



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

Stock Code: 2777



Leading the Market

Interim Report 2009

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

R&F Center
No. 10 Huaxia Road, Pearl River New Town
Guangzhou 510623 PRC

Principal Place of Business in the PRC

45-54/F., R&F Center
No. 10 Huaxia Road, Pearl River New Town
Guangzhou 510623 PRC

Place of Business in Hong Kong

Room 1103, Yue Xiu Building
160-174 Lockhart Road
Wanchai
Hong Kong

Auditors

PricewaterhouseCoopers
22/F Prince's Building
Central
Hong Kong

Corporate Information

Legal Advisor as to Hong Kong Law

Sidley Austin
39/F., Two International Finance Centre
8 Finance Street
Central,
Hong Kong

Hong Kong “H” Share Registrar

Computershare Hong Kong Investor Services Limited
Shop 1806-1807
18/F., Hopewell Centre
183 Queen’s Road, East
Wanchai, Hong Kong

Principal Bankers

Industrial and Commercial Bank of China
Bank of China
China Construction Bank
China Merchants Bank
China Minsheng Banking Corp. Ltd.

Website

www.rfchina.com

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Chairman's Message

RESULTS AND DIVIDEND

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009. The interim results have been reviewed by the audit committee of the Company.

| | Unaudited six months ended 30 June 2009 (RMB'000) | Unaudited six months ended 30 June 2008 (RMB'000) | Percentage changes |
|--|---|---|-----------------------|
| Turnover | 4,660,871 | 4,182,049 | +11% |
| Profit for the half-year attributable to equity holders of the Company | 160,032 | 1,558,508 | -90% |
| Basic earnings per share (in RMB) | 0.0497 | 0.4837 | -90% |
| Dividend per share (in RMB) | Nil | Nil | N/A |

Profit attributable to equity holders for the first six months of 2009 amounted to RMB160.0 million as compared to RMB1,558.5 million for the corresponding prior period. The Group's turnover rose by 11% to RMB4.661 billion from RMB4.182 billion. Property development made up 92% (1H 2008: 94%) of the total turnover and amounted to RMB4.277 billion with 418,000 sq. m. of saleable area sold (1H 2008: RMB3.917 billion and 372,000 sq. m.) generating RMB163.5 million (1H 2008: RMB598.7 million) in profit. Revenue of RMB171.2 million from hotel operation and RMB91.9 million from construction service provided to third parties, having increased 307% and decreased 44% respectively, accounted for 4% and 2% of turnover. With two more hotels in operation, losses from the hotel operation increased slightly to RMB86.4 million from RMB73.7 million whereas construction service turned around to make a profit of RMB51.0 million from a loss of RMB94.0 million. The Board has resolved that no interim dividend be paid for the period.

BUSINESS REVIEW

The impact on the China property market of the global financial crisis that unfolded in the second half of 2008 turned out to be milder than anticipated at the onset of the crisis. When most of the developed western economies mired in recession in the first six months of 2009, the resilient Chinese economy stood out among the world's major economies and continued to grow modestly strengthening the prospect of the full year GDP growth target of 8%. This growth was achieved despite a relatively weak manufacturing and export sector, thanked largely to the effective fiscal stimulus measures implemented by the Central Government and domestic consumption which remained strong. The stimulus package in particular entailed change in fiscal policy which reversed the austerity measures in effect prior to the financial crisis and benefited the PRC property sector considerably. With the domestic economy having shunned a severe downturn, consumer confidence which is all important to the property market has also revived. The presence of improved economic and market conditions which set the stage for the property market recovery were unmistakable from the beginning of this year.

The Group understands that for long term success in today's highly competitive market, it has to proactively adapt to the rapidly changing business environment and the many challenges it poses. Our established long term strategies and proven business model that served us well in the past will continue to be effective in the changed business landscape brought on by the global financial crisis but we will constantly monitor changes in the market and adjust our operation tactics as and when appropriate.

The Group achieved record contracted sales in the first six months of the year which amounted to RMB12.76 billion for 1.34 million sq. m. in saleable area and 55% of the annual contracted sales target has already been attained. Pent-up demand was a major factor behind this very satisfactory sales performance; many property buyers who held back on purchasing in the second half of 2008 made their deals in the period having encouraged by the brighter economic outlook. The adjustment of property prices to a more attractive level notably below the peak in 2007 also served as an added stimulus to the buying interest of property buyers. On the supply side, the Group has ample inventory to meet demand. The contracted sales of the period were distributed among 11 cities in a pattern reflecting the Group's longtime diversification strategy – to persistently develop and reinforce the business in the South and the North with Guangzhou and Beijing/Tianjin respectively at the core and gradually expanding to other tier one cities or regional economic centre with potential such as Chongqing, Chengdu and Shanghai. In the period under review, Guangzhou, Beijing and Tianjin together accounted for 81% of total contracted sales with flagship projects in these cities such as Guangzhou R&F Peach Gardens, Beijing R&F Festival City and Tianjin Jinmen Lake project with sales in the RMB1 billion range continuing to be the corner stone. The other cities, after the effort of the past few years, now generate solid sales which made up the remaining 19% of the contracted sales and clearly demonstrated that they will be instrumental in fostering future growth of the Group.

Landbank is a key resource for the sustained growth of any property developer. The objective of the Group in this connection is to maintain a quality landbank that is sufficient for three to five years of development. We always approach land acquisition extremely cautiously and throughout 2008 to the early months of this year, the Group has not acquired any land due to the uncertainty in the market place as well as the tight credit situation. However, with conditions now improved, we successfully acquired a piece of land in Beijing for RMB1.02 billion and another in Conghua, Guangdong for RMB750 million in May 2009, our first in 16 months. The Beijing land has a GFA of 72,500 sq. m. and occupies an excellent location in Beijing adjacent to the Beijing R&F City. The land in Conghua is for low-density residential housing on which the Group would develop villa at very competitive price. These purchases were consistent with our usual conservative land acquisition philosophy and we may grasp future opportunities of a similar nature to enhance our landbank. In addition to acquiring suitable new land, we also took other actions to restructure our landbank. In June 2009, the Group reached a termination agreement with the Foshan Bureau of Land and Resources in respect of a piece of land located north of Yu He Road, Dong Ping New City in Foshan which the Group originally acquired in December 2007 for RMB4.705 billion. As compensation for the termination, the partial payment of RMB241.2 million already made by the Group was forfeited.

Chairman's Message

One strategic adjustment as a result of the financial crisis involved our plan in respect of investment properties. In order to deploy more resources to the development of residential properties, the Group has slowed down the pace for new development of investment properties and instead concentrated effort on enhancing the performance of the investment properties already in operation. These properties include the R&F Center in Guangzhou, the R&F Center and R&F Plaza in Beijing and four hotels viz. the Ritz-Carlton, Guangzhou, the Grand Hyatt, Guangzhou, Renaissance Beijing Capital Hotel and the Express of Holiday Inn Temple of Heaven Beijing. The leasing out of the R&F Center in Guangzhou has been slower than expected due partly to the soft office rental market and partly to the marketing of the Grand Hyatt office tower which took priority. The Group will forge the building into the most prestigious office building in Guangzhou ready to attract quality tenants when demand improve rather than giving rates concession in the present weak market. On the other hand, the R&F Plaza in Beijing is almost fully let and our objective is to further increase the yield from the property. Operating losses of the four hotels had reduced and operation performance has been on an improving trend which is very encouraging considering the generally depressed hospitality industry and fierce competition. The interior fitting out works of Chengdu Panda City shopping complex is currently in progress and may be put into use within this year.

