses	**119,040**	62,266
Depreciation (Notes 8 and 36)	**131,842**	35,765
Business taxes and other levies	**899,991**	856,988
Loss on sale of property, plant and equipment (Note 36)	**666**	2,736
Auditors' remuneration	**5,850**	6,050
Operating lease payments	**20,740**	17,463
Provision for doubtful debts (Notes 15 and 36)	**3,974**	3,814
Advertising cost	**142,440**	115,040
Others	**430,676**	187,947
	11,503,523	9,940,563
	11,457,231	9,940,563

(All amounts in RMB Yuan thousands unless otherwise stated)

30. Employee benefit expense

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

	2008	2007
Wages and salaries	486,489	250,222
Retirement scheme contributions	34,328	21,156
Other allowances and benefits	22,500	11,874
	543,317	283,252

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2008 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	338	2,938
Mr. Zhou Yaonan	2,640	—	2,640
Mr. Lu Jing	1,940	274	2,214
Non-executive Directors			
Ms. Zhang Lin	353	—	353
Ms. Li Helen	353	—	353
Independent non-executive Directors			
Mr. Huang Kaiwen	317	—	317
Mr. Dai Feng	282	—	282
Mr. Lai Ming, Joseph	282	—	282

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

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 (2007: four) Directors whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining one (2007: one) individual during the year is as follows:

	2008	2007
Salaries	**3,840**	4,290
Retirement scheme contributions and other benefits	**236**	236
	4,076	4,526

The emolument of the individual fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
RMB 4,000,001 to RMB 5,000,000	**1**	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 2008 (2007: 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.

31. Finance costs

	2008	2007
Interest on bank loans	**1,578,600**	909,487
Less: amount capitalised in property, plant and equipment and properties under development	**(1,237,398)**	(806,558)
	341,202	102,929

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties and property, plant and equipment is 6.81% per annum for the year ended 31 December 2008 (2007: 6.37%).

(All amounts in RMB Yuan thousands unless otherwise stated)

32. Income tax expense

	2008	2007
Current income tax		
–PRC enterprise income tax (Note (b))	**919,764**	1,433,287
Deferred income tax (Note 26)	**223,654**	645,393
	1,143,418	2,078,680
Current PRC land appreciation tax (Note (c))	**793,443**	715,687
Total income tax expenses (Note (d))	**1,936,861**	2,794,367

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (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 the year ended 31 December 2008, the effective income tax rate for the profits generated from property construction was 3% (2007: 3.9%) based on the revenue throughout the period; the applicable income tax rate for the profits generated from other business was 25% (2007: 33%) 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.

(d) 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:

	2008	2007
Profit before income tax	**5,089,943**	8,109,606
Less: Land appreciation tax	**(793,443)**	(715,687)
	4,296,500	7,393,919
Calculated at tax rate of 25% (2007: 33%)	**1,074,125**	2,439,993
Effect of future tax rate change from 33% to 25%	**—**	(281,757)
Effect of different income tax regime of certain companies	**50,497**	(5,838)
Income not subject to taxation	**—**	(91,827)
Expenses not deductible for taxation purposes	**10,996**	4,838
Others	**7,800**	13,271
PRC enterprise income tax	**1,143,418**	2,078,680
Land appreciation tax	**793,443**	715,687
Tax charge (Note 36)	**1,936,861**	2,794,367

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 RMB1,048,353,000 (2007: RMB2,400,949,000).

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).

	2008	2007
Profit attributable to equity holders of the Company	**3,134,372**	5,302,786
Weighted average number of ordinary shares in issue (thousands)	**3,222,367**	3,222,367
Earnings per share (RMB per share)	**0.9727**	1.6456

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

35. Dividends

	2008	2007
Interim dividend paid of RMBNil (2007: RMB0.15) per ordinary share	**—**	482,853
Proposed final dividend of RMB0.28 (2007: RMB0.25) per ordinary share	**902,263**	805,592
	902,263	1,288,445

A 2007 final dividend of RMB0.25 per ordinary share, totaling 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).

