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**越秀地產股份有限公司**  
**YUEXIU PROPERTY COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00123)**

## **Announcement of 2013 Interim Results**

### **Results Highlights**

- **Record high sales results.** In the first half of 2013, the Group had a total of 24 projects for sale and recorded aggregate contracted sales value of approximately RMB8,616 million and aggregate contracted sales GFA of approximately 620,400 sq.m., representing increases of 20.5% and 8.6% respectively for the same period year-on-year, and accounting for 65.3% and 58.0% of the 2013 contracted sales targets of RMB13.2 billion and 1,070,000 sq.m. respectively. The average selling price was approximately RMB13,900 per sq.m., representing a year-on-year increase of 11.1%. Aggregate contracted sales value of the Group for the period from January to July 2013 amounted to approximately RMB10,217 million with aggregate contracted sales GFA of approximately 756,400 sq.m.. In view of the satisfactory sales performance the Group decided to increase this year's sales target from RMB13.2 billion to RMB14.5 billion.
- **New breakthroughs in financing.** In the first half of 2013, the Group completed financing totalled approximately RMB8.8 billion, including the first issuance of a fixed-rate US\$350 million 5-year bond and a fixed-rate US\$500 million 10-year bond as well as bank borrowings of approximately RMB3.4 billion. As of the end of June 2013, the ratio between onshore and offshore loans was improved to 47:53 and the average cost of financing was reduced to 5.99% for the first half of 2013 from 7.03% for 2012. The Group broadened its financing channels, lowered its financing costs and optimized its debt structures by way of diversification.

- **A nationwide layout solidified by the innovative development model of cooperation.** From the beginning of 2013 to the date of this announcement, the Group acquired 5 parcels of land with a total consideration of approximately RMB6,764 million, and the total GFA was approximately 1.14 million sq.m.. Meanwhile, the Group also proactively engaged in diversified development models and partnered with an investment fund for the first time. Through effective resource intergration with an aim of yielding complementary advantage, this model significantly enhanced the Group's financial flexibility. In addition, the model enabled the gearing ratio to be kept at low level while allowing the Group to expand in scale at a faster rate. As at the date of this announcement, the Group's landbank reached approximately 14.76 million sq.m. with a regional presence in 12 cities in China.
- **Rewarding our shareholders.** With a continued effort to reward our shareholders, the Board has resolved to declare an interim dividend for 2013 of HK\$0.049 per share, representing 35% of the profit attributable to equity holders excluding fair value gains on revaluation of the investment properties of the Group.

## Results Summary

• Revenue	RMB6.059 billion (+42.1%)
• Gross profit	RMB2.480 billion (-4.0%)
• Gross profit margin	40.9% (-19.7 percentage points)
• Operating profit	RMB3.883 billion (+18.0%)
• Profit attributable to equity holders	RMB2.341 billion (+48.2%)
• Net profit margin	38.6% (+1.5 percentage points)
• Core net profit (excluding fair value gains on revaluation of investment properties)	RMB1.034 billion (+7.8%)
• Core net profit margin (excluding fair value gains on revaluation of investment properties)	17.1% (-5.4 percentage points)
• Contracted sales value	RMB8.616 billion (+20.5%)
• Contracted sales GFA	620,400 sq.m. (+8.6%)
• Total assets	RMB78.515 billion (+12.2%)
• Shareholders' equity	RMB24.003 billion (+8.3%)
• Book value of net asset per share	RMB2.578 (+8.2%)
• Net gearing ratio	54.5% (+7.5 percentage points)

## UNAUDITED RESULTS

The board of directors (“Directors” or “Board”) of Yuexiu Property Company Limited (“Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) prepared under Hong Kong Accounting Standard 34 “Interim Financial Reporting” for the six months ended 30 June 2013, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

		<b>Unaudited</b>	
	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2013</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	6,059,401	4,264,056
Cost of sales	4	<u>(3,579,884)</u>	<u>(1,680,028)</u>
Gross profit		2,479,517	2,584,028
Proceeds from sales of investment properties		<span style="border: 1px solid black; padding: 2px;">6,910</span>	<span style="border: 1px solid black; padding: 2px;">575,713</span>
Direct costs of investment properties sold		<span style="border: 1px solid black; padding: 2px;">(5,278)</span>	<span style="border: 1px solid black; padding: 2px;">(426,279)</span>
Gain on sales of investment properties		1,632	149,434
Fair value gains on revaluation of investment properties		1,862,101	903,802
Other gains		95,899	180,464
Selling and marketing costs	4	(152,255)	(140,218)
Administrative expenses	4	<u>(403,408)</u>	<u>(385,299)</u>
Operating profit		3,883,486	3,292,211
Finance income		15,730	23,675
Finance costs	5	(211,983)	(213,716)
Net foreign exchange gain/(loss) on financing activities		136,043	(40,054)
Share of profit of			
- jointly controlled entities		195	873
- associated entities		<u>82,809</u>	<u>89,891</u>
Profit before taxation		3,906,280	3,152,880
Taxation	6	<u>(1,547,178)</u>	<u>(1,529,126)</u>
Profit for the period		<u><u>2,359,102</u></u>	<u><u>1,623,754</u></u>

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2013</b>	<b>2012</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Attributable to			
Equity holders of the Company		2,340,695	1,579,881
Non-controlling interests		<u>18,407</u>	<u>43,873</u>
		<u><u>2,359,102</u></u>	<u><u>1,623,754</u></u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	7		
- Basic		<u><u>0.2516</u></u>	<u><u>0.1701</u></u>
- Diluted		<u><u>0.2511</u></u>	<u><u>0.1697</u></u>