Regarding corporate financing activities, our application to issue up to RMB5.5 billion in corporate domestic bonds received conditional approval from the China Securities Regulatory Commission in July 2009. Subject to official approval and the terms and conditions of the bonds, a decision will be made whether and when to proceed.

PROSPECT

Unless the PRC economy reverses its trend of uninterrupted growth and heads for a significant downturn, we believe that an environment which will foster recovery and steady growth of the property market is in place. While we expect the very strong sale we experienced in the first half of 2009 will be moderated after the absorption of pent-up demand, we are cautiously optimistic; the Group will have property available for sales of approximately 2.9 million sq. m. including 8 new projects to be launched in the second half of the year and accordingly we have revised upward our full year contracted sales target to RMB23 billion.

ACKNOWLEDGEMENT

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

Li Sze Lim

Chairman

20 August 2009, Hong Kong

Management Discussion and Analysis

OPERATION REVIEW

PROPERTY DEVELOPMENT

The Group's property development projects span 11 cities across China. During the period, the Group made record contracted sales while maintaining a scale of development that will support continued growth.

Sale Properties Under Development

Sale properties under development increased from 5,337,000 sq. m. GFA at the end of 2008 to approximately 5,845,000 sq. m. GFA at the end of June 2009 details of which are set out below:

| Location | Number of Project | Approximate GFA (sq. m.) | Approximate saleable area (sq. m.) |
|--------------|-------------------|--------------------------|------------------------------------|
| Guangzhou | 11 | 1,503,000 | 1,174,000 |
| Beijing | 7 | 836,000 | 696,000 |
| Tianjin | 5 | 1,027,000 | 904,000 |
| Xian | 1 | 155,000 | 132,000 |
| Chongqing | 3 | 543,000 | 432,000 |
| Huizhou | 1 | 294,000 | 166,000 |
| Hainan | 2 | 251,000 | 237,000 |
| Chengdu | 3 | 568,000 | 338,000 |
| Shanghai | 2 | 160,000 | 147,000 |
| Taiyuan | 2 | 452,000 | 322,000 |
| Shenyang | 1 | 56,000 | 51,000 |
| TOTAL | 38 | 5,845,000 | 4,599,000 |

Management Discussion and Analysis

Completion of Sale properties

Completion in the period was basically in accordance with plan which, as shown in the following table, represented only approximately 16% of the Group's planned completion for 2009 of 1,653,000 sq. m. in saleable area. Completion in the second half of 2009 is expected to amount to 1,388,000 sq. m. including first completion of the Shanghai/Kunshan projects.

| Area | 2009 1st Half | | 2009 2nd Half | |
|--------------|----------------|------------------|------------------|------------------|
| | Approx. Total | Approx. Saleable | Approx. Total | Approx. Saleable |
| | GFA (sq.m.) | Area (sq.m.) | GFA (sq.m.) | Area (sq.m.) |
| Southern | 144,000 | 113,000 | 588,000 | 492,000 |
| Western | 69,000 | 63,000 | 226,000 | 208,000 |
| Eastern | — | — | 85,000 | 85,000 |
| Northern | 123,000 | 89,000 | 640,000 | 603,000 |
| Total | 336,000 | 265,000 | 1,539,000 | 1,388,000 |

CONTRACTED SALES

The Group registered contracted sales of RMB12.76 billion and equivalent to 1.34 million sq. m. in GFA during the six months ended 30 June 2009 distributed in 11 cities as follow:

| Location | Approximate GFA sold (sq. m.) | Approximate value (RMB million) |
|--------------|-------------------------------|---------------------------------|
| Guangzhou | 400,000 | 4,647 |
| Huizhou | 18,000 | 147 |
| Hainan | 30,000 | 337 |
| Chongqing | 120,000 | 581 |
| Chengdu | 9,000 | 55 |
| Shanghai | 33,000 | 406 |
| Beijing | 254,000 | 3,134 |
| Tianjin | 312,000 | 2,587 |
| Xian | 68,000 | 367 |
| Taiyuan | 96,000 | 499 |
| Shenyang | — | 2 |
| Total | 1,340,000 | 12,762 |

PROPERTY INVESTMENT

There were no new addition of investment properties in the period. In respect of the developments in progress, approximately 328,000 sq. m. GFA is expected to be completed in the second half of 2009 including mainly the Chengdu Panda City shopping complex which will have a leasable area of over 200,000 sq. m. The performance of the properties currently in operation were as follow:

Guangzhou

Approximately 15% additional space of the Guangzhou R&F Centre has been leased out during the period. Ample supply and a weaker economy suppressed office rental but the Group held firm the rental rate of R&F Centre. Occupancy rate of the Ritz-Carlton, Guangzhou and Grand Hyatt, Guangzhou continued to improved as is expected of such internationally renowned hotel with global network. Both hotels are also gradually building up their reputation and recognition locally which helped to generate strong revenue from food and beverage and banquets.

Beijing

The shopping complex, Beijing R&F Plaza, is almost fully leased. Conveniently located with direct access to the Beijing subway and having a tenants mix that offer a wide selection of retail shops, dining venues as well as a cinema, Beijing R&F Plaza is expected to become the place-to-be for shopping and leisure for the community in its vicinity. The Renaissance Beijing Capital Hotel has been operating at a relatively low occupancy given the luxury hotel rooms glut in Beijing post the Olympic. However, the Express by Holiday Inn Temple of Heaven Beijing which provides budget hotel rooms has been enjoying very satisfactory occupancy.

LAND BANK

Two pieces of land were bought and a land use right contract was terminated in the period. The two pieces of land bought were in Beijing having a GFA of 72,500 sq. m. at RMB1.02 billion and in Conghua, Guangdong having a GFA of 520,000 sq. m. for low-density residential development at RMB750 million. The land use right contract terminated was in respect of a piece of land in Foshan having a GFA of 2.167 million sq. m. originally bought for RMB4.705 billion.

As at 30 June 2009, the Group was in possession of the following land bank.

| Area | Approximate GFA (sq. m.) | Approximate above ground saleable area (sq. m.) |
|-----------------------|--------------------------------|--|
| Southern China | 5,329,000 | 4,799,000 |
| Northern China | 8,124,000 | 7,296,000 |
| Eastern China | 729,000 | 576,000 |
| Western China | 8,523,000 | 8,311,000 |
| Investment Properties | 516,000 | 410,000 |
| Total | 23,221,000 | 21,392,000 |

FINANCIAL REVIEW

The net profit for the six months ended 30 June 2009 amounted to RMB158.9 million. This profit decreased approximately 90% or RMB1,398.3 million from that of the corresponding prior period. Analyzed by segment, the result of property development was adversely affected by the write-off of RMB241.2 million in deposit paid for the Foshan land upon the termination of the land use right contract and profit reduced to RMB163.5 million from RMB598.7 million. Net profit of property investment based on regular rental income without the fair value gain from investment properties which in the prior period amounted to RMB1.48 billion decreased to RMB30.7 million from RMB1.126 billion. There were four hotels in operation in the period, two more than previously. The total loss for the segment increased to RMB86.4 million from RMB73.7 million with revenue having increased more than three folds to RMB171.2 million. Net losses of the two hotels already in operation in the prior period were reduced by RMB10.2 million. For construction service, loss of RMB94.0 million was turned into a profit of RMB51.0 million.