2008 final dividend of RMB0.28 (2007: RMB0.25) per ordinary share, amounting to a total dividend of RMB902,263,000 which is based on the number of shares as at 31 December 2008 is to be approved by the shareholders at the Annual General Meeting ("AGM") on 27 May 2009 which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2009. These financial statements do not reflect this dividend payable.

The dividends to equity holders of H Shares are declared in RMB and paid in HKD. The dividends are then declared into HKD at average closing exchange rate for the five business days before the AGM. The difference in exchange rate between declaration date and payment date resulted in translation difference.

(All amounts in RMB Yuan thousands unless otherwise stated)

36. Cash used in operations

	2008	2007
Profit for the year	**3,153,082**	5,315,239
Adjustments for:		
– Tax (Note 32)	**1,936,861**	2,794,367
– Interest income	**(29,514)**	(28,996)
– Interest expense (Note 31)	**341,202**	102,929
– Depreciation (Notes 8 and 29)	**131,842**	35,765
– Gain/(loss) on sale of property, plant and equipment (Note 29)	**(39,870)**	2,736
– Provision for doubtful debts (Notes 15 and 29)	**3,974**	3,814
– Reversal of provision for doubtful debts (Notes 15 and 29)	**(5,756)**	—
– Share of results of jointly controlled entities (Note 12)	**479**	52
– Share of results of associates (Note 13)	**(7,812)**	3,866
– Gain on disposal of subsidiaries (Note 28)	**—**	(202,503)
– Fair value gain on investment properties – net (Notes 9 and 28)	**(1,473,016)**	(3,081,419)
– Amortisation of land use rights, software and customer contracts (Note 29)	**146,872**	150,460
Operating profit before changes in working capital	**4,158,344**	5,096,310
Changes in working capital:		
– Land use rights, properties held for/under development and completed properties held for sale	**633,853**	(14,634,978)
– Trade receivables	**613,668**	(1,117,939)
– Other receivables, deposits and prepayments	**1,450,267**	(4,450,073)
– Restricted cash	**353,587**	(354,463)
– Deposits received on sale of properties	**(425,163)**	2,291,755
– Accruals and other payables	**(2,571,875)**	7,385,694
– Business tax prepayments	**11,849**	(79,663)
– Business tax payable	**157,139**	57,159
Net cash generated from/(used in) operations	**4,381,669**	(5,806,198)

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

	2008	2007
Net book amount (Note 8)	**66,772**	3,596
Gain/(loss) on sale of property, plant and equipment (Note 29)	**39,870**	(2,736)
Proceeds from sale of property, plant and equipment	**106,642**	860

37. Financial guarantee contracts

The face values of the financial guarantees issued by the Group and the Company as at 31 December 2008 are analysed as below:

	Group		Company	
	2008	2007	**2008**	2007
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**9,663,882**	7,839,071	**3,069,479**	2,898,564
Guarantees given to banks for bank loans of subsidiaries (Note (b))	**—**	—	**3,268,000**	4,771,000
	9,663,882	7,839,071	**6,337,479**	7,669,564

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 earlier of (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 real estate ownership 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 subsidiaries of the Group to obtain bank loans. The Directors consider that the fair value of these contracts at the date of inception was minimal and understand 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) Capital commitments for land use rights and properties under/held for development

	2008	2007
Authorised but not contracted for	**6,623,266**	8,216,154
Contracted but not provided for	**8,732,922**	5,898,185
	15,356,188	14,114,339

(All amounts in RMB Yuan thousands unless otherwise stated)

38. Commitments (continued)

(b) Operating lease commitments

At 31 December 2008, the Group had future aggregate minimum lease payments for land and buildings under non-cancellable operating leases as follows:

	2008	2007
Not later than one year	**1,420**	6,988
Later than one year and not later than five years	**3,891**	3,097
Over five years	**25,053**	15,799
	30,364	25,884

(c) Other commitments

At 31 December 2008, the Group had commitments for acquisitions of certain 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 31 December 2008 were as follows:

	2008	2007
Contracted but not provided for	**2,760,620**	2,915,312

39. Future minimum rental payments receivable

At 31 December 2008, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Group		Company	
	2008	2007	**2008**	2007
Not later than one year	**348,874**	84,954	**45,256**	29,240
Later than one year and not later than five years	**1,035,335**	259,977	**112,279**	46,930
Over five years	**997,831**	506,735	**49,825**	11,621
	2,382,040	851,666	**207,360**	87,791

40. Significant related-party transactions

The Group is controlled by Li Sze Lim and Zhang Li (both are national of PRC), who owns 33.12% and 31.95% of the Company's shares.

Transactions 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

No guarantees for the bank loans are given by Mr. Li Sze Lim and Mr. Zhang Li as at 31 December 2008 (2007: RMB180,000,000).

ii) Provision of restaurant services

	2008	2007
Common shareholders:		
廣州富力宮酒家有限公司（「富力宮酒家」）	14,450	10,742

iii) Lease of properties

	2008	2007
Common shareholders:		
Central Hope Co.,Ltd.	214	230
Lancaster - Toprich Ltd.	214	110
	428	340
Associates:		
北京富盛利	—	11,775

iv) Drinking water system charges

	2008	2007
Common shareholders:		
廣州越富環保科技有限公司（「越富環保」）.	13,015	7,753

v) Key management compensation

	2008	2007
Salaries and welfare benefits	14,806	15,190

vi) Appointment as property management

	2008	2007
Associates:		
北京富盛利	852	852

vii) Purchases of properties

	2008	2007
Common shareholders:		
廣州宜富房地產開發有限公司（「宜富房地產」）	—	18,490

(All amounts in RMB Yuan thousands unless otherwise stated)

40. Significant related-party transactions (continued)

viii) Purchases of construction materials

	2008	2007
Associates:		
超力混凝土	128,418	91,990

ix) Provision of design services

	2008	2007
Common shareholders:		
中山實地房地產開發有限公司（「中山實地」）	250	1,465

x) Provision of construction services

	2008	2007
Common shareholders:		
惠州市金鵝溫泉實業有限公司（「惠州金鵝溫泉」）	95,882	150,642
中山實地	42,425	44,179
	138,307	194,821
Jointly controlled entities:		
瀋陽億隆	121,250	—
廣州聖景	45	—
	121,295	—

xi) Sales of properties

	2008	2007
Shareholders:		
Mr. Li Sze Lim and Mr. Zhang Li	184,245	—

xii) Financial assistance

	2008	2007
Shareholders:		
Mr. Li Sze Lim and Mr. Zhang Li		
Beginning of the year	—	—
Loans received	200,000	—
Repayments	(200,000)	—
End of the year	—	—

xiii) Interest expense

	2008	2007
Shareholders:		
Mr. Li Sze Lim and Mr. Zhang Li	5,621	—

40. Significant related-party transactions (continued)

xiv) Balances with related parties

As at 31 December 2008, the Group had the following significant balances with related parties:

	2008	2007
Due from:		
Jointly controlled entities		
– Non-trade balances		
Maxview (Note (a))	**169,332**	604,990
Value Success (Note (b))	**92,167**	97,735
廣州富景 (Note (a))	**426,416**	—
富力（瀋陽）	**—**	20,000
瀋陽億隆		
– consideration receivable (Note (c))	**141,500**	141,500
– prepayments of construction costs (Note (d))	**113,389**	57,538
	254,889	199,038
	942,804	921,763
– Trade balance		
瀋陽億隆 (Note (e))	**19,679**	—
Associate		
– Non-trade balance		
北京富盛利	**54,181**	—
Common shareholders		
– Trade balances		
惠州金鵝溫泉 (Note (e))	**127,898**	146,258
中山實地 (Note (e))	**51,089**	44,179
富力宮酒家	**2,803**	1,437
	181,790	191,874
– Non-trade balance		
廣州富力超市有限公司	**118**	—
	1,198,572	1,113,637
Due to:		
Jointly controlled entities		
– Non-trade balances		
富力（瀋陽）	**11,915**	—
廣州聖景	**—**	318,145
瀋陽億隆	**—**	1,263
Precious Wave Investments Limited (Note (f))	**—**	458,897
	11,915	778,305

