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 Annual Results Announcement

- **Turnover up 18% to RMB18.20 billion**
- **Net Profit of RMB2.921 billion**
- **Profit from property development increased 18% to RMB2.685 billion**
- **Net debt to equity ratio decreased to 98%**
- **Proposed final dividend of RMB0.36 per share**

The board of directors (the "Board") of Guangzhou R&F Properties Co., Ltd. (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009. The annual results have been reviewed by the audit committee of the Company.

Chairman's Statement

One of the things that 2009 has brought into focus for our Company is the fact that the property industry does not exist in a void. On the contrary, of all business sectors in modern China it is the one perhaps most affected by, and dependent on, interactions with a multitude of other parties. For Guangzhou R&F Properties Co., Ltd., our crucial interactions in 2009 have been with larger forces such as the global and domestic economy, the Central and city government, and individual stakeholders including banks, investors, industry peers, and shareholders. Much of our success in the year has come from the ways in which we have responded to, negotiated with, listened to, reacted against, and generally interacted with these multiple parties with their many diverse and sometimes conflicting interests.

After a year of working with these multiple stakeholders in a complex and often-changing environment, the Company has some cause for satisfaction. Although the economy remained weak in 2009 and there was continuing uncertainty within the Chinese property market, we achieved record sales and could have sold more if that had been our goal. In purely fiscal terms, during the year the Company recorded a turnover from sale of properties of RMB16.98 billion, which represented sales of around 1.728 million square metres of saleable area. Overall profit amounted to RMB2.921 billion.

We saw many other positive achievements during the year. Construction at each of our project sites progressed well, and we were able to deliver all the projects scheduled for completion during the year on time. Timely delivery of completions scheduled for the coming year also looks assured. As for our land bank, representing our life-blood as a property developer, it was significantly enhanced by several important acquisitions, amongst which was the Asian Games City mega-site. Our liquidity position is as strong as it has ever been, and we have substantial cash resources at our disposal. In short, the Company is on a trajectory for strong expansion, and we believe that we are in excellent position to face any challenges as we grow.

Any major negative factors impacting on the Company due to the global financial crisis have been reflected in the results for the fiscal year 2009. Throughout most of 2009 and the beginning of 2010 we have achieved higher selling prices, built up a different product mix, and made further internal improvements to our cost controls, all of which are powerful indicators that we are well positioned to achieving our target profit margins. We anticipate these strong performances, which are showing themselves in average selling prices and delivery schedules at record highs, will be reflected in the financial results for the upcoming year.

Responses to economic and regulatory trends

In the year under review, the two areas that had the most significant impact on the Company's interactions and strategies were the economic and the regulatory environments. As far as the economy was concerned, the beginning of the year saw a clear economic rebound after the serious downturn of 2008. This happened sooner than most analysts were forecasting, and quickly led to much improved sentiment in the property market.

In China, part of the rebound resulted from proactive moves on the part of the government to stimulate the economy through regulatory measures. Naturally, these change from time to time according to the government's assessment of the nation's economic interests. Here at Guangzhou R&F, we are confident in the government's ability to implement policies that will benefit the wider economy, and hence our own business. In fact, the property sector will play an important role in the government's efforts to direct and stimulate China's economy, and the Company expects to be a major contributor to these efforts. For instance, the government's continuing priorities for urbanization can only be carried through effectively with the help of property developers like Guangzhou R&F who are committed to providing quality large-scale urban developments for the mass residential segment. However, the government is still ready to take measures regularly to control and cool property prices. Most recently, for example, in early 2010, it announced 11 measures to curb the too rapid rise of housing prices in certain cities.

As a result of the wider economic improvement and favourable government support, the Company's business rebounded quickly at the beginning of the year, and that rebound was sustained across the 12 months, reflected in steadily rising prices. We were able to achieve a record contracted sales of RMB24 billion. Land acquisition resumed in May after a pause of over a year, fuelled by strong cash inflow from sales. This successful run was crowned at the end of December when the Company won the country's largest-ever land auction by value, for the Guangzhou Asian Games City. The joint bid was made in conjunction with other major developers.

Improved sensitivity and responsiveness

Given our experiences over the past twelve to eighteen months, the Company has been working on ways of becoming even more responsive to external environmental changes. We are doing this at two main levels: first, by improving our structured decision-making procedures, and second, by stepping up our operational standards. For example, we are now building greater flexibility into our construction and completion schedules, so we can more easily speed up or delay projects in response to external changes. We are also tightening our strategies for land purchase by placing more emphasis on external factors, and replenishing our land bank only when conditions are optimal and resources available. We are in a good position to make this adjustment and become more selective about land purchase because we enjoy a large land bank 'buffer' of three or four years worth of projects.

Better safeguards in risk management

At a more basic level, the Company is drawing on lessons learnt during the financial crisis to sharpen the effectiveness of its risk management strategies and consolidate its financial base. That includes ensuring that even more attention is paid to evaluating our current cash flow situations before major business decisions are made. We have raised our expectations on the internal stress test for liquidity, and we are also now more actively looking to initiate joint ventures with other developers so as to share risk, as well as tapping into their separate pools of expertise.

A strategy based on balance

Apart from the higher levels of caution and prudence we are adopting as described above, the Company's key strategy is to maintain balance in the types of products it develops and the types of land it acquires. For instance, our mass residential developments will be balanced by a competitive exposure to a selection of luxury projects. The sizes and neighbourhoods of the cities we work in will be balanced too, with promising new projects in second-tier cities balancing our major developments in first-tier cities like Beijing, Tianjin and Guangzhou.

To maintain these balances, we need land in the right places. Urbanization is likely, we believe, to be one of the strongest growth drivers in China's property sector in coming years. To take full advantage of this, the Company needs to have a balanced range of sites available to meet demand as it arises from place to place. For this reason, we will make land-banking a real focus in the year to come, following on from our six excellent site acquisitions in 2009. Successful land-banking calls for great selection and negotiation skills, along with a good deal of foresight and a sensitivity to market trends, and these are attributes that our Company is indeed well stocked with.

Our belief in the importance of prudent land-banking showed itself in May, when we made the call to resume land acquisition after a break of over a year. Our expectation is that, setting aside local fluctuations, the general long term upward trend in land values will continue in most major China cities in the future. With this conviction, apart from the Asian Games City site, we acquired another six prime new sites for future development during the year under review: three in Guangzhou, and one each in Beijing, Taiyuan and Conghua. The sites cost the Company a total of approximately RMB3.5 billion, and had a combined site area of around 1.1 million square metres. By the end of 2009, then, our total land bank amounted to approximately 22 million square metres in saleable area, sufficient for supporting three to four years of development.

Exploring new sources of capital

As always, a crucial factor in our plans is access to capital, and maintaining a sound financial base with sufficient liquidity. Our gearing has remained high over the past year, and has not yet begun to fall as we earlier predicted. We have taken a very close look at the situation, and are confident that our current level of gearing will not place excessive stress on liquidity even if markets were to take a turn for the worse. Although maintaining a high gearing does bring some risks, it nevertheless gives us greater flexibility in acquiring sought-after and sometimes unique land resources when they come onto the market. It is worth noting too that gearing statistics are partly skewed by standardized accounting practices: for instance, our 'real' level of gearing would be much lower if the Company's land bank and hotel properties were stated at market value in the balance sheet.