The following comments on the components (turnover, cost of sales, gross margin and selling and administrative expenses) of operating profit only relate to property development:

Turnover from the sale of properties increased 9.2% to RMB4.277 billion for the six months ended 30 June 2009 from RMB3.917 billion the corresponding prior period. The turnover for this period was generated from saleable area sold and delivered of 418,000 sq. m. at average selling price of RMB10,200 per sq. m. (1H 2008: 372,000 sq. m. at RMB10,500 per sq. m.). Saleable area completed in the period was in line with plans which anticipated only approximately 16% of the expected full year completion to be completed in the first six month. Turnover recognized in the period was mostly from sales made during the property market downturn but average selling price only fell slightly as it was determined by the sales mix as well as the pricing level. Guangzhou projects accounted for 62% by value and 52% by saleable area of total turnover. Four residential projects viz. R&F Peach Gardens Phase II & III, R&F Square (South Court), Guangzhou R&F City and R&F Jin Gang City and a commercial project, R&F Ying Tai Plaza accounted for 96% of Guangzhou's turnover. R&F Ying Tai Plaza was almost completely sold and delivered with RMB1.22 billion turnover for the period in addition to RMB735 million previously recognized. The higher average selling price of R&F Ying Tai Plaza at RMB19,500 per sq. m. also help to maintain average selling price of Guangzhou at RMB12,200 per sq. m. despite Guangzhou R&F City and R&F Peach Gardens saw average selling price dropped in the 15%-25% range. In Beijing, R&F Festival City and R&F Peach Gardens were the two main projects and together with residual sales of other projects, Beijing represented 13% by value and 12% by saleable area of total turnover. The average selling price of both R&F Festival City and R&F Peach Gardens were above their 2008 level by approximately 13% and resulted in an overall average selling price for Beijing of RMB11,800 per sq. m. as compared to RMB11,300 per sq. m. for 2008. The two projects of Tianjin, Tianjin R&F City and R&F Jinnmen Lake represented 12% by value and 9% by saleable area of total turnover. Tianjin's average selling price rose markedly by more than 40% to RMB12,400 per sq. m. mainly because turnover recognized in the period of R&F Jinnmen Lake were sales made by the Group after taking over the project and no more the sales at comparatively low prices made by the project vendor. Chongqing and Xian accounted for the rest of the turnover of property development.

Cost of sales comprised of 83% in land and construction costs, 8% in sales tax and 9% in capitalized interest. The Group has maintained effective control on costs which was manifested in the rather stable land and construction cost per sq. m. for the period of RMB5,940 as compared to RMB5,990 for 2008. While the project mix had been a factor affecting overall average cost, change in the land and construction cost on an individual basis for most projects, except the two Tianjin projects, had been no more than 10%. The land and construction cost of Tianjin R&F City and Tianjin Jinnmen Lake increased more significantly only due to upgraded construction specifications. Capitalized interest at 9%, up from 4.7% for 2008, became a more significant cost as a result of the steady escalation of interest rate in the past two years.

Gross profit margin for the period was 30.2% as compared to 36.1% for the corresponding prior period of 2008. This 5.9% decrease was partially the result of increased weighting in the sales mix of projects having typically lower gross profit margin, mainly the Chongqing projects. The lower selling price or higher costs of projects including Guangzhou R&F City, Guangzhou Peach Gardens, Tianjin R&F City and Tianjin Jinmen Lake as mention above which resulted in their gross margin reduced by 13% to 16% was also part of the reason.

Selling and administrative expenses for the period was RMB496.7 million which comprised general and administrative expenses of RMB355.5 million and selling and marketing expenses of RMB141.2 million. The general and administration expenses although higher than the RMB275.3 million for the corresponding period in 2008 by RMB80.2 million was in fact lesser than the amount for the second half of 2008 reflecting the effectiveness of measures which included streamlining of the organizational structure implemented to control overheads costs. The increase in selling and marketing expenses of RMB73.6 million over the RMB67.6 million for the first six months of 2008 was due to the increase in sale office expenses and advertising expenditures to support the sale and marketing of more projects which culminated in the Group's record contracted sales of RMB12.76 billion achieved in the period.

Other losses of RMB243.9 million (1H 2008: RMB17.0 million) for the period were registered which included the compensation cost of RMB241.2 million paid upon termination of the land use right contract for a piece land in Foshan and was partially offset by a gain of RMB145.9 million on the disposal of 11% interest in Guangzhou Securities Co. Ltd.

Interest expenses for the period reduced slightly to RMB763.6 million (1H 2008: RMB787.2 million) as a result of 1.3% reduction in average interest rate from 7.1% to 5.8% on a borrowings which increased from RMB20.471 billion at the beginning of the period to RMB21.493 billion at 30 June 2009. Of this interest expenses, RMB494.5 million (1H 2008: RMB680.2 million) had been capitalized with the balance RMB269.1 million (1H 2008: RMB107.0 million) charged directly to income and together with the capitalized interest in cost of sales, total interest expenses included in the results of this period amounted to RMB536.0 million as compared to RMB249.3 million for the same period in 2008, a 115% increase.

Enterprise income tax ("EIT") and land appreciation tax ("LAT") made up the charge of income tax expenses. LAT for the period amounted to RMB323.4 million (1H 2008: RMB207.9 million) and equivalent to 7.6% (1H 2008: 5.3%) on the turnover of property development of which approximately 29% was sales of R&F Ying Tai Plaza. R&F Ying Tai Plaza being a commercial property not qualified for any exemption and with high gross profit margin had attracted relatively heavy LAT. EIT amounting to RMB144.2 million was provided which adopted a conservative basis in respect of the compensation paid for the Foshan land that it was not EIT deductible. Isolating the effect of this treatment, effective EIT rate was 26.5% (1H 2008: 27.3%).

The net profit for the period of RMB158.9 million (1H 2008: RMB1,557.2 million) was impacted by factors including: 1) only approximately 16% of the expected full year completion was delivered in the period; 2) compensation paid for termination of land use contract amounted to RMB241.2 million after tax; 3) reduced gross margin of certain projects due to decreased selling price or increased construction costs and 4) improvement of results in the construction service and the two Guangzhou hotels.

Management Discussion and Analysis

Financial resources and liquidity

At 30 June 2009, total cash on hand including amounts restricted for specified usage was RMB5,979 million (31 December 2008: RMB2,053 million). Cash on hand significantly increased as a result of robust contracted sale in the period. With total borrowings at the end of the period amounted to RMB21,493 million (31 December 2008: RMB20,471 million), net debt decreased to RMB15,514 million from RMB18,418 million at 31 December 2008. Net debt to equity ratio accordingly decreased to 110% at 30 June 2009 from 124% at 31 December 2008. Considering the Group's cash flow from sales and the expected capital expenditures, the current borrowing level and net debt to equity ratio is expected to further decrease.