(All amounts in RMB Yuan thousands unless otherwise stated)

40. Significant related-party transactions (continued)

xiv) Balances with related parties (continued)

As at 31 December 2008, the Group had the following significant balances with related parties: (continued)

	2008	2007
Due to:		
Associates		
– Non-trade balances		
北京富盛利	—	6,224
溢富投資	2,520	2,520
富力城信	5	5
	2,525	8,749
– Trade balance		
超力混凝土 (Note (g))	51,353	54,856
	53,878	63,605
Common shareholders		
– Non-trade balances		
越富環保	8,972	—
廣東華南環保投資股份有限公司	16,000	—
宜富房地產	265	—
	25,237	—
	91,030	841,910

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

(b) It represents borrowings to the jointly controlled entity in proportion to the controlling interest pursuant to the joint venture agreement.

(c) It represents the consideration receivable for disposal of certain equity interests in the jointly controlled entity in 2007.

(d) It represents construction costs paid by the Group on behalf of the jointly controlled entity.

(e) It represents receivables relating to construction services provided by the Group which will be settled in various construction stages.

(f) Pursuant to the share transfer agreement entered into in 2008, the Group disposed of the jointly controlled entity at a consideration of USD1 and no gain or loss was resulted from the disposal.

(g) It represents payables relating to purchases of construction materials by the Group, of which monthly settlements are made based on contract terms.

40. Significant related-party transactions (continued)

xiv) Balances with related parties (continued)

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

	Maximum amount outstanding for the year	
	2008	2007
Due to:		
Mr. Li Sze Lim and Mr. Zhang Li	**200,000**	—

Five-Year Financial Summary

Consolidated Balance Sheet (as at 31 December)

	2008	2007	2006	2005	2004
Non-current assets	**24,579,332**	25,033,291	12,874,612	5,775,162	4,669,869
Current assets	**30,388,283**	29,162,600	13,726,147	11,501,634	7,473,397
Total assets	**54,967,615**	54,195,891	26,600,759	17,276,796	12,143,266
Non-current liabilities	**12,767,411**	14,243,928	4,987,258	2,253,933	1,776,368
Current liabilities	**27,234,516**	27,252,083	13,086,001	9,713,951	8,303,612
Total liabilities	**40,001,927**	41,496,011	18,073,259	11,967,884	10,079,980
Total equity	**14,965,688**	12,699,880	8,527,500	5,308,912	2,063,286

Consolidated Income Statement (year ended 31 December)

	2008	2007	2006 (Restated)	2005 (Restated)	2004 (Restated)
Turnover	**15,360,151**	14,771,919	10,186,765	5,855,764	4,260,396
Cost of sales	**(10,181,850)**	(9,226,030)	(6,513,844)	(4,256,983)	(3,323,630)
Gross profit	**5,178,301**	5,545,889	3,672,921	1,598,781	936,766
Other gains	**1,520,892**	3,385,097	381,969	195,261	48,067
Selling and administrative expenses	**(1,306,133)**	(671,306)	(430,620)	(360,486)	(238,769)
Other operating income/(expenses)	**30,752**	(43,227)	(15,636)	(22,266)	11,247
Operating profit	**5,423,812**	8,216,453	3,608,634	1,411,290	757,311
Finance costs	**(341,202)**	(102,929)	(49,741)	(39,467)	(58,576)
Share of results of jointly controlled entity	**(479)**	(52)	—	309,073	65,166
Share of results of associates	**7,812**	(3,866)	—	—	—
Profit before income tax	**5,089,943**	8,109,606	3,558,893	1,680,896	763,901
Income tax expense	**(1,936,861)**	(2,794,367)	(1,413,809)	(415,212)	(222,884)
Profit for the year	**3,153,082**	5,315,239	2,145,084	1,265,684	541,017
Attributable to:					
Equity holders of the Company	**3,134,372**	5,302,786	2,135,016	1,263,778	544,558
Minority interest	**18,710**	12,453	10,068	1,906	(3,541)

