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)

2009 Interim Results Announcement

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

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

RESULTS AND DIVIDEND

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

BUSINESS REVIEW

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

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

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

Landbank is a key resource for the sustained growth of any property developer. The objective of the Group in this connection is to maintain a quality landbank that is sufficient for three to five years of development. We always approach land acquisition extremely cautiously and throughout 2008 to the early months of this year, the Group has not acquired any land due to the uncertainty in the market place as well as the tight credit situation. However, with conditions now improved, we successfully acquired a piece of land in Beijing for RMB1.02 billion and another in Conghua, Guangdong for RMB750 million in May 2009, our first in 16 months. The Beijing land has a GFA of 72,500 sq. m. and occupies an excellent location in Beijing adjacent to the Beijing R&F City.

The land in Conghua is for low-density residential housing on which the Group would develop villa at very competitive price. These purchases were consistent with our usual conservative land acquisition philosophy and we may grasp future opportunities of a similar nature to enhance our landbank. In addition to acquiring suitable new land, we also took other actions to restructure our landbank. In June 2009, the Group reached a termination agreement with the Foshan Bureau of Land and Resources in respect of a piece of land located north of Yu He Road, Dong Ping New City in Foshan which the Group originally acquired in December 2007 for RMB4.705 billion. As compensation for the termination, the partial payment of RMB241.2 million already made by the Group was forfeited.

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

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

PROSPECT

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

FINANCIAL REVIEW

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

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

Turnover from the sale of properties increased 9.2% to RMB4.277 billion for the six months ended 30 June 2009 from RMB3.917 billion the corresponding prior period. The turnover for this period was generated from saleable area sold and delivered of 418,000 sq. m. at average selling price of RMB10,200 per sq. m. (1H 2008: 372,000 sq. m. at RMB10,500 per sq. m.). Saleable area completed in the period was in line with plans which anticipated only approximately 20% of the expected full year completion to be completed in the first six month. Turnover recognized in the period was mostly from sales made during the property market downturn but average selling price only fell slightly as it was determined by the sales mix as well as the pricing level. Guangzhou projects accounted for 62% by value and 52% by saleable area of total turnover. Four residential projects viz. R&F Peach Gardens Phase II & III, R&F Square (South Court), Guangzhou R&F City and R&F Jin Gang City and a commercial project, R&F Ying Tai Plaza accounted for 96% of Guangzhou’s turnover. R&F Ying Tai Plaza was almost completely sold and delivered with RMB1.22 billion turnover for the period in addition to RMB735 million previously recognized. The higher average selling price of R&F Ying Tai Plaza at RMB19,500 per sq. m. also help to maintain average selling price of Guangzhou at RMB12,200 per sq. m. despite Guangzhou R&F City and R&F Peach Gardens saw average selling price dropped in the 15%-25% range. In Beijing, R&F Festival City and R&F Peach Gardens were the two main projects and together with residual sales of other projects, Beijing represented 13% by value and 12% by saleable area of total turnover. The average selling price of both R&F Festival City and R&F Peach Gardens were above their 2008 level by approximately 13% and resulted in an overall average selling price for Beijing of RMB11,800 per sq. m. as compared to RMB11,300 per sq. m. for 2008. The two projects of Tianjin, Tianjin R&F City and R&F Jinmen Lake represented 12% by value and 9% by saleable area of total turnover. Tianjin’s average selling price rose markedly by more than 40% to RMB12,400 per sq. m. mainly because turnover recognized in the period of R&F Jinmen Lake were sales made by the Group after taking over the project and no more the sales at comparatively low prices made by the project vendor. Chongqing and Xian accounted for the rest of the turnover of property development.

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

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

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

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

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

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

The net profit for the period of RMB158.9 million (1H 2008: RMB1,557.2 million) was impacted by factors including: 1) only approximately 20% of the expected full year completion was delivered in the period; 2) compensation paid for termination of land use contract amounted to RMB241.2

million after tax; 3) reduced gross margin of certain projects due to decreased selling price or increased construction costs and 4) improvement of results in the construction service and the two Guangzhou hotels.

OTHER INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

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

Directors' compliance with the Model Code for Securities Transactions by Directors

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

Compliance with the Code on Corporate Governance Practices

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

Audit Committee

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

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

Dividend

The Board has resolved that no interim dividend would be paid for the six months ended 30 June 2009 (for the six months ended 30 June 2008: Nil).