During the six months ended 30 June 2009, new borrowings of RMB6,755 million have been procured at interest rate ranging from 4.86% to 7.02% while loans repaid amounted to RMB5,732 million. The effective interest rate of the total loan portfolio at 30 June 2009 was 5.8% (31 December 2008: 7.1%). Most of the loans were in RMB and at floating interest rate bench marked to rates published by the People's Bank of China. The Group considered the RMB interest rate environment relatively stable and with income and assets predominantly in RMB that matched the loan currency, the Group did not consider it necessary to hedge either its interest rate or currency exposure.

Charge on assets

As at 30 June 2009, certain properties and bank deposits were pledged to secure bank loans amounted to RMB11,302 million (at 31 December 2008: RMB8,599 million).

Contingent liabilities

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties. For guarantees provided in respect of residential properties, the guarantees would be released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2009, such guarantees totaled RMB11,853 million which increased 23% from RMB9,664 million as at 31 December 2008.

Employee and remuneration policies

As of 30 June 2009, the Group had approximately 5,938 employees (30 June 2008: 5,240). The Group provides competitive remuneration, including fringe benefits such as one-off discount on purchase of properties developed by the Group, and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus system. Job-related training is also provided from time to time.

Disclosure of Interests

SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2009 was as follows:

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, so far as the directors are aware, the following persons (other than the directors, supervisor and chief executive officer of the Company) held 5% or more interests or short position in the shares and underlying shares of the Company which would be required to be disclosed to the Company under Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”) as recorded in the register as required to be kept under section 336 of the SFO.

| Name of shareholders | Types of shares | No. of shares (Note) | Percentage of H shares |
|-------------------------------|-----------------|----------------------|------------------------|
| JP Morgan Chase & Co. | “H” share | 87,587,589(L) | 8.63% |
| | | 1,652,400(S) | 0.16% |
| | | 27,713,656(P) | 2.73% |
| UBS AG | “H” share | 74,637,147(L) | 7.35% |
| | | 67,237,507(S) | 6.62% |
| Morgan Stanley | “H” share | 58,926,717(L) | 5.80% |
| | | 18,716,459(S) | 1.84% |
| Dinakar Singh LLC | “H” share | 57,054,800(L) | 5.62% |
| Singh Dinakar | “H” share | 57,054,800(L) | 5.62% |
| TPG-Axon GP LLC | “H” share | 57,054,800(L) | 5.62% |
| 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” denote a long position, a short position and lending pool in the shares respectively.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the interests of the directors and supervisors of the Company in the shares and underlying shares of the Company and any of its associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered into the register required to be kept by the Company under section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers were as follows:

Long positions in the shares and underlying shares as at 30 June 2009 were as follows:

| Directors | Type of interest | Number of Shares | | | Total | Percentage of total number of issued shares |
|-------------|-----------------------------|-----------------------------|-----------------------------|--------------------|---------------|---|
| | | Personal | Spouse or children Under 18 | Corporate Interest | | |
| Li Sze Lim | Domestic share "H" share | 1,045,092,672 10,000,000 | 5,000,000 | 7,000,000 | 1,067,092,672 | 33.12% |
| Zhang Li | Domestic share "H" share | 1,005,092,672 2,074,400 | 20,000,000 932,000 | | 1,028,099,072 | 31.91% |
| Lu Jing | Domestic share | 35,078,352 | | | 35,078,352 | 1.09% |
| Zhou Yaonan | Domestic share | 22,922,624 | | | 22,922,624 | 0.71% |
| Li Helen | "H" share | 1,003,600 | | | 1,003,600 | 0.03% |

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

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries, nor its jointly controlled entity has purchased, redeemed or sold any of the Company's listed securities.

Corporate Governance

BOARD COMPOSITION AND PRACTICE

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

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

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

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

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

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

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

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

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") as the code of conduct for directors in their dealings in the Company's securities. The Company made specific enquires with each director, and each of them confirmed that he or she had complied with the Model Code during the six months ended 30 June 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other laws and regulations of relevant jurisdictions. In particular, it has observed the rules and principles set out under the Code on Corporate Governance Practices as stated in the Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009.

AUDIT COMMITTEE

The audit committee of the Company was established on 27 June 2005. It has been set up with terms of reference in accordance with Appendix 14 of the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationship with external auditors, the Company's financial reporting, the internal control and risk management system. There were no disagreements from the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee comprises Mr. Lai Ming, Joseph (Chairman of the audit committee) and Mr. Dai Feng who are independent non-executive directors of the Company and Ms. Helen Li who is a non-executive director of the Company. The audit committee has reviewed the interim report of the Company for six months ended 30 June 2009. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE

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

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

SHAREHOLDERS RELATION

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

Condensed Consolidated Interim Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Unaudited 30 June 2009 | Audited 31 December 2008 |
|---|------|------------------------------|--------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | 5 | 7,101,626 | 7,852,506 |
| Properties held for development | | 3,485,641 | 3,641,129 |
| Property, plant and equipment | 5 | 3,335,743 | 3,367,336 |
| Investment properties | 5 | 7,345,942 | 7,360,581 |
| Intangible assets | 5 | 834,852 | 876,328 |
| Investments in jointly controlled entities | | 629,003 | 628,998 |
| Investments in associates | | 50,861 | 43,028 |
| Deferred income tax assets | | 428,054 | 310,984 |
| Available-for-sale financial assets | | 132,903 | 132,903 |
| Trade and other receivables | 8 | 199,781 | 365,539 |
| | | 23,544,406 | 24,579,332 |
| Current assets | | | |
| Properties under development | | 18,687,063 | 10,858,159 |
| Available-for-sale financial assets | | — | 171,097 |
| Completed properties held for sale | | 3,871,272 | 6,419,998 |
| Land use rights | 5 | 6,708,994 | 6,141,743 |
| Inventories | | 168,663 | 116,986 |
| Trade and other receivables | 8 | 4,433,480 | 3,914,990 |
| Tax prepayments | | 1,339,381 | 712,354 |
| Restricted cash | 7 | 739,123 | 603,288 |
| Cash | 6 | 5,239,629 | 1,449,668 |
| | | 41,187,605 | 30,388,283 |
| Total assets | | 64,732,011 | 54,967,615 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 9 | 805,592 | 805,592 |
| Other reserves | | 4,283,280 | 4,350,497 |
| Retained earnings | | | |
| – Proposed dividend | 18 | — | 902,263 |
| – Others | | 8,974,319 | 8,814,287 |
| | | 14,063,191 | 14,872,639 |
| Minority interest | | 70,496 | 93,049 |
| Total equity | | 14,133,687 | 14,965,688 |

| | Note | Unaudited 30 June 2009 | Audited 31 December 2008 |
|--|------|------------------------------|--------------------------------|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term bank loans | 10 | 9,519,350 | 10,982,500 |
| Long term payables | | — | 136,000 |
| Deferred income tax liabilities | | 1,707,901 | 1,648,911 |
| | | 11,227,251 | 12,767,411 |
| Current liabilities | | | |
| Accruals and other payables | 11 | 11,308,030 | 9,264,791 |
| Deposits received on sale of properties | | 12,989,392 | 6,117,317 |
| Current income tax liabilities | | 3,099,905 | 2,363,986 |
| Short-term bank loans | 10 | 2,051,696 | 2,188,922 |
| Current portion of long-term bank loans | 10 | 9,922,050 | 7,299,500 |
| | | 39,371,073 | 27,234,516 |
| Total liabilities | | 50,598,324 | 40,001,927 |
| Total equity and liabilities | | 64,732,011 | 54,967,615 |
| Net current assets | | 1,816,532 | 3,153,767 |
| Total assets less current liabilities | | 25,360,938 | 27,733,099 |