One reason for the Company's high gearing is the difficulty we face of accessing resources from the capital markets. This is an inherent feature of our status as an H-share company, but we are constantly looking for ways to improve and broaden our access to capital. For instance, in October 2009 we successfully issued domestic corporate bonds to the amount of RMB5.5 billion, which we see as an important milestone in our efforts to tap into the PRC capital market. Of course, an A-share listing would be transformational in this respect, so the Company is keeping itself well prepared to grasp any brief window of opportunity that may arise for an IPO in China.

The balanced strategies outlined above can only be successful if the Company embraces them with a wholehearted commitment. We are determined in the coming year to maintain our passionate focus on our core competencies, at which we have excelled for so long. The R&F brand is a much respected one, widely associated with trustworthiness and quality, and we want to continue in that tradition. But we also realize that conditions in the property industry are constantly changing, and to this end we are constantly evolving a management team fit for present-day conditions. We are proud to have gathered together a team of highly skilled men and women who share a common vision for the Company's future.

Targets and expectations

In practical terms, we are targeting a growth rate for 2010 of from 20% to 30%. That is a figure in line with what we have managed to achieve in recent years, and in tune with current market sentiments. It translates into a contracted sales target of RMB30 billion for the year, an increase of 25% over the sales achieved for 2009. We expect to deliver approximately 2.5 million square metres in saleable area, of which 1.4 million square metres with a sale value of RMB13 billion has already been pre-sold. Amongst other priorities, we will be paying special attention to improving our margins.

Our enlarged sales target for 2010 brings with it certain responsibilities. The scale of our activities will of necessity be stepped up, the scale of our operations must expand, and this growth needs to be supported by even better management practices, operating procedures, and technical capabilities. We are addressing all three areas and initiating changes to make sure we meet our targets comfortably. One of the key tasks for the year in this respect is to upgrade and extend our ERP system. We believe that, with a clear vision and a carefully thought out policy of balanced growth, the Group remains in an excellent position to reap the rewards of China's ongoing urbanization.

Acknowledgements

Once again, our thanks go out to all our shareholders, investors, business associates and customers. Our interactions with all these stakeholders during the year have helped us hone and improve our strategies, and sharpen our vision for the future. Internally, thanks are due to the Group's directors and to its staff members at every level, for the drive and energy they have put into making the year a successful one for the Group. As our sales targets for 2010 indicate, we are firmly confident that our strengths as a Group are set to bring a new level of rewards in the coming year.

Consolidated Income Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December 2009	2008 Restated
Revenue	2	18,196,463	15,360,151
Cost of sales	4	(12,446,844)	(10,201,681)
Gross profit		5,749,619	5,158,470
Other gains – net	3	1,213,455	1,520,892
Selling and administrative expenses	4	(1,349,132)	(1,306,133)
Other operating (expenses)/income	4	(247,988)	30,752
Operating profit		5,365,954	5,403,981
Finance costs	5	(505,334)	(341,202)
Share of results of jointly controlled entities		(2,427)	(479)
Share of results of associates		434	7,812
Profit before income tax		4,858,627	5,070,112
Income tax expenses	6	(1,937,394)	(1,931,903)
Profit for the year		2,921,233	3,138,209
Profit attributable to:			
– Equity holders of the Company		2,899,500	3,119,499
– Minority interests		21,733	18,710
		2,921,233	3,138,209
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in RMB Yuan per share)	8	0.8998	0.9681
Dividend	7	1,160,052	902,263
Dividend per share (expressed in RMB Yuan per share)		0.36	0.28

Consolidated Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

	Year ended 31 December	
	2009	**2008 Restated**
Profit for the year	2,921,233	3,138,209
Other comprehensive income		
Fair value gain on available-for-sale financial assets released to consolidated income statement, net of tax	(67,217)	-
Fair value gain/(loss) on available-for-sale financial assets, net of tax	31,573	(84,000)
Total comprehensive income for the year	2,885,589	3,054,209
Total comprehensive income attributable to:		
– Equity holders of the Company	2,863,856	3,035,499
– Minority interests	21,733	18,710
	2,885,589	3,054,209

Consolidated Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December		As at 1 January
ASSETS	**Note**	**2009**	**2008**	**2008**
			Restated	**Restated**
Non-current assets				
Land use rights		691,855	625,463	561,416
Property, plant and equipment		3,494,362	3,367,336	2,390,260
Investment properties		10,331,637	7,360,581	5,366,774
Intangible assets		853,098	876,328	1,019,806
Interests in jointly controlled entities		876,063	628,998	405,311
Interests in associates		35,348	43,028	35,216
Deferred income tax assets		719,589	284,514	265,727
Available-for-sale financial assets		175,000	132,903	416,000
Trade and other receivables	9	461,108	365,539	1,900,995
		17,638,060	13,684,690	12,361,505
Current assets				
Properties under development		30,324,980	26,672,498	29,436,401
Completed properties held for sale		4,715,325	7,721,454	4,678,208
Inventories		285,833	116,986	177,233
Available-for-sale financial assets		-	171,097	-
Trade and other receivables	9	4,553,132	3,914,990	4,654,746
Tax prepayments		939,436	712,354	695,515
Restricted cash		1,244,972	603,288	956,875
Cash		6,642,279	1,449,668	1,329,691
		48,705,957	41,362,335	41,928,669
Total assets		66,344,017	55,047,025	54,290,174

EQUITY

Capital and reserves attributable to the Company's equity holders

Share capital	805,592	805,592	805,592
Other reserves	4,314,853	4,350,497	4,434,497
Retained earnings			
- Proposed final dividend	1,160,052	902,263	805,592
- Others	10,633,145	8,893,697	6,674,143
	16,913,642	14,952,049	12,719,824
Minority interests in equity	105,724	93,049	74,339
Total equity	17,019,366	15,045,098	12,794,163

LIABILITIES	As at 31 December 2009	As at 31 December 2008 Restated	As at 1 January 2008 Restated
Non-current liabilities			
Long-term borrowings	17,522,790	10,982,500	12,532,500
Long-term payables	-	136,000	272,000
Deferred income tax liabilities	1,726,853	1,648,911	1,439,428
	19,249,643	12,767,411	14,243,928
Current liabilities			
Accruals and other payables	8,846,410	9,264,791	6,542,480
Deposits received on sale of properties	11,365,612	6,117,317	11,135,489
Current income tax liabilities	2,995,887	2,363,986	2,206,847
Short-term bank loans	853,499	2,188,922	3,803,267
Current portion of long-term bank loans	6,013,600	7,299,500	3,564,000
	30,075,008	27,234,516	27,252,083
Total liabilities	49,324,651	40,001,927	41,496,011
Total equity and liabilities	66,344,017	55,047,025	54,290,174
Net current assets	18,630,949	14,127,819	14,676,586
Total assets less current liabilities	36,269,009	27,812,509	27,038,091

1. General information

The Company and its subsidiaries mainly engages in the development and sale of properties, property investment, hotel operations and other property development related service in the People's Republic of China (the "PRC").

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

The shares of the Company were listed on The Main Board of Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 July 2005.

These consolidated financial statements are presented in thousands of units of RMB Yuan (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 24 March 2010.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties.

(a) Change in accounting policy

During the year, the Group changed its accounting policy for land use rights which is held for development for sales.

