廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 2777)

2007 Interim Results Announcement

	Unaudited six months ended 30 June 2007 (RMB'000)	Unaudited six months ended 30 June 2006 (RMB'000)	Percentage changes
Turnover	**3,197,188**	**1,269,698**	**+152%**
Profit for the half-year attributable to equity holders of the Company	**667,965**	**258,989**	**+158%**
Basic earnings per share (in RMB)	**0.2073**	**0.0848**	**+144%**
Dividend per share (in RMB)	**0.1500**	**0.1000**	**+50%**

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information which forms an integral part of this announcement is appended after the end of this announcement. The interim results have been reviewed by the audit committee of the Company.

RESULTS

During the six months ended 30 June 2007, the Group recorded a turnover of RMB3,197 million, and unaudited profit attributable to the equity holders of the Company amounted to RMB668 million representing earnings per share of RMB0.2073, which increased by 152%, 158% and 144% respectively when compared with the results of the corresponding period in 2006.

DIVIDEND

The board of directors has decided to declare an interim dividend for the six months ended 30 June 2007 of RMB0.15 per share.

BUSINESS REVIEW

In the first half of 2007, robust economic growth, strong capital inflows and rising incomes resulted in strong demand for properties by end users in most of the cities in the People's Republic of China ("PRC"). With the buoyant property market and favourable market environment, the Group continued to achieve a significant growth in its business on properties developed for sale.

As at 30 June 2007, the Group has a total of twenty-two projects for sale properties under construction with total gross floor area ("GFA") of approximately 3,750,000 sq. m.

In the first half of 2007, the Group has completed projects for delivery with a total saleable area of approximately 365,000 sq. m., an increase of 174% when compared with the corresponding period last year. According to the project development schedule, the Group is expecting to complete another 1,186,000 sq. m. of saleable areas in the second half of 2007 resulting in a total completed saleable area of approximately 1,551,000 sq. m. for 2007 or an increase of 51.3% as compared to last year.

Other than the business on sale properties, the development of investment properties of the Group is also progressing as planned. The Group's headquarter building R&F Center and the Ritz-Carlton, Guangzhou are scheduled to be completed for occupation and commence business operation before the end of 2007 with Grand Hyatt, Guangzhou to open in early 2008. At the same time, the development of the commercial complex in Beijing R&F City is also anticipated to be completed in the first half of 2008.

On the contracted sales front, the Group managed to achieve total sales of RMB6,741 million in the first half of 2007, an increase of 42.4% compared to the corresponding period in 2006. The contracted sales represent approximately 42.1% of our targeted sales of approximately RMB16 billion for the full year of 2007. We are therefore confident that the Group will be able to achieve another record year.

The Company announced on 19 April 2007 that the Company would apply to the PRC authorities for a proposed A share issue. The proposal was approved by the shareholders of the Company in the extraordinary meeting and class meetings held on 18 June 2007. An application for the proposed A share issue was subsequently made to the relevant PRC government authorities. If the proposed issue of A share and its listing in the Shanghai Stock Exchange are granted by the PRC relevant authorities, it will offer the Company a new platform for sources of capital from the domestic capital market.

On 5 June 2007, the Group acquired 100% of a Class-1 construction company. The acquisition has marked a new milestone for the Group. Apart from the existing ancillary property related subsidiaries involved in the architectural and engineering design, engineering supervisory, property management, marketing and sales, the Group now has a construction arm of its own. The acquisition also signifies that the Group shall have complete control over the construction phase of its operation and hence can improve and enhance product quality, delivery time and cost efficiency.

Apart from product diversifications and the strengthening of the Group's market penetration for both sale and investment properties, and the extension of its business activities into construction, the Group has also expanded its market presence into Eastern China including Shanghai. The acquisition of two pieces of land with total GFA of approximately 583,300 sq. m. in Shanghai and Kunshan City, are evidences of the Group's venture into Eastern China, particularly Shanghai.

During the first half of 2007, the Group focused on increasing its land bank in cities or areas with greatest potential for future development such as Tianjin and Eastern China, and it has acquired seven plots of land with total GFA of approximately 2,743,000 sq. m. As at 30 June 2007, the Group was in possession of a total land bank of approximately 31,133,000 sq. m., of which approximately 10,433,000 sq. m. is pending approval and registration procedures to be completed.