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Unaudited Six months ended 30 June | |
|---|------|---------------------------------------|-------------|
| | | 2009 | 2008 |
| Revenue | 4 | 4,660,871 | 4,182,049 |
| Cost of sales | | (3,133,531) | (2,664,062) |
| Gross profit | | 1,527,340 | 1,517,987 |
| Other gains | 12 | 193,205 | 1,504,344 |
| Selling and administrative expenses | | (589,098) | (548,713) |
| Other operating expenses | 13 | (243,939) | (17,013) |
| Operating profit | 14 | 887,508 | 2,456,605 |
| Finance costs | 15 | (269,101) | (106,982) |
| Share of results of jointly controlled entities | | 5 | 1,521 |
| Share of results of associates | | 8,007 | (779) |
| Profit before income tax | | 626,419 | 2,350,365 |
| Income tax expense | 16 | (467,554) | (793,204) |
| Profit for the period | | 158,865 | 1,557,161 |
| Profit attributable to: | | | |
| – Equity holders of the Company | | 160,032 | 1,558,508 |
| – Minority interest | | (1,167) | (1,347) |
| | | 158,865 | 1,557,161 |
| Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in RMB Yuan per share) | 17 | 0.0497 | 0.4837 |
| Dividend | 18 | — | — |
| Dividend per share (expressed in RMB Yuan per share) | | — | — |

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|-----------|
| | 2009 | 2008 |
| Profit for the period | 158,865 | 1,557,161 |
| Other comprehensive income | | |
| Fair value gain on available-for-sale financial assets released to profit and loss accounts, net of tax | (67,217) | — |
| Total comprehensive income for the period | 91,648 | 1,557,161 |
| Total comprehensive income attributable to: | | |
| – Equity holders of the Company | 92,815 | 1,558,508 |
| – Minority interest | (1,167) | (1,347) |
| | 91,648 | 1,557,161 |

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited | | | | | |
|---|--|-------------------|----------------------|------------|----------------------|-----------------|
| | Attributable to equity holders of the Company | | | | Minority interest | Total equity |
| | Share capital | Other reserves | Retained earnings | Total | | |
| Balance at 1 January 2008 | 805,592 | 4,434,497 | 7,385,452 | 12,625,541 | 74,339 | 12,699,880 |
| Total comprehensive income for the period ended 30 June 2008 | — | — | 1,558,508 | 1,558,508 | (1,347) | 1,557,161 |
| Dividend relating to 2007 paid in June 2008 | — | — | (803,274) | (803,274) | — | (803,274) |
| Balance at 30 June 2008 | 805,592 | 4,434,497 | 8,140,686 | 13,380,775 | 72,992 | 13,453,767 |
| Balance at 1 January 2009 | 805,592 | 4,350,497 | 9,716,550 | 14,872,639 | 93,049 | 14,965,688 |
| Total comprehensive income for the period ended 30 June 2009 | — | (67,217) | 160,032 | 92,815 | (1,167) | 91,648 |
| Dividend relating to 2008 paid in May 2009 | — | — | (902,263) | (902,263) | (21,386) | (923,649) |
| Balance at 30 June 2009 | 805,592 | 4,283,280 | 8,974,319 | 14,063,191 | 70,496 | 14,133,687 |

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|-------------|
| | 2009 | 2008 |
| Cash flows from operating activities – net | 3,612,556 | 734,337 |
| Cash flows from investing activities | | |
| – purchases of property, plant and equipment | (71,730) | (932,751) |
| – purchases of intangible assets | (308) | (35) |
| – proceeds on disposal of property, plant and equipment | 3,311 | 177 |
| – proceeds on disposal of investment properties | 12,952 | — |
| – proceeds on disposal of available-for-sale financial assets | 112,500 | — |
| – interest received | 22,155 | 20,572 |
| Cash flows from/(used in) investing activities – net | 78,880 | (912,037) |
| Cash flows from financing activities | | |
| – proceeds from borrowings | 6,754,601 | 4,584,040 |
| – repayments of borrowings | (5,732,427) | (3,894,156) |
| – dividend paid to minority interests | (21,386) | — |
| – dividend paid to equity holders of the Company | (902,263) | (803,274) |
| – proceeds from shareholders | — | 200,000 |
| Cash flows from financing activities – net | 98,525 | 86,610 |
| Net increase/(decrease) in cash | 3,789,961 | (91,090) |
| Cash at beginning of period | 1,449,668 | 1,329,691 |
| Cash at end of period | 5,239,629 | 1,238,601 |

The notes on pages 24 to 44 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

1. General information

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) mainly engages in the development and sale of properties, property investment and hotel operations 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 Company has its primary listing on the Main board of the Stock Exchange of Hong Kong Limited on 14 July 2005.

These condensed consolidated interim financial information are presented in thousands of units of RMB Yuan (RMB’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 20 August 2009.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits 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’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

3. Accounting policies (continued)

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Board of Directors (the "Board"), who makes strategic decisions. The Group applies HKFRS8 retrospectively and the comparative figures have been restated accordingly.
- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.
- HKAS 23 (Revised), 'Borrowing costs'. 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 there is not any material impact on the Group's financial statements.
- HK(IFRIC) - Int 15, 'Agreements for construction of real estates' 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 currently does not have transactions that fall within the scope of HK(IFRIC) – Int 15 and the amendment does not have material impact on the Group's financial statements.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

3. Accounting policies (continued)

- Improvements to HKFRS by Hong Kong Institute of Certified Public Accountants (“HKICPA”)
 - HKAS 1 (Amendment), ‘Presentation of financial statements’. 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. It does not have material impact on the Group’s financial statements.
 - HKAS 23 (Amendment), ‘Borrowing costs’. 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. It does not have material impact on the Group’s financial statements.
 - HKAS 28 (Amendment), ‘Investments in associates’ (and consequential amendments to HKAS 32, ‘Financial Instruments: Presentation’ and HKFRS 7, ‘Financial instruments: Disclosures’). 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. It does not have material impact on the Group’s financial statements.
 - HKAS 36 (Amendment), ‘Impairment of assets’. 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 make additional disclosures in its financial statements for the year ending 31 December 2009.
 - HKAS 40 (Amendment), ‘Investment property’ (and consequential amendments to HKAS 16). 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 currently does not have investment property under construction and the amendment does not have material impact on the Group’s financial statements.

3. Accounting policies (continued)

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKFRS 2 (Amendment), 'Share-based payment'.
- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation'.
- HK(IFRIC) - Int 9 (Amendment), 'Reassessment of embedded derivatives' and HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) - Int 13, 'Customer loyalty programmes'
- HK(IFRIC) - Int 16, 'Hedges of a net investment in a foreign operation'

- HKICPA's improvements to HKFRS
 - HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows').
 - HKAS 19 (Amendment), 'Employee benefits'.
 - HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'.
 - HKAS 27 (Amendment), 'Consolidated and separate financial statements'.
 - HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures'). The amendment is related to disclosures if any investment in associate is accounted for in accordance with HKAS39.
 - HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'.
 - HKAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7).
 - HKAS 38 (Amendment), 'Intangible assets'.
 - HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement'.
 - HKAS 41 (Amendment), 'Agriculture'.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

3. Accounting policies (continued)

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted by the Group. Management is still assessing the impact from adoption of these new standards, amendments to standards and interpretations.

