



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

Stock Code: 2777

Interim Report 2010

*For identification purpose only

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
17M/F., Hopewell Centre
183 Queen’s Road, East
Wanchai, Hong Kong

Principal Bankers

Agricultural Bank of China
Bank of China
Bank of Communications
China Citic Bank
China Construction Bank
China Everbright Bank
China Merchants Bank
China Minsheng Banking Corp. Ltd.
Huaxia Bank
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd.

Website

www.rfchina.com

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RESULTS

For the six months ended 30 June 2010, profit attributable to equity holders of the Company increased by 348% over the corresponding period last year, to RMB700.9 million, while total turnover rose by 49% to RMB6.93 billion. Turnover and profit from the Group's core business of property development for sale increased by 45% and 245% respectively, reaching RMB6.22 billion in turnover and RMB550.5 million in profit. The Group's other key business segments, hotel operations and property investment, achieved better results than in the same period last year; hotel revenue rose by 56% and achieved operating profit of RMB44.2 million, while profit from property investments increased approximately five times to RMB180.6 million due mainly to fair value gains. Despite monetary tightening moves by the Central Government aimed at cooling the property market, the Group's cash flow from operations remained strong and has culminated in a cash balance in excess of RMB10 billion at the end of the period. The directors have resolved to declare an interim dividend of RMB0.10 per share.

	Unaudited six months ended 30 June 2010 (RMB'000)	Unaudited six months ended 30 June 2009 (Restated) (RMB'000)	Percentage changes
Turnover	6,934,954	4,660,871	+49%
Profit for the half-year attributable to equity holders of the Company	700,946	156,301	+348%
Basic earnings per share (in RMB)	0.2175	0.0485	+348%
Dividend per share (in RMB)	0.10	Nil	N/A

BUSINESS REVIEW

During the period under review, the Chinese property market rebounded rapidly as the economy recovered from the financial crisis. The rebound, however, was accompanied by surging housing prices, which drew the attention of the government. In January, the State Council issued a notice to various government departments containing 11 directives on five broad areas for promoting the steady, healthy development of the property market. Since April 2010, a host of specific measures have been implemented in accordance with these directives. With a primary objective of reining in soaring home prices, these measures basically set the tone of the market environment for the ensuing period. The reaction of the property market was as predicted; in many cities, transaction volumes fell significantly as home buyers became understandably more cautious. Housing prices, meanwhile, have leveled off, although they have yet to show signs of any noticeable downward correction. The Group supports these cooling measures and is confident that they will bring about a healthy correction to the property market in the longer term.

The Group's primary target for 2010 is to achieve contracted sales of RMB30 billion. This target is an ambitious one, representing as it does 24% growth over what was achieved last year. The year began well, with the Group achieving very strong early sales. The tightening measures implemented in April then caused a significant contraction in the level of its contracted sales in May and June. Up to the end of the period under review, the Group's contracted sales amounted to RMB12.5 billion, or approximately 42% of its target for the full year. The Group's ability to achieve such a satisfactory sales performance in an increasingly difficult market is testimony to the success of the growth strategies it has adopted. Alongside its dedication to developing a trusted brand name in real estate property, one that is synonymous with outstanding quality and value, over the past few years the Group has also persistently pursued strategic diversification in terms of both geography and product range. Today, the Group is a truly national developer, operating in 12 cities across the country. We have managed to capture important opportunities in the booming Hainan property market, generating contracted sales there during the period under review in excess of RMB1.2 billion. We have also managed to exploit the depth of the Chongqing market with large-scale projects like Chongqing R&F City, which grossed RMB794 million and has been Chongqing's top-selling property project. As far as product diversification is concerned, the Group's mainstay has remained its mass residential units, but during the period under review it also offered some low-density properties and commercial properties (Guangzhou R&F Yingxin Plaza). These enjoyed combined contracted sales of over RMB1 billion. Government cooling measures tend to vary in the impact they have on different types of property; for instance, commercial properties are less susceptible to fluctuation caused by such measures. The Group's wide product range thus provided it with a sound base on which to deliver a relatively stable sales performance. Another important factor in business performance during the first half of the year was that, almost across the board, selling prices escalated rapidly in every city where the Group operates. Prices generally peaked in April and then softened once the government cooling measures were in place. For the Group, the most significant appreciation in selling price occurred in Tianjin, where the average selling price of projects increased by over 35% by comparison with 2009. Some individual projects recorded an even more substantial increase in selling price in the period, with rises of over 50% recorded for projects such as Hainan R&F Bay Shore and Beijing R&F Festival City.

Turning to the Group's land bank situation, the Group continued to adhere to its longstanding policy of disciplined caution, only acquiring high quality land and only when it is available at reasonable cost. Last year, we grasped a rare and valuable opportunity of acquiring the Asian Games City site jointly with other developers, and as a result at the beginning of the year the Group's land bank stood at a GFA of 23.99 million sq. m. Additions in the period under review included a piece of land in Longmen Town, Huizhou City with a GFA of 950,000 sq. m., and then, more importantly, a huge site with a GFA of 3.0 million sq. m. in Jinnan District, Tianjin. This was jointly acquired with other prestigious developers at a cost of RMB7.05 billion, and represents an exceptional acquisition considering its size and the attractive cost per sq. m. of RMB2,340. This project will be the third 'mega-project' that the Group has undertaken with other developers, in line with its strategy of spreading financial and development risks and of leveraging the special expertise of other partners. As at 30 June 2010, the Group's land bank stood at a GFA of 24.62 million sq. m., an amount which will sustain from three to five years of usage based on the Group's current development plan.

Construction of the Group's newest investment property, Chengdu Tianhui Mall, has entered its final phase; the mall is expected to open for business in late October 2010. Pre-leasing is underway and all indications suggest that our targets for both first year occupancy levels and rental rates are likely to be achieved. Given its superb location, we believe the mall is destined to quickly become a leisure and shopping 'hot spot' for Chengdu. Meanwhile, the four hotels owned by the Group each entered their third year of operation. Benefiting from an improvement in the general economic landscape and the gradual development of solid reputations in their respective localities, the hotels have achieved distinctly improved results. They have each reported satisfactory rises in average occupancy levels, while total revenue and operating profits increased by more than 56% and 40% respectively over the corresponding period last year. The Group's rental office buildings, Guangzhou R&F Center and Beijing R&F Center, delivered stable occupancy levels and rental rates in the period.

