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)

2010 Interim Results Announcement

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

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 2010 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

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

BUSINESS REVIEW

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

The Group's primary target for 2010 is to achieve contracted sales of RMB30 billion. This target is an ambitious one, representing as it does 24% growth over what was achieved last year. The year began well, with the Group achieving very strong early sales. The tightening measures implemented in April then caused a significant contraction in the level of its contracted sales in May and June. Up to the end of the period under review, the Group's contracted sales amounted to RMB12.5 billion, or approximately 42% of its target for the full year. The Group's ability to achieve such a satisfactory sales performance in an increasingly difficult market is testimony to the success of the growth strategies it has adopted. Alongside its dedication to developing a trusted brand name in real estate property, one that is synonymous with outstanding quality and value, over the past few years the Group has also persistently pursued strategic diversification in terms of both geography and product range. Today, the Group is a truly national developer, operating in 11 cities across the country. We have managed to capture important opportunities in the booming Hainan property market, generating contracted sales there during the period under review in excess of RMB1.2 billion. We have also managed to exploit the depth of the Chongqing market with large-scale projects like Chongqing R&F City, which grossed RMB794 million and has been Chongqing's top-selling property project. As far as product diversification is concerned, the

Group's mainstay has remained its mass residential units, but during the period under review it also offered some low-density properties and commercial properties (Guangzhou R&F Yingxin Plaza). These enjoyed combined contracted sales of over RMB1 billion. Government cooling measures tend to vary in the impact they have on different types of property; for instance, commercial properties are less susceptible to fluctuation caused by such measures. The Group's wide product range thus provided it with a sound base on which to deliver a relatively stable sales performance. Another important factor in business performance during the first half of the year was that, almost across the board, selling prices escalated rapidly in every city where the Group operates. Prices generally peaked in April and then softened once the government cooling measures were in place. For the Group, the most significant appreciation in selling price occurred in Tianjin, where the average selling price of projects increased by over 35% by comparison with 2009. Some individual projects recorded an even more substantial increase in selling price in the period, with rises of over 50% recorded for projects such as Hainan R&F Bay Shore and Beijing R&F Festival City.

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

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

respectively over the corresponding period last year. The Group's rental office buildings, Guangzhou R&F Centre and Beijing R&F Centre, delivered stable occupancy levels and rental rates in the period.   .

PROSPECTS

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

FINANCIAL REVIEW

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

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

1. Turnover increased by 45% to RMB6.22 billion, from RMB4.28 billion in the same period of 2009. The Group completed projects in 11 cities in the six months ended 30 June 2010 with its first ever deliveries in Chengdu. The amount of saleable area sold increased by 67%, more than the increase in turnover, to 698,000 sq. m. from 418,000 sq. m. as the overall average selling price fell from RMB10,200 to RMB8,900 per sq. m. Although many projects have had higher selling price than in the prior period, one of the reasons for this decrease was the sale of low-income housing project, Beijing R&F American Dream Island, which caused a drop in the average selling price in Beijing. Guangzhou accounted for 45% of total turnover, the highest among all 11 cities. Turnover there, derived mainly from eight residential projects amounted to RMB2.80 billion, approximately the same as the prior period. Guangzhou R&F Golden Jubilee Garden was the Group's top project, with turnover amounting to RMB1.503 billion with average price of RMB13,300 per sq. m. The new project of R&F Junhu Palace with a turnover of RMB137.9 million had an above-average selling price of RMB19,500 per sq. m. The average selling prices of Guangzhou's other major residential properties generally increased as compared to the previous period. Guangzhou R&F City and R&F Jingang City which together brought in RMB610.9 million and accounted for approximately 22% of the Group's turnover in Guangzhou saw selling price increased more than 35%. The average selling price of Guangzhou was RMB11,400 per sq. m. Sales in Beijing more than double to RMB1.25 billion and accounted for 20% (1H 2009: 13%) of the Group's total turnover. This turnover came mainly from four projects continuing from the previous year, viz. R&F Festival City, R&F Danish Town, R&F Bayshore and R&F Xinran Court which have a combined turnover of RMB826.7 million and from the new low-income housing project of R&F American Dream Island which added RMB368 million in turnover. The average selling prices of the continuing projects were much better than comparable prices in the first half of 2009 increasing 47% in case of R&F Festival City. R&F American Dream Island, however, as a low-income

housing project, sold at average price of RMB5,480 per sq.m. and was a main factor for Beijing's overall average selling price reduction by 20% to RMB9,390 per sq. m. in the period. The other nine cities in which the Group operated contributed the remaining 35% of the turnover. Of the make up of this turnover, the more significant were RMB294 million from Hainan R&F Bayshore and RMB325 million from Taiyuan R&F City.