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' (effective from 1 July 2009).
- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items (effective from 1 July 2009).
- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures' (effective from 1 July 2009).
- 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 from 1 July 2009).
- HKICPA's improvements to HKFRS published in May 2009:
 - Amendment to HKFRS 2 'Share-based payments' (effective from 1 July 2009).
 - Amendment to HKFRS 5 'Non-current Assets held for sale and discontinued operations' (effective from 1 January 2010).
 - Amendment to HKFRS 8 'Operating segments' (effective from 1 January 2010).
 - Amendment to HKAS 1 'Presentation of financial statements' (effective from 1 January 2010).
 - Amendment to HKAS 7 'Statement of cash flows' (effective from 1 January 2010).
 - Amendment to HKAS 17 'Leases' (effective from 1 January 2010).
 - Amendment to HKAS 36 'Impairment of assets' (effective from 1 January 2010).
 - Amendment to HKAS 38 'Intangible assets' (effective from 1 July 2009).
 - Amendment to HKAS 39 'Financial instruments: recognition and measurement' (effective from 1 January 2010).
 - Amendment to HK(IFRIC) - Int 9 'Reassessment of embedded derivatives' (effective from 1 July 2009).
 - Amendment to HK(IFRIC) - Int 16 'Hedges of a net investment in a foreign operation' (effective from 1 July 2009).

4 Segment information

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Board considers the business mainly from product perspective. The Group is principally engaged in the property development, construction, property investment and hotel operations. Each business provides different products or services.

The Board assesses the performance of the operating segments based on a measure of profit for the period. The information provided to the Board is measured in a manner consistent with that in the financial statements.

Total assets exclude deferred tax and available-for-sale financial assets, both of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2009 is as follows:

| | Property development | Construction | Property investment | Hotel operations | Group |
|--|-------------------------|-----------------|------------------------|---------------------|------------------|
| Six months ended 30 June 2009 | | | | | |
| Total revenue | 4,276,847 | 1,720,515 | 131,188 | 181,697 | 6,310,247 |
| Inter-segment revenue | — | (1,628,581) | (10,286) | (10,509) | (1,649,376) |
| Revenue (from external customers) | 4,276,847 | 91,934 | 120,902 | 171,188 | 4,660,871 |
| Profit/(loss) for the period | 163,521 | 51,045 | 30,739 | (86,440) | 158,865 |
| Finance costs | (109,524) | (6,352) | (82,987) | (70,238) | (269,101) |
| Share of results of jointly controlled entities | 5 | — | — | — | 5 |
| Share of results of associates | — | 8,007 | — | — | 8,007 |
| Income tax expense | (470,284) | (15,836) | (10,247) | 28,813 | (467,554) |
| Depreciation and amortisation | 118,638 | 41,767 | — | 73,293 | 233,698 |
| Reversal of impairment losses | (535) | — | — | — | (535) |
| Six months ended 30 June 2008 | | | | | |
| Total revenue | 3,917,442 | 2,523,889 | 59,360 | 42,056 | 6,542,747 |
| Inter-segment revenue | — | (2,360,698) | — | — | (2,360,698) |
| Revenue (from external customers) | 3,917,442 | 163,191 | 59,360 | 42,056 | 4,182,049 |
| Profit/(loss) for the period | 598,685 | (94,027) | 1,126,248 | (73,745) | 1,557,161 |
| Finance costs | (49,151) | (10,816) | (30,696) | (16,319) | (106,982) |
| Share of results of jointly controlled entities | 1,521 | — | — | — | 1,521 |
| Share of results of associates | — | (779) | — | — | (779) |
| Income tax expense | (434,814) | (7,555) | (375,417) | 24,582 | (793,204) |
| Depreciation and amortisation | 152,560 | 98,433 | — | 14,781 | 265,774 |
| Reversal of impairment losses | (1,191) | — | — | — | (1,191) |

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Segment information (continued)

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2009 is as follows: (continued)

| | Property development | Construction | Property investment | Hotel operations | Elimination | Group |
|---|-------------------------|------------------|------------------------|---------------------|--------------------|-------------------|
| As at 30 June 2009 | | | | | | |
| Total assets | 52,694,622 | 3,496,553 | 7,345,942 | 3,136,659 | (2,502,722) | 64,171,054 |
| Total assets include: | | | | | | |
| Investments in jointly controlled entities | 629,003 | — | — | — | — | 629,003 |
| Investments in associates | — | 50,861 | — | — | — | 50,861 |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 2,100,521 | 7,140 | — | 23,380 | — | 2,131,041 |
| As at 31 December 2008 | | | | | | |
| Total assets | 42,910,608 | 3,020,110 | 7,360,581 | 3,323,586 | (2,262,254) | 54,352,631 |
| Total assets include: | | | | | | |
| Investments in jointly controlled entities | 628,998 | — | — | — | — | 628,998 |
| Investments in associates | — | 43,028 | — | — | — | 43,028 |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 2,025,156 | 39,688 | 520,791 | 948,883 | — | 3,534,518 |

Reportable segments' assets are reconciled to total assets as follows:

| | 30 June 2009 | 31 December 2008 |
|-------------------------------------|-------------------------|---------------------|
| Total segment assets | 64,171,054 | 54,352,631 |
| Deferred income tax assets | 428,054 | 310,984 |
| Available-for-sale financial assets | 132,903 | 304,000 |
| Total assets per balance sheet | 64,732,011 | 54,967,615 |

5 Capital expenditure

| | Intangible assets | Investment properties | Property, plant and equipment | Land use rights | |
|--|----------------------|--------------------------|-------------------------------------|-----------------|-----------|
| | | | | Non-current | Current |
| Six months ended 30 June 2008 | | | | | |
| Opening net book amount at 1 January 2008 | | | | | |
| | 1,019,806 | 5,366,774 | 2,390,260 | 10,342,679 | 5,047,634 |
| Additions | 35 | 196,220 | 969,839 | 540,530 | 75,786 |
| Disposal | — | — | (177) | — | — |
| Fair value gains (including in other gains) | — | 1,476,266 | — | — | — |
| Transfer between current and non-current portion | — | — | — | (1,759,447) | 1,759,447 |
| Transfer from properties under development | — | 286,165 | — | — | — |
| Transfer from land use rights | — | 38,406 | — | — | (38,406) |
| Transfer to cost of sales | — | — | — | — | (418,058) |
| Depreciation and amortisation | (98,387) | — | (49,075) | (34,775) | (83,537) |
| Closing net book amount at 30 June 2008 | | | | | |
| | 921,454 | 7,363,831 | 3,310,847 | 9,088,987 | 6,342,866 |
| Six months ended 30 June 2009 | | | | | |
| Opening net book amount at 1 January 2009 | | | | | |
| | 876,328 | 7,360,581 | 3,367,336 | 7,852,506 | 6,141,743 |
| Additions | 308 | — | 71,730 | 729,492 | 3,130 |
| Disposals | — | (14,639) | (3,477) | — | — |
| Transfer between current and non-current portion | — | — | — | (1,471,957) | 1,471,957 |
| Transfer to properties under development | — | — | — | — | (359,886) |
| Transfer to cost of sales | — | — | — | — | (464,297) |
| Depreciation and amortisation | (41,784) | — | (99,846) | (8,415) | (83,653) |
| Closing net book amount at 30 June 2009 | | | | | |
| | 834,852 | 7,345,942 | 3,335,743 | 7,101,626 | 6,708,994 |