PROSPECTS

Despite the reversal in market conditions following the introduction of government cooling measures in April, we are confident that our target for full year contracted sales of RMB30 billion remains attainable. We believe that the property market is being driven by genuine deep-seated demand for improved housing; government measures introduced from time to time to control excesses in the market will, we believe, set the property market firmly on a path to healthier long-term growth. The Group's latest contracted sales figures for July may provide early evidence of this; contracted sales went back up to approximately RMB3.1 billion for July, matching the best monthly sales achieved at the top of the market prior to the abrupt sales slowdown in May and June. As for trends in selling prices, these have yet to show any notable correction; we anticipate that when it does occur, any correction will be moderate. The Group's investment properties will continue to provide it with a stable cash inflow, while there is also much upside potential for the Group's Guangzhou hotels due to arise from events such as the 16th Asian Games, scheduled in November of the year.

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

26 August 2010, Hong Kong

OPERATION REVIEW

PROPERTY DEVELOPMENT

The Group's property projects span 12 cities across China. During the period, the Group made satisfactory contracted sales equivalent to 42% of the full year target and maintained a pace of construction that will ensure fulfillment of the Group's delivery plan.

Sale Properties Under Development

Sale properties under development amounted to approximately 7,583,000 sq. m. GFA at the end of June 2010 details of which are set out below:

Location	Number of Project	Approximate GFA (sq. m.)	Approximate saleable area (sq. m.)
Guangzhou	10	1,818,000	1,442,000
Beijing	8	885,000	751,000
Tianjin	6	1,453,000	1,186,000
Xian	1	281,000	251,000
Chongqing	3	781,000	621,000
Huizhou	1	250,000	189,000
Hainan	3	225,000	223,000
Chengdu	3	901,000	717,000
Shanghai (including Kunshan)	2	108,000	85,000
Taiyuan	2	809,000	693,000
Shenyang	1	72,000	72,000
TOTAL	40	7,583,000	6,230,000

Completion of Sale Properties

Completion in the period of 676,000 sq. m. represented approximately 28% of the Group's expected completion for 2010 of 2,388,000 sq. m. in saleable area, up from 16% for the same period in 2009 and the Group will continue working to even out completion through a year. Expected completion in the second half of 2010 is approximately 1,712,000 sq. m. as shown in the following table:

Area	2010 1 st Half		2010 2 nd Half	
	Approx. Total GFA (sq. m.)	Approx. Saleable Area (sq. m.)	Approx. Total GFA (sq. m.)	Approx. Saleable Area (sq. m.)
Southern China	336,000	270,000	606,000	520,000
Western China	117,000	106,000	167,000	129,000
Eastern China	4,000	4,000	90,000	88,000
Northern China	308,000	296,000	1,037,000	975,000
Total	765,000	676,000	1,900,000	1,712,000

Contracted Sales

The Group registered contracted sales of RMB12.52 billion and equivalent to 1.05 million sq. m. in GFA during the six months ended 30 June 2010 distributed in 12 cities as follow:

Location	Approximate GFA sold (sq. m.)	Approximate value (RMB million)
Guangzhou	180,000	2,972
Huizhou	29,000	307
Hainan	61,000	1,207
Chongqing	165,000	1,183
Chengdu	24,000	141
Shanghai (including Kunshan)	35,000	448
Beijing	155,000	2,552
Tianjin	182,000	2,244
Xian	67,000	445
Taiyuan	141,000	881
Shenyang	13,000	136
Total	1,052,000	12,516

PROPERTY INVESTMENT

The Chengdu Tianhui Mall at Chengdu Panda City is expected to be completed in late October 2010. When open for business, the Tianhui Mall will add approximately 110,000 sq. m. of leasable premium retail space to the Group's portfolio. Pre-leasing of the mall is currently underway and a high occupancy rate is expected at the time of opening.

In addition to office and retail space, the investment property portfolio of the Group has since mid 2009 also included logistic and storage facilities adjacent to Guangzhou's Baiyun Airport. Rental of logistic and storage space has the potential for expansion to become a significant source of the Group's rental income.

HOTEL OPERATION

The Group operates four hotels, two in Beijing (the Renaissance Beijing Capital Hotel and the Express by Holiday Inn Temple of Heaven Beijing) and two in Guangzhou (The Ritz-Carlton, Guangzhou and Grand Hyatt Guangzhou). All hotels are in their third year of operation and occupancy rate are rising steadily. Major events held in Beijing and Guangzhou such as the 16th Asian Games of Guangzhou in November 2010 will benefit the hotel operation.

LAND BANK

The following two pieces of land were bought during the period:

Location	Site Area (sq. m.)	GFA (sq. m.)	Attributable GFA (sq. m.)	Total Land Cost (RMB million)	Average Land Cost (RMB/sq. m.)
Longmen Town, Huizhou	666,700	950,000	950,000	144	152
Jinnan District, Tianjin	1,289,000	3,011,000	752,750 ^(Note)	1,762.5 ^(Note)	2,340
Total	1,955,700	3,961,000	1,702,750		

Note: Jointly acquires with three other developers – being 25% of total.

As at 30 June 2010, the Group was in possession of the following land bank:

Area	Approximate GFA (sq. m.)	Approximate saleable area (sq. m.)
Southern China	6,605,000	6,128,000
Northern China	8,407,000	7,604,000
Eastern China	641,000	576,000
Western China	8,066,000	7,883,000
Investment Properties	898,000	748,000
Total	24,617,000	22,939,000

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2010 increased to RMB702.5 million, from RMB155.1 million for the corresponding prior period. The increased profit reflected the better result of the Group's core business of property development and the other two main businesses, hotel operations and property investment. Profit from property development accounted for 78% of the Group's total net profit and amounted to RMB550.5 million. Compared to the prior period, this profit increased by 245% as driven by more completion in terms of saleable area. The steady rise of occupancy rate of the Group's four hotels increased operating profit of the hotel operations to RMB44.2 million. As for property investment, profit was RMB180.6 million of which RMB151.9 million being after tax fair value gain.

