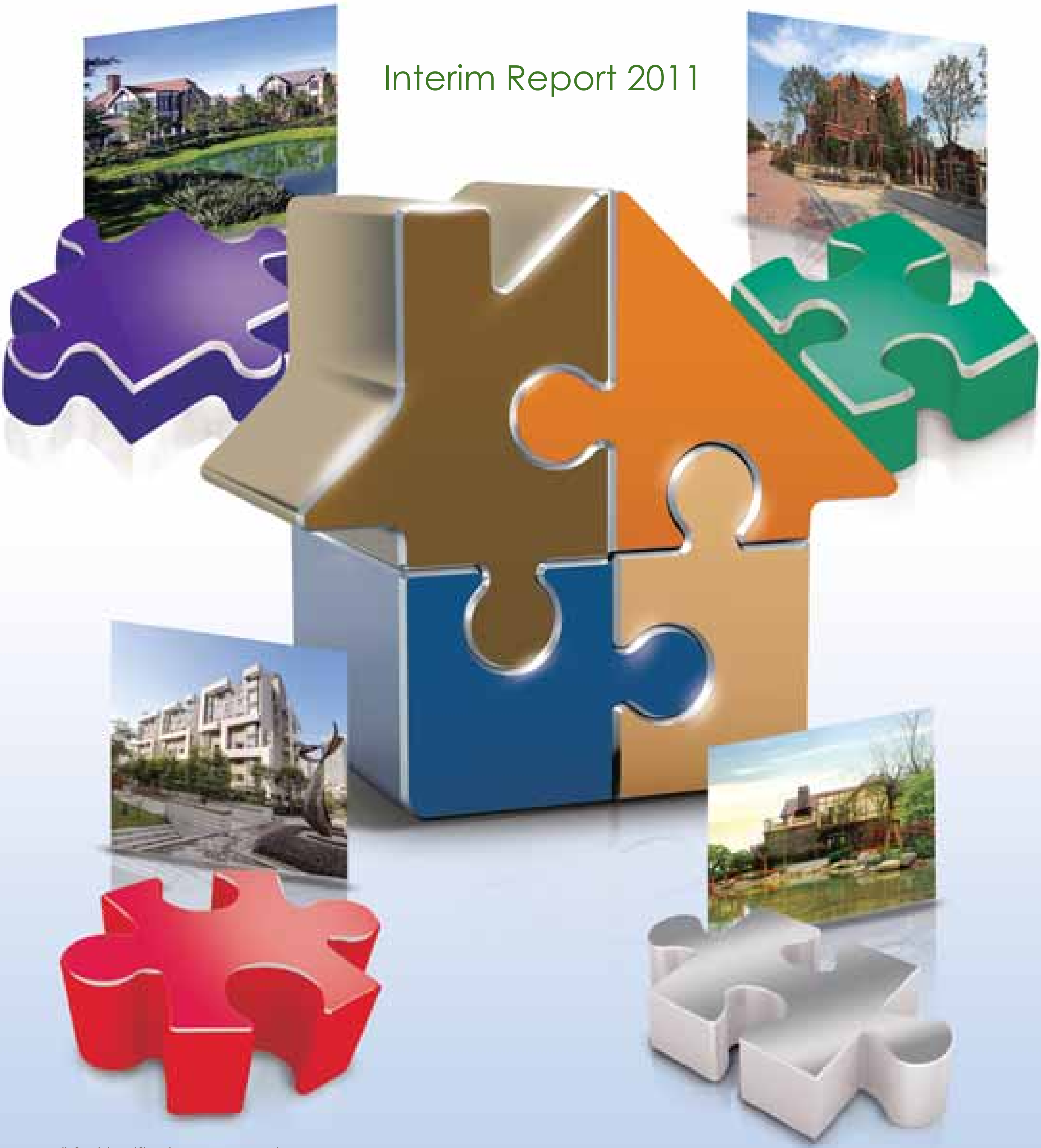
廣州富力地產股份有限公司
GUANGZHOU R&F PROPERTIES CO., LTD.*
Stock Code : 2777

Interim Report 2011



* 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
Website	www.rfchina.com

Contents

RESULTS

For the six months ended 30 June 2011, profit attributable to owners of the Company increased significantly by 186% over the corresponding period last year, to RMB2.01 billion, while total turnover rose by 58% to RMB10.98 billion. This encouraging result arose from the careful execution of our business plan: we delivered a total saleable area of 724,000 sq. m. on schedule while further improving our gross margin; our maturing hotel operation saw momentum added to revenue growth from the hotels; and an expanded investment property portfolio pushed our rental income upwards.

Turnover and profit from the Group's core business of property development for sale increased by 62% and 269% respectively, reaching RMB10.07 billion in turnover and RMB2.03 billion in profit. The Group's other key business segments, hotel operations and property investment, achieved significantly better results than in the same period last year; hotel revenue jumped by 37% and achieved EBITDA of RMB91.9 million, while income from property investments increased by 32% to RMB210.3 million. Despite monetary tightening moves by the Central Government aimed at reining in inflation, the Group's cash flow from operations remained strong and has culminated in a cash balance in excess of RMB12 billion at the end of the period. The directors have resolved to declare an interim dividend of RMB0.20 per share.

	Unaudited six months ended 30 June 2011 (RMB'000)	Unaudited six months ended 30 June 2010 (RMB'000)	Percentage changes
Turnover	**10,982,442**	6,934,954	+58%
Profit for the half-year attributable to owners of the Company	**2,005,840**	700,946	+186%
Basic earnings per share (in RMB)	**0.6225**	0.2175	+186%
Dividend per share (in RMB)	**0.20**	0.10	+100%

BUSINESS REVIEW

In the first half of 2011, the global economic scene remained overshadowed by negative factors of different kinds: these included the threat of a fully-fledged European sovereign debt crisis, the drag of the stalled U.S. economy, and fallout from natural disasters such as the earthquake and tsunami in Japan in March. Any one of these factors could potentially have some impact on the global economy in the second half of the year, ranging in seriousness from simply slowing down global recovery to triggering an outright global downturn.

Despite the uncertain global situation, the Chinese economy performed well in the period; GDP rose by 9.6% year-on-year, although GDP growth tapered off slightly in the second quarter as a result of the implementation of macro policies primarily aimed at reining in inflation. With inflation surging to 6.4% in June 2011, its highest level in almost three years, the Central Government has made curbing inflation its top priority. In response, the People's Bank of China has raised interest rates five times since October 2010, the most recent hike coming in early July. Controlling housing prices has been another important element in the Central Government's efforts to contain inflation. The various measures implemented since early 2010 to regulate the property market have been strictly and consistently enforced. In July, the State Council reiterated its resolve to maintain the tightening measures and issued five further directives; these included a directive requiring local authorities to pay extra attention to second and third-tier cities that have experienced excessive gains in housing prices, something that suggests that the current restrictions on home purchases in first-tier cities may be extended to second and third-tier cities as well. Overall it can be said that the period saw some further tightening in terms of regulatory measures, but that the business environment has not changed significantly. The Group's strategy has again proved to be effective in tackling the realities of the current economic climate.

At the start of the year the Group set a contracted sales target of RMB40 billion, representing growth of 25% over the contracted sales it achieved in 2010. Up to 30 June 2011, contracted sales achieved amounted to RMB13.4 billion, or 34% of the full year target. This apparent lag in contracted sales was by no means an indication of sales under-performing as compared to the plan, but merely a result of the timing of the securing of pre-sale permits and project launches. Of the pre-sale permits that the Group expects to obtain in the year, only around 20% (by sale value of the properties) were obtained in the first half of the year, with the other 80% expected in the second half of the year. In the light of this, and given the general state of the property market, contracted sales achieved were satisfactory, and confirmed that the Group is continuing to offer property purchasers a wide range of products that are competitive in terms of quality and price.