6 Cash

| | As at | |
|--------------------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Cash at bank and in hand | 5,239,629 | 1,449,668 |

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

7 Restricted cash

| | As at | |
|---|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Guarantee deposits for construction of pre-sold properties (Note (a)) | 403,245 | 200,190 |
| Guarantee deposits for resettlement costs (Note (b)) | 116,006 | 198,746 |
| Guarantee deposits for construction payable (Note (c)) | 42,271 | 84,349 |
| Guarantee deposits for subsidiaries' borrowings (Note (d) and 10) | 150,077 | 100,077 |
| Guarantee deposits for mortgage loans provided to customers (Note (e)) | 27,524 | 19,926 |
| | 739,123 | 603,288 |

Note:

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

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

8 Trade and other receivables

| | As at | |
|---|------------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Trade receivables | | |
| – Due from jointly controlled entities (Note 22 (ix)) | 34,625 | 19,679 |
| – Due from related parties (Note 22 (ix)) | 49,010 | 181,790 |
| – Due from third parties | 557,641 | 617,265 |
| | 641,276 | 818,734 |
| Other receivables | 994,715 | 885,819 |
| Prepayments | 1,755,436 | 1,602,902 |
| Due from jointly controlled entities (Note 22 (ix)) | 1,150,924 | 942,804 |
| Due from associates (Note 22 (ix)) | 114,286 | 54,181 |
| Due from related parties (Note 22 (ix)) | 118 | 118 |
| Less: provision for impairment of other receivables | (23,494) | (24,029) |
| | 4,633,261 | 4,280,529 |
| Less: non-current portion | (199,781) | (365,539) |
| Current portion | 4,433,480 | 3,914,990 |

All trade and other receivables balances are denominated in RMB.

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

At 30 June 2009 and 31 December 2008, the ageing analysis of the trade receivables were as follows:

| | As at | |
|--------------------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Trade receivables | | |
| 0 to 90 days | 370,032 | 575,089 |
| 91 to 180 days | 61,204 | 36,248 |
| 181 to 365 days | 69,704 | 69,134 |
| 1 year to 2 years | 92,183 | 108,221 |
| Over 2 years | 48,153 | 30,042 |
| | 641,276 | 818,734 |

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

9 Share capital

| | Number of shares (thousands) | Ordinary shares | Share premium | Total |
|---|------------------------------------|--------------------|------------------|-----------|
| At 31 December 2008 and 30 June 2009 | | | | |
| - 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 |

10 Bank loans

| | As at | |
|--|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Short-term bank loans | | |
| - Secured | 1,647,696 | 1,484,922 |
| - Unsecured | 404,000 | 704,000 |
| | 2,051,696 | 2,188,922 |
| Long-term bank loans | | |
| - Secured | 9,654,400 | 7,114,000 |
| - Unsecured | 9,787,000 | 11,168,000 |
| | 19,441,400 | 18,282,000 |
| Less: Current portion of non-current loans | (9,922,050) | (7,299,500) |
| | 9,519,350 | 10,982,500 |

Movements in borrowings are analysed as follows:

| | |
|--|-------------|
| Six months ended 30 June 2008 | |
| Opening amount 1 January 2008 | 19,899,767 |
| Addition of borrowings | 4,584,040 |
| Repayments of borrowings | (3,894,156) |
| Closing amount as at 30 June 2008 | 20,589,651 |
| Six months ended 30 June 2009 | |
| Opening amount as at 1 January 2009 | 20,470,922 |
| Addition of borrowings | 6,754,601 |
| Repayments of borrowings | (5,732,427) |
| Closing amount as at 30 June 2009 | 21,493,096 |

10 Bank loans (continued)

Bank loans at 30 June 2009 were secured by followings:

| | As at | |
|---|-------------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Land use rights | 1,067,460 | 1,000,417 |
| Properties held for / under development | 2,957,102 | 1,307,608 |
| Property, plant and equipment | 2,293,173 | 2,025,542 |
| Investment properties | 7,120,140 | 6,739,186 |
| Completed properties held for sale | 1,095,705 | 573,217 |
| Restricted cash (Note 7) | 150,077 | 100,077 |
| Investments in subsidiaries | 68,294 | 114,874 |
| | 14,751,951 | 11,860,921 |

Unsecured borrowings are supported by guarantees. Details are as follows:

| | As at | |
|--------------|-------------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Guarantors | | |
| The Company | 6,676,000 | 7,917,000 |
| Subsidiaries | 3,515,000 | 3,955,000 |
| | 10,191,000 | 11,872,000 |

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

| | As at | |
|-----|-------------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| RMB | 21,005,400 | 19,986,000 |
| HKD | 487,696 | 484,922 |
| | 21,493,096 | 20,470,922 |

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

11 Accruals and other payables

| | As at | |
|---|-------------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Amounts due to jointly controlled entities (Note 22 (ix)) | — | 11,915 |
| Amounts due to associates (Note 22 (ix)) | 45,482 | 53,878 |
| Amounts due to related parties (Note 22 (ix)) | 25,225 | 25,237 |
| Construction payables (Note a) | 7,749,183 | 5,781,904 |
| Other payables and accrued charges | 3,488,140 | 3,391,857 |
| | 11,308,030 | 9,264,791 |

All payable and accrual balances are denominated in RMB.

Note:

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

12 Other gains

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2009 | 2008 |
| Fair value gains on investment properties | — | 1,476,266 |
| Gains on disposal of available-for-sale financial assets | 145,944 | — |
| Interest income | 22,155 | 20,572 |
| Others | 25,106 | 7,506 |
| | 193,205 | 1,504,344 |

13 Other operating expenses

| | Six months ended 30 June | |
|--|--------------------------|--------|
| | 2009 | 2008 |
| Default payment for termination of land acquisitions | 241,247 | — |
| Others | 2,692 | 17,013 |
| | 243,939 | 17,013 |

14 Operating profit

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

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2009 | 2008 |
| Crediting: | | |
| Reversal of provision for doubtful debts | (535) | (4,980) |
| Gains on disposal of available-for-sale financial assets | (145,944) | — |
| Charging: | | |
| Provision for impairment of other receivables | — | 3,789 |
| Default payment for termination of land acquisitions | 241,247 | — |
| Loss on disposal of investment properties | 1,687 | — |
| Loss on disposal of property, plant and equipment | 166 | 177 |

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

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

15 Finance costs

| | Six months ended 30 June | |
|--|--------------------------|-----------|
| | 2009 | 2008 |
| Interest on bank loans | 763,637 | 787,189 |
| Less: Amount capitalised in property, plant and equipment and properties under development | (494,536) | (680,207) |
| | 269,101 | 106,982 |

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties is 6.14% per annum for the six months ended 30 June 2009 (six months ended 30 June 2008: 7.01%).