The following comments on the components of income statement, with the exception of #6 (on financing costs) and #8 (on net profits), relate only to property development:

1. Turnover increased by 45% to RMB6.22 billion, from RMB4.28 billion in the same period of 2009. The Group completed projects in 12 cities in the six months ended 30 June 2010 with its first ever deliveries in Chengdu. The amount of saleable area sold increased by 67%, more than the increase in turnover, to 698,000 sq. m. from 418,000 sq. m. as the overall average selling price fell from RMB10,200 to RMB8,900 per sq. m. Although many projects have had higher selling price than in the prior period, one of the reasons for this decrease was the sale of low-income housing project, Beijing R&F American Dream Island, which caused a drop in the average selling price in Beijing. Guangzhou accounted for 45% of total turnover, the highest among all 12 cities. Turnover there, derived mainly from eight residential projects amounted to RMB2.80 billion, approximately the same as the prior period. Guangzhou R&F Golden Jubilee Garden was the Group's top project, with turnover amounting to RMB1.503 billion with average price of RMB13,300 per sq. m. The new project of R&F Junhu Palace with a turnover of RMB137.9 million had an above-average selling price of RMB19,500 per sq. m. The average selling prices of Guangzhou's other major residential properties generally increased as compared to the previous period. Guangzhou R&F City and R&F Jingang City which together brought in RMB610.9 million and accounted for approximately 22% of the Group's turnover in Guangzhou saw selling price increased more than 35%. The average selling price of Guangzhou was RMB11,400 per sq. m. Sales in Beijing more than double to RMB1.25 billion and accounted for 20% (1H 2009: 13%) of the Group's total turnover. This turnover came mainly from four projects continuing from the previous year, viz. R&F Festival City, R&F Danish Town, R&F Bayshore and R&F Xinran Court which have a combined turnover of RMB826.7 million and from the new low-income housing project of R&F American Dream Island which added RMB368 million in turnover. The average selling prices of the continuing projects were much better than comparable prices in the first half of 2009 increasing 47% in case of R&F Festival City. R&F American Dream Island, however, as a low-income housing project, sold at average price of RMB5,480 per sq. m. and was a main factor for Beijing's overall average selling price reduction by 20% to RMB9,390 per sq. m. in the period. The other ten cities in which the Group operated contributed the remaining 35% of the turnover. Of the make up of this turnover, the more significant were RMB294 million from Hainan R&F Bayshore and RMB325 million from Taiyuan R&F City.

2. Cost of sales comprised five components, of which land and construction costs is the most important. For the current period, land and construction cost made up 82% of the Group's total costs, up from 80% for the six month ended 30 June 2009. In terms of costs per sq. m., land and construction cost fell to RMB4,950 from RMB5,690 in the previous period. This reflected that marginal increase in land and construction costs of projects in mature cities were more than offset by the lower land and construction cost of such new cities as Taiyuan and Chengdu. Land and construction costs ranged from a high end in the range of RMB6,000 per sq. m. (in Guangzhou, Beijing, Tianjin and Hainan) to a low end in the range of RMB3,000 per sq. m. (in Chongqing, Taiyuan and Chengdu). Capitalized interest was also a significant part of the cost of sales; the amount included in cost of sales was RMB334 million representing approximately 7.9% of total costs, up from RMB267 million and down from 8.9% the previous period. As a percentage of turnover from sale of properties, capitalized interest decreased to 5.4% from 6.2%. The cost of sales also included RMB342 million in business tax, making up 8.1% of costs.
3. Overall gross margin for the period was 32.1% as compared to 30.1% in the same period of 2009. The top-selling project Guangzhou R&F Golden Jubilee Garden which accounted for 24% of the Group's turnover registered a gross margin of 35%. Much of the turnover recognized for the period arose from contracted sales made when the market was recovering which meant improved margin for many projects. More notable was the improvement in margin of projects in Chongqing which average over 17 percentage points. However, the Beijing R&F American Dream Island as a low-income housing project had gross margin of only 9% and the negative impact on overall gross margin is estimated to be approximately 1.5%.
4. Other gains mainly comprised interest income and the profit on the sale of a remaining floor of the office tower adjoining the Grand Hyatt Guangzhou.
5. Selling and administration expenses for the period increased by 23% or RMB115 million, to RMB612 million. Broken down, selling expenses increased by RMB28 million to RMB168 million and administrative expenses increased by RMB87 million to RMB444 million. The increase in selling and administrative expenses reflected the continued expansion of the Group's operation with a target contracted sales of RMB30 billion for 2010. The Group had 35 projects on sale and 40 projects under development at the end of the period. Advertising costs increased by 41% to RMB92 million, making up 55% of selling expenses. With the market slowing down, generation of RMB136 million contracted sales per RMB million of advertising expenditure was efficient use of resources. Manpower costs made up an ever higher portion of administrative expenses of 53%. The Group spared no expenses to build up a team of the highest caliber increasing total manpower-related costs by RMB53 million to RMB236 million. Office and utility expenses had increased by RMB14 million. Overall, selling and administrative expenses as a percentage of turnover decreased to 9.8% from 11.6% in the previous period.
6. Finance costs increased by 74% to RMB467.6 million (1H 2009: RMB269.1 million), and were made up of the interest expenses incurred in the period after deduction of amount capitalized to development costs. Although average outstanding loans in the period rose 25% to approximately RMB26.3 billion from RMB21.0 billion, total interest expenses for the period increased only slightly because of lower interest rate. Interest expenses for the period increased by RMB9 million to RMB773 million. The amount of interest capitalized, however, reduced by RMB190 million, resulting in a net increase in finance costs. Capitalized interest released to cost of sales amounted to RMB334.2 million, as compared to RMB266.9 million for the previous period. Aggregate interest costs included in this period's results amounted to RMB801.8 million (1H 2009: RMB536.0 million).

7. Land appreciation tax (LAT) of RMB358 million (1H 2009: RMB323 million) and Enterprise Income Tax of RMB298 million brought the Group's total income tax expenses for the period to RMB656 million. As a percentage of turnover, LAT decreased to 5.8% from 7.6% in the same period of 2009. This has decreased because included in the last period results was the sale of a commercial project, Guangzhou R&F Ying Tai Plaza, of exceptionally good profit margin and attracted high LAT.
8. Overall the Group's net profit margin for the period was 10.1%, as compared to 3.3% in the previous period. A major factor for this increase was a 2.0% improvement in the gross margin from property development.