The sales performance for this period has also strengthened the Group's confidence in the value of its carefully prepared and thought-out strategies for coping with the changing environment. For instance, the Group has modified the design of its products to better suit first-time home buyers, in a move that has mitigated the impact of home purchase restrictions on sales. Another move that has helped has been procuring an appropriate portion of sales from commercial properties, for which purchase restrictions do not apply. With few exceptions (such as Chongqing and Shenyang), the Group operates in major cities where home purchase restrictions are strictly enforced. The combined contracted sales of Beijing, Guangzhou and Tianjin for the first six months of the year, which amounted to RMB9.4 billion, in fact surpassed the combined contracted sales for the same period the previous year. This was mainly due to sales of the office tower of R&F Yingsheng Plaza in Guangzhou, which achieved sales of approximately RMB800 million on the first day, and sales from the mid-market residential projects R&F Festival City in Beijing and R&F Jinmen Lake in Tianjin, both of which proved very popular among first-time home buyers.

The diversification strategy which the Group has been employing for some years also worked to reduce volatility in its overall contracted sales resulting from changing market dynamics and the effect of regulatory measures on different localities. For example, the Group's contracted sales from Chengdu increased to RMB789 million from RMB141 million, offsetting the decrease in its contracted sales from Hainan. Hainan recorded contracted sales of RMB1.21 billion for the first six months of last year at a time when its property market was on fire, but these fell to RMB676 million in the current period as the market returned to normal amid more sustainable conditions. As for property prices, despite the regulatory measures to suppress housing prices, the selling prices of most of our residential projects held firm, apart from in Hainan where a more marked adjustment took place. The Group's average selling price for the period was RMB15,500 per sq. m., as compared to RMB11,900 per sq. m. previously, a rise which reflects the impact of the exceptionally high-priced Beijing R&F No.10 (at RMB49,000 per sq. m.) and moderate increases in the selling prices of its commercial projects in Guangzhou.

The most important resource of any property developer is its land bank: the Group is proud to have built up a geographically well-balanced land bank of outstanding quality which it has acquired at very competitive prices. We have achieved this prime land bank through constant proactive searching for acquisition opportunities, tempered by a longstanding cautious and highly disciplined approach to land acquisition. In the period under review, the Group did not acquire any major new land except for a site with GFA 274,000 sq. m. located in Yang Ji Village, Yue Xiu District, Guangzhou; our view on land prices in the current property market and the prevailing credit environment did have a bearing on the acquisition criteria the Group adopted, but had any worthwhile acquisition opportunities arisen in the period, we would not have passed them up. This is borne out by the fact that, in August 2011, the Group acquired a piece of land of GFA 700,000 sq. m. in the Dao Li district of Harbin for RMB2.23 billion, an acquisition based on the site's excellent location and high potential.

Our 2010 land acquisition activities enabled the Group to achieve a good level of land replenishment; attributable GFA of 3.78 million sq. m. was acquired in six cities including Nanjing, a city which the Group first entered in that year. As a result, the Group's land bank remains at an optimal size and is sufficient for three to five years of usage based on the Group's current development plan. As at 30 June 2011, our total land bank amounted to approximately 25.4 million sq. m.

The Group's investment property represents a portfolio of choice assets selected for their income-generating capacity as well as their potential for long-term capital appreciation. Through its professional property management arm, the Group engaged in ongoing upgrades to the office buildings and shopping malls in its portfolio in order to ensure they continue to achieve high occupancy and premium rental rates. By comparison with our industry peers, the Group currently holds one of the biggest and best-branded investment property portfolios in the country. Gross rental income for the period rose by RMB50.5 million or 32% from the comparable period last year. A portion of this increase was attributable to rentals from the new Tianhui Mall in Chengdu, which was given its soft opening in November 2010. This mall occupies a prime site in Chengdu city center; complete with popular value-added amenities that include a cinema and a skating rink, it looks set to generate sizable rental income and become one of the properties offering the best long-term value in our portfolio. As for our hotel operations, the four hotels owned by the Group have all benefited from a robust general economy in the period, and have each further enhanced their local reputations. The much stronger position of the hotels is reflected in the higher room rates charged in the period and their distinctly improved results, despite the fact that competition remains tough; the net results of the hotel segment improved by more than 28% over the corresponding period last year.

A review of our business in the period would not be complete without a brief look at our liquidity and financing position. In the generally tight credit environment, the Group still enjoyed satisfactory cash inflow from property sales; for the sake of prudence, however, we have continued to maintain tight control over expenditure, particularly in land acquisition. On the financing side, the Group maintained excellent relationships with banks, its major source of financing. Additionally, in April 2011 the Group successfully issued 3 year 7% senior notes of RMB2.612 billion and 5 year 10.875% senior notes of US$150 million in the offshore capital market. This issue was the first by a PRC non-state owned enterprise in the property sector.

PROSPECTS

We firmly believe in the strongly positive long-term development prospects for the property market, supported as it is by such fundamental drivers as the massive and unprecedented trend towards urbanization in China. The Government's regulatory policies, aimed mainly at controlling excesses in the market, may cause short-term lulls in the industry, but we believe they are essential for placing the property market on a sound footing for healthy long-term growth. We also do not expect the Government's ambitious plans to construct social security housing for the lower income group to directly compete with the property segment in which we are engaged. As for the possibility of further regulatory measures being implemented, such as the home purchase restriction being extended to second-or third-tier cities, these are not expected to impact significantly on our sales; in addition, the counterstrategies we have adopted for maintaining sales in first-tier cities can be applied equally well to other areas. As a result, we remain confident that the skillful execution of our proven strategies will enable us to achieve our target for full year contracted sales of RMB40 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
23 August 2011, Hong Kong

OPERATION REVIEW

PROPERTY DEVELOPMENT

The Group's property projects span 12 cities across China. During the period, the Group completed sale properties on schedule, made satisfactory contracted sales equivalent to 34% of the full year target and maintained a scale of development that will ensure a sufficient project pipeline.

Completion of Sale Properties

Completion in the period of 691,000 sq. m. represented approximately 26% of the Group's expected completion for 2011 of 2,651,000 sq. m. in saleable area, as compared to 28% for the same period in 2010 and the Group will continue working to even out completion through a year. Expected completion in the second half of 2011 is approximately 1,960,000 sq. m. as shown in the following table:

	2011 1st Half		2011 2nd Half	
Area	Approx. Total GFA (sq. m.)	Approx. Saleable Area (sq. m.)	Approx. Total GFA (sq. m.)	Approx. Saleable Area (sq. m.)
Southern China	311,000	255,000	554,000	442,000
Western China	91,000	80,000	493,000	390,000
Eastern China	29,000	22,000	203,000	188,000
Northern China	361,000	334,000	989,000	940,000
Total	792,000	691,000	2,239,000	1,960,000

Contracted Sales

The Group registered contracted sales of RMB13.41 billion and equivalent to 864,000 sq. m. in GFA during the six months ended 30 June 2011 distributed in 12 cities as follow:

Location	Approximate GFA sold (sq. m.)	Approximate value (RMB million)
Guangzhou	224,800	3,954
Huizhou	4,600	81
Hainan	45,900	676
Chongqing	66,900	479
Chengdu	78,200	789
Shanghai (including Kunshan)	54,000	712
Beijing	132,300	3,258
Tianjin	123,900	2,230
Xian	66,800	574
Taiyuan	54,400	516
Shenyang	12,200	140
Total	864,000	13,409

Sale Properties Under Development

Sale properties under development amounted to approximately 7,491,000 sq. m. GFA at the end of June 2011 details of which are set out below:

Location	Number of Project	Approximate GFA (sq. m.)	Approximate saleable area (sq. m.)
Guangzhou	12	2,072,000	1,592,000
Huizhou	3	233,000	225,000
Hainan	3	350,000	339,000
Chongqing	2	796,000	703,000
Chengdu	2	395,000	328,000
Shanghai (including Kunshan)	2	311,000	289,000
Beijing	6	708,000	536,000
Tianjin	6	1,215,000	941,000
Xian	1	335,000	275,000
Taiyuan	3	829,000	650,000
Shenyang	1	106,000	106,000
Nanjing	1	141,000	108,000
Total	42	7,491,000	6,092,000

PROPERTY INVESTMENT

With the opening of the Chengdu Tianhui Mall at Chengdu Panda City in November 2010, approximately 230,000 sq. m. GFA of premium retail space has been added to the Group's portfolio. Together with the other major properties in the portfolio viz. Guangzhou R&F Center, Beijing R&F Center and Beijing R&F Plaza, total office and retail space as at 30 June 2011 exceeded 400,000 sq. m.