PROSPECTS

During the past four years, the economy of the People's Republic of China had continuously experienced double digit growth. To curtail the economy being overheated, the Chinese government had implemented certain macro-economic measures, including monetary and fiscal measures, to control over-development of the economy. Since the government is fully aware of the circumstances that they are facing, the Group believed that it is possible for the government to steer the country's economy to a soft landing.

With the urbanization and industrialization in China continued its charted path, the Group firmly believes that the demand for properties by the general public will also continue with a reasonable rate of growth. However, the Group is presently taking a relatively cautious attitude in the expansion of its business operation. The management has instead been emphasizing more on product and market diversifications and the formation of more solid operating bases.

The Chinese government has announced that Western China particularly Chongqing will be the focus of economic development in the next few years. The Group having the largest land bank in this city will be in a good position to capture the development opportunity and benefit from the preferential policies that the central government has accorded to it.

The Group is also taking an extensive but balanced approach in its business development. In addition to Guangzhou and its neighboring cities in Southern China, Beijing and Tianjin in Northern China, the two major markets of the Group, it has extended its markets to Chongqing in Southwestern China, Xian in Northwestern China and Shanghai and its neighboring cities in Eastern China. Hence, the Group's operations have covered the most important markets throughout the entire country.

I am confident that under the present economic conditions and environment and the resources available to the Group, the Group is well prepared and positioned to grab the available opportunities to elevate the Group's performances in the future.

FINANCIAL REVIEW

The profit for the six months ended 30 June 2007 increased 154% to RMB667.8 million from RMB263.0 million in the corresponding period of 2006 as a result of a 1.5 fold increase in turnover. Guangzhou Tianli Construction Co. Ltd. ("Tianli Construction") which was acquired on 5 June 2007 had no significant impact yet on the results for the period.

Turnover comprised sales of properties and as-yet relatively minor rental income. For the six months ended 30 June 2007, total turnover and sale of properties increased 152% to RMB3,197.2 million and 155% to RMB3,149.6 million respectively from RMB1,270.0 million and RMB1,236.6 million for the same period in 2006. Saleable area completed in the period amounted to 365,000 sq. m. while sale of properties for the period in terms of area was 327,000 sq. m. (1H 2006 : 133,200 sq. m.) with average price rose to RMB9,630 per sq. m. (1H 2006 : RMB9,280 per sq. m.) reflecting the trend of properties prices and the sale mix. Sale of Guangzhou projects accounted for 40% by area and 50% by value of total sales. Average sale price for Guangzhou was above the overall average at RMB11,870 per sq. m. as over 65% of Guangzhou sales came from two higher-end residential projects and a commercial project viz. R&F Tianhe Prosperous Place, R&F Edinburgh International Apartment and R&F West Garden office tower. Beijing sales represented 46% by area and 38% by value of total sales. R&F Festival City was the key sale project for Beijing in the period with average selling price of RMB6,760 per sq. m. having increased a healthy 10% from the average selling price in 2006. With R&F Festival City accounted for approximately 72% of Beijing's sales, the average selling price of properties developed by the Group in Beijing amounted to RMB8,010 per sq. m. despite that the rest of Beijing's sales came mainly from R&F Xianran Court and R&F Edinburgh Apartment which had much higher average selling price. The part of R&F Xianran Court completed in the period were approximately 71,700 sq. m. of commercial space and because of the tactics to market this property as catering to a selected business segment, only approximately 10,700 sq. m. were recognized as sales in the period. In Tianjin where there was some slight delay in building completion, sales accounted for 14% by area and 12% by value of total sales. Selling price trend in Tianjin however was very favourable with average per sq. m. increased 16% to RMB8,450.

Land and construction costs made up of 77% of the total cost of sales. As such, cost control is a priority and the Group has been successful in keeping construction cost at a reasonable level in the period. The acquisition of Tianli Construction is expected to further enhance the Group's cost competitiveness in the longer term. Sale tax, land appreciation tax ("LAT"), capitalized interest and amortization of land premium were the other components of the cost of sales. LAT amounted to RMB191.2 million has been included in the total cost of sales. As a percentage of turnover, LAT amounted to 6.0% which increased from 4.2% for 2006 due to proportionally more sales in non-ordinary standard residential properties and commercial properties in respect of which certain specified exemption under LAT legislation did not apply. The rapid expansion of the Group's land bank also led to further increase in land premium amortization to RMB47.2 million equivalent to 1.5% of turnover for the period from a relatively insignificant RMB23.0 million or 0.2% of turnover for the whole of 2006. Capitalised interest however reduced to 1.1% of turnover from 3.3% for the corresponding period in 2006.