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Income taxes

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2009 | 2008 |
| Current income tax | | |
| – PRC enterprise income tax (Note b) | 179,785 | 338,426 |
| Deferred income tax | (35,674) | 246,893 |
| | 144,111 | 585,319 |
| Current PRC land appreciation tax (Note c) | 323,443 | 207,885 |
| Total income tax expenses | 467,554 | 793,204 |

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

(b) PRC enterprise income tax

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

For six months ended 30 June 2009, the applicable income tax rate for the profits generated from property construction by a subsidiary was 3% based on the turnover throughout the period; the applicable income tax rate for the profits generated from companies other than the above subsidiary was 25% based on taxable profits.

(c) PRC land appreciation tax

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

17 Earnings per share

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

| | Six months ended 30 June | |
|---|--------------------------|-----------|
| | 2009 | 2008 |
| Profit attributable to equity holders of the Company (RMB thousands) | 160,032 | 1,558,508 |
| Weighted average number of ordinary shares in issue (thousands) | 3,222,367 | 3,222,367 |
| Earnings per share (expressed in RMB Yuan per share) | 0.0497 | 0.4837 |

18 Dividend

A 2008 final dividend of RMB0.28 per ordinary share, totalling RMB902,263,000 was paid in May 2009.

No interim dividend in respect of six months ended 30 June 2009 was proposed by the board of directors (2008: Nil).

19 Commitments

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

| | As at | |
|-----------------------------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Authorised but not contracted for | 3,244,109 | 6,623,266 |
| Contracted but not provided for | 13,955,564 | 8,732,922 |
| | 17,199,673 | 15,356,188 |

(b) Operating lease commitments

At 30 June 2009, the Group had future aggregate minimum lease expense for land and buildings under non-cancellable operating leases as follows:

| | As at | |
|---|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Not later than one year | 1,345 | 1,420 |
| Later than one year and not later than five years | 3,843 | 3,891 |
| Over five years | 24,587 | 25,053 |
| | 29,775 | 30,364 |

(c) Other commitments

During six months ended 30 June 2009, the Group entered into certain purchase agreements to acquire equity interests in a number of PRC companies for the purposes of acquiring land use rights located in various major cities in the PRC. Payment obligations of the Group were established when the other contracting parties have fulfilled their respective contractual obligations as specified in the contracts. The total commitments at 30 June 2009 were as follows:

| | As at | |
|---------------------------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Contracted but not provided for | 1,985,555 | 2,760,620 |

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

20 Future minimum rental payments receivable

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

| | As at | |
|---|------------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Not later than one year | 349,682 | 348,874 |
| Later than one year and not later than five years | 951,023 | 1,035,335 |
| Over five years | 926,793 | 997,831 |
| | 2,227,498 | 2,382,040 |

21 Financial guarantee contracts

| | As at | |
|---|-------------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties | 11,853,308 | 9,663,882 |

Notes:

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.

22 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) Provision of restaurant services

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|-------|
| | 2009 | 2008 |
| Common shareholders: 廣州富力宮酒家有限公司 | 2,546 | 9,267 |

ii) Lease of properties

| | Six months ended 30 June | |
|--|--------------------------|------|
| | 2009 | 2008 |
| Common shareholders: Central Hope Co., Ltd. | 120 | 120 |
| Lancaster-Toprich Ltd. | 120 | 120 |
| | 240 | 240 |

iii) Drinking water system charges

| | Six months ended 30 June | |
|--------------------------------------|--------------------------|-------|
| | 2009 | 2008 |
| Common shareholders: 廣州越富環保科技有限公司 | 8,251 | 3,507 |

iv) Key management compensation

| | Six months ended 30 June | |
|-------------------------------|--------------------------|-------|
| | 2009 | 2008 |
| Salaries and welfare benefits | 8,057 | 8,360 |

v) Appointment as property management

| | Six months ended 30 June | |
|--|--------------------------|------|
| | 2009 | 2008 |
| Common shareholders: 北京富盛利房地產經紀有限公司 | — | 426 |

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Significant related-party transactions (continued)

vi) Purchase of construction materials

| | Six months ended 30 June | |
|-------------|--------------------------|--------|
| | 2009 | 2008 |
| Associates: | | |
| 廣州超力混凝土有限公司 | 32,116 | 78,256 |

vii) Provision of design services

| | Six months ended 30 June | |
|----------------------|--------------------------|------|
| | 2009 | 2008 |
| Common shareholders: | | |
| 中山實地房地產開發有限公司 | — | 250 |

viii) Provision of construction services

| | Six months ended 30 June | |
|------------------------------|--------------------------|--------|
| | 2009 | 2008 |
| Common shareholders: | | |
| 惠州市金鵝溫泉實業有限公司 | — | 56,052 |
| 中山實地房地產開發有限公司 | — | 17,791 |
| | — | 73,843 |
| Jointly controlled entities: | | |
| 瀋陽億隆房屋開發有限公司 | 6,935 | 20,584 |
| | 6,935 | 94,427 |

22 Significant related-party transactions (continued)

ix) Balances with related parties

As at 30 June 2009, the Group had the following significant balances with related parties:

| | As at | |
|----------------------------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Due from: | | |
| Jointly controlled entities: | | |
| -Non-trade balances | | |
| Maxview Investment Limited | 199,072 | 169,332 |
| Value Success Investment Limited | 92,127 | 92,167 |
| 廣州市富景房地產開發有限公司 | 569,851 | 426,416 |
| 富力(瀋陽)房地產開發有限公司 | 20,000 | — |
| 瀋陽億隆房屋開發有限公司 | 269,874 | 254,889 |
| | 1,150,924 | 942,804 |
| -Trade balance | | |
| 瀋陽億隆房屋開發有限公司 | 34,625 | 19,679 |
| Associates: | | |
| -Non-trade balances | | |
| 北京富盛利房地產經紀有限公司 | 114,286 | 54,181 |
| Common shareholders: | | |
| -Non-trade balances | | |
| 廣州富力超市有限公司 | 118 | 118 |
| -Trade balances | | |
| 惠州市金鵝溫泉實業有限公司 | — | 127,898 |
| 中山實地房地產開發有限公司 | 46,012 | 51,089 |
| 廣州富力宮酒家有限公司 | 2,998 | 2,803 |
| | 49,010 | 181,790 |
| | 1,348,963 | 1,198,572 |

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Significant related-party transactions (continued)

ix) Balances with related parties (continued)

| | As at | |
|------------------------------|-----------------|---------------------|
| | 30 June 2009 | 31 December 2008 |
| Due to: | | |
| Jointly controlled entities: | | |
| -Non-trade balances | | |
| 富力（瀋陽）房地產開發有限公司 | — | 11,915 |
| Associates: | | |
| -Non-trade balances | | |
| 廣州溢富投資有限公司 | 2,520 | 2,520 |
| 廣州富力誠信信息科技有限公司 | 5 | 5 |
| | 2,525 | 2,525 |
| -Trade balance | | |
| 廣州超力混凝土有限公司 | 42,957 | 51,353 |
| | 45,482 | 53,878 |
| Common shareholders: | | |
| -Non-trade balances | | |
| 廣州越富環保科技有限公司 | 8,991 | 8,972 |
| 廣東華南環保投資股份有限公司 | 16,000 | 16,000 |
| 廣州宜富房地產開發有限公司 | 234 | 265 |
| | 25,225 | 25,237 |
| | 70,707 | 91,030 |

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and settled according to contract terms.