Financial resources and liquidity

At 30 June 2010, total cash on hand including amounts restricted for specified usage was RMB10.93 billion (31 December 2009: RMB7.89 billion). 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 RMB28.20 billion (31 December 2009: RMB24.39 billion), net debt increased to RMB17.27 billion from RMB16.50 billion at 31 December 2009. Net debt to equity ratio accordingly increased to 105% at 30 June 2010 from 98% at 31 December 2009. Considering the Group's cash flow from sales and the expected capital expenditures, the net debt to equity ratio is expected to decrease.

During the six months ended 30 June 2010, new borrowings of RMB10.55 billion have been procured at interest rate ranging from 4.78% to 5.94% while loans repaid amounted to RMB6.75 billion. The effective interest rate of the total loan portfolio at 30 June 2010 was 5.23% (31 December 2009: 5.40%). Other than a RMB 5.5 billion domestic bond which carries fixed interest at 6.85% per annum, 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 2010, certain properties and bank deposits were pledged to secure bank loans amounted to RMB9.91 billion (31 December 2009: RMB9.89 billion).

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 2010, such guarantees totaled RMB12.28 billion which increased 0.7% from RMB12.19 billion as at 31 December 2009.

Employee and remuneration policies

As of 30 June 2010, the Group had approximately 9,836 employees (30 June 2009: 5,938). 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.

DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2010 ("Interim Dividend") of RMB0.10 per share to shareholders whose names appear on the Register of Members as at 17 September 2010 (the "Record Date"). The Interim Dividend will be paid on 15 October 2010.

According to Article 153 of the Company's article of association, dividend payable to the holders of H shares shall be paid in Hong Kong dollars, based on an exchange rate which was the average closing exchange rates for Renminbi ("RMB") to Hong Kong dollars announced by the People's Bank of China for the week prior to the date of the declaration of the Interim Dividend.

The average of the closing exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to 26 August 2010, the date on which the Interim Dividend was declared was RMB0.874194 to HK\$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK\$0.114391.

According to the Corporate Income Tax Law of the PRC and the Implementation Rules of the Corporate Income Tax Law of the PRC (together, the "CIT Law") that became effective from 1 January 2008, the Company is required to withhold PRC corporate income tax at the rate of 10% before paying dividend to non-resident enterprise shareholders. The Company will withhold payment of income tax on dividends for non-resident enterprise shareholders based on the register of its H shareholders as at the Record Date. All shareholders whose names appear in the register of its H shareholders as at the Record Date who are not individuals, including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organizations, will be considered as non-resident enterprise shareholders and will be subject to the withholding tax of 10%. The Interim Dividend to be received by such non-resident enterprise shareholders net of withholding tax will be HK\$0.102952 per share. The 10% income tax will not be deducted from the Interim Dividends payable to any natural person shareholders whose names appear in the register of the Company's H shareholders as at the Record Date.

The Company has appointed Bank of China (Hong Kong) Trustee Limited as the receiving agent in Hong Kong and will pay to the receiving agent the Interim Dividend for payment to holders of H shares on 15 October 2010. Cheques will be dispatched to holders of H shares by ordinary post at their own risk.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 13 September 2010 (Monday) to 17 September 2010 (Friday) (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanied by relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 September 2010 (Friday).

REVIEW OF INTERIM RESULTS

The Company's unaudited results for the six months ended 30 June 2010 have been reviewed by the audit committee of the Company. 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.

SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2010 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 2010, 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
UBS AG	“H” share	135,498,905(L)	13.35%
		113,531,923(S)	11.18%
Credit Suisse Group AG	“H” share	75,769,304(L)	7.46%
		50,684,009(S)	4.99%
Morgan Stanley	“H” share	68,106,461(L)	6.71%
		24,107,911(S)	2.37%
JP Morgan Chase & Co.	“H” share	62,345,487(L)	6.14%
		16,796,800(S)	1.65%
		37,445,856(P)	3.69%
Citigroup Inc.	“H” share	55,196,799(L)	5.44%
		16,803,789(S)	1.66%
		10,415,524(P)	1.03%
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 2010, 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 2010 were as follows:

Directors	Type of interest	Number of Shares			Total	Percentage of total number of issued shares
		Personal	Spouse or children Under 18	Corporate Interest		
Li Sze Lim	Domestic share	1,045,092,672			1,067,092,672	33.12%
	"H" share	10,000,000	5,000,000	7,000,000		
Zhang Li	Domestic share	1,005,092,672	20,000,000		1,028,367,072	31.91%
	"H" share	3,074,400	200,000			
Lu Jing	Domestic share	35,078,352			35,078,352	1.09%
Zhou Yaonan	Domestic share	22,922,624			22,922,624	0.71%
Li Helen	"H" share	1,003,600			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 2010, 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.

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 indepent 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 2010.

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 2010.

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 review the accounting policies and practices adopted by the Group as well as reviewing the Group's financial reporting and internal control matters. 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 financial information of the Company for the six months ended 30 June 2010.

REMUNERATION COMMITTEE

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

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

SHAREHOLDERS RELATION

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

Condensed Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited 30 June 2010	Audited 31 December 2009
ASSETS			
Non-current assets			
Land use rights	5	679,008	691,855
Property, plant and equipment	5	3,498,993	3,494,362
Investment properties	5	10,517,704	10,331,637
Intangible assets	5	855,495	853,098
Interests in jointly controlled entities		1,087,397	876,063
Interests in associates		314,218	35,348
Deferred income tax assets		962,332	719,589
Available-for-sale financial assets		175,000	175,000
Trade and other receivables	6	867,050	461,108
		18,957,197	17,638,060
Current assets			
Properties under development		31,344,374	30,324,980
Completed properties held for sale		5,063,267	4,715,325
Inventories		262,220	285,833
Trade and other receivables	6	5,371,844	4,553,132
Tax prepayments		1,411,833	939,436
Restricted cash	7	1,288,921	1,244,972
Cash	8	9,644,889	6,642,279
		54,387,348	48,705,957
Total assets		73,344,545	66,344,017
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	805,592	805,592
Other reserves		4,314,853	4,314,853
Retained earnings			
– Proposed dividend	18	322,237	1,160,052
– Others		11,011,854	10,633,145
		16,454,536	16,913,642
Non-controlling interests		107,237	105,724
Total equity		16,561,773	17,019,366