2. Cost of sales comprised five components, of which land and construction costs is the most important. For the current period, land and construction cost made up 82% of the Group's total costs, up from 80% for the six month ended 30 June 2009. In terms of costs per sq. m., land and construction cost fell to RMB4,950 from RMB5,690 in the previous period. This reflected that marginal increase in land and construction costs of projects in mature cities were more than offset by the lower land and construction cost of such new cities as Taiyuan and Chengdu. Land and construction costs ranged from a high end in the range of RMB6,000 per sq. m. (in Guangzhou, Beijing, Tianjin and Hainan) to a low end in the range of RMB3,000 per sq. m. (in Chongqing, Taiyuan and Chengdu). Capitalized interest was also a significant part of the cost of sales; the amount included in cost of sales was RMB334 million representing approximately 7.9% of total costs, up from RMB267 million and down from 8.9% the previous period. As a percentage of turnover from sale of properties, capitalized interest decreased to 5.4% from 6.2%. The cost of sales also included RMB342 million in business tax, making up 8.1% of costs.

3. Overall gross margin for the period was 32.1% as compared to 30.1% in the same period of 2009. The top-selling project Guangzhou R&F Golden Jubilee Garden which accounted for 24% of the Group's turnover registered a gross margin of 35%. Much of the turnover recognized for the period arose from contracted sales made when the market was recovering which meant improved margin for many projects. More notable was the improvement in margin of projects in Chongqing which average over 17 percentage points. However, the Beijing R&F American Dream Island as a low-income housing project had gross margin of only 9% and the negative impact on overall gross margin is estimated to be approximately 1.5%.

4. Other gains mainly comprised interest income and the profit on the sale of a remaining floor of the office tower adjoining the Guangzhou Grand Hyatt Hotel.

5. Selling and administration expenses for the period increased by 23% or RMB115 million, to RMB612 million. Broken down, selling expenses increased by RMB28 million to RMB168 million and administrative expenses increased by RMB87 million to RMB444 million. The increase in selling and administrative expenses reflected the continued expansion of the Group's operation with a target contracted sales of RMB30 billion for 2010. The Group had 35 projects on sale and 40 projects under development at the end of the period. Advertising costs increased by 41% to RMB92

million, making up 55% of selling expenses. With the market slowing down, generation of RMB136 million contracted sales per RMB million of advertising expenditure was efficient use of resources. Manpower costs made up an ever higher portion of administrative expenses of 53%. The Group spared no expenses to build up a team of the highest caliber increasing total manpower-related costs by RMB53 million to RMB236 million. Office and utility expenses had increased by RMB14 million. Overall, selling and administrative expenses as a percentage of turnover decreased to 9.8% from 11.6% in the previous period.

6. Finance costs increased by 74% to RMB467.6 million (1H 2009: RMB269.1 million), and were made up of the interest expenses incurred in the period after deduction of amount capitalized to development costs. Although average outstanding loans in the period rose 25% to approximately RMB26.3 billion from RMB21.0 billion, total interest expenses for the period increased only slightly because of lower interest rate. Interest expenses for the period increased by RMB9 million to RMB773 million. The amount of interest capitalized, however, reduced by RMB190 million, resulting in a net increase in finance costs. Capitalized interest released to cost of sales amounted to RMB334.2 million, as compared to RMB266.9 million for the previous period. Aggregate interest costs included in this period's results amounted to RMB801.8 million (1H 2009: RMB536.0 million).