Gross profit margin for the period improved to 32.8% from 31.9% for 2006. This improvement largely reflected the higher weighting in the total turnover of commercial properties and higher-end residential projects which had better margin as well as higher margin for key mass residential projects such as Beijing's R&F Festival City thanked to higher selling price which more than offset cost increase most notably from LAT and land premium amortization mentioned above.

The other gains of RMB181.4 million (1H 2006 : RMB141.1 million) included fair value adjustment of investment properties amounted to RMB167.9 million of which RMB109.1 million for properties located in Beijing and RMB58.8 million for properties located in Guangzhou.

Selling and administrative expenses increased by RMB95.3 million from RMB174.8 million for the six months ended 30 June 2006 to RMB270.1 million for the period. The strong expansion of the operation of the Group necessitated increased investment in human capital and deployment of more resources to strengthen marketing and other support activities. Administrative expenses increased 73.2% to RMB196.9 million of which 33.4% was manpower cost with the total number of employees increased to 3,468 located in 7 offices (30 June 2006 : 1,743 employees and 4 offices). Selling expenses increased 19.7% to RMB73.2 million from RMB61.2 million which was a direct result of new projects in sale increased to 17 during the period. Selling and administrative expenses amounted to 8.4% (1H 2006 : 13.8%) of turnover for the period. However, given the expected sales distribution pattern, it is anticipated that this percentage will be significantly reduced for the full year 2007.

Interest expenses incurred for the period increased to RMB299.8 million (1H 2006 : RMB122.6 million) as a result of borrowings increased to RMB13,760.8 million at 30 June 2007 from RMB7,915.6 million at 30 June 2006 and the bench mark interest rate raised 3 times in the intervening 12 months period. Of this interest expenses, RMB270.2 million (1H 2006 : RMB107.5 million) had been capitalized with the balance RMB29.6 million (1H 2006 : RMB15.1 million) charged directly to income and if aggregate with the capitalized interest in cost of sale, total interest expenses included in this period results amounted to RMB63.2 million as compared to RMB55.4 million for the same period in 2006.

The effective tax rate reduced to 26.3% from 31.5% for the full year of 2006 due mainly to the impact on deferred tax liability expected to arise from reduction of the Enterprise Income Tax rate to 25% in 2008 from the present 33%.

Profit for the period increased 154% to RMB667.8 million based upon a matching increase in turnover. Net margin stood at 20.9% but if the effect of revaluation of investment properties is removed, net margin would have been 16.9%. Selling and administration expenses as a percentage of total turnover which is expected to significantly reduce for the full year will have beneficial impact on the net margin.

OTHER INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2007, 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.

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 2007.

Compliance with the Code on Corporate Governance Practices

The Group have been committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other laws and regulations of relevant jurisdictions. In particular, it has closely 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 2007.

Audit Committee

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

The audit committee comprises Mr. Lai Ming, Joseph (Chairman of the audit committee) and Mr. Dai Feng who are independent non-executive directors of the Company and Ms. Helen Li who is a non-executive director of the Company. The audit committee has reviewed the interim report of the Company for six months ended 30 June 2007.

Dividend Payment

The Board has declared an interim dividend for the six months ended 30 June 2007 of RMB0.15 per share to shareholders whose names appear on the Register of Members as at 21 September 2007. The interim dividend will be paid on 30 October 2007.

The Company is applying to the China Securities Regulatory Commission ("CSRC") and other relevant PRC authorities for the issue of A shares and the listing of its A shares in the Shanghai Stock Exchange. If the approval from the CSRC is obtained on the condition that the proposed A share issue will be on the basis that the nominal value of the shares of the Company is RMB1.00 per share, the Company will consolidate its existing shares on the basis of four existing shares at nominal value of RMB0.25 each into one share of RMB1.00. Upon share consolidation, the Company will also transfer from its other reserves to paid up capital an amount of RMB2,416,775,508 and to issue 2,416,775,508 capitalization shares to be allotted to holders of existing shares at the rate of three capitalization shares for one consolidated ordinary share. Should the share consolidation and capitalization issue take place prior to 21 September 2007, the payment of interim dividend will be adjusted accordingly to RMB0.60 per share which shall only be payable to holders of the consolidated shares.