In addition to office and retail space, the investment property portfolio of the Group has since mid 2009 also included logistic and storage facilities. The Guangzhou R&F Logistic Park adjacent to Guangzhou's Baiyun Airport has tremendous potential given the inevitable further growth in freight traffic of Guangzhou.

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 saw significant increase in room rate and occupancy rate in the period.

LAND BANK

The following piece of land was bought during the period:

Location	Site Area (sq. m.)	GFA (sq. m.)	Total Land Cost (RMB million)	Average Land Cost (RMB/sq. m.)
Yang Ji Village, Guangzhou	62,808	273,800	2,350	8,600
Total	62,808	273,800		

As at 30 June 2011, the Group was in possession of the following land bank:

Area	Approximate GFA (sq. m.)	Approximate saleable area (sq. m.)
Southern China	7,826,000	7,517,000
Western China	7,698,000	7,586,000
Eastern China	1,224,000	1,076,000
Northern China	8,634,000	7,908,000
Investment Properties	646,000	584,000
Total	26,028,000	24,671,000

FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2011 increased significantly to RMB2.00 billion, from RMB702.5 million for the corresponding period in the previous year. The increased profit reflected substantially better results from the Group's core business of property development, and from its hotel operations. Net profit from property development amounted to RMB2.03 billion. Compared to the previous period, net profit increased by 269%, driven by greater completion rates in terms of saleable area and the delivery of many properties with high gross margin in the six months ended 30 June 2011. As for hotel operations, not only did occupancy rates for the Group's four hotels continue to rise, but the average room rate also increased notably; these factors combined to turn the hotel operations from an operating loss to an operating profit of RMB24.2 million, and reduce net loss to RMB50.4 million from RMB70.8 million. Operating profit from property investment, leaving aside any fair value gain, increased to RMB140.4 million.

The following comments on the components of the income statement, with the exception of #6 (on financing costs) and #9 (on net profits), relate only to property development:

1. Turnover increased by 62% to RMB10.07 billion, from RMB6.22 billion in the same period in 2010. The Group delivered properties in 10 cities in the six months ended 30 June 2011. The amount of saleable area sold increased by 4%, much less than the increase in turnover, to 723,600 sq. m. from 698,500 sq. m., while the overall average selling price increased by 56% from RMB8,900 to RMB13,900 per sq. m. Apart from reflecting the generally higher selling price for the majority of projects compared with the previous period, this increase in average selling price was also due to the delivery of commercial projects in the Pearl River New Town, Guangzhou, which were not in the sales mix for the six months ended 30 June 2010. These projects were R&F Yingzun Plaza and R&F Yingsheng Plaza, which achieved a combined turnover of RMB3.40 billion at an average selling price of RMB26,300 per sq. m., and R&F Yingxin Plaza with a turnover of RMB367 million (comprised mainly of sale of retail space) at a selling price exceeding RMB60,000 per sq. m. In terms of breakdown by city, Guangzhou accounted for 44% of total turnover and continued to have the highest turnover of all 10 cities where the Group operates. Turnover in Guangzhou amounted to RMB4.43 billion, up from RMB2.80 billion; this was mainly derived from the aforementioned commercial projects but also included RMB337 million in turnover from the residential project R&F Jingang City, the other main project sold in the period. The average selling price for R&F Jingang City increased by approximately 19% to RMB6,200 per sq. m. The average selling price for Guangzhou as a whole increased by 88% to RMB21,500 per sq. m. Turnover in Beijing increased to RMB1.95 billion (1H 2010: RMB1.25 billion) and accounted for 19% (1H 2010: 20%) of the Group's total turnover. This turnover came mainly from six projects, all carrying on from the previous period. R&F Festival City was the top project in Beijing; it registered turnover of RMB773 million and an average selling price of RMB14,900 per sq. m., representing an 11% decrease from the previous period. The average selling price of all other Beijing projects increased to various extents, and with the low-income housing project of R&F American Dream Island accounting for a smaller proportion of the total, the overall average selling price for Beijing increased to RMB15,700 per sq. m. from RMB9,400 per sq. m. in the previous period. Turnover in Tianjin more than doubled in the period, with delivery from three projects as compared to four in the previous period. The project of Tianjin R&F City which had a turnover of RMB559 million saw significant increase in selling price in the period and impacted on the overall average selling price. The overall average selling price of Tianjin amounted to RMB12,400 per sq. m., an increase of 69% from the previous period; this rate of increase was second only to Guangzhou's. The other seven cities in which the Group operated contributed the remaining 23% of turnover. Of the makeup of this turnover, most significant was RMB554 million from Hainan R&F Bayshore, and RMB417 million from Taiyuan R&F City.

2. Cost of goods sold was made up of land and construction costs, capitalized interest and sales tax. For the current period, land and construction costs made up 83% of the Group's total costs, roughly the same level as for the six months ended 30 June 2010. In terms of costs per sq. m., land and construction costs rose to RMB5,880 from RMB5,080 in the previous period. A primary reason for this increase was that a significant portion of the period's total turnover, amounting to approximately 38%, came from delivery of properties in the Pearl River New Town, Guangzhou. These projects had higher land and construction costs in the range of RMB9,050 per sq. m., and commanded much higher selling prices. Land and construction costs for other cities ranged from a high end in the range of RMB7,500 to RMB6,000 per sq. m. (in Beijing, Tianjin and Hainan) to a low end in the range of RMB3,500 per sq. m. (in Chongqing, Taiyuan and Chengdu). Capitalized interest included in the period's cost of sales amounted to RMB274 million, a figure representing approximately 5.3% of total costs, down from RMB334 million and 7.9% for the previous period. As a percentage of turnover from sale of properties, capitalized interest decreased from 5.4% to 2.7%. The cost of goods sold also included RMB593 million in business tax, making up 11.6% of costs.

3. Overall gross margin for the period was 49.1% as compared to 32.1% in the same period in 2010. The high profitability of the projects in the Pearl River New Town led directly to significant improvement in the gross margin. The top-selling project, Guangzhou R&F Yingzun Plaza, accounted for 26% of the Group's turnover and registered a gross margin of 55%. Our other projects in that area had similar gross margins. In fact, as much of the turnover recognized for the period arose from contracted sales made when the market was booming, gross margin for all cities increased, the only exception being Chongqing where the average selling price of the city's main project, Chongqing R&F City, experienced a downward adjustment of approximately 5%.

4. Other gains were mainly the result of interest income, which increased in line with higher average cash on hand.

5. Selling and administration expenses for the period increased by 23% or RMB141 million, to RMB753 million. Broken down, selling expenses increased by RMB12 million to RMB180 million and administrative expenses increased by RMB129 million to RMB573 million. Given that the contracted sales target for the year increased by 25% over actual contracted sales for 2010, the minor increase of 7% in selling expenses demonstrated that the Group has selling expenses under tight control. Advertising expenditure made up 51% (1H 2010: 55%) of selling expenses, unchanged in terms of amount from the previous period's expenditure of RMB91 million. Every million RMB of advertising expenditure generated RMB147 million in contracted sales, up from RMB136 million, and representing an even more efficient use of resources. As for administrative expenses, 71% of the increase in the period related to manpower costs; this increased expenditure was necessary to maintain a top-notch team by offering competitive remuneration. Overall, selling and administrative expenses as a percentage of turnover decreased to 7.5% from 9.8% in the previous period.