	Note	Unaudited 30 June 2010	Audited 31 December 2009
LIABILITIES			
Non-current liabilities			
Long-term borrowings	10	24,014,252	17,522,790
Deferred income tax liabilities		1,755,964	1,726,853
		25,770,216	19,249,643
Current liabilities			
Accruals and other payables	11	7,304,926	8,846,410
Deposits received on sale of properties		16,814,828	11,365,612
Current income tax liabilities		2,709,786	2,995,887
Short-term bank loans	10	394,616	853,499
Current portion of long-term bank loans	10	3,788,400	6,013,600
		31,012,556	30,075,008
Total liabilities		56,782,772	49,324,651
Total equity and liabilities		73,344,545	66,344,017
Net current assets		23,374,792	18,630,949
Total assets less current liabilities		42,331,989	36,269,009

The notes on pages 24 to 42 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Income Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2010	2009 Restated
Revenue	4	6,934,954	4,660,871
Cost of sales		(4,674,216)	(3,138,505)
Gross profit		2,260,738	1,522,366
Other gains – net	12	295,714	193,205
Selling and administrative expenses		(703,326)	(589,098)
Other operating expenses – net	13	(24,300)	(243,939)
Operating profit	14	1,828,826	882,534
Finance costs	15	(467,622)	(269,101)
Share of results of jointly controlled entities		(239)	5
Share of results of associates		(2,910)	8,007
Profit before income tax		1,358,055	621,445
Income tax expenses	16	(655,596)	(466,311)
Profit for the period		702,459	155,134
Profit attributable to:			
– Equity holders of the Company		700,946	156,301
– Non-controlling interests		1,513	(1,167)
		702,459	155,134
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in RMB Yuan per share)	17	0.2175	0.0485
Dividend	18	322,237	—
Dividend per share (expressed in RMB Yuan per share)		0.10	—

The notes on pages 24 to 42 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2010	2009 Restated
Profit for the period	702,459	155,134
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	702,459	87,917
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	700,946	89,084
– Non-controlling interests	1,513	(1,167)
	702,459	87,917

The notes on pages 24 to 42 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited					
	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
Balance at 1 January 2009	805,592	4,350,497	9,795,960	14,952,049	93,049	15,045,098
Comprehensive income						
Profit for the period	—	—	156,301	156,301	(1,167)	155,134
Other comprehensive income						
Fair value gain on available-for-sale financial assets released to profit and loss accounts, net of tax	—	(67,217)	—	(67,217)	—	(67,217)
Total comprehensive income for the period ended 30 June 2009	—	(67,217)	156,301	89,084	(1,167)	87,917
Transactions with owners						
Dividend relating to 2008 paid in 2009	—	—	(902,263)	(902,263)	(21,386)	(923,649)
Balance at 30 June 2009	805,592	4,283,280	9,049,998	14,138,870	70,496	14,209,366
Balance at 1 January 2010	805,592	4,314,853	11,793,197	16,913,642	105,724	17,019,366
Comprehensive income						
Profit for the period	—	—	700,946	700,946	1,513	702,459
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the period ended 30 June 2010	—	—	700,946	700,946	1,513	702,459
Transactions with owners						
Dividend relating to 2009 paid in 2010	—	—	(1,160,052)	(1,160,052)	—	(1,160,052)
Balance at 30 June 2010	805,592	4,314,853	11,334,091	16,454,536	107,237	16,561,773

The notes on pages 24 to 42 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2010	2009
Cash flows from operating activities – net	1,227,143	3,612,556
Cash flows from investing activities		
– purchases of property, plant and equipment	(202,312)	(71,730)
– purchases of intangible assets	(3,092)	(308)
– increase in investment properties under construction	(131,281)	—
– proceeds on disposals of property, plant and equipment and land use rights	181,522	3,311
– proceeds on disposal of investment properties	8,500	12,952
– proceeds on disposal of available-for-sale financial assets	—	112,500
– payment of remaining consideration for a business combination in 2007	(100,000)	—
– capital contributions made to jointly controlled entities and associates	(487,758)	—
– cash advanced to jointly controlled entities and associates	(200,815)	—
– interest received	30,851	22,155
– distribution of dividend from available-for-sale financial assets	18,900	—
Cash flows from investing activities – net	(885,485)	78,880
Cash flows from financing activities		
– proceeds from borrowings net of transaction costs and guarantee deposits for bank borrowings	10,533,227	6,754,601
– repayments of borrowings	(6,747,396)	(5,732,427)
– dividend paid to non-controlling interests	—	(21,386)
– dividend paid to equity holders of the Company	(1,124,879)	(902,263)
Cash flows from financing activities – net	2,660,952	98,525
Net increase in cash	3,002,610	3,789,961
Cash at beginning of period	6,642,279	1,449,668
Cash at end of period	9,644,889	5,239,629

The notes on pages 24 to 42 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, hotel operations and other property development related service 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 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 26 August 2010.

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 2010 has been prepared in accordance with Hong Kong Accounting Standard (“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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2009, 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.

Standards, amendments and interpretations to existing standards effective in 2010 but not currently relevant to the Group:

- 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’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Group, as the Group does not have business combinations occurred during the period.
- HK(IFRIC)-Int 17, ‘Distributions of non-cash assets to owners’ is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as the Group has not made any non-cash distributions.