According to the Articles of Association of the Company, dividend payable to the holders of Domestic shares shall be paid in Renminbi (“RMB”). Dividend payable to holders of H shares shall be paid in Hong Kong dollar (“H.K. dollar” or “HK$”), based on an exchange rate which is the mean average exchange rates for H.K. dollar and RMB announced by the People’s Bank of China for the five business days prior to the date of the announcement. The average of the closing exchange rate for RMB to H.K. dollar as announced by the People’s Bank of China for five business days prior to 30 August 2007, the date of the announcement, is RMB1 to HK$1.0318. Accordingly the amount of interim dividend payable per H share or Consolidated H share will be HK$0.15477 and HK$0.61908 respectively.

Closing of Register of Members

The register of members will be closed from 17 September 2007 (Monday) to 21 September 2007 (Friday) (both days inclusive). In order to establish entitlements to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 pm on 14 September 2007 (Friday).

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
30 August 2007, Hong Kong

As at the date of this announcement, the Board of the Company comprises (1) Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing as executive directors; (2) Ms. Zhang Lin and Ms. Li Helen as non-executive directors and (3) Mr. Huang Kaiwen, Mr. Dai Feng and Mr. Lai Ming, Joseph as independent non-executive directors.

* *For identification purpose only*

(All amounts in RMB Yuan thousands unless otherwise stated)

Condensed consolidated interim balance sheet

	Note	30 June 2007 Unaudited	31 December 2006 Audited
ASSETS			
Non-current assets			
Land use rights	5	7,620,202	8,098,580
Properties held for development		2,806,704	1,960,679
Property, plant and equipment	5	2,707,850	1,311,101
Investment properties	5	1,094,054	926,153
Intangible assets	5	1,145,068	50,620
Interest in associates		40,077	-
Deferred income tax assets		239,732	201,187
Available-for-sale financial assets		144,762	144,762
Trade and other receivables	8	221,998	181,530
Total non-current assets		16,020,447	12,874,612
Current assets			
Properties under development		8,684,873	5,877,845
Completed properties held for sale		2,029,617	1,788,546
Land use rights	5	4,051,012	2,579,891
Inventories		217,376	-
Trade and other receivables	8	1,101,046	1,023,225
Tax prepayments		805,576	438,302
Restricted cash	7	840,017	602,412
Cash and cash equivalents	6	3,680,304	1,415,926
Total current assets		21,409,821	13,726,147
Total assets	4	37,430,268	26,600,759
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	9	805,592	805,592
Other reserves		4,092,217	4,092,217
Retained earnings			
– Proposed interim/final dividend	17	483,355	644,473
– Others		2,888,980	2,704,370
		8,270,144	8,246,652
Minority interest		22,137	280,848
Total equity		8,292,281	8,527,500
LIABILITIES			
Non-current liabilities			
Long-term bank loans	10	8,011,750	4,508,000
Deferred income tax liabilities		670,814	479,258
Total non-current liabilities		8,682,564	4,987,258
Current liabilities			
Accruals and other payables	11	6,606,138	4,405,072
Deposits received on sale of properties		7,519,478	4,250,725
Current income tax liabilities		580,763	1,022,470
Short-term bank loans	10	4,053,044	1,914,734
Current portion of long-term bank loans	10	1,696,000	1,493,000
Total current liabilities		20,455,423	13,086,001
Total liabilities		29,137,987	18,073,259
Total equity and liabilities		37,430,268	26,600,759
Net current assets		954,398	640,146
Total assets less current liabilities		16,974,845	13,514,758

Condensed consolidated interim income statement

	Note	Unaudited Six months ended 30 June 2007	 2006
Turnover	4	3,197,188	1,269,698
Cost of sales		(2,148,330)	(864,810)
Gross profit		1,048,858	404,888
Other gains	12	181,445	141,053
Selling and administrative expenses		(270,134)	(174,834)
Other operating expenses		(23,637)	(5,205)
Operating profit		936,532	365,902
Finance costs	14	(29,599)	(15,064)
Profit before income tax		906,933	350,838
Income tax expense	15	(239,117)	(87,851)
Profit for the half-year		667,816	262,987
Attributable to:			
– Equity holders of the Company		667,965	258,989
– Minority interest		(149)	3,998
		667,816	262,987
			Restated
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in RMB Yuan per share)	16	0.2073	0.0848
Dividends	17	483,355	305,317
Dividends per share, expressed in RMB per share	17	0.1500	0.1000