6. Finance costs increased by 8% to RMB505.9 million (1H 2010: RMB467.6 million), and were made up of the interest expenses incurred in the period after deduction of the amount capitalized to development costs. Total interest expenses for the period increased by RMB107.5 million to RMB880.1 million, equivalent to an increase of 14%. Both the interest rate and the amount of borrowings impacted on the amount of interest incurred. The PBOC raised the benchmark interest rate five times between October 2010 and July 2011, causing the effective interest rate for the Group's bank borrowing to increase by 4% to 5.60%. Average outstanding borrowings in the period also rose by 13% to approximately RMB29.8 billion from RMB26.3 billion; one main item contributing to the increase was the RMB3.6 billion equivalent in offshore bonds issued in April 2011. Of the interest incurred, the amount capitalized for the period was RMB374.2 million (1H 2010: RMB305.0 million). Together with previously capitalized interest released to cost of goods sold which amounted to RMB273.9 million for the period (1H 2010: RMB334.2 million), aggregate interest costs included in this period's results amounted to RMB779.8 million (1H 2010: RMB801.8 million).

7. Share of result of associated companies was mainly derived from the Group's 20% interest in the Guangzhou Asian Games City project, which began delivery of sold properties in the period.

8. Land appreciation tax (LAT) of RMB1.34 billion (1H 2010: RMB358 million) and Enterprise Income Tax of RMB742 million brought the Group's total income tax expenses for the period to RMB2.09 billion. As a percentage of turnover, LAT increased to 13.4% from 5.8% for the same period in 2010. This considerable increase was the result of the generally higher gross margin of the projects with turnover in the period, particularly the projects in the Pearl River New Town. The effective enterprise income tax rate was 26% (1H 2010: 31%), a figure reasonably consistent with the standard income tax rate.

9. Overall, the Group's net profit margin for the period was 18.2%, as compared to 10.1% in the previous period. A major factor behind this increase was the improvement in the gross margin achieved from property development. Higher turnover also lowered selling and administrative expenses and financing costs as a percentage of turnover.

Financial resources and liquidity

At 30 June 2011, total cash on hand including amounts restricted for specified usage was RMB12.46 billion (31 December 2010: RMB9.17 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 RMB30.74 billion (31 December 2010: RMB27.85 billion), net debt decreased to RMB18.28 billion from RMB18.68 billion at 31 December 2010. Net debt to equity ratio accordingly decreased to 89% at 30 June 2011 from 94% at 31 December 2010. 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 2011, new borrowings of RMB3.55 billion have been procured at interest rate ranging from 4.86% to 7.04% while loans repaid amounted to RMB4.20 billion. The effective interest rate of the total loan portfolio at 30 June 2011 was 6.03% (31 December 2010: 5.68%). Other than a RMB 5.5 billion domestic bond which carries fixed interest at 6.85% per annum, an offshore RMB2.612 billion 7.00% notes and an offshore USD150 million 10.875% notes, 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 2011, certain properties and bank deposits were pledged to secure bank loans amounted to RMB9.19 billion (31 December 2010: RMB11.01 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 2011, such guarantees totaled RMB13.05 billion which increased 5.8% from RMB12.33 billion as at 31 December 2010.

Employee and remuneration policies

As of 30 June 2011, the Group had approximately 15,320 employees (30 June 2010: 9,836). 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.

Other Information

DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2011 ("Interim Dividend") of RMB0.20 per share to shareholders whose names appear on the Register of Members as at 21 September 2011 (the "Record Date"). The Interim Dividend will be paid on 13 October 2011.

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 23 August 2011, the date on which the Interim Dividend was declared was RMB0.820854 to HK$1.00. Accordingly, the amount of Interim Dividend payable per H share is HK$0.243648.

According to the Enterprise Income Tax Law of the PRC and the Implementation Rules of the Enterprise Income Tax Law of the PRC (together, the "EIT Law") that became effective from 1 January 2008, the Company is required to withhold PRC income tax before paying dividend to non-resident shareholders. Previously, non-resident shareholders who are individual had been temporarily exempted from the withholding tax pursuant to the Circular on the Questions Concerning the Income Tax on the Profits for the Transfer of Shares (Equity Interests) and Dividend Received by Foreign Invested Enterprises, Foreign Enterprises and Individual Foreigners (Guo Shui Fa [1993] No.45)（＜關於外商投資企業、外國企業和外籍個人取得股票（股權）轉讓收益和股息所得稅收問題的通知＞（國稅發[1993] 45號）） issued by State Administration of Taxation (the "Circular"). The Circular has now been repealed and based on applicable relevant laws and regulations including the "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)" (Guo Shui Fa [2009] No.124)（＜國家稅務總局關於印發非居民享受稅收協定待遇管理辦法（試行）的通知＞（國稅發 [2009] 124號））and a letter dated 28 June 2011 (in Chinese) from the State Administration of Taxation to Hong Kong Inland Revenue Department, the Company will withhold payment of PRC income tax on dividends for non-resident shareholders as follow:

- The Company will determine the country of domicile of an individual H shareholder based on the registered address as recorded in the register of its H shareholders as at the Record Date.

- For individual H shareholders who are Hong Kong or Macau residents or whose country of domicile has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay PRC income tax at the rate of 10% on the dividend on behalf of the individual H shareholder.

- For individual H shareholders whose country of domicile has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay PRC income tax at the rate of 10% on the dividend on behalf of the individual H shareholder. If the individual H shareholders would like to apply to the relevant tax authority for refund of the excess tax paid, the Company will provide assistance as appropriate.

- For individual H shareholders whose country of domicile has entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay PRC income tax at the actual tax rate on the dividend as stipulated in the relevant tax treaty on behalf of the individual H shareholder.

- For individual H shareholders whose country of domicile has not entered into a tax treaty with the PRC, the Company will withhold and pay PRC income tax at the rate of 20% on the dividend on behalf of the individual H shareholder.

The Interim Dividend to be received by non-resident enterprise shareholders if net of 10% withholding tax will be HK$0.219283 per share or if net of 20% withholding tax will be HK$0.194918 per share.

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 13 October 2011. 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 15 September 2011 (Thursday) to 21 September 2011 (Wednesday) (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 14 September 2011 (Wednesday).

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the unaudited interim results of the Company for six months ended 30 June 2011. 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 2011 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 2011, 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
Morgan Stanley	"H" share	122,656,363 (L)	12.08%
		59,400,089 (S)	5.85%
JPMorgan Chase & Co.	"H"share	68,420,098 (L)	6.74%
		16,100,994 (S)	1.59%
		33,462,073 (P)	3.3%
Blackrock, Inc	"H"share	67,602,897 (L)	6.66%
		18,763,512 (S)	1.85%
UBS AG	"H" share	66,960,026 (L)	6.6%
		49,573,812 (S)	4.88%
Deutsche Bank Aktiengesellschaft	"H"share	57,836,279 (L)	5.69%
		30,694,377 (S)	3.02%
Citigroup Inc.	"H"share	57,090,009 (L)	5.62%
		17,582,467 (S)	1.73%
		24,846,744 (P)	2.45%
Prudential plc	"H"share	52,978,000 (L)	5.22%
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 2011, 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 as at 30 June 2011 were as follows:

		Number of Shares				
Directors	Type of Shares	Personal	Spouse or children Under 18	Corporate Interest	Total	Percentage of total number of issued shares
Li Sze Lim	Domestic share	1,045,092,672				
	"H" share	10,000,000	5,000,000	10,000,000	1,070,092,672	33.21%
Zhang Li	Domestic share	1,005,092,672	20,000,000			
	"H" share	3,074,400	200,000		1,028,367,072	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 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 2011, 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.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

A jointly controlled entity in which the Group owns 50% interest, Hines Shanghai New Jiangwan Development Co. Ltd., entered into an agreement for a bank loan of HK$1.4 billion (the "Loan Agreement") on 29 June 2011. The Loan Agreement includes a condition imposing specific performance obligations on Mr. Li Sze Lim ("Mr. Li"), the controlling shareholder of the Company. Mr. Li is interested in approximately 33.21% of the issued share capital of the Company as at 30 June 2011. It will be an event of default in the event that Mr. Li ceases to hold directly or indirectly an aggregate beneficial ownership of not less than 30% in the shares of and interest in the Company and in such event (amongst other things), the Loan Agreement may be terminated by the lenders and the loan may become immediately due and repayable.

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 3.10 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 2011.

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 2011.