7. Land appreciation tax (LAT) of RMB358 million (1H 2009: RMB323 million) and Enterprise Income Tax of RMB298 million brought the Group's total income tax expenses for the period to RMB656 million. As a percentage of turnover, LAT decreased to 5.8% from 7.6% in the same period of 2009. This has decreased because included in the last period results was the sale of a commercial project, Guangzhou R&F Ying Tai Plaza, of exceptionally good profit margin and attracted high LAT.

8. Overall the Group's net profit margin for the period was 10.1%, as compared to 3.3% in the previous period. A major factor for this increase was a 2.0% improvement in the gross margin from property development.

OTHER INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries, nor its jointly controlled entity has purchased, redeemed or sold any of the Company's listed securities.

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

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") as the code of conduct for directors in their dealings in the Company's securities. The Company made specific enquires with each director, and each of them confirmed that he or she had complied with the Model Code during the six months ended 30 June 2010.

Compliance with the Code on Corporate Governance Practices

The Group is committed to enhancing its corporate governance practices and procedures. It complies strictly with the PRC Company Law and other laws and regulations of relevant jurisdictions. In particular, it has observed the rules and principles set out under the Code on Corporate Governance Practices as stated in the Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

Audit Committee

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

The audit committee comprises Mr. Lai Ming, Joseph (Chairman of the audit committee) and Mr. Dai Feng who are independent non-executive directors of the Company and Ms. Helen Li who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim report of the Company for six months ended 30 June 2010. 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 Payment and Closure of Register of Members

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

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

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

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

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

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

ACKNOWLEDGEMENT

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

Li Sze Lim
Chairman
26 August 2010, Hong Kong

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

* *For identification purpose only*

(All amounts in RMB Yuan thousands unless otherwise stated)

Condensed consolidated balance sheet

	Note	Unaudited 30 June 2010	Audited 31 December 2009
ASSETS			
Non-current assets			
Land use rights		679,008	691,855
Property, plant and equipment		3,498,993	3,494,362
Investment properties		10,517,704	10,331,637
Intangible assets		855,495	853,098
Interests in jointly controlled entities		1,087,397	876,063
Interests in associates		314,218	35,348
Deferred income tax assets		962,332	719,589
Available-for-sale financial assets		175,000	175,000
Trade and other receivables	5	867,050	461,108
		18,957,197	17,638,060
Current assets			
Properties under development		31,344,374	30,324,980
Completed properties held for sale		5,063,267	4,715,325
Inventories		262,220	285,833
Trade and other receivables	5	5,371,844	4,553,132
Tax prepayments		1,411,833	939,436
Restricted cash		1,288,921	1,244,972
Cash		9,644,889	6,642,279
		54,387,348	48,705,957
Total assets		73,344,545	66,344,017
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		805,592	805,592
Other reserves		4,314,853	4,314,853
Retained earnings			
- Proposed dividend	12	322,237	1,160,052
- Others		11,011,854	10,633,145
		16,454,536	16,913,642
Non-controlling interests		107,237	105,724
Total equity		16,561,773	17,019,366
LIABILITIES			
Non-current liabilities			
Long-term borrowings		24,014,252	17,522,790
Deferred income tax liabilities		1,755,964	1,726,853
		25,770,216	19,249,643
Current liabilities			
Accruals and other payables	6	7,304,926	8,846,410
Deposits received on sale of properties		16,814,828	11,365,612
Current income tax liabilities		2,709,786	2,995,887
Short-term bank loans		394,616	853,499
Current portion of long-term bank loans		3,788,400	6,013,600
		31,012,556	30,075,008
Total liabilities		56,782,772	49,324,651
Total equity and liabilities		73,344,545	66,344,017
Net current assets		23,374,792	18,630,949
Total assets less current liabilities		42,331,989	36,269,009

(All amounts in RMB Yuan thousands unless otherwise stated)