Condensed consolidated interim statement of changes in equity

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2006	763,292	2,465,610	2,039,837	5,268,739	40,173	5,308,912
Profit for the half-year	-	-	258,989	258,989	3,998	262,987
Capital contributions from a minority shareholder	-	-	-	-	500	500
Dividends relating to 2005 paid in May 2006	-	-	(503,773)	(503,773)	-	(503,773)
Balance at 30 June 2006	763,292	2,465,610	1,795,053	5,023,955	44,671	5,068,626
Balance at 1 January 2007	805,592	4,092,217	3,348,843	8,246,652	280,848	8,527,500
Profit for the half-year	-	-	667,965	667,965	(149)	667,816
Reduction of minority interest resulting from acquisition of additional interests in a subsidiary	-	-	-	-	(229,577)	(229,577)
Capital contributions from a minority shareholder	-	-	-	-	400	400
Acquisition of subsidiaries	-	-	-	-	149	149
Dividends paid to minority shareholders	-	-	-	-	(29,534)	(29,534)
Dividends relating to 2006 paid in June 2007	-	-	(644,473)	(644,473)	-	(644,473)
Balance at 30 June 2007	805,592	4,092,217	3,372,335	8,270,144	22,137	8,292,281

Condensed consolidated interim cash flow statement

	Note	Unaudited Six months ended 30 June 2007	2006
Cash flows from operating activities – net		(1,179,137)	(962,382)
Cash flows from investing activities:			
– acquisition of subsidiaries, net of cash acquired		(346,626)	(620,045)
– acquisition of additional interests in a subsidiary		(251,470)	-
– purchases of property, plant and equipment	5	(742,541)	(255,894)
– proceeds from sale of property, plant and equipment		-	6,965
– interest received	12	13,099	15,796
Cash flows from investing activities – net		(1,327,538)	(853,178)
Cash flows from financing activities:			
– proceeds from borrowings	10	7,326,255	4,030,000
– repayments of borrowings	10	(1,881,195)	(1,325,000)
– movement in balance with shareholders		-	(37,544)
– dividends paid to minority shareholders		(29,534)	500
– dividends paid to equity holders of the Company		(644,473)	(503,773)
Cash flows from financing activities – net		4,771,053	2,164,183
Net increase in cash and cash equivalents		2,264,378	348,623
Cash and cash equivalents at beginning of period		1,415,926	1,578,857
Cash and cash equivalents at end of period	6	3,680,304	1,927,480

Notes:

1 General information

The Company was established in the People's Republic of China (the "PRC") on 31 August 1994 as a company with limited liability under the Company Law of the PRC and became a joint stock limited company on 16 November 2001 by converting its registered capital and reserves as at 31 July 2001 into 551,777,236 shares of Renminbi ("RMB") 1 each.

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 19 Jiaochang Road East Guangzhou 510055, China. It is primarily engaged in the development and sales of properties in the PRC.

The shares of the Company were listed on the Main Board of the Stock Exchange on 14 July 2005. As detailed in Note 9, the Company has subdivided the shares and also placed additional shares.

This condensed consolidated interim financial information was approved for issue on 30 August 2007.

2 Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2007 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are effective for the current interim period.

HKAS 1 (Amendment)	'Presentation of Financial Statements: capital disclosures', effective for annual periods beginning on or after 1 January 2007.
HKFRS 7	'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007.
HK(IFRIC)-Int 7	'Applying the Restatement Approach under HKAS29: Financial reporting in Hyperinflationary Economies', effective for annual periods beginning on or after 1 March 2006.
HK(IFRIC)-Int 8	'HKAS 2', effective for annual periods beginning on or after 1 May 2006.
HK(IFRIC)-Int 9	'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006.
HK(IFRIC)-Int 10	'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006.

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual consolidated financial statements.

The following new standards and interpretations are not yet effective and have not been early adopted by the Group.