Property List

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	122,387	45,318	2009
Guangzhou R&F City	100%	Baiyun District	227,429	569,211	132,481	2009
R&F Peach Garden Phase II	100%	Baiyun District	137,468	552,167	201,029	2009
R&F Golden Jubilee Garden	100%	Haizhu District	13,352	164,551	164,551	2010
R&F Jin Gang City (excluding Holiday Inn Airport Guangzhou)	100%	Huadu District	1,119,211	1,491,229	1,427,938	2011
R&F Ying Feng Plaza	100%	Tianhe District	8,328	83,138	83,138	2009
R&F Ying Xin Plaza	100%	Tianhe District	7,880	121,499	121,499	2010
R&F Cambridge Terrace	100%	Tianhe District	36,345	190,454	87,934	2009
R&F Junhu Palace	100%	Liwan District	38,358	132,722	132,722	Pending
R&F Ying Zun Plaza (excluding the Galaxy R&F Marriott Executive Apartment)	100%	Tianhe District	9,182	127,026	127,026	2011
Beijing						
Beijing R&F City (excluding Commercial Complex)	100%	Chaoyang District	350,728	1,217,000	13,875	2009
R&F Festival City	100%	Chaoyang District	341,249	1,123,616	536,494	2010
R&F Peach Garden	100%	Haidian Dirstrict	125,750	282,938	260,588	2009
R&F Danish Town	100%	Daxing District	607,333	535,130	535,130	Pending
R&F Xinran Court/Plaza (excluding Express by Holiday Inn Temple of Heaven Beijing)	100%	Xuanwu District	51,009	238,573	8,199	2009
R&F Bay Shore	100%	Shunyi District	226,805	158,000	158,000	2009
R&F American Dream Island	100%	Chaoyang District	87,170	264,211	264,211	Pending
Tianjin						
Tianjin R&F City (excluding Commercial Complex)	100%	Nankai District	180,692	760,902	182,670	2010
R&F Peach Garden	100%	Jinnan District	166,400	620,320	620,320	2010
R&F Bay Shore	100%	Xiqing District	101,355	334,286	334,286	2011
R&F Jinmen Lake	100%	Hexi District	930,932	1,574,698	1,423,124	Pending
R&F Center	100%	Hexi District	9,588	180,217	180,217	Pending