3. Accounting policies (continued)

- ‘Additional exemptions for first-time adopters’ (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as the Group is an existing HKFRS preparer.
- HKAS 39 (Amendment), ‘Eligible hedged items’ is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as the Group has no hedging activities.
- HKFRS 2 (Amendment), ‘Group cash-settled share-based payment transaction’ is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group has no such share-based payment transactions.
- First improvements to HKFRS (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 “Non-current assets held for sale and discontinued operations” is effective for annual period on or after 1 July 2009.
- Second improvements to HKFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

4. Segment information

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review 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 Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Each business provides different products or services.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the year. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

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 Executive Directors for the reportable segments for the six months ended 30 June 2010 and 2009 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2010					
Segment revenue	6,220,623	184,825	276,721	307,652	6,989,821
Inter-segment revenue	—	(25,019)	(9,194)	(20,654)	(54,867)
Revenue from external customers	6,220,623	159,806	267,527	286,998	6,934,954
Profit/(loss) for the period	550,548	180,566	(70,768)	42,113	702,459
Finance costs	(291,112)	(98,114)	(74,619)	(3,777)	(467,622)
Share of results of jointly controlled entities	(239)	—	—	—	(239)
Share of results of associates	(726)	—	—	(2,184)	(2,910)
Income tax expense	(607,225)	(60,189)	23,589	(11,771)	(655,596)
Depreciation and amortisation	38,500	—	69,910	1,536	109,946
Provision for impairment of doubtful debts	1,881	—	—	294	2,175
Fair value gain on investment properties	—	202,482	—	—	202,482
Six months ended 30 June 2009					
Segment revenue	4,276,847	131,188	181,697	91,934	4,681,666
Inter-segment revenue	—	(10,286)	(10,509)	—	(20,795)
Revenue from external customers	4,276,847	120,902	171,188	91,934	4,660,871
Profit/(loss) for the period	159,790	30,739	(86,440)	51,045	155,134
Finance costs	(109,524)	(82,987)	(70,238)	(6,352)	(269,101)
Share of results of jointly controlled entities	5	—	—	—	5
Share of results of associates	—	—	—	8,007	8,007
Income tax expense	(469,041)	(10,247)	28,813	(15,836)	(466,311)
Depreciation and amortisation	160,405	—	73,293	—	233,698
Reversal of impairment of doubtful debts	(535)	—	—	—	(535)
Fair value gain on investment properties	—	—	—	—	—

4. Segment information (continued)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated income statement.

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2010					
Segment assets	57,407,810	10,517,704	3,979,933	301,766	72,207,213
Segment assets include:					
Interests in jointly controlled entities	1,087,397	—	—	—	1,087,397
Interests in associates	275,460	—	—	38,758	314,218
Additions to non-current assets (other than financial instruments and deferred tax assets)	45,966	31,135	79,316	1,320	157,737
Segment liabilities	23,604,644	—	228,003	287,107	24,119,754
As at 31 December 2009					
Segment assets	51,286,881	10,331,637	3,578,505	252,405	65,449,428
Segment assets include:					
Interests in jointly controlled entities	876,063	—	—	—	876,063
Interests in associates	—	—	—	35,348	35,348
Additions to non-current assets (other than financial instruments and deferred tax assets)	147,322	1,969,830	267,482	1,860	2,386,494
Segment liabilities	19,589,626	—	339,255	283,141	20,212,022

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Deferred tax and available-for-sale financial assets held by the Group are not considered to be segment assets but rather are managed on a central basis.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

4. Segment information (continued)

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

	As at	
	30 June 2010	31 December 2009
Segment assets for reportable segments	72,207,213	65,449,428
Deferred income tax assets	962,332	719,589
Available-for-sale financial assets	175,000	175,000
Total assets per balance sheet	73,344,545	66,344,017

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed on a central basis.

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

	As at	
	30 June 2010	31 December 2009
Segment liabilities for reportable segments	24,119,754	20,212,022
Deferred income tax liabilities	1,755,964	1,726,853
Current income tax liabilities	2,709,786	2,995,887
Current borrowings	4,183,016	6,867,099
Non-current borrowings	24,014,252	17,522,790
Total liabilities per balance sheet	56,782,772	49,324,651

5. Capital expenditure

	Intangible assets	Investment properties	Property, plant and equipment	Land use rights
Six months ended 30 June 2009				
Opening net book amount at 1 January 2009	876,328	7,360,581	3,367,336	625,464
Additions	308	—	71,730	—
Disposals	—	(14,639)	(3,477)	—
Depreciation and amortisation	(41,784)	—	(99,846)	(8,416)
Closing net book amount at 30 June 2009	834,852	7,345,942	3,335,743	617,048
Six months ended 30 June 2010				
Opening net book amount at 1 January 2010	853,098	10,331,637	3,494,362	691,855
Additions	3,092	31,135	123,510	—
Disposals	—	(47,550)	(16,748)	(3,251)
Fair value gain (including in other gains - net)	—	202,482	—	—
Depreciation and amortisation	(695)	—	(102,131)	(9,596)
Closing net book amount at 30 June 2010	855,495	10,517,704	3,498,993	679,008

6. Trade and other receivables

	As at	
	30 June 2010	31 December 2009
Trade receivables		
– Due from jointly controlled entities (Note 22 (xi))	57,062	41,844
– Due from third parties	694,679	850,675
	751,741	892,519
Less: provision for impairment of trade receivables	(2,756)	(2,756)
Trade receivables – net	748,985	889,763
Other receivables	885,137	517,650
Prepayments	1,258,970	2,405,522
Due from jointly controlled entities (Note 22 (xi))	1,293,107	1,222,250
Due from associates (Note 22 (xi))	2,077,217	1,402
Less: provision for impairment of other receivables	(24,522)	(22,347)
Total	6,238,894	5,014,240
Less: non-current portion	(867,050)	(461,108)
Current portion	5,371,844	4,553,132

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.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

6. Trade and other receivables (continued)

At 30 June 2010 and 31 December 2009, the ageing analysis of the trade receivables are as follows:

	As at	
	30 June 2010	31 December 2009
Trade receivables		
0 to 90 days	456,234	629,426
91 to 180 days	35,470	50,766
181 to 365 days	93,627	67,735
1 year to 2 years	88,461	83,987
Over 2 years	77,949	60,605
	751,741	892,519

7. Restricted cash

	As at	
	30 June 2010	31 December 2009
Guarantee deposits for construction of pre-sold properties (Note (a))	681,852	490,270
Guarantee deposits for resettlement costs (Note (b))	113,837	123,217
Guarantee deposits for construction payable (Note (c))	59,295	48,414
Guarantee deposits for bank borrowings (Note (d))	164,311	157,018
Guarantee deposits for mortgage loans provided to customers (Note (e))	63,873	25,307
Guarantee deposits for salary payments for construction workers (Note (f))	5,753	5,746
Guarantee deposits for bank acceptance notes (Note (g))	200,000	395,000
	1,288,921	1,244,972

Note:

- (a) In accordance with 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 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 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.