HKFRS 8	'Segment', effective for annual periods beginning on or after 1 January 2009.
HK(IFRIC)-Int 11	'Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007
HK(IFRIC)-Int 12	'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008.

4 Turnover and segment information

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

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

	Six months ended 30 June	
Turnover	**2007**	**2006**
Sales of properties	3,149,614	1,236,581
Rental income	47,574	33,117
	3,197,188	1,269,698

	Six months ended 30 June	
Turnover by geographical location	**2007**	**2006**
Guangzhou	1,588,308	757,950
Beijing	1,219,581	511,748
Tianjin	389,299	-
	3,197,188	1,269,698

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

	As at	
Total assets	**30 June 2007**	**31 December 2006**
Guangzhou	17,842,207	12,854,421
Beijing	10,681,584	8,328,132
Tianjin	4,080,649	3,103,796
Xian	1,079,909	765,609
Chongqing	1,991,611	1,423,394
Kunshan	673,535	-
Huizhou	448,430	-
Shenyang	240,985	-
Shanghai	78,917	-
Others	312,441	125,407
	37,430,268	26,600,759

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

	Six months ended 30 June	
Capital expenditure	**2007**	**2006**
Guangzhou	818,229	1,221,701
Beijing	231,540	265,144
Tianjin	500,745	285,334
Chongqing	128,603	638,240
Hainan	358,818	-
Xian	1,383	861
Others	570	-
	2,039,888	2,411,280

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

5 Capital expenditure

	Intangible assets	Investment properties	Property, plant and equipment	Land use rights	
				Non-current	Current
Six months ended 30 June 2006					
Opening net book amount at 1 January 2006	17,940	293,000	90,409	2,677,801	2,173,985
Acquisition of subsidiaries	-	259,576	-	50,300	13,519
Proportionate consolidation of Guangzhou Jinding Development Co., Ltd.	-	-	386	-	-
Additions	-	-	410,530	1,958,771	41,979
Disposals	-	-	(6,863)	-	-
Transfer to current portion	-	-	-	(1,155,995)	1,155,995
Transfer from properties under development	-	-	664,756	-	-
Transfer to cost of sales	-	-	-	-	(57,781)
Depreciation and amortization (Note 13)	(80)	-	(8,119)	(8,915)	(27,586)
Closing net book amount at 30 June 2006	17,860	552,576	1,151,099	3,521,962	3,300,111
Six months ended 30 June 2007					
Opening net book amount at 1 January 2007	50,620	926,153	1,311,101	8,098,580	2,579,891
Acquisition of subsidiaries	1,072,528	-	150,148	66,273	-
Acquisition of additional interests from minority shareholders	21,893	-	-	-	-
Additions	116	-	742,541	1,134,820	162,411
Disposals	-	-	-	-	-
Fair value gains (including in other gains) (Note 12)	-	167,901	-	-	-
Transfer to current portion	-	-	-	(1,648,684)	1,648,684
Transfer from properties under development	-	-	515,479	-	-
Transfer to cost of sales	-	-	-	-	(297,717)
Depreciation and amortisation (Note 13)	(89)	-	(11,419)	(30,787)	(42,257)
Closing net book amount at 30 June 2007	1,145,068	1,094,054	2,707,850	7,620,202	4,051,012

6 Cash and cash equivalents

	As at	
	30 June 2007	31 December 2006
Cash at bank and in hand	3,680,304	1,415,926

7 Restricted cash

	As at	
	30 June 2007	31 December 2006
Guarantee deposits for construction of pre-sold properties	312,982	171,865
Guarantee deposits for resettlement costs	86,372	176,311
Guarantee deposits for construction payable	19,825	20,835
Guarantee deposits for a subsidiary's borrowings	319,394	114,450
Guarantee deposits for mortgage loans provided to customers	101,444	118,951
	840,017	602,412

8 Trade and other receivables

	As at	
	30 June 2007	31 December 2006
Trade receivables (Note)	276,421	313,026
Deposits, prepayments and other receivables	993,640	915,222
Due from related parties	88,751	2,000
Less: provision for impairment of other receivables	(35,768)	(25,493)
	1,323,044	1,204,755
Less: non-current portion	(221,998)	(181,530)
Current portion	1,101,046	1,023,225

All receivable balances are denominated in Renminbi.