Property List

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
Chongqing						
Chongqing R&F City (excluding Holiday Inn Chongqing University Town)	100%	Shapingba District	1,981,995	6,727,351	6,667,986	Pending
R&F Ocean Plaza	100%	Jiangbei District	39,078	314,180	169,944	2010
R&F Modern Plaza	100%	Nanan District	78,404	290,694	180,851	2009
Xian						
Xian R&F City (excluding Holiday Xian Qujiang)	100%	Changan District	381,814	1,084,090	630,134	2010
Chengdu						
R&F Peach Garden	100%	Xindu District	186,666	840,000	840,000	Pending
R&F Panda City Phase 1 (excluding Tianhui Mall)	100%	Qingyan District	29,409	128,939	128,939	2009
Taiyuan						
Taiyuan R&F City	100%	Xinhualin	1,056,200	2,112,400	2,112,400	Pending
Shanghai						
R&F Peach Garden	100%	Qingpu District	231,983	291,933	291,933	Pending
Kunshan						
R&F Bay Shore Phase I	100%	Dianshan Lake	921,333	402,138	402,138	Pending
Huizhou						
R&F Li Gang Center (excluding Huizhou Renaissance Hotel)	100%	Jiangbei District	32,936	226,017	226,017	2010
Hainan						
R&F Bay Shore	100%	Sanya District	1,242,062	342,612	342,612	Pending
Shenyang						
Xian Hu Project	66.67%	Dongling District	373,406	151,011	151,011	Pending
Properties for sale (under planning)						
Guangzhou						
R&F Jinyu Garden	100%	Baiyuan District	101,355	218,608	218,608	Pending
Lie De Cun Project	33.4%	Tianhe District	114,176	568,230	568,230	Pending
Tong He Gan Xiu Sho Project	100%	Baiyuan District	33,287	9,611	9,611	Pending
R&F Ying Sheng Plaza	100%	Tianhe District	11,523	107,816	107,816	Pending
R&F International Commercial Center	100%	Tianhe District	7,918	155,244	155,244	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	2,517,259	2,517,259	Pending
Chengdu						
R&F Panda City Phase II (excluding JW Marriott Hotel Chengdu)	100%	Qingyang District	16,193	238,775	238,775	Pending
Tianjin						
Tanggu Binhe Project	100%	Tanggu District	23,070	338,654	338,654	Pending
Taiyuan						
R&F Modern Plaza	100%	Xiaodian District	87,022	301,840	301,840	Pending
Huizhou						
Longmen Project	100%	Longmen District	67,809	66,005	66,005	Pending
Kushan						
R&F Bay Shore Phase II	100%	Dianshan Lake	142,390	34,946	34,946	Pending
Hainan						
R&F Yingxi Valley	100%	Haiku District	453,000	171,000	171,000	Pending
Cheng Mai Project	100%	Haiku District	3,605,351	520,000	520,000	Pending
Chongqing						
Nanshan Project	100%	Nanan District	79,583	30,978	30,978	Pending
Properties for investment (completed)						
Guangzhou						
R&F Center	100%	Tianhe District	8,117	162,605	162,605	2007
Grand Hyatt Guangzhou	100%	Tianhe District	10,291	114,498	114,498	2008
The Ritz-Carlton, Guangzhou	100%	Tianhe District	6,895	104,322	104,322	2008
Beijing						
R&F City Shopping Mall	100%	Chaoyang District	43,703	290,397	290,397	2008
Express by Holding Inn Temple of Heaven Beijing	100%	Xuanwu District	6,190	22,302	22,302	2008
Properties for investment (under-development)						
Guangzhou						
The Galaxy Guangzhou Marriott Executive Apartment	100%	Tianhe District	4,000	42,000	42,000	2011
R&F Ying Kai Plaza	87.1%	Tianhe District	7,944	181,715	181,715	2011

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
Chengdu						
R&F Panda City Tianhui Mall	100%	Qingyang District	—	179,708	179,708	2009
Huizhou						
Renaissance Huizhou Hotel	100%	Jiangbei District	15,000	67,126	67,126	2011
Properties for investment (under planning)						
Guangzhou						
Holiday Inn Aiport Guangzhou	100%	Huadu District	4,405	34,215	34,215	Pending
Huaguoshan Project	100%	Yuexiu District	29,838	19,720	19,720	Pending
Tianjin						
Tianjin R&F City Commercial Complex	100%	Nankai District	23,000	166,638	166,638	2010
Chongqing						
Hyatt Regency Chongqing	100%	Jiangbei District	16,137	46,439	46,439	2011
Holiday Inn Chongqing University Town	100%	Shapingba District	30,893	67,612	67,612	2012
Chengdu						
JW Marriott Hotel Chengdu	100%	Qingyang District	—	59,171	59,171	2012
Xian						
Holiday Inn Xian Qujiang	100%	Changan District	6,880	50,000	50,000	2012

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
Auditor	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	14 August 2008
Interim dividend paid	N/A
Final results announcement	17 March 2009
Closure of register of members	27 April 2009 to 27 May 2009 (both days inclusive)
Annual general meeting	27 May 2009
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

	Stock Price*	
Year	**High** HK$	**Low** HK$
2005 (from 14 July to 31 Dec)	6.9375	2.7
2006	17.14	6.675
2007	45.6	12.8
2008	28.3	2.3

* 4-for-1 share sub-division adjusted

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廣州富力地產股份有限公司
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