ACKNOWLEDGEMENT

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

Li Sze Lim
Chairman
20 August 2009, Hong Kong

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	Unaudited 30 June 2009	Audited 31 December 2008
ASSETS			
Non-current assets			
Land use rights		7,101,626	7,852,506
Properties held for development		3,485,641	3,641,129
Property, plant and equipment		3,335,743	3,367,336
Investment properties		7,345,942	7,360,581
Intangible assets		834,852	876,328
Investments in jointly controlled entities		629,003	628,998
Investments in associates		50,861	43,028
Deferred income tax assets		428,054	310,984
Available-for-sale financial assets		132,903	132,903
Trade and other receivables	5	199,781	365,539
		23,544,406	24,579,332
Current assets			
Properties under development		18,687,063	10,858,159
Available-for-sale financial assets		-	171,097
Completed properties held for sale		3,871,272	6,419,998
Land use rights		6,708,994	6,141,743
Inventories		168,663	116,986
Trade and other receivables	5	4,433,480	3,914,990
Tax prepayments		1,339,381	712,354
Restricted cash		739,123	603,288
Cash		5,239,629	1,449,668
		41,187,605	30,388,283
Total assets		64,732,011	54,967,615
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		805,592	805,592
Other reserves		4,283,280	4,350,497
Retained earnings			
- Proposed dividend	12	-	902,263
- Others		8,974,319	8,814,287
		14,063,191	14,872,639
Minority interest		70,496	93,049
Total equity		14,133,687	14,965,688
LIABILITIES			
Non-current liabilities			
Long-term bank loans		9,519,350	10,982,500
Long term payables		-	136,000
Deferred income tax liabilities		1,707,901	1,648,911
		11,227,251	12,767,411
Current liabilities			
Accruals and other payables	6	11,308,030	9,264,791
Deposits received on sale of properties		12,989,392	6,117,317
Current income tax liabilities		3,099,905	2,363,986
Short-term bank loans		2,051,696	2,188,922
Current portion of long-term bank loans		9,922,050	7,299,500
		39,371,073	27,234,516
Total liabilities		50,598,324	40,001,927
Total equity and liabilities		64,732,011	54,967,615
Net current assets		1,816,532	3,153,767
Total assets less current liabilities		25,360,938	27,733,099

(All amounts in RMB Yuan thousands unless otherwise stated)

Condensed consolidated interim income statement

	Note	Unaudited Six months ended 30 June 2009	2008
Revenue	4	4,660,871	4,182,049
Cost of sales		(3,133,531)	(2,664,062)
Gross profit		1,527,340	1,517,987
Other gains	7	193,205	1,504,344
Selling and administrative expenses		(589,098)	(548,713)
Other operating expenses		(243,939)	(17,013)
Operating profit	8	887,508	2,456,605
Finance costs	9	(269,101)	(106,982)
Share of results of jointly controlled entities		5	1,521
Share of results of associates		8,007	(779)
Profit before income tax		626,419	2,350,365
Income tax expense	10	(467,554)	(793,204)
Profit for the period		158,865	1,557,161
Profit attributable to:			
– Equity holders of the Company		160,032	1,558,508
– Minority interest		(1,167)	(1,347)
		158,865	1,557,161
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in RMB Yuan per share)	11	0.0497	0.4837
Dividend	12	-	-
Dividend per share (expressed in RMB Yuan per share)		-	-

(All amounts in RMB Yuan thousands unless otherwise stated)

Condensed consolidated interim statement of comprehensive income

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

Condensed consolidated interim cash flow statement

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

Notes to the 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 in the People's Republic of China (the "PRC").

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

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited on 14 July 2005.

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

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

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

3. Accounting policies

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

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

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

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

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

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

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Board of Directors (the "Board"), who makes strategic decisions. The Group applies HKFRS8 retrospectively and the comparative figures have been restated accordingly.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

- HKAS 23 (Revised), 'Borrowing costs'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group has applied the capitalisation method for the borrowing cost and there is not any material impact on the Group's financial statements.

- HK(IFRIC) - Int 15, 'Agreements for construction of real estates' supercedes HK Int-3, 'Revenue – Pre-completion contracts for the sale of development properties'. HK(IFRIC) - Int 15 clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. The Group currently does not have transactions that fall within the scope of HK(IFRIC) – Int 15 and the amendment does not have material impact on the Group's financial statements.

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

➢ HKAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. It does not have material impact on the Group's financial statements.

➢ HKAS 23 (Amendment), 'Borrowing costs'. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. It does not have material impact on the Group's financial statements.

➢ HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures'). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. It does not have material impact on the Group's financial statements.

➢ HKAS 36 (Amendment), 'Impairment of assets'. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will make additional disclosures in its financial statements for the year ending 31 December 2009.

➢ HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Group currently does not have investment property under construction and the amendment does not have material impact on the Group's financial statements.

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Segment information

The chief operating decision-maker has been identified as the Board. The Board 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 Board considers the business mainly from product perspective. The Group is principally engaged in the property development, construction, property investment and hotel operations. Each business provides difference products or services.

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Trade and other receivables

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

All trade and other receivables balances are denominated in RMB.

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

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

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

6 Accruals and other payables

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

All payable and accrual balances are denominated in RMB.

Note:

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

7 Other gains

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

8 Operating profit

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

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

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

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

9 Finance costs

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

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

10 Income taxes

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

(a) Hong Kong profits tax

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

(b) PRC enterprise income tax

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

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

(c) PRC land appreciation tax

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

11 Earnings per share

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

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

12 Dividend

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

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