All non-current receivables are due within five years from the balance sheet date.

As at 30 June 2007 and 31 December 2006, the fair values of trade and other receivables approximate their carrying amounts.

Note:

Receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sales and purchase agreements. Purchasers of certain office units are required to settle the outstanding balances within 12 months as specified in the sales and purchase agreements. The ageing analysis of trade receivables at 30 June 2007 is as follows:

	As at	
	30 June 2007	31 December 2006
0 to 90 days	87,266	242,198
91 to 180 days	49,400	3,558
181 to 365 days	81,557	18,885
1 year to 2 years	29,277	34,382
Over 2 years	28,921	14,003
	276,421	313,026

9 Share capital

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At 1 January 2006 and 30 June 2006				
– domestic shares	551,777	551,777	-	551,777
– H shares	211,515	211,515	2,068,061	2,279,576
	763,292	763,292	2,068,061	2,831,353
At 30 June 2006	763,292	763,292	2,068,061	2,831,353
– subdivided domestic shares	1,655,331	-	-	-
– subdivided H shares	634,544	-	-	-
– net proceeds from subdivided H shares placed	169,200	42,300	1,568,564	1,610,864
At 31 December 206	3,222,367	805,592	3,636,625	4,442,217
At 1 January 2007 and 30 June 2007				
– domestic shares	2,207,108	551,777	-	551,777
– H shares	1,015,259	253,815	3,636,625	3,890,440
	3,222,367	805,592	3,636,625	4,442,217

As of 30 June 2006, the registered, issued and fully paid capital of the Company were RMB763,291,836, comprising 551,777,236 domestic shares and 211,514,600 H shares of RMB1 each.

On 28 September 2006, every domestic share and H share of RMB1 each were split into 4 subdivided domestic shares and 4 subdivided H shares of RMB 0.25 each respectively.

Subsequent to the completion of subdivision, the registered, issued and fully paid capital of the Company were RMB763,291,836, divided into 3,053,167,344 shares of RMB0.25 each, comprising 2,207,108,944 subdivided domestic shares and 846,058,400 subdivided H shares.

On 3 October 2006, the registered, issued and fully paid capital of the Company were increased to RMB805,591,836 by the issuance of an additional 169,200,000 new subdivided H shares of RMB0.25 each at HK$9.55 per subdivided H share to the independent professional and institutional investors.

Subsequent to the completion of the placing, the registered, issued and fully paid capital of the Company increased to RMB805,591,836, divided into 3,222,367,344 shares of RMB0.25 each, comprising 2,207,108,944 subdivided domestic shares and 1,015,258,400 subdivided H shares.

10 Bank loans

	As at	
	30 June 2007	**31 December 2006**
Short-term bank loans		
– Secured	1,013,044	159,734
– Unsecured	3,040,000	1,755,000
	4,053,044	1,914,734
Long-term bank loans		
– Secured	2,657,750	1,164,000
– Unsecured	7,050,000	4,837,000
	9,707,750	6,001,000
Less: Current portion of long-term bank loans	(1,696,000)	(1,493,000)
	8,011,750	4,508,000

Movements in borrowings are analysed as follows:

Six months ended 30 June 2006	
Opening amount as at 1 January 2006	3,275,000
Addition of borrowings	4,030,000
Repayments of borrowings	(1,325,000)
Closing amount as at 30 June 2006	5,980,000
Six months ended 31 December 2006	
Opening amount as at 30 June 2006	5,980,000
Addition of borrowings	2,270,734
Repayments of borrowings	(335,000)
Closing amount as at 31 December 2006	7,915,734
Six months ended 30 June 2007	
Opening amount as at 1 January 2007	7,915,734
Addition of borrowings	7,326,255
Repayments of borrowings	(1,881,195)
Acquisition of subsidiaries	400,000
Closing amount as at 30 June 2007	13,760,794

Bank loans totalling RMB3,670,794,000 as of 30 June 2007 (as of 31 December 2006: RMB1,323,734,000) were secured by time deposits, property, plant and equipment, properties under development and completed properties held for sale of the Group with total carrying values of RMB5,716,467,000 as at 30 June 2007 (as of 31 December 2006: RMB1,263,306,000).