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 unaudited interim results of the Company for six months ended 30 June 2011.

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 2011	Audited 31 December 2010
ASSETS			
Non-current assets			
Land use rights	*7*	**703,488**	670,940
Property, plant and equipment	*7*	**4,169,456**	4,119,144
Investment properties	*7*	**12,384,508**	12,461,640
Intangible assets	*7*	**873,122**	875,098
Interests in jointly controlled entities		**3,898,172**	3,384,790
Interests in associates		**284,994**	137,866
Deferred income tax assets		**1,727,400**	922,503
Available-for-sale financial assets		**182,700**	182,700
Trade and other receivables and prepayments	*8*	**2,362,264**	2,610,120
		26,586,104	25,364,801
Current assets			
Properties under development		**32,744,336**	29,067,419
Completed properties held for sale		**5,006,148**	4,767,672
Inventories		**317,132**	271,771
Trade and other receivables and prepayments	*8*	**6,163,639**	7,229,422
Tax prepayments		**1,621,189**	1,547,671
Restricted cash	*9*	**2,817,482**	3,514,433
Cash		**9,645,734**	5,653,716
		58,315,660	52,052,104
Total assets		**84,901,764**	77,416,905
EQUITY			
Equity attributable to owners of the Company			
Share capital	*10*	**805,592**	805,592
Other reserves		**4,320,628**	4,320,628
Retained earnings			
– Proposed dividend	*17*	**644,473**	1,288,948
– Others		**14,733,920**	13,372,553
		20,504,613	19,787,721
Non-controlling interests		**209,728**	211,500
Total equity		**20,714,341**	19,999,221

Condensed Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited 30 June 2011	Audited 31 December 2010
LIABILITIES			
Non-current liabilities			
Long-term borrowings	*11*	**24,322,612**	20,669,396
Deferred income tax liabilities		**2,313,769**	2,154,540
		26,636,381	22,823,936
Current liabilities			
Accruals and other payables	*12*	**7,947,662**	7,845,407
Dividend payable	*17*	**882,844**	-
Deposits received on sale of properties		**17,568,759**	15,479,821
Current income tax liabilities		**4,731,523**	4,083,895
Short-term bank loans	*11*	**318,004**	1,496,195
Current portion of long-term bank loans	*11*	**6,102,250**	5,688,430
		37,551,042	34,593,748
Total liabilities		**64,187,423**	57,417,684
Total equity and liabilities		**84,901,764**	77,416,905
Net current assets		**20,764,618**	17,458,356
Total assets less current liabilities		**47,350,722**	42,823,157

The notes on pages 27 to 50 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 **2011**	 2010
Revenue	6	**10,982,442**	6,934,954
Cost of sales		**(5,723,202)**	(4,674,216)
Gross profit		**5,259,240**	2,260,738
Other gains – net	13	**59,278**	295,714
Selling and marketing costs		**(204,561)**	(184,357)
Administrative expenses		**(650,185)**	(518,969)
Other operating income/(expenses)		**4,126**	(24,300)
Operating profit	14	**4,467,898**	1,828,826
Finance costs	15	**(505,900)**	(467,622)
Share of results of jointly controlled entities		**(14,187)**	(239)
Share of results of associates		**134,628**	(2,910)
Profit before income tax		**4,082,439**	1,358,055
Income tax expenses	16	**(2,079,985)**	(655,596)
Profit for the period		**2,002,454**	702,459
Profit attributable to:			
– Owners of the Company		**2,005,840**	700,946
– Non-controlling interests		**(3,386)**	1,513
		2,002,454	702,459
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB Yuan per share)		**0.6225**	0.2175
Dividends	17	**644,473**	322,237

The notes on pages 27 to 50 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	
	2011	2010
Profit for the period	**2,002,454**	702,459
Other comprehensive income	**–**	–
Total comprehensive income for the period	**2,002,454**	702,459
Total comprehensive income for the period attributable to:		
– Owners of the Company	**2,005,840**	700,946
– Non-controlling interests	**(3,386)**	1,513
	2,002,454	702,459

The notes on pages 27 to 50 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 owners of the Company					
	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011	805,592	4,320,628	14,661,501	19,787,721	211,500	19,999,221
Comprehensive income						
Profit for the period	–	–	2,005,840	2,005,840	(3,386)	2,002,454
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period ended 30 June 2011	–	–	2,005,840	2,005,840	(3,386)	2,002,454
Transactions with owners						
Disposal of a subsidiary	–	–	–	–	1,614	1,614
Dividend relating to 2010	–	–	(1,288,948)	(1,288,948)	–	(1,288,948)
Total transactions with owners	–	–	(1,288,948)	(1,288,948)	1,614	(1,287,334)
Balance at 30 June 2011	805,592	4,320,628	15,378,393	20,504,613	209,728	20,714,341
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	–	–	(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 27 to 50 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited Six months ended 30 June	
	2011	2010
Cash flows from operating activities		
– Cash generated from operations	**3,089,565**	3,195,540
– Interest paid	**(663,482)**	(579,396)
– Enterprise income tax and land appreciation tax paid	**(2,072,670)**	(1,389,001)
Cash flows from operating activities – net	**353,413**	1,227,143
Cash flows from investing activities		
– purchases of property, plant and equipment	**(175,690)**	(202,312)
– purchases of intangible assets	**(15)**	(3,092)
– increase in investment properties under construction	**–**	(131,281)
– proceeds on disposal of property plant and equipment	**18,028**	181,522
– proceeds on disposal of investment properties	**47,530**	8,500
– proceeds on disposal of a subsidiary	**4,712**	–
– prepayment for acquisition of a subsidiary	**(15,100)**	–
– payment of remaining consideration for a business combination in 2007	**–**	(100,000)
– capital contributions made to jointly controlled entities and associates	**(23,505)**	(487,758)
– acquisition of additional interests in a jointly controlled entity	**(507,306)**	–
– cash advanced from/(to) jointly controlled entities and associates	**344,262**	(200,815)
– interest received	**45,933**	30,851
– distribution of dividend from available-for-sale financial assets	**–**	18,900
Cash flows from investing activities – net	**(261,151)**	(885,485)
Cash flows from financing activities		
– proceeds from borrowings net of transaction costs	**7,071,778**	10,540,520
– repayments of borrowings	**(4,204,445)**	(6,747,396)
– decrease/(increase) in pledged bank deposits	**1,438,527**	(7,293)
– dividend paid to owners of the Company	**(406,104)**	(1,124,879)
Cash flows from financing activities – net	**3,899,756**	2,660,952
Net increase in cash	**3,992,018**	3,002,610
Cash at beginning of period	**5,653,716**	6,642,279
Cash at end of period	**9,645,734**	9,644,889

The notes on pages 27 to 50 form an integral part of this condensed consolidated interim financial information.

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 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 23 August 2011.

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 2011 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 2010, 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 2010, 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.

(a) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 1 (Revised), "Presentation of financial statements" is effective for annual periods beginning on or after 1 January 2011. It confirms that entities may present either in the statement of changes in equity or within the notes, an analysis of the components of other comprehensive income by item. The Group has chosen to present the components of other comprehensive income in the statement of changes in equity.

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual periods beginning on or after 1 January 2011. It clarifies and simplifies the definition of a related party, and introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. This has no material impact on the Group's financial statements.

3. Accounting policies (continued)

(a) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (continued)

- HKAS 27 (Revised), "Consolidated and separate financial statements" is applicable to annual periods beginning on or after 1 July 2010. It clarifies that the consequential amendments from HKAS 27 made to HKAS 21, 'The effect of changes in foreign exchange rates', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures' apply retrospectively since the date that the entity applies HKAS 27. The has no material import on the Group's financial statements.

- HKAS 34 (Amendment), "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

- HKFRS 3 (Revised), "Business combinations" is effective for annual periods beginning on or after 1 July 2010. It mainly clarifies the following three guidances:

  Δ Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised HKFRS: entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arises from a business combination with acquisition dates that precede the application of HKFRS 3.