Land use rights which is held for development for sales meet the definition of both inventories under HKAS 2 'Inventories' and leasehold land under HKAS 17 'Leases'.

Previously, land use rights which is held for development for sales were classified as prepaid operating lease and payments are amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property was recognised in profit or loss.

Subsequent to the change in accounting policy, land use rights which is held for development for sales are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

In addition, properties and land use rights that were held for development were classified as non-current assets in previous periods. As part of the adoption of the inventory model described above, management has reassessed this classification and reclassified such assets as current assets based on the normal operating cycle for property inventories.

Management believes that the new classification of land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the year, reflecting the management's intention on the use of the asset. The new accounting policy also results in a presentation consistent with the industry practices and removes the GAAP difference between the consolidated financial statements prepared under HKFRS and China Accounting Standards for Business Enterprises, which will provide more transparent and comparable financial statements for the users.

The change in accounting policy has been accounted for retrospectively and the consolidated financial statements have been restated by reversal of amortisation made in prior years in order to comply with HKAS 8 'Accounting policies, changes in accounting estimates and errors'. The effect on the group's financial statements is as follows:

	Net assets attributable to the Company's equity holders at 1 January 2008	Profit attributable to the Company's equity holders for the year ended 31 December 2008	Net assets attributable to the Company's equity holders at 31 December 2008	Profit attributable to the Company's equity holders for the year ended 31 December 2009	Net assets attributable to the Company's equity holders at 31 December 2009
Non-current assets					
Decrease in properties held for development	(2,859,095)	-	(3,641,129)	-	(3,515,058)
Decrease in land use rights	(9,781,263)	-	(7,227,043)	-	(6,778,482)
Decrease in deferred income tax assets	(31,428)	-	(26,470)	-	(24,955)
Current assets					
Increase in completed properties held for sale	734,724	-	1,301,456	-	1,001,231
Increase in properties under development	17,078,979	-	15,814,339	-	14,783,383
Decrease in land use rights	(5,047,634)	-	(6,141,743)	-	(5,391,253)
Income statement					
Increase in cost of sales	-	(19,831)	-	(6,059)	-
Decrease in income tax expense	-	4,958	-	1,515	-
	94,283	(14,873)	79,410	(4,544)	74,866
Decrease in earnings per share from continuing operations (basic and diluted)		RMB0.46 cents		RMB0.14 cents	

(b) New and amended standards and interpretation adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective 1 January 2009). 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 in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKAS 23 (Revised), ‘Borrowing costs’ (effective 1 January 2009). 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 has been removed. The Group has applied the capitalisation method for the borrowing cost and there is no material impact on the Group’s financial statements.

- HKFRS 7 (Amendment), ‘Financial Instruments – Disclosures’ (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8, ‘Operating segments’ (effective 1 January 2009). HKFRS 8 replaces HKAS 14, ‘Segment reporting’, and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The comparatives for the year ended 31 December 2008 have been restated to conform to current year’s presentation.

- HK(IFRIC) - Int 15, ‘Agreements for construction of real estates’ (effective 1 January 2009) 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 amendment does not have material impact on the Group’s financial statements.

- HKAS 40 (Amendment), ‘Investment property’ (and consequential amendments to HKAS 16) (effective 1 January 2009). The amendment is part of the annual improvements project by Hong Kong Institute of Certified Public Accountants published in October 2008. Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Prior to the amendment such property under construction or development was within the scope of HKAS 16 ‘Property, plant and equipment’ until the construction or development was complete.

  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 amendment to HKAS 40 has been applied prospectively on investment properties under construction for annual periods beginning 1 January 2009 in accordance with the effective date and transitional provisions of the amendment.

The table below details the effect on the current year:

	Increase/(decrease)
Balance sheet (extracts)	
Property, plant and equipment (assets under construction)	(1,969,830)
Investment properties	2,205,124
Total assets	235,294
Retained earnings	150,000
Minority interests in equity	26,470
Total equity	176,470
Deferred income tax liabilities	58,824
Total equity and liablities	235,294

Profit for 2009 changed as follows:

	Increase/(decrease) in profit for the year
Income statement (extracts)	
Other gains - net	235,294
Profit before income tax	235,294
Income tax expense	(58,824)
Profit for the year	176,470
Attributable to:	
Equity holders of the Company	150,000
Minority interests	26,470
	176,470

Basic and diluted earnings per share increased by RMB0.0465 from RMB0.8533 to RMB0.8998.

2. 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 difference products or services.

The Executive Directors assesses 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 year ended 31 December 2009 and the segment assets and liabilities at 31 December 2009 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	22,240,837	328,098	420,383	529,961	23,519,279
Inter-segment revenue	(5,256,473)	(50,039)	(16,304)	-	(5,322,816)
Revenue from external customers	16,984,364	278,059	404,079	529,961	18,196,463
Profit/(loss) for the year	2,684,993	499,576	(179,232)	(84,104)	2,921,233
Finance costs	(230,374)	(150,991)	(106,066)	(17,903)	(505,334)
Share of results of jointly controlled entities	(2,427)	-	-	-	(2,427)
Share of results of associates	-	-	-	434	434
Income tax expense	(1,827,555)	(166,525)	59,744	(3,058)	(1,937,394)
Depreciation and amortisation	164,638	-	146,478	2,034	313,150
Provision for/(reversal of) impairment losses	3,036	-	326	(2,288)	1,074
Fair value gain on investment properties	-	604,235	-	-	604,235
Total assets	51,286,881	10,331,637	3,578,505	252,405	65,449,428
Total assets includes:					
Investments in jointly controlled entities	876,063	-	-	-	876,063
Investments in associates	-	-	-	35,348	35,348
Additions to non-current assets (other than financial instruments and deferred tax assets)	147,322	1,969,830	267,482	1,860	2,386,494
Total liabilities	18,122,849	-	1,806,032	283,141	20,212,022

The segment information for the year ended 31 December 2008 and the segment assets and liabilities at 31 December 2008 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	19,479,652	168,943	196,710	290,408	20,135,713
Inter-segment revenue	(4,750,184)	(11,963)	(13,415)	-	(4,775,562)
Revenue from external customers	14,729,468	156,980	183,295	290,408	15,360,151
Profit/(loss) for the year	2,283,243	1,115,308	(183,850)	(76,492)	3,138,209
Finance costs	(194,105)	(68,528)	(57,291)	(21,278)	(341,202)
Share of results of jointly controlled entities	(479)	-	-	-	(479)
Share of results of associates	-	-	-	7,812	7,812
Income tax expense	(1,602,565)	(371,771)	61,283	(18,850)	(1,931,903)
Depreciation and amortisation	191,079	-	86,592	1,043	278,714
(Reversal of)/provision for impairment losses	(2,247)	(12)	(463)	940	(1,782)
Fair value gain on investment properties	-	1,473,016	-	-	1,473,016
Total assets	43,599,575	7,360,581	3,289,618	208,737	54,458,511
Total assets includes:					
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)	250,855	196,220	1,007,894	-	1,454,969
Total liabilities	14,934,624	-	391,592	191,892	15,518,108

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 income statement.

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.