Condensed consolidated income statement

	Note	Unaudited Six months ended 30 June 2010	2009 Restated
Revenue	4	6,934,954	4,660,871
Cost of sales		(4,674,216)	(3,138,505)
Gross profit		2,260,738	1,522,366
Other gains – net	7	295,714	193,205
Selling and administrative expenses		(703,326)	(589,098)
Other operating expenses – net		(24,300)	(243,939)
Operating profit	8	1,828,826	882,534
Finance costs	9	(467,622)	(269,101)
Share of results of jointly controlled entities		(239)	5
Share of results of associates		(2,910)	8,007
Profit before income tax		1,358,055	621,445
Income tax expenses	10	(655,596)	(466,311)
Profit for the period		702,459	155,134
Profit attributable to:			
– Equity holders of the Company		700,946	156,301
– Non-controlling interests		1,513	(1,167)
		702,459	155,134
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (expressed in RMB Yuan per share)	11	0.2175	0.0485
Dividend	12	322,237	-
Dividend per share (expressed in RMB Yuan per share)		0.10	-

(All amounts in RMB Yuan thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Unaudited Six months ended 30 June	
	2010	**2009 Restated**
Profit for the period	702,459	155,134
Other comprehensive income		
Fair value gain on available-for-sale financial assets released to profit and loss accounts, net of tax	-	(67,217)
Total comprehensive income for the period	702,459	87,917
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	700,946	89,084
– Non-controlling interests	1,513	(1,167)
	702,459	87,917

(All amounts in RMB Yuan thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

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

Condensed consolidated cash flow statement

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

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, property investment, hotel operations and other property development related service in the People’s Republic of China (the “PRC”).

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

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

These condensed consolidated interim financial information are presented in thousands of units of RMB Yuan (RMB’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 26 August 2010.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

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

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

- HKFRS 3 (Revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Group, as the Group does not have business combinations occurred during the period.

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as the Group has not made any non-cash distributions.

- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as the Group is an existing HKFRS preparer.

- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as the Group has no hedging activities.

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group has no such share-based payment transactions.

- First improvements to HKFRS (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to HKFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

4. Segment information

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Each business provides different products or services.

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

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2010 and 2009 are as follows:

(All amounts in RMB Yuan thousands unless otherwise stated)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2010					
Segment revenue	6,220,623	184,825	276,721	307,652	6,989,821
Inter-segment revenue	-	(25,019)	(9,194)	(20,654)	(54,867)
Revenue from external customers	6,220,623	159,806	267,527	286,998	6,934,954
Profit/(loss) for the period	550,548	180,566	(70,768)	42,113	702,459
Finance costs	(291,112)	(98,114)	(74,619)	(3,777)	(467,622)
Share of results of jointly controlled entities	(239)	-	-	-	(239)
Share of results of associates	(726)	-	-	(2,184)	(2,910)
Income tax expense	(607,225)	(60,189)	23,589	(11,771)	(655,596)
Depreciation and amortisation	38,500	-	69,910	1,536	109,946
Provision for impairment of doubtful debts	1,881	-	-	294	2,175
Fair value gain on investment properties	-	202,482	-	-	202,482

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2009					
Segment revenue	4,276,847	131,188	181,697	91,934	4,681,666
Inter-segment revenue	-	(10,286)	(10,509)	-	(20,795)
Revenue from external customers	4,276,847	120,902	171,188	91,934	4,660,871
Profit/(loss) for the period	159,790	30,739	(86,440)	51,045	155,134
Finance costs	(109,524)	(82,987)	(70,238)	(6,352)	(269,101)
Share of results of jointly controlled entities	5	-	-	-	5
Share of results of associates	-	-	-	8,007	8,007
Income tax expense	(469,041)	(10,247)	28,813	(15,836)	(466,311)
Depreciation and amortisation	160,405	-	73,293	-	233,698
Reversal of impairment of doubtful debts	(535)	-	-	-	(535)
Fair value gain on investment properties	-	-	-	-	-

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

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:

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

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

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

5. Trade and other receivables

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

All trade and other receivables balances are denominated in RMB.

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

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

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

6. Accruals and other payables

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

All payable and accrual balances are denominated in RMB.

Note:

(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 balance mainly represents payables arising from acquisitions of equity interests in certain companies and other tax payables excluding income tax.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

7. Other gains – net

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

8. Operating profit

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

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

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

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

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

9. Finance costs

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

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

10. Income tax expenses

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

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

(b) PRC enterprise income tax

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

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

(c) PRC land appreciation tax

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

11. Basic and diluted earnings per share

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

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

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

12. Dividend

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

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