  Δ Measurement of non-controlling interests: only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

  Δ Un-replaced and voluntarily replaced share-based payment awards: the application guidance in HKFRS 3 applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award.

  The revised standard has no material impact on the Group's financial statements.

- HKFRS 7 (Revised), "Financial instruments: Disclosures" is effective for annual periods beginning on or after 1 January 2011. It clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. The revised standard only results in additional disclosures.

3. Accounting policies (continued)

(b) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS EFFECTIVE IN 2011 BUT NOT CURRENTLY RELEVANT TO THE GROUP:

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HK(IFRIC)-Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC)-Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- HKFRS 1 (Amendment), "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" is effective for annual periods beginning on or after 1 July 2010. This is not relevant to the Group as it is existing HKFRSs preparer.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendments to HKAS 1 "Presentation of financial statements", HKAS 27 "Consolidated and separate financial statements", HKAS 34 'Interim financial reporting', HKFRS 3 "Business combinations", HKFRS 7 "Financial instruments: Disclosures" as disclosed in Note 3(a), all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

4. Financial risk management

4.1 FINANCIAL RISK FACTORS

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

(All amounts in RMB Yuan thousands unless otherwise stated)

4. Financial risk management (continued)

4.2 LIQUIDITY RISK

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit lines, for which the Group has received non binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 30 June 2011					
Borrowings (Note 1)	**7,260,337**	**11,905,637**	**11,030,027**	**5,651,604**	**35,847,605**
Accrual and other payables*	**7,794,753**	**–**	**–**	**–**	**7,794,753**
Dividend payable	**882,844**	**–**	**–**	**–**	**882,884**
Guarantees in respect of borrowings of jointly controlled entities and an associate	**1,220,901**	**398,382**	**1,623,754**	**–**	**3,243,037**
At 31 December 2010					
Borrowings	8,514,038	5,817,294	14,407,115	4,349,230	33,087,677
Accrual and other payables*	7,662,223	–	–	–	7,662,223
Guarantees in respect of borrowings of jointly controlled entities and an associate	87,530	1,467,563	1,161,850	–	2,716,943

* Excluding salaries payable and other taxes payable

Note:

(1) Interest on borrowings is calculated on borrowings held as at 30 June 2011 and 31 December 2010. Floating-rate interest is estimated using the current interest rate as at 30 June 2011 and 31 December 2010 respectively.

(2) Other than those mentioned above, the Group has also arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Please refer to Note 18(a) for details.

(All amounts in RMB Yuan thousands unless otherwise stated)

4. Financial risk management (continued)

4.3 CAPITAL RISK MANAGEMENT

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

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

	30 June 2011	31 December 2010
Total borrowings (Note 11)	**30,742,866**	27,854,021
Less: Cash and restricted cash	**(12,463,216)**	(9,168,149)
Net debt	**18,279,650**	18,685,872
Equity attributable to owners of the Company	**20,504,613**	19,787,721
Gearing ratio	**89.1%**	94.4%

4.4 FAIR VALUE ESTIMATION

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments, including unlisted equity investments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The Group's financial instruments measured at fair value are available-for-sale financial assets, which are unlisted equity investments that are not traded in an active market. As significant inputs required to fair value the equity investments are observable, the available-for-sale financial assets are grouped in level 2.

(All amounts in RMB Yuan thousands unless otherwise stated)

5. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

6. 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.

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2011 and 2010 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2011					
Segment revenue	10,066,930	235,326	383,530	345,070	11,030,856
Inter-segment revenue	–	(25,019)	(17,954)	(5,441)	(48,414)
Revenue from external customers	10,066,930	210,307	365,576	339,629	10,982,442
Profit/(loss) for the period	2,029,439	10,697	(50,409)	12,727	2,002,454
Finance costs	(286,490)	(123,019)	(91,383)	(5,008)	(505,900)
Share of results of jointly controlled entities	(14,187)	–	–	–	(14,187)
Share of results of associates	134,342	–	–	286	134,628
Income tax expense	(2,086,123)	(6,710)	16,803	(3,955)	(2,079,985)
Depreciation and amortisation	53,452	–	67,738	1,330	122,520
(Reversal of)/provision for impairment of doubtful debts	(2,623)	–	416	76	(2,131)

(All amounts in RMB Yuan thousands unless otherwise stated)

6. Segment information (continued)

	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

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.

(All amounts in RMB Yuan thousands unless otherwise stated)

6. Segment information (continued)

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2011					
Segment assets	**66,628,272**	**12,384,508**	**3,511,350**	**467,534**	**82,991,664**
Segment assets include:					
Interests in jointly controlled entities	**3,898,172**	**–**	**–**	**–**	**3,898,172**
Interests in associates	**228,755**	**–**	**–**	**56,239**	**284,994**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**40,064**	**–**	**79,486**	**1,041**	**120,591**
Segment liabilities	**25,648,709**	**–**	**244,213**	**506,343**	**26,399,265**
As at 31 December 2010					
Segment assets	60,160,167	12,461,640	3,349,558	340,337	76,311,702
Segment assets include:					
Interests in jointly controlled entities	3,384,790	–	–	–	3,384,790
Interests in associates	94,413	–	–	43,453	137,866
Additions to non-current assets (other than financial instruments and deferred tax assets)	354,935	588,090	115,191	69,670	1,127,886
Segment liabilities	22,776,460	–	221,746	327,022	23,325,228

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.

(All amounts in RMB Yuan thousands unless otherwise stated)

6. Segment information (continued)

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

	As at 30 June 2011	31 December 2010
Segment assets for reportable segments	**82,991,664**	76,311,702
Deferred income tax assets	**1,727,400**	922,503
Available-for-sale financial assets	**182,700**	182,700
Total assets per balance sheet	**84,901,764**	77,416,905

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 2011	31 December 2010
Segment liabilities for reportable segments	**26,399,265**	23,325,228
Deferred income tax liabilities	**2,313,769**	2,154,540
Current income tax liabilities	**4,731,523**	4,083,895
Current borrowings	**6,420,254**	7,184,625
Non-current borrowings	**24,322,612**	20,669,396
Total liabilities per balance sheet	**64,187,423**	57,417,684

(All amounts in RMB Yuan thousands unless otherwise stated)

7. Capital expenditure

	Intangible assets	Investment properties	Property, plant and equipment	Land use rights
Six months ended 30 June 2011				
Opening net book amount at 1 January 2011	**875,098**	**12,461,640**	**4,119,144**	**670,940**
Additions	**15**	**–**	**120,576**	**–**
Transfer from properties under development	**–**	**–**	**60,694**	**42,699**
Disposals	**–**	**(77,132)**	**(18,227)**	**–**
Depreciation and amortisation	**(1,991)**	**–**	**(112,731)**	**(10,151)**
Closing net book amount at 30 June 2011	**873,122**	**12,384,508**	**4,169,456**	**703,488**
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

8. Trade and other receivables and prepayments

	As at	
	30 June 2011	31 December 2010
Trade receivables		
– Due from jointly controlled entities (Note 21 (x))	**64,780**	47,367
– Due from third parties	**1,683,195**	1,314,134
	1,747,975	1,361,501
Less: provision for impairment of trade receivables	**(2,737)**	(2,756)
Trade receivables – net	**1,745,238**	1,358,745
Other receivables	**2,817,318**	3,069,930
Prepayments	**855,721**	2,465,938
Due from jointly controlled entities (Note 21 (x))	**1,607,175**	1,454,788
Due from associates (Note 21 (x))	**1,525,064**	1,516,866
Less: provision for impairment of other receivables	**(24,613)**	(26,725)
Total	**8,525,903**	9,839,542
Less: non-current portion	**(2,362,264)**	(2,610,120)
Current portion	**6,163,639**	7,229,422

(All amounts in RMB Yuan thousands unless otherwise stated)

8. Trade and other receivables and prepayments (continued)

The carrying amounts of the Group's trade and other receivables and prepayments are denominated in RMB, except for balance due from a jointly controlled entity amounted to RMB92,121,000 as at 30 June 2011 which is denominated in USD (31 December 2010:RMB96,338,000).