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

	31 December 2009	**31 December 2008 Restated**
Segment assets for reportable segments	65,449,428	54,458,511
Deferred income tax assets	719,589	284,514
Available-for-sale financial assets	175,000	304,000
Total assets per balance sheet	66,344,017	55,047,025

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:

	31 December 2009	**31 December 2008 Restated**
Segment liabilities for reportable segments	20,212,022	15,518,108
Deferred income tax liabilities	1,726,853	1,648,911
Current income tax liabilities	2,995,887	2,363,986
Current borrowings	6,867,099	9,488,422
Non-current borrowings	17,522,790	10,982,500
Total liabilities per balance sheet	49,324,651	40,001,927

3. Other gains - net

	2009	**2008**
Fair value gain on investment properties - net	604,235	1,473,016
Gain on disposal of available-for-sale financial assets	140,653	-
Gain on disposals of property, plant and equipment and land use rights	384,185	39,870
Gain on disposal of investment properties	11,504	-
Interest income	48,896	29,101
Others	23,982	(21,095)
	1,213,455	1,520,892

4. Expenses by nature

Expenses by nature comprising cost of sales, selling and administrative expenses and other operating (expenses) / income are analysed as follows:

	2009	**2008 Restated**
Crediting		
Reversal of provision for doubtful debts	(12,363)	(5,756)
Charging:		
Cost of completed properties sold	11,076,374	9,077,946
Employee benefit expense	490,995	402,187
Amortisation of land use rights, software and customer contracts	114,438	146,872
Office expenses	65,221	119,040
Depreciation	198,712	131,842
Business taxes and other levies	1,095,581	899,991
Auditors' remuneration	6,977	5,850
Operating lease payments	9,219	20,740
Provision for doubtful debts	13,437	3,974
Advertising cost	168,651	142,440
Default payment for termination of land acquisitions	240,000	-
Others	576,722	531,936
	14,056,327	11,482,818
	14,043,964	11,477,062

5. Finance costs

	2009	**2008**
Interest on bank loans	1,341,018	1,578,600
Interest on corporate bonds	74,683	-
Less: interest capitalised	(910,367)	(1,237,398)
	505,334	341,202

The average interest rate applied for capitalisation of funds borrowed generally and used for the development of properties and property, plant and equipment is 5.91% per annum for the year ended 31 December 2009 (2008: 6.81%).

6. Income tax expenses

	2009	2008 Restated
Current income tax		
– PRC enterprise income tax (Note (b))	1,461,171	919,764
Deferred income tax	(345,252)	218,696
	1,115,919	1,138,460
Current PRC land appreciation tax (Note (c))	821,475	793,443
Total income tax expenses (Note (d))	1,937,394	1,931,903

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (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 the year ended 31 December 2009, the effective income tax rate for the profits generated from property construction was 2.5% (2008: 3%) based on the revenue throughout the period; the applicable income tax rate for the profits generated from other business was 25% (2008: 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.

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2009	2008 Restated
Profit before income tax	4,858,627	5,070,112
Less: Land appreciation tax	(821,475)	(793,443)
	4,037,152	4,276,669
Calculated at tax rate of 25% (2008: 25%)	1,009,288	1,069,167
Effect of different income tax regime of certain companies	7,167	50,497
Development costs not deductible for taxation purposes	88,250	10,996
Others	11,214	7,800
PRC enterprise income tax	1,115,919	1,138,460
Land appreciation tax	821,475	793,443
Tax charge	1,937,394	1,931,903

(e) The tax (charge) / credit relating to components of other comprehensive income is as follows:

	2009			2008		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Fair value gain / (loss) of available-for-sale financial assets	42,097	(10,524)	31,573	(112,000)	28,000	(84,000)
Fair value gain on available-for-sale financial assets released to consolidated income statement	(89,622)	22,405	(67,217)	-	-	-
	(47,525)	11,881	(35,644)	(112,000)	28,000	(84,000)

7. Dividend

	2009	2008
Proposed final dividend of RMB0.36 (2008: RMB0.28) per ordinary share	1,160,052	902,263

A 2008 final dividend of RMB0.28 per ordinary share, totaling 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 (six months ended 30 June 2008: Nil).

2009 final dividend of RMB0.36 (2008: RMB0.28) per ordinary share, amounting to a total dividend of RMB1,160,052,000 which is based on the number of shares as at 31 December

2009 is to be approved by the shareholders at the Annual General Meeting ("AGM") on 28 May 2010 which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2010. These financial statements do not reflect this dividend payable.

The aggregate amounts of the dividends paid and proposed during 2009 and 2008 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

8. Basic and diluted earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	**2008 Restated**
Profit attributable to equity holders of the Company	2,899,500	3,119,499
Weighted average number of ordinary shares in issue (thousands)	3,222,367	3,222,367
Earnings per share (RMB per share)	0.8998	0.9681

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

9. Trade and other receivables

	2009	**2008**
Trade receivables		
- Due from jointly controlled entities (Note (a))	41,844	19,679
- Due from related parties (Note (a))	-	181,790
- Due from third parties (Note (a))	850,675	617,265
	892,519	818,734
Less: provision for impairment of trade receivables	(2,756)	-
Trade receivables – net	889,763	818,734
Other receivables (Note (b))	517,650	885,819
Prepayments	2,405,522	1,602,902
Due from jointly controlled entities	1,222,250	942,804
Due from associates	1,402	54,181
Due from a related party	-	118
Less: provision for impairment of other receivables	(22,347)	(24,029)
Total	5,014,240	4,280,529
Less : non-current portion	(461,108)	(365,539)
Current portion	4,553,132	3,914,990

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

Trade 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 and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables at 31 December 2009 is as follows:

	2009	**2008**
0 to 90 days	629,426	575,089
91 to 180 days	50,766	36,248
181 to 365 days	67,735	69,134
1 year to 2 years	83,987	108,221
Over 2 years	60,605	30,042
	892,519	818,734

(b) Other receivables

The ageing analysis of other receivables at 31 December 2009 is as follows:

	2009	**2008**
0 to 1 year	307,634	362,477
1 year to 2 years	36,812	416,612
2 year to 3 years	159,707	85,002
Over 3 years	13,497	21,728
	517,650	885,819

BUSINESS REVIEW

Economic stimuli introduced by various governments around the world, including the Chinese government, helped stop the global financial crisis from developing into a much-feared economic depression. In China, the Central Government implemented effective fiscal measures that helped propel the PRC economy to 9% growth in 2009, besides giving extra impetus to many other developed economies. The ample credit supply included in the government's stimulus package was a boon for the property sector, encouraging a steady return to normality that was followed by further growth. Most major cities experienced record highs in categories such as volume of property transactions, total sales by area and by value, and average selling prices, the latter increasing by around 20% over the previous year's prices. Within this generally satisfactory atmosphere in the property market, the Company's consistent execution of proven strategies enabled it to achieve its highest-ever contracted sales figures, while at the same time building up a pipeline of competitive projects and maintaining its position amongst China's top-tier property developers. For the fifth consecutive year, the National Statistical Bureau ranked the Company first in overall strength of all PRC property developers.