The majority of unsecured borrowings of RMB9,890,000,000 (as of 31 December 2006: RMB 6,392,000,000) are supported by guarantees. Details are as follows:

	As at	
Guarantors	**30 June 2007**	**31 December 2006**
The Company	6,364,000	3,934,000
Subsidiaries	3,266,000	2,278,000
Li Sze Lim and Zhang Li	30,000	30,000
The Company together with third parties	80,000	-
The Company, a subsidiary together with Li Sze Lim and Zhang Li	150,000	150,000
	9,890,000	6,392,000

All borrowings are denominated in RMB, USD or HKD and the interests thereon are charged based on floating rates on the outstanding principals.

11 Accruals and other payables

	As at	
	30 June 2007	31 December 2006
Amounts due to related parties (Note a)	34,306	2,747
Due to customers on construction contracts	21,306	-
Construction payables (Note b)	3,568,803	2,508,657
Other payables and accrued charges	2,981,723	1,893,668
	6,606,138	4,405,072

All payable and accrual balances are denominated in RMB.

Note:

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

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

12 Other gains

	Six months ended 30 June	
	2007	2006
Fair value gains on investment properties (Note 5)	167,901	-
Negative goodwill recognised	-	125,301
Interest income	13,099	15,796
Others	445	(44)
	181,445	141,053

13 Operating profit

The following items have been credited/charged to the operating profit during the interim period:

	Six months ended 30 June	
	2007	2006
Crediting:		
Reversal of provision for doubtful debts	-	4,428
Charging:		
Depreciation (Note 5)	11,419	8,119
Amortisation of software (Note 5)	89	80
Provision for impairment of other receivable (Note 8)	10,275	-
Amortisation of land use rights	47,231	13,124

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. As at 30 June 2007, there was no indication of impairment for non-financial assets with indefinite lives.

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. As at 30 June 2007, there was no indication of impairment.

14 Finance costs

	Six months ended 30 June	
	2007	**2006**
Interest on bank loans	299,755	122,565
Less: Amount capitalised in property, plant and equipment and properties under development	(270,156)	(107,501)
	29,599	15,064

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties is 5.89% per annum for the six months ended 30 June 2007 (30 June 2006: 5.74%).

15 Income taxes

(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 2007(for the six months ended 30 June 2006: 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 2006, the applicable income tax rate for the profits generated from the property development projects with advances received prior to 2006 by one subsidiary was 3.3% based on the turnover throughout the period; the applicable income tax rate for the profits generated from companies other than the above subsidiary was 33% based on taxable profits.

For six months ended 30 June 2007, the applicable income tax rate for the profits generated from the companies was 33% based on taxable profits.

(c) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax liabilities has been written down by RMB 77,138,000 in the six-month period ended 30 June 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

	Six months ended 30 June	
	2007	**2006**
Current income tax		
– PRC enterprise income tax	394,215	117,547
Deferred income tax	(155,098)	(29,696)
	239,117	87,851

16 Earnings per share

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

	Six months ended 30 June	
	2007	**2006 Restated**
Profit attributable to equity holders of the Company (RMB thousands)	667,965	258,989
Weighted average number of ordinary shares in issue (thousands)	3,222,367	3,053,167
Earnings per share (RMB per share)	0.2073	0.0848

The weighted average number of ordinary shares for the purpose of earnings per share for the six months ended 30 June 2006 have been adjusted for the Company's share subdivision in September 2006, details of which are set out in Note 9.

Diluted earnings per share are not presented as the Group has no dilutive potential shares for both of the six months ended 30 June 2007 and 2006.

17 Dividends

A 2006 final dividend of RMB0.20 (on a post-split basis) (2005 final: RMB0.66, on a pre-split basis) per ordinary share, totaling RMB 644,473,000 (2005 final: RMB 503,773,000) was paid in May 2007.

An interim dividend in respect of six months ended 30 June 2007 of RMB 0.15 (on a post-split basis) (2006: RMB 0.40, on a pre-split basis) per ordinary share, amounting to a total dividend of RMB 483,355,000 was proposed at the Board Meeting on 30 August 2007. The condensed consolidated interim financial information does not reflect this dividend payable.

	Six months ended 30 June	
	2007	**2006**
Proposed interim dividend of RMB 0.15 (on a post-split basis) (2006 interim: RMB0.40, on a pre-split basis) per ordinary share	483,355	305,317