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

At 30 June 2011 and 31 December 2010, the ageing analysis of the trade receivables is as follows:

	As at	
	30 June 2011	31 December 2010
Trade receivables		
0 to 90 days	**940,263**	946,600
91 to 180 days	**376,242**	124,747
181 to 365 days	**198,469**	68,628
1 year to 2 years	**158,966**	143,350
Over 2 years	**74,035**	78,176
	1,747,975	1,361,501

9. Restricted cash

	As at	
	30 June 2011	31 December 2010
Guarantee deposits for construction of pre-sold properties (Note (a))	**1,780,767**	1,727,423
Guarantee deposits for resettlement costs (Note (b))	**20,168**	54,917
Guarantee deposits for construction payable (Note (c))	**970,554**	160,590
Guarantee deposits for bank borrowings (Note (d))	**10,120**	1,448,647
Guarantee deposits for mortgage loans provided to customers (Note (e))	**25,981**	17,100
Guarantee deposits for salary payments for construction workers (Note (f))	**9,892**	5,756
Guarantee deposits for bank acceptance notes (Note (g))	**–**	100,000
	2,817,482	3,514,433

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.

9. Restricted cash (continued)

Note:(continued)

(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.

(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 2011, the guarantee deposits amounted to RMB4,820,000 (31 December 2010:RMB4,417,000).

(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.

10. Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 30 June 2011 and 31 December 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

(All amounts in RMB Yuan thousands unless otherwise stated)

11. Borrowings

	As at 30 June 2011	As at 31 December 2010
Non-current		
Long-term bank loans		
– Secured	**9,033,066**	9,569,805
– Unsecured	**12,420,000**	11,345,860
	21,453,066	20,915,665
Less:current portion of long-term bank loans	**(6,102,250)**	(5,688,430)
	15,350,816	15,227,235
Corporate bonds (Note (b))		
– Unsecured	**5,448,893**	5,442,161
Senior notes (Note (c))		
– Unsecured	**3,522,903**	–
	24,322,612	20,669,396
Current		
Short-term bank loans		
– Secured	**158,004**	1,438,195
– Unsecured	**160,000**	58,000
	318,004	1,496,195
Total borrowings	**30,742,866**	27,854,021

(a) Bank loans

(i) Movements in bank loans are analysed as follows:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Opening amount as at 1 January	**22,411,860**	18,960,570
Addition of bank loans	**3,547,644**	10,551,573
Transaction costs	**–**	(11,053)
Repayments of bank loans	**(4,204,445)**	(6,747,396)
Amortisation of transaction costs	**16,011**	7,973
Closing amount as at 30 June	**21,771,070**	22,761,667

(All amounts in RMB Yuan thousands unless otherwise stated)

11. Borrowings (continued)

(a) Bank loans (continued)

(ii) At 30 June 2011, bank loans totalling RMB9,191,070,000 (31 December 2010:RMB11,008,000,000) were secured by the following:

	As at 30 June 2011	As at 31 December 2010
Land use rights	**81,490**	82,606
Properties under development	**1,654,517**	2,712,987
Property, plant and equipment	**2,818,900**	2,191,771
Investment properties	**6,464,811**	6,140,383
Completed properties held for sale	**991,455**	836,101
Restricted cash	**5,300**	1,444,230
Equity investments in subsidiaries	**–**	153,419
	12,016,473	13,561,497

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

	As at 30 June 2011	As at 31 December 2010
Guarantors		
The Company	**7,429,000**	7,723,665
Subsidiaries	**1,860,000**	2,020,000
	9,289,000	9,743,860

At 30 June 2011, bank loans of RMB3,216,000,000 (31 December 2010:RMB1,660,000,000) are credit loans.

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

	As at 30 June 2011	As at 31 December 2010
RMB	**21,613,066**	20,973,665
HK dollars	**158,004**	289,306
US dollars	**–**	1,148,889
	21,771,070	22,411,860

(All amounts in RMB Yuan thousands unless otherwise stated)

11. Borrowings (continued)

(b) Corporate bonds

The Company issued 55,000,000 corporate bonds at a par value of RMB5.5 billion in the PRC on 23 October 2009. The bonds will mature after five years from the issue date at their nominal value of RMB5.5 billion, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The interest rate of the corporate bonds is fixed at 6.85% per annum. On the third anniversary of the issue date, the Company has an option to increase the interest rate by up to 100 basis points for the remaining periods.

On 12 November 2009, the corporate bonds are listed on Shanghai Stock Exchange.

The movement of the corporate bonds for the six months ended 30 June 2011 is set out below:

	Six months ended 30 June 2011
Carrying amount as at 1 January 2011	5,442,161
Interest charged (Note 15)	193,559
Interest included in other payables	(186,827)
Carrying amount as at 30 June 2011	5,448,893

(c) Senior notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited issued 7% senior notes due 29 April 2014 in the aggregate nominal value of RMB2,612,000,000 (the "CNY Notes") and 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000)(the "USD Notes") at face value. The net proceeds of the CNY Notes and the USD Notes, after deducting the transaction costs, amounted to RMB3,528,784,000.

The CNY Notes and the USD Notes are jointly guaranteed by certain subsidiaries of the Group.

Subject to certain exceptions, the issuer may at its option redeem all of the CNY Notes and the USD Notes at a redemption price equal to 100% of the principal amount plus applicable premium, together with accrued and unpaid interest, if any, to the date fixed by the issuer for redemption.

The senior notes recognised in the balance sheet are calculated as follows:

	Six months ended 30 June 2011
Senior notes issued on 29 April	3,591,500
Transaction costs	(62,716)
Initial cost at the date of issuance	3,528,784
Interest charged (Note 15)	52,659
Interest included in other payables	(49,780)
Exchange gain	(8,760)
Carrying amount as at 30 June	3,522,903

(All amounts in RMB Yuan thousands unless otherwise stated)

12. Accruals and other payables

	As at 30 June 2011	As at 31 December 2010
Amounts due to jointly controlled entities (Note 21 (x))	**585,870**	106,024
Amounts due to associates (Note 21 (x))	**68,620**	40,457
Amounts due to related parties (Note 21 (x))	**25,000**	–
Construction payables (Note (c))	**4,678,738**	4,684,124
Other payables and accrued charges (Note (d))	**2,589,434**	2,914,802
Notes payables	**–**	100,000
	7,947,662	7,845,407

(a) The carrying amounts of the Group's accruals and other payables are denominated in RMB, except for balance due to a jointly controlled entity amounted to RMB569,563,000 as at 30 June 2011 which is denominated in HKD (31 December 2010:Nil).

(b) The amounts are unsecured, interest free and are repayable on demand.

(c) 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.

(d) The balance mainly represents interest payables, accruals and other taxes payable excluding income tax.

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

13. Other gains – net

	Six months ended 30 June 2011	2010
Fair value gain on investment properties	**–**	202,482
Gain on disposal of property, plant and equipment	**14,319**	28,165
Loss on disposal of investment properties	**(29,602)**	(8,376)
Interest income	**45,933**	30,851
Others	**28,628**	42,592
	59,278	295,714

(All amounts in RMB Yuan thousands unless otherwise stated)

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 2011	2010
Crediting:		
Reversal of provision for doubtful debts	**(10,394)**	(6,380)
Gain on disposal of property, plant and equipment	**(14,763)**	(28,165)
Charging:		
Provision for impairment of doubtful debts	**8,263**	8,555
Loss on disposal of property, plant and equipment	**444**	–
Loss on disposal of investment properties	**29,602**	8,376

(a) 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.

(b) 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.

(c) Financial assets were reviewed for impairment as at 30 June 2011. There was no indication of impairment.

15. Finance costs

	Six months ended 30 June 2011	2010
Interest on bank loans	**633,918**	579,485
Interest on corporate bonds (Note 11 (b))	**193,559**	193,109
Interest on senior notes (Note 11 (c))	**52,659**	–
Less:interest capitalised	**(374,236)**	(304,972)
	505,900	467,622

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 5.69% per annum for the six months ended 30 June 2011 (six months ended 30 June 2010:5.30%).