Contracted sales

Contracted sales increased by 51% over 2008 to RMB24.2 billion, which in terms of saleable area amounted to a 46% increase to 2.33 million sq. m.. After a relatively slow start to the year, contracted sales quickly gained momentum. Robust sales in March culminated in the highest monthly contracted sales of the year at RMB2.86 billion, and sales continued at a consistently satisfactory level thereafter. Market factors underpinning this strong performance included a stabilized economy and the return of consumer confidence to the property market; this was supplemented by the Group's competitive edge in being able to offer a selection of 38 quality property projects across various cities. With first-time sales launched in Shenyang and Chengdu, contracted sales for the year originated from a total of 11 cities. Beijing, Tianjin and Guangzhou still accounted for the bulk of contracted sales, at 75% of the total by value and 65% by area, but these figures were down from 83% and 72% respectively in the previous year in a clear reflection of the Group's gradual geographical diversification. Of those cities entered by the Group more recently, Taiyuan and Hainan showed themselves especially strong, with contracted sales there more than treble those of 2008 at RMB1.25 billion and RMB880 million respectively. The Group remains focused on residential development, with residential properties making up 83% of its total contracted sales; the other 17% came from sales of commercial properties.

Details of the Group's 2009 contracted sales by geographical distribution are set out below:

Location	Approximate saleable area sold (sq. m.)	+/- % vs. 2008	Approximate total value (RMB million)	+/- % vs. 2008
Guangzhou	644,700	15%	8,236	13%
Beijing	391,900	8%	5,566	46%
Tianjin	484,200	116%	4,418	101%
Xian	130,200	93%	744	86%
Chongqing	232,800	-1%	1,401	17%
Chengdu	22,200	3,600%	139	2,680%
Huizhou	56,300	55%	477	19%
Hainan	66,500	171%	880	283%
Shanghai	71,400	730%	964	1,277%
Taiyuan	223,100	197%	1,250	229%
Shenyang	9,600	52%	122	103%
Total	**2,332,900**	**46%**	**24,197**	**51%**

Projects under development

The Group manages both the area being built and the pace of construction to match its target delivery schedule and sales plan. As at December 2009, it had 31 residential property projects and 4 commercial property projects under construction in 12 cities. In terms of GFA, a total of 6.73 million sq. m. was under construction, an increase of 26% from the 5.34 million sq. m. as at 31 December 2008. These projects which the Group has under development are expected to generate pre-sale permits for property with an estimated sales value of over RMB70 billion.

Location	Number of projects	Approximate total GFA (sq. m.)	Approximate saleable area (sq. m.)
Guangzhou	9	2,379,000	2,027,000
Beijing	7	813,000	684,000
Tianjin	5	914,000	791,000
Xian	1	152,000	125,000
Chongqing	3	555,000	428,000
Chengdu	2	641,000	428,000
Shanghai	1	39,000	22,000
Kunshan	1	72,000	63,000
Shenyang	1	47,000	47,000
Hainan	2	209,000	205,000
Taiyuan	2	670,000	547,000
Huizhou	1	238,000	189,000
Total	**35**	**6,729,000**	**5,556,000**

Southern and Western China

Guangzhou continued to occupy a special position for the Group, even though R&F has now evolved into a property developer with a nationwide presence. Apart from the fact that Guangzhou was the city where the Group was founded, the city remains special due to its vitality and its relatively mature and resilient property market. Guangzhou's GDP reached RMB911 billion in 2009; this represented an increase of 11.5% over the previous year, above the national average. An important driver for this growth was the forthcoming 16th Asian Games, to be hosted by the city in November 2010. The many infrastructure projects and ancillary facilities completed or under construction in preparation for the Games have boosted the city's development and expanded the one-hour commuting radius for metro Guangzhou, in each case having a significant impact on the property scene.

Pearl River New Town has now been firmly established as Guangzhou's new CBD, and property values there are set to reflect this status. The Group was amongst the first to recognize the potential of Pearl River New Town, and it is the developer with the largest number of projects in the area. During the year the Group delivered R&F Ying Feng Plaza, a commercial development with 62,000 sq. m. of saleable area, and it currently has seven residential and commercial property projects in various stages of development. Pre-sales of R&F Ying Xin Plaza and R&F Pearl River Park View 28 (formerly R&F Yingzun Plaza) began in September and December respectively. R&F Ying Xin Plaza is a commercial development conveniently located near the CBD centre line, and having achieved more than RMB700 million in contracted sales it has clearly been well-accepted by corporate purchasers. R&F Pearl River Park View 28 is a high-end residential development of five 48-storey towers, in which most units are larger than 250 sq. m. A total of 15 units worth over RMB100 million were sold in the relatively short sales period during the year. Together with continuing sales at R&F Ying Feng Plaza, R&F Ying Tai Plaza and the office tower of the Guangzhou Grand Hyatt Hotel, contracted sales from projects in Pearl River New Town exceeded RMB3 billion in total. The Group has more projects in Pearl River New Town due to come on stream in future years; two such projects where construction is progressing on schedule are the major mixed development at Lei De Cun consisting of upscale apartments, a luxury hotel and a premium shopping mall, which is being carried out jointly with KWG Properties Holdings Limited and Sun Hung Kai Properties Limited, and the development adjacent to the R&F Center which will consist of a grade A office and a Park Hyatt hotel.

Seven other projects were on sale during the year across Guangzhou. These included mature projects like R&F Peach Gardens and R&F City, now in their last phases, as well as newly launched projects such as R&F Junhu Palace near the city's main railway station, and R&F Spring World in Conghua. R&F Peach Gardens and R&F City were the Group's two top-selling projects, each with contracted sales for the year exceeding RMB1 billion. Guangzhou's improved transport infrastructure has made R&F Spring World and R&F Jin Gang City in Hua Du attractive to purchasers wanting the convenience of city living but who prefer lower density housing. Sales at R&F Jin Gang City for the year amounted to approximately RMB450 million.

Overall, Guangzhou's contracted sales increased by 13% to RMB8.236 billion, amounting to 34% of the Group's total sales. This was less than the 45% in the previous year, but still remained the highest of all the cities where the Group operates. Alongside Beijing and Tianjin, Guangzhou will remain a key focus city for the future.

Chongqing is the economic and financial center of the upstream Yangtze River region. GDP growth in 2009 reached 14.9%, and provided strong support for the city's property sector. To date the Group has completed two projects in Chongqing, having delivered the last five residential blocks of R&F Modern City and retail spaces associated with R&F Ocean Square Phase I. Three projects are under development, of which Chongqing R&F City is the largest. It occupies a site of 2.6 million sq. m. in an area designated to become Chongqing university city. This is a multi-phase development that will be carried out over many years, and will have a total GFA of approximately 6.8 million sq. m. upon completion. The unique appeal of this project will become apparent as the university city community matures, causing more and more universities and institutes of education to relocate to the area which in turn will attract corporations in need of skilled personnel. Up to the end of 2009, the Group had completed approximately 100,000 sq. m. of GFA and enjoyed cumulative contracted sales of approximately RMB1.4 billion, following the RMB1.0 billion in sales achieved in 2009. The selling price has also increased to RMB6,000 per sq. m., as compared to RMB4,300 per sq. m. at the initial launch.

Chengdu is the capital city of Sichuan province, and as such its development potential cannot be overemphasized. The Group bought its first piece of land in the Chengdu CBD in October 2007. This project will see the development of a large mixed-use complex including apartments, offices, a hotel and a shopping mall. In late 2008 the Group began pre-sales of its first portion, R&F Stanley International Apartments. A second project, R&F Peach Garden, was launched during the year, bringing contracted sales from Chengdu to RMB139 million for 2009.