7. Restricted cash (continued)

Note: (continued)

- (d) Pursuant to the relevant bank loan agreement, 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.

Pursuant to a bank loan agreement, the Group is required to place all proceeds from lease of a property, which has been pledged to the bank as collateral of the loan, in a designated bank account. The deposit can be drawn out only after obtaining approval from the bank. As at 30 June 2010, the guarantee deposits amounted to RMB13,756,000 (31 December 2009: RMB6,941,000).

- (e) According to 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.
- (f) In accordance with relevant documents issued by the Guangzhou Municipal Labour & Social Security Bureau, certain construction companies of the Group are required to place deposits at designated bank accounts for potential default in salary payments to construction workers. Such guarantee deposits will only be released after completion of the construction projects and full payment of salaries.
- (g) According to the relevant contract, the Group is required to place certain cash deposits at a designated bank account as security for bank acceptance notes. Such guarantee deposits will only be released after full repayment of the notes.

8. Cash

	As at	
	30 June 2010	31 December 2009
Cash at bank and in hand	9,644,889	6,642,279

9. Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 31 December 2009 and 30 June 2010				
– 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

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

10. Borrowings

	As at	
	30 June 2010	31 December 2009
Non-current		
Long-term bank loans		
– Secured	9,610,841	9,266,921
– Unsecured	12,756,210	8,840,150
	22,367,051	18,107,071
Less: current portion of long-term bank loans	(3,788,400)	(6,013,600)
	18,578,651	12,093,471
Corporate bonds		
– Unsecured	5,435,601	5,429,319
	24,014,252	17,522,790
Current		
Short-term bank loans		
– Secured	296,616	625,499
– Unsecured	98,000	228,000
	394,616	853,499
Total borrowings	28,197,268	24,389,889

(a) Bank loans

Movements in bank loans are analysed as follows:

	Six months ended 30 June	
	2010	2009
Opening amount as at 1 January	18,960,570	20,470,922
Addition of bank loans	10,551,573	6,754,601
Transaction costs	(11,053)	—
Repayments of bank loans	(6,747,396)	(5,732,427)
Amortisation of transaction costs	7,973	—
Closing amount as at 30 June	22,761,667	21,493,096

10. Borrowings (continued)

(a) Bank loans (continued)

At 30 June 2010, bank loans totalling RMB9,907,457,000 (31 December 2009: RMB9,892,420,000) were secured by the following:

	As at	
	30 June 2010	31 December 2009
Land use rights	314,535	74,363
Properties under development	2,459,946	2,052,655
Property, plant and equipment	2,433,693	2,738,113
Investment properties	7,517,265	7,392,086
Completed properties held for sale	480,946	482,627
Restricted cash	150,555	150,077
Equity investments in subsidiaries	139,920	325,333
	13,496,860	13,215,254

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

	As at	
	30 June 2010	31 December 2009
Guarantors		
The Company	8,720,210	5,702,150
Subsidiaries	3,034,000	3,366,000
	11,754,210	9,068,150

At 30 June 2010, bank loans of RMB1,100,000,000 (31 December 2009: Nil) are credit loans.

The carrying amounts of bank loans are denominated in the following currencies:

	As at	
	30 June 2010	31 December 2009
RMB	22,465,051	18,535,072
HK dollars	296,616	425,498
	22,761,667	18,960,570

(b) Corporate bonds

The movements of the corporate bonds are set out below:

Amortised cost as at 1 January 2010	5,429,319
Interest charged (Note 15)	193,109
Interest included in other payables	(186,827)
Amortised cost as at 30 June 2010	5,435,601

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 2010	31 December 2009
Amounts due to jointly controlled entities (Note 22 (xi))	16,525	16,682
Amounts due to associates (Note 22 (xi))	38,201	40,852
Construction payables (Note (a))	4,082,677	4,980,885
Other payables and accrued charges (Note (b))	2,967,523	3,412,991
Notes payables	200,000	395,000
	7,304,926	8,846,410

All payable and accrual balances are denominated in RMB.

Note:

- 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.
- The balance mainly represents payables arising from acquisitions of equity interests in certain companies and other tax payables excluding income tax.
- The carrying amounts of accruals and other payables approximate their fair value.

12. Other gains – net

	Six months ended 30 June	
	2010	2009
Fair value gain on investment properties	202,482	—
Gain on disposal of available-for-sale financial assets	—	140,653
Gain/(loss) on disposals of property, plant and equipment and land use rights	28,165	(166)
Loss on disposal of investment properties	(8,376)	(1,687)
Interest income	30,851	22,155
Others	42,592	32,250
	295,714	193,205

13. Other operating expenses – net

	Six months ended 30 June	
	2010	2009
Default payment for termination of land acquisitions	—	240,000
Others	24,300	3,939
	24,300	243,939

14. Operating profit

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

	Six months ended 30 June	
	2010	2009
Crediting:		
Reversal of provision for doubtful debts	—	(535)
Gain on disposal of available-for-sale financial assets	—	(140,653)
Gain on disposals of property, plant and equipment and land use right	(28,165)	—
Charging:		
Provision for impairment of doubtful debts	2,175	—
Default payment for termination of land acquisitions	—	240,000
Loss on disposal of property, plant and equipment	—	166
Loss on disposal of investment properties	8,376	1,687

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.

Financial assets were reviewed for impairment as at 30 June 2010. There was no indication of impairment.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

15. Finance costs

	Six months ended 30 June	
	2010	2009
Interest on bank loans	579,485	763,637
Interest on corporate bonds (Note 10 (b))	193,109	—
Less: interest capitalised	(304,972)	(494,536)
	467,622	269,101

The average interest rate applied for capitalisation of funds borrowed and used for the development and sale of properties, investment properties under construction and property, plant and equipment was 5.30% per annum for the six months ended 30 June 2010 (six months ended 30 June 2009: 6.14%).

16. Income tax expenses

	Six months ended 30 June	
	2010	2009 Restated
Current income tax		
– PRC enterprise income tax (Note (b))	511,137	179,785
Deferred income tax	(213,632)	(36,917)
	297,505	142,868
Current PRC land appreciation tax (Note (c))	358,091	323,443
Total income tax expenses	655,596	466,311

(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 2010 (six months ended 30 June 2009: Nil).