(All amounts in RMB Yuan thousands unless otherwise stated)

16. Income tax expenses

	Six months ended 30 June 2011	2010
Current income tax		
– PRC enterprise income tax (Note (b))	**1,379,339**	511,137
Deferred income tax	**(645,668)**	(213,632)
	733,671	297,505
Current PRC land appreciation tax (Note (c))	**1,346,314**	358,091
Total income tax expenses	**2,079,985**	655,596

(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 2011 (six months ended 30 June 2010: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 2011, the applicable income tax rate for the profits generated from property construction by a subsidiary was 2.5% (six months ended 30 June 2010:2.5%) based on the revenue throughout the period; the applicable income tax rate for the profits generated from other business was primarily 25% (six months ended 30 June 2010:25%) 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. Dividends

	Six months ended 30 June 2011	2010
Interim dividend of RMB0.20 (2010:RMB0.10) per ordinary share	**644,473**	322,237

A final dividend in respect of 2010 of RMB0.40 per ordinary share, totalling RMB1,288,948,000 was declared in the Company's Annual General Meeting on 27 May 2011, among which RMB406,104,000 was paid in June 2011 and the remaining dividend of RMB882,844,000 was paid in July 2011.

An interim dividend in respect of six months ended 30 June 2011of RMB0.20 per ordinary share, totalling RMB644,473,000 was proposed by the board of directors (six months ended 30 June 2010:322,237,000). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2011.

(All amounts in RMB Yuan thousands unless otherwise stated)

18. Financial guarantee contracts

	As at 30 June 2011	As at 31 December 2010
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**13,047,003**	12,326,826
Guarantees in respect of borrowings of jointly controlled entities and an associate (Note (b) and 21 (ix))	**2,854,680**	2,274,638
	15,901,683	14,601,464

Notes:

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

(b) It represents the maximum exposure of the guarantee provided for jointly controlled entities and an associate for their borrowings.

19. Commitments

(a) Expenditure commitments for properties under development

	As at 30 June 2011	As at 31 December 2010
Authorised but not contracted for	**3,719,693**	5,670,567
Contracted but not provided for	**14,588,793**	12,862,943
	18,308,486	18,533,510

(All amounts in RMB Yuan thousands unless otherwise stated)

19. Commitments (continued)

(b) Operating lease commitments

At 30 June 2011, the Group had future aggregate minimum lease payments for land and buildings under non-cancellable operating leases as follows:

	As at	
	30 June 2011	31 December 2010
Not later than one year	**2,424**	3,416
Later than one year and not later than five years	**4,479**	4,334
Over five years	**22,070**	22,561
	28,973	30,311

(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 2011 were as follows:

	As at	
	30 June 2011	31 December 2010
Contracted but not provided for	**–**	480,163

20. Future minimum rental payments receivable

At 30 June 2011, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	As at	
	30 June 2011	31 December 2010
Not later than one year	**471,470**	388,350
Later than one year and not later than five years	**980,572**	937,108
Over five years	**760,348**	955,501
	2,212,390	2,280,959

(All amounts in RMB Yuan thousands unless otherwise stated)

21. Significant related-party transactions

The major shareholders of the Group include Li Sze Lim and Zhang Li (both are national of PRC), who owns 33.21% 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) Purchase of restaurant services

	Six months ended 30 June 2011	2010
Common shareholders:		
惠州市金鵝溫泉實業有限公司	**6,157**	4,331
廣州富力宮酒家有限公司	**–**	3,460
	6,157	7,791

ii) Provision of lease of properties

	Six months ended 30 June 2011	2010
Common shareholders:		
廣州金貝殼投資有限公司(「廣州金貝殼」)	**622**	612
Associate:		
廣州利合房地產開發有限公司(「廣州利合」)	**1,453**	–

iii) Drinking water system charges

	Six months ended 30 June 2011	2010
Common shareholders:		
廣州越富環保科技有限公司(「越富環保」)	**7,346**	1,977

iv) Key management compensation

	Six months ended 30 June 2011	2010
Salaries and welfare benefits	**10,065**	8,097

(All amounts in RMB Yuan thousands unless otherwise stated)

21. Significant related-party transactions (continued)

v) Provision of property management services

	Six months ended 30 June 2011	2010
Associates:		
北京富盛利房地產經紀有限公司(「北京富盛利」)	**426**	426
廣州利合	**144**	–
	570	426
Common shareholders:		
廣州金貝殼	**111**	111

vi) Purchase of construction materials

	Six months ended 30 June 2011	2010
Associates:		
廣州超力混凝土有限公司(「超力混凝土」)	**53,294**	40,648

vii) Provision of design services

	Six months ended 30 June 2011	2010
Jointly controlled entities		
廣州市富景房地產開發有限公司(「廣州富景」)	**3,973**	10,587

viii) Provision of construction services

	Six months ended 30 June 2011	2010
Jointly controlled entities		
瀋陽億隆房屋開發有限公司(「瀋陽億隆」)	**71,083**	45,301

(All amounts in RMB Yuan thousands unless otherwise stated)

21. Significant related-party transactions (continued)

ix) Provision of guarantees for borrowings

(a) The Group and other shareholders have jointly provided 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 Group's proportionate interests in the jointly controlled entities and associate. As at 30 June 2011, the Group's proportionate guarantees for bank loans provided to its jointly controlled entities and associate are shown as follows:

	As at 30 June 2011	As at 31 December 2010
Jointly controlled entities:		
廣州富景	**300,060**	300,060
瀋陽億隆	**150,000**	50,000
Hines Shanghai New Jiangwan Development Co., Ltd ("Hines Shanghai")	**582,120**	–
	1,032,180	350,060
Associates:		
廣州利合	**922,500**	1,024,578

(b) The Group and the other shareholders of天津津南新城房地開发有限公司("津南新城"), a jointly controlled entity, provided guarantees in proportion of their respective equity interests in津南新城for its borrowings obtained from a trust plan. As at 30 June 2011 and 31 December 2010, the Group provided guarantees amounted to RMB900,000,000, as well as the pledge of the Group's equity interest in津南新城.

x) Balances with related parties

As at 30 June 2011, the Group had the following significant balances with related parties:

	As at 30 June 2011	As at 31 December 2010
Due from:		
Jointly controlled entities		
– Non-trade balances		
Value Success Investment Limited	**87,127**	89,148
廣州富景	**620,377**	589,950
惠州富茂房地產開發有限公司	**276,500**	200,000
瀋陽億隆		
– consideration receivable	**141,500**	141,500
– prepayments of construction costs	**60,735**	73,632
	202,235	215,132
瀋陽富力會餐飲服務有限公司	**286**	286
天津津南新城	**60,670**	58,175
廣州聖景	**224,359**	205,759
城投悦城	**135,621**	–
Hines Shanghai	**–**	96,338
	1,607,175	1,454,788
– Trade balance		
廣州聖景	**–**	261
瀋陽億隆	**64,780**	47,106
	64,780	47,367

(All amounts in RMB Yuan thousands unless otherwise stated)

21. Significant related-party transactions (continued)

x) Balances with related parties (continued)

	As at 30 June 2011	As at 31 December 2010
Due from:		
Associates		
– Non-trade balances		
廣州利合	**1,521,697**	1,515,443
北京粵商投資股份有限公司	**2,000**	–
北京富盛利	**1,367**	1,423
	1,525,064	1,516,866
	3,197,019	3,019,021
Due to:		
Jointly controlled entities		
– Non-trade balances		
城投悦城	**–**	90,000
Hines Shanghai	**569,563**	–
Maxview Investment Limited	**16,307**	16,024
	585,870	106,024
Associates		
– Non-trade balances		
山西非遺園投資管理有限公司	**8,000**	–
廣州富力城信信息科技有限公司	**5**	5
	8,005	5
– Trade balance		
超力混凝土	**60,615**	40,452
	68,620	40,457
Common shareholders		
越富環保	**9,000**	–
廣東華南環保投資股份有限公司	**16,000**	–
	25,000	–
	679,490	146,481

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.

22. Events occurring after balance sheet date

Details of the interim dividend proposed are given in Note 17.