Hainan has been groomed for development into an international tourism destination for some time, a strategic goal that was formalized on 4 January 2010 in an official pronouncement of the State Department of the Central Government. From now on, it is expected that development towards this goal (including the development of ancillary service industries) will accelerate. Recognizing the potential of Hainan some time ago, the Group first acquired a prime seafront site at Xiangshui Bay in 2006. The site has since been developed into R&F Bay Shore, a mix of resort style low-rise apartments with additional facilities that include a resort hotel and a yacht club. Contracted sales for the project trebled to RMB754 million for the year, from RMB230 million in the previous year, and there was a 45% increase in the average selling price. A second project, R&F Yingxi Valley on Haikou's west coast, is made up of villas and linked houses, and sales were launched in the last quarter of 2009. Over 90% of the initial batch of 61 units offered were sold, for a total of RMB126 million.

Huizhou is a city selected by the Group for investment because of its good natural environment and potential for development. The Group's debut project in the city is the R&F Li Gang Center. This is a project that embraces contemporary concepts of integrated development, and is made up of a mix of luxury apartments, an A-grade office building, a shopping mall, and a five-star hotel. Sales of approximately RMB477 million were achieved in the year despite the fact that only a limited number of units were made available for sale. Of these sales, approximately RMB140 million arose from the sale of office units during a short three-month period. The units achieved a record selling price of over RMB10,000 per sq. m., indicating the high potential of Huizhou's commercial property segment.

Northern and Eastern China

Beijing, the Group's northern headquarters, had contracted sales in the year from eight projects totaling RMB5.566 billion, second highest after Guangzhou. With sales of RMB1.58 billion, Beijing R&F Festival City ranked second in contracted sales amongst all the Group's projects. This project has a total GFA of over 1.1 million sq. m., and sales started in July 2005; cumulative sales up to the end of 2009 amounted to RMB6.3 billion, and 350,000 sq. m. GFA is yet to be developed. R&F Danish Town, a low-density residential project in Daxing district to the south of the city, saw contracted sales quadruple to RMB1.382 billion: it was the Group's second-best project in Beijing in terms of sales. This project has been awarded the UN-HABITAT Business Award (China) - Best Practices (聯合國人居獎(中國)最佳範例獎), evidence that outstanding design and quality can impact positively on sales performance. The last phase of R&F City, the Group's first Beijing flagship project, has been developed into just 12 villas, which are extremely hard to come by in the city center. Of these, 8 villas were snatched up at an average of RMB75 million per villa.

Tianjin is one of the Group's key markets. Since the Group first ventured into this city in 2004, sales have grown steadily. Its four ongoing projects returned RMB4.418 billion for the year. With the acquisition of several large plots of high quality land, the Group has become a significant player in the Tianjin market. The land includes a plot acquired for RMB5.4 billion in the Hexi district with a GFA of over 1.57 million sq. m., which has been developed into one of the Group's largest projects, R&F Jinmen Lake. Sales from this project increased to RMB1.65 billion, topping all other of the Group's projects in the year. A significant portion of this project of approximately 1.23 million sq. m. in GFA is yet to be developed, and will be carried out over the next few years. The Group's other projects in Tianjin are R&F City, R&F Peach Garden and R&F Bay Shore. All are of considerable size, making Tianjin the city producing the highest revenue per project for the Group. In addition to these four projects, the Group has begun construction of the R&F Centre in the CBD, and of the R&F Guangdong Building, planned as a 380 metre landmark building in Binhai New Area.

Xian is the capital city of Shaanxi Province, and not only enjoys a booming tourism business but also a strong high-tech industry. The city managed to achieved GDP growth of 14.5% in 2009 and raised GDP per capita to close to the USD5,000 level. Given such favorable conditions, the property market remained healthy. The Group's only project in the city, R&F City, is in its fourth year of development and sold well during the year, with sales increasing by approximately 86% over the previous year to a contracted sales total of RMB744 million.

Taiyuan rapidly returned to economic growth in the second quarter of 2009 after a GPD decline in the first quarter, due to continuous strategic initiatives by the city on multiple fronts in areas such as agriculture, industry and services. The Group considers Taiyuan to be a promising market and has acquired a substantial land bank in the city to tap into its property market. Taiyuan's R&F City is located on a site with a total GFA of approximately 2.1 million sq. m., making it the Group's largest project in eastern China. The project is currently in its first phase of a total of seven phases, and since its first launch in July 2008, sales have reached RMB891 million. Following on from the success of R&F City, the Group launched the sale of R&F Modern Plaza in July 2009. This consists of ten 32 to 34 storey residential blocks centrally located close to the CBD and to several of Taiyuan's landmark buildings. The project is perceived as having good potential for appreciation in value, and registered RMB359 million of contracted sales in six months. Total sales for Taiyuan in 2009 more than trebled over the previous year, to RMB1.25 billion.

Shanghai and its vicinity has two projects in progress, both low-density residential developments. R&F Bay Shore is located in Kunshan, near Dingshan Lake, the largest lake in the vicinity of Shanghai. The first phase of this project consisted of 943 detached villas, which were put onto the market in September 2008. Sales were initially a little slow, but they gradually gathered momentum and a total of 146 villas were sold in 2009 for RMB549 million. R&F Peach Gardens in the Qing Pu District is a development of townhouses and low-rise apartments. The average selling price has been set at approximately RMB13,000 per sq. m., which is proving attractive to a broad range of potential buyers in the light of comparable prices in Shanghai and the moderate commuting time to the city. In 2009, the project sold 48,000 sq. m. in GFA for a total of RMB415 million.

Land bank

The Group has always been very cautious in assessing opportunities for land acquisition. During the 16 months up to May 2009, which included the worst period of the global financial turmoil, it acquired no land. In May 2009 the Group bought two pieces of land, one in Conghua and one in Beijing, followed by a further three sites in Guangzhou and, in November, one in Taiyuan. The Group's successful bidding for the Asian Games City in December jointly with other developers added a substantial amount of prime city land to its land bank. In total, new land acquisition amounted to approximately 2.70 million sq. m. in three cities (a figure that includes only the portion attributable to the Group at the Asian Games City site). This replenishment of land exceeded the amount of land used by approximately 1.06 million sq. m., resulting in the Group having a total land bank of 22 million sq. m. at the end of the year.

	Approximate total GFA (sq. m.)	Approximate saleable area (sq. m.)
Development Properties		
Guangzhou	5,176,000	4,751,000
Huizhou	249,000	188,000
Hainan	1,109,000	1,109,000
Chongqing	6,692,000	6,667,000
Chengdu	1,396,000	1,286,000
Kunshan	399,000	367,000
Shanghai	245,000	209,000
Beijing	1,630,000	1,261,000
Tianjin	2,744,000	2,374,000
Xian	630,000	578,000
Taiyuan	2,685,000	2,685,000
Shenyang	133,000	133,000
Investment Properties	898,000	749,000
Total	**23,986,000**	**22,357,000**

Investment Properties

The only addition to the Group's portfolio of investment properties during the year was the Chongqing R&F Ocean Square retail complex. This property was completed in December 2009, and has just begun acquiring tenants. During the year, performance of the Group's key properties in its existing portfolio further improved, including that of the four hotels in operation, together with Guangzhou's R&F Center, Beijing's R&F Center, and R&F Plaza. Occupancy of the hotels increased across the board while average revenue per room was raised, although the hotel room glut in Beijing meant that occupancy rates at the Renaissance Beijing Capital Hotel remained less than satisfactory. Nevertheless, the Express of Holiday Inn Temple of Heaven Beijing showed that a properly positioned niche hotel can be profitable, even in a difficult business environment. All four hotels achieved positive cash inflow, and their combined cash inflow increased over the previous year. The Guangzhou R&F Center continued to attract new tenants, drawn by the quality of the building and its competitive advantages in terms of convenience of access and high standards of property management. The Group also sought to increase revenue from the R&F Plaza in Beijing by bringing in popular brand-name stores as anchor tenants to further boost shopper traffic.