(b) PRC enterprise income tax

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

For the six months ended 30 June 2010, the applicable income tax rate for the profits generated from property construction by a subsidiary was 2.5% (six months ended 30 June 2009: 3%) based on the revenue throughout the period; the applicable income tax rate for the profits generated from other business was 25% (six months ended 30 June 2009: 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. Basic and diluted earnings per share

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

	Six months ended 30 June	
	2010	2009 Restated
Profit attributable to equity holders of the Company	700,946	156,301
Weighted average number of ordinary shares in issue (thousands)	3,222,367	3,222,367
Earnings per share (RMB per share)	0.2175	0.0485

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

18. Dividend

A 2009 final dividend of RMB0.36 per ordinary share, totalling RMB1,160,052,000 was paid in June 2010.

An interim dividend of RMB0.10 per ordinary share in respect of six months ended 30 June 2010, totalling RMB322,237,000 was proposed by the board of directors (six months ended 30 June 2009: Nil).

19. Financial guarantee contracts

	As at	
	30 June 2010	31 December 2009
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	12,278,580	12,189,315

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; or (ii) completion of mortgage registration.

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.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

20. Commitments

(a) Expenditure commitments for properties under development

	As at	
	30 June 2010	31 December 2009
Authorised but not contracted for	10,272,817	8,669,380
Contracted but not provided for	8,806,048	11,784,199
	19,078,865	20,453,579

(b) Operating lease commitments

At 30 June 2010, the Group had future aggregate minimum lease payments for land and buildings under non-cancellable operating leases as follows:

	As at	
	30 June 2010	31 December 2009
Not later than one year	1,310	3,018
Later than one year and not later than five years	3,629	4,408
Over five years	23,650	23,282
	28,589	30,708

(c) Other commitments

The Group had commitments for investments in a number of PRC companies 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 2010 were as follows:

	As at	
	30 June 2010	31 December 2009
Contracted but not provided for	67,874	5,202,000

21. Future minimum rental payments receivable

At 30 June 2010, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	As at	
	30 June 2010	31 December 2009
Not later than one year	358,575	359,694
Later than one year and not later than five years	886,597	888,143
Over five years	707,351	811,120
	1,952,523	2,058,957

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 31.91% 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	
	2010	2009
Common shareholders:		
惠州市金鵝溫泉實業有限公司	4,331	—
廣州富力宮酒家有限公司	3,460	2,546
	7,791	2,546

ii) Lease of properties

	Six months ended 30 June	
	2010	2009
Common shareholders:		
Central Hope Co., Ltd.	—	120
Lancaster – Toprich Ltd.	—	120
	—	240

iii) Provision of lease of properties

	Six months ended 30 June	
	2010	2009
Common shareholders:		
廣州金貝殼投資有限公司 (「廣州金貝殼」)	612	—

iv) Drinking water system charges

	Six months ended 30 June	
	2010	2009
Common shareholders:		
廣州越富環保科技有限公司	1,977	8,251

v) Key management compensation

	Six months ended 30 June	
	2010	2009
Salaries and welfare benefits	8,097	8,057

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

22. Significant related-party transactions (continued)

vi) Provision of property management services

	Six months ended 30 June	
	2010	2009
Common shareholders:		
廣州金貝殼	111	—
北京富盛利房地產經紀有限公司 (「北京富盛利」)	426	426
	537	426

vii) Purchase of construction materials

	Six months ended 30 June	
	2010	2009
Associates:		
廣州超力混凝土有限公司 (「超力混凝土」)	40,648	32,116

viii) Provision of design services

	Six months ended 30 June	
	2010	2009
Jointly controlled entities		
廣州市富景房地產開發有限公司 (「廣州富景」)	10,587	—

ix) Provision of construction services

	Six months ended 30 June	
	2010	2009
Jointly controlled entities		
瀋陽億隆房屋開發有限公司 (「瀋陽億隆」)	45,301	6,935

22. Significant related-party transactions (continued)

x) Provision of guarantees for bank loans

The Group provided joint liability counter-guarantees for certain bank facilities granted to the Group's jointly controlled entities and an associate for project development purpose. Such guarantees are limited to the proportionate interest of the Group in the jointly controlled entities and an associate. As at 30 June 2010, the Group's proportionate guarantees for bank loans provided to its jointly controlled entities and an associate are shown as follows:

	As at	
	30 June 2010	31 December 2009
Jointly controlled entities:		
廣州富景	200,040	—
瀋陽億隆	50,000	—
	250,040	—
Associates:		
廣州利合房地產開發有限公司 (「廣州利合」)	760,000	—

xi) Balances with related parties

As at 30 June 2010, the Group had the following significant balances with related parties:

	As at	
	30 June 2010	31 December 2009
Due from:		
Jointly controlled entities		
– Non-trade balances		
Value Success Investment Limited	91,287	92,133
廣州富景	635,787	703,125
富力(瀋陽)商務諮詢有限公司	20,000	20,000
瀋陽億隆		
– consideration receivable	141,500	141,500
– prepayments of construction costs	104,730	155,930
	246,230	297,430
廣州聖景房地產開發有限公司 (「廣州聖景」)	124,803	109,562
惠州富茂房地產開發有限公司	175,000	—
	1,293,107	1,222,250
– Trade balance		
廣州聖景	236	236
瀋陽億隆	56,826	41,608
	57,062	41,844

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

22. Significant related-party transactions (continued)

xi) Balances with related parties (continued)

	As at	
	30 June 2010	31 December 2009
Due from:		
Associates		
– Non-trade balances		
廣州利合	1,575,815	—
天津津南新城房地產開發有限公司	500,000	—
北京富盛利	1,402	1,402
	2,077,217	1,402
	3,427,386	1,265,496
Due to:		
Jointly controlled entities		
– Non-trade balances		
Maxview Investment Limited	16,525	16,682
Associates		
– Non-trade balances		
超力混凝土	—	4,200
廣州富力城信信息科技有限公司	5	5
	5	4,205
– Trade balance		
超力混凝土	38,196	36,647
	38,201	40,852
	54,726	57,534

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.

23. Restatement of comparative figures

In preparing the consolidated financial statements for the year ended 31 December 2009, the Group changed its accounting policy for land use rights which is held for development for sales. The condensed consolidated income statement for the six months ended 30 June 2009 has been restated accordingly.