Decorating work at the Chengdu Tianhui mall, superbly located in Chengdu's city center, is now close to completion. The mall is expected to be the next major addition to the Group's investment properties portfolio in 2010.

Outlook

The property market inevitably experiences ups and downs, affected by economic cycles and the changing regulatory environment. The Group is, however, confident about prospects for long-term healthy growth of the property market, given the fundamental demand for better housing right across China and the steady rise in incomes there. The Group will manage its business appropriately to cope with any changes in the market, and focus on executing its business plan well. In 2010, the Group plans to sell over 40 projects in 12 cities to attain a contracted sales target of RMB30 billion and deliver 2.5 million sq. m. of properties. The details are set out below:

	To be completed in 1st half of 2010		**To be completed in 2nd half of 2010**	
Location	**Approximate total GFA (sq. m.)**	**Approximate total saleable area (sq. m.)**	**Approximate total GFA (sq. m.)**	**Approximate total saleable area (sq. m.)**
Guangzhou	307,000	234,000	399,000	335,000
Huizhou	-	-	99,000	90,000
Hainan	33,000	31,000	138,000	138,000
Chongqing	70,000	64,000	142,000	136,000
Chengdu	133,000	90,000	-	-
Shanghai and vicinity	-	-	69,000	63,000
Beijing	167,000	160,000	368,000	351,000
Tianjin	170,000	146,000	368,000	344,000
Taiyuan	65,000	63,000	173,000	168,000
Xian	33,000	31,000	48,000	46,000
Shenyang	-	-	35,000	35,000
Total	**978,000**	**819,000**	**1,839,000**	**1,706,000**

FINANCIAL REVIEW

The Group's net profit for the year amounted to RMB2.921 billion, against RMB3.138 billion for the previous year. One major factor behind this decrease was the difference in fair value gain on investment properties (net of income tax), which this year amounted to RMB453.2 million against RMB1.1 billion in 2008. Net profit of the Group's core business of property development rose by RMB401.8 million, on a 15.3% increase in turnover from sale of properties. This was after a one-time charge of RMB240.0 million, being the deposit forfeited for a piece of land in Foshan. Regarding the Group's other business segments, profit from property investment (excluding fair value gains) increased by RMB35.9 million, while the net loss for the hotel operation fell to RMB179.2 million from RMB183.9 million the previous year. Net loss from all other business segments (including construction services, which was separately disclosed last year) increased slightly, by RMB7.6 million.

The hotel operation had its first full year financial results since the opening of the Group's four hotels, two in Guangzhou and two in Beijing, between March and July of 2008. Occupancy at these hotels improved to various extents over their first year of operation, and total revenue increased accordingly by 120% to RMB404 million, generating a RMB104.0 million increase in operating profit. This operating profit could not, however, fully cover finance costs and depreciation of the hotels, resulting in a net loss of RMB179.2 million.

The Group carries out its core business of property development in 12 cities. During the year, the Group made its first ever deliveries in Hainan, Huizhou, Taiyuan and Shanghai and its vicinity, in addition to completing projects in Guangzhou, Beijing, Tianjin, Xian and Chongqing. The following comments, with the exception of #6 (on financing costs) and #8 (on net profits), relate only to the results from sales of properties:

1. Turnover increased 15.3% to RMB16.98 billion, from RMB14.73 billion in the previous year. Reflecting a lower average selling price, the amount of saleable area sold increased by 22.2%, more than the increase in turnover, to 1.728 million sq. m. from 1.413 million sq. m in 2008. The overall average selling price fell slightly, from RMB10,420 to RMB9,830 per sq. m., due to the impact of lower selling prices in the new cities and a drop in the average selling price in Guangzhou. Guangzhou accounted for 42% of total turnover, the highest among all 11 cities. Turnover there, derived mainly from five residential and two commercial projects, amounted to RMB7.085 billion, up from RMB6.737 billion. Guangzhou R&F Peach Garden was the Group's top project, with turnover amounting to RMB1.872 billion, but the average price of the project fell by 15.8% to RMB10,730 per sq. m. causing the average selling price in Guangzhou to decrease as mentioned above. The average selling prices of the Group's other major residential properties basically held up as compared to the previous year. With the sale and delivery of R&F Ying Feng Plaza and the remainder of R&F Ying Tai Plaza bringing in RMB2.502 billion, sale of commercial properties accounted for more than one third of the Group's turnover in Guangzhou. The average selling price of these two commercial properties, at RMB19,160 per sq. m., was higher than that for residential properties. Sales in Beijing amounted to RMB3.423 billion (2008: RMB3.505 billion) and accounted for 20% (2008: 24%) of the Group's total turnover. This turnover came mainly from projects continuing from the previous year, with the addition of RMB520 million from the new R&F Bayshore project. R&F Festival City and R&F Peach Garden, each with turnover exceeding RMB1 billion, together made up 69% (2008: 74%) of the total turnover from Beijing. The average selling

prices of projects were better across the board than comparable prices in 2008; and with the final phase of the relatively pricey R&F City villas coming on the market, the overall average selling price for Beijing increased by 7% to RMB12,040 per sq. m. for the year. Turnover from Tianjin increased for the fourth consecutive year. Three projects, R&F City, R&F Jinmen Lake and the new R&F Peach Garden, generated combined turnover of RMB2.991 billion, a 27% increase over that of 2008. The selling prices of the Tianjin projects moved in different directions. The selling price for R&F Jinmen Lake improved as the sales which had already been made at relatively lower prices when the Group acquired the projects were cleared out the previous year. However, the average selling price for R&F City fell by 19% and R&F Peach Garden fetched a lower selling price of RMB6,240 per sq. m., largely because of its location. The overall average selling price for Tianjin remained largely unchanged. Turnover from Chongqing fell to RMB1.061 billion for the year from RMB1.560 billion in 2008, mainly due to the conclusion of the R&F Ocean Square project which had registered RMB1.067 billion in turnover in 2008. R&F Modern Plaza and R&F City accounted for 91% of this year's turnover in Chongqing, and as their average selling price was less than that for R&F Ocean Square, the average selling price for Chongqing as a whole decreased by 13% to RMB5,120. In Xian, even-paced development of the Group's sole project, R&F City, resulted in stable turnover of RMB496 million and a selling price of RMB5,490 per sq. m.. The combined turnover from new cities, including Huizhou, Hainan, Shanghai and Taiyuan, amounted to RMB1.928 billion and made up 11.4% of the Group's turnover. Average selling prices in these cities varied from a high of RMB9,950 per sq. m. in Hainan to a low of RMB5,060 per sq. m. in Taiyuan.

2. Cost of goods sold can be analyzed into five components, of which land and construction costs is the most important, making up 80% of the Group's total costs. Overall land and construction costs per sq. m. fell to RMB5,360 from RMB5,940 in the previous year. This decrease reflected the lower land cost of projects in new cities such as Taiyuan, as well as certain savings in construction costs, especially in Guangzhou. Land and construction costs in Guangzhou decreased by 19% to RMB6,240 sq. m. despite the relatively higher land cost of projects in the Pearl River New Town. Land and construction costs ranged from a high end in the range of RMB6,000 per sq. m. (in Guangzhou, Beijing and Hainan) to a low end in the range of RMB3,000 per sq. m. (in Chongqing and Taiyuan). Capitalized interest has become a major part of the cost of goods sold; the amount included in cost of sales was RMB1.019 billion. This figure represents approximately 8.8% of total costs, up from RMB455.5 million and 4.7% the previous year. As a percentage of turnover from sale of properties, capitalized interest increased to 6.0% from 3.1%. This significant increase reflects the delayed effect of rising financing costs in recent years. The cost of goods sold also included RMB930 million in business tax, making up 8% of costs.

3. Overall gross margin for the year was 31.6% as compared to 33.8% in 2008, the fall being mainly the result of lower selling prices of certain projects. Much of the turnover recognized for the year arose from contracted sales made during the market downturn. The average selling price at two of the Group's major projects, Guangzhou R&F Peach Garden and Tianjin R&F City, dropped 16% and 19% respectively, causing a fall in gross margin of over ten percentage points at the project level. As these two projects together made up 17.5% of the Group's total turnover, the negative impact of this fall on the Group's overall gross margin is estimated to be approximately 1.4 percentage points. The larger amount of capitalized interest added to the

cost of sales, which went up from 3.1% to 6% of turnover as mentioned above, was another factor affecting gross margin.

4. Other gains mainly arose from profit on the sale of the office tower adjoining the Guangzhou Grand Hyatt Hotel.

5. Selling and administration expenses for the year increased by 3% or RMB25 million, to RMB998 million. Broken down, selling expenses increased by RMB45 million to RMB305 million and administrative expenses decreased by RMB19 million to RMB693 million. The Group's scale of operations continued to expand; it had 37 projects on sale and 35 projects under development, and its contracted sales increased by 50% to RMB24 billion. Various advertising costs increased by 19% to RMB160 million, making up 52% of selling expenses. In fact, the Group's advertising became more efficient in the year, with contracted sales per RMB million of advertising expenditure increasing to RMB151.6 million from RMB122.5 million. Manpower costs made up 50% of administrative expenses. The Group continued to invest in human capital, hiring additional employees during the year and raising remuneration in general to an even more competitive level. Total manpower-related costs increased by RMB53.3 million to RMB337.6 million. This increase however was more than offset by savings on other administrative expenses, resulting in a 3% fall in total administrative expenses to RMB693 million. Selling and administrative expenses as a percentage of turnover decreased to 5.9% from 6.6% in the previous year.

6. Finance costs which increased by 48% to RMB505.3 million (2008: RMB341.2 million), and were made up of the interest expenses incurred in the year after deduction of amount capitalized to development costs. With outstanding bank loans of approximately RMB20.8 billion and an average interest rate of 5.4%, total interest expenses for the year amounted to RMB1,341.0 million. This was 15% less than the interest expenses for 2008, mainly as a result of lower interest rates. The amount of interest capitalized, however, also fell by RMB327 million, resulting in a net increase in finance costs. Capitalized interest released to cost of goods sold amounted to RMB1.019 billion, as compared to RMB455.5 million for the previous year. Aggregate interest costs included in this year's results amounted to RMB1.524 billion (2008: RMB796.7 million).

7. Land appreciation tax (LAT) of RMB821.5 million (2008: RMB793.4 million) and Enterprise Income Tax of RMB10.06 billion brought the Group's total income tax expenses for the year to RMB1.8275 billion. As a percentage of turnover, LAT decreased to 4.8% from 5.4% in 2008. This decrease was due to slightly lower gross profit margins on certain projects; for example, although Tianjin had a combined turnover exceeding that of 2008, LAT actually fell by approximately RMB120 million. The effective enterprise income tax rate changed to 27.3% (2008: 26.2%), deviating from the standard rate by 2.3% because of permanent differences which limit the tax deductible amount.

8. Overall the Group's net profit margin for the year was 16.1%, as compared to 20.4% in the previous year. A major factor for this decrease was the difference in magnitude of the fair value gain in each of the two years. Also contributing to the change was the lower gross profit margin for property development.

OTHER INFORMATION

Employee and Emolument Policies

As of 31 December 2009, the Group has approximately 6,436 employees (31 December 2008: 5,058). The Company's emolument policy is to ensure that the remuneration offered to employees including executive directors and senior management is based on skill, knowledge, responsibilities and involvement in the Company's business affair. The remuneration of executive directors is also link with business performance and profitability of the Company and the market conditions. Individual director and senior management would not be involved in deciding their own remuneration.

Dividend

The Board has proposed a final dividend for 2009 at RMB0.36 per share. The proposed dividend, if approved by the shareholders at the annual general meeting (the "AGM") on 28 May 2010, will be paid to shareholders (including domestic shares and H shares), whose names appear on the register of members on 28 May 2010. The proposed final dividend has not been reflected in the financial statements as at 31 December 2009.

According to the Articles of Association of the Company, dividend payable to shareholders shall be calculated and declared in RMB. Dividends payable to holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to holders of the Company's H shares shall be in Hong Kong Dollars. The exchange rate to be adopted shall be the average closing rate of the five business days preceding the date of declaration of dividend as announced by the People's Bank of China.

Annual General Meeting ("AGM")

The 2009 AGM of the Company will be held on Friday, 28 May 2010 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules.

Closing of Register of Members

The register of members will be closed from Thursday, 29 April 2010 to Friday, 28 May 2010 both days inclusive. In order to establish entitlements to the proposed final dividend which is to be approved in the AGM, and attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 28 April 2010.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries and its jointly controlled entities purchased, redeemed or sold any of the Company's listed securities.

Compliance with Model Code

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for directors in their dealing 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 financial year ended 31 December 2009.

Compliance with the Code on Corporate Governance Practices

The Company is committed to good corporate governance practices and procedures including a quality board, sound internal control, transparency and accountability to its shareholders. It has also complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited throughout the 12 months ended 31 December 2009.

Audit Committee

The audit committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is primarily responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control and financial matters of the Group. The Audit Committee has reviewed the annual results for the year ended 31 December 2009 and discussed with the management and the Company's auditors the accounting policies and practices adopted, internal control and financial reporting matters of the year.

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. Li Helen who is a non-executive director of the Company.

Remuneration Committee

The remuneration committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises an executive director, Mr. Li Sze Lim (Chairman of the remuneration committee) and two independent non-executive directors, Mr. Dai Feng and Mr. Huang Kaiwen. The principle responsibilities of the remuneration committee include the reviewing and making recommendation to the Board on the Company's policies, structure and remuneration packages of directors and senior management of the Group.

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.

Li Sze Lim
Chairman

24 March 2010

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.*