Details of dividends payable to equity holders of the Company are set out in Note 8.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	2,359,102	1,623,754
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences	(38,336)	10,099
Change in fair value of available-for-sale financial assets, net of tax	(60,972)	(6,667)
Transfer of reserve to profit and loss upon disposal of subsidiaries	(6,101)	(754)
Other comprehensive (loss)/income for the period, net of tax	(105,409)	2,678
Total comprehensive income for the period	<u>2,253,693</u>	<u>1,626,432</u>
Attributable to		
Equity holders of the Company	2,237,338	1,583,072
Non-controlling interests	<u>16,355</u>	<u>43,360</u>
	<u>2,253,693</u>	<u>1,626,432</u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2013**

		<b>As at</b>	
	<i>Note</i>	<b>30 June 2013</b>	<b>31 December 2012</b>
		<i>Unaudited RMB'000</i>	<i>Audited RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		911,124	763,564
Investment properties		9,809,832	6,185,441
Land use rights		263,357	283,234
Interests in jointly controlled entities		905,010	990,734
Interests in associated entities		5,978,362	5,964,993
Available-for-sale financial assets		841,333	895,944
Deferred tax assets		58,580	81,679
		18,767,598	15,165,589
<b>Current assets</b>			
Properties under development		37,703,545	34,672,854
Properties held for sale		3,728,656	3,147,952
Prepayments for land use rights		4,123,533	5,439,939
Inventories		3,742	11,645
Trade receivables	9	27,761	18,424
Other receivables, prepayments and deposits		2,400,193	1,569,860
Taxation recoverable		972,254	625,729
Charged bank deposits		3,369,810	2,202,948
Cash and cash equivalents		7,336,769	7,060,453
		59,666,263	54,749,804
Non-current assets held-for-sale		80,804	81,540

		As at	
		30 June	31 December
	Note	2013	2012
		<i>Unaudited</i>	<i>Audited</i>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	10	488,373	336,173
Land premium payable		—	45,944
Advance receipts from customers		11,930,019	10,002,524
Other payables and accrued charges		8,055,543	8,809,342
Borrowings		9,338,581	6,828,742
Taxation payable		1,930,874	1,533,756
		<u>31,743,390</u>	<u>27,556,481</u>
<b>Net current assets</b>		<u>28,003,677</u>	<u>27,274,863</u>
<b>Total assets less current liabilities</b>		<u>46,771,275</u>	<u>42,440,452</u>
<b>Non-current liabilities</b>			
Borrowings		14,979,386	13,302,235
Deferred tax liabilities		6,491,250	5,707,741
Deferred revenue		64,595	66,389
Other payables and accrued charges		254,458	243,872
		<u>21,789,689</u>	<u>19,320,237</u>
<b>Net assets</b>		<u>24,981,586</u>	<u>23,120,215</u>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital		853,280	852,196
Share premium		8,885,745	8,878,673
Other reserves		410,683	516,153
Retained earnings			
- Proposed dividends	8	363,179	399,952
- Others		13,490,269	11,511,166
		<u>24,003,156</u>	<u>22,158,140</u>
Non-controlling interests		978,430	962,075
<b>Total equity</b>		<u>24,981,586</u>	<u>23,120,215</u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 2 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 2012, as described in those annual financial statements.

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

- (a) New standards and amendments, revisions and interpretation to existing standards effective in 2013 but not relevant to the Group.

The following new standards and amendments, revisions and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2013:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures
HKFRS 1 (Amendment)	First Time Adoption — Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements, Disclosures of Interest in Other Entities: Transitional Guidance
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement Project	Annual Improvements 2009-2011 Cycle

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

HKFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. The Group has included the disclosures for financial assets and non-financial assets.

As a result, the adoption of above new standards and amendments, revisions and interpretation to existing standards does not have material impact on the results and financial position of the Group.

- (b) The following new standards, amendments and interpretation to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)(Amendments)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements	1 January 2014
HK (IFRIC) — Int 21	Levies	1 January 2014

The directors of the Company anticipate that the adoption of these standards, amendments and interpretation to standards would not result in a significant impact on the results and financial position of the Group. The Group will adopt the above new standards, amendments and interpretation to standards when they become effective.

### **3 SEGMENT INFORMATION**

The executive directors have been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are then submitted to the executive directors for performance assessment and resources allocation.

The executive directors consider the business by nature of business activities and assess the performance of property development, property management, property investment and others.

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors are measured in a manner consistent with that in the condensed consolidated financial information.

Total assets excluded deferred tax assets, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. 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 <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
<b>Six months ended 30 June 2013</b>					
Revenue	5,524,581	248,360	216,009	425,041	6,413,991
Inter-segment revenue	<u>—</u>	<u>(47,604)</u>	<u>(2,926)</u>	<u>(304,060)</u>	<u>(354,590)</u>
Revenue from external customers	<u>5,524,581</u>	<u>200,756</u>	<u>213,083</u>	<u>120,981</u>	<u>6,059,401</u>
Segment results	<u>1,759,417</u>	<u>12,546</u>	<u>2,005,100</u>	<u>44,316</u>	<u>3,821,379</u>
Share of profit of					
- jointly controlled entities	195	—	—	—	195
- associated entities	<u>—</u>	<u>—</u>	<u>82,809</u>	<u>—</u>	<u>82,809</u>
<b>Six months ended 30 June 2012</b>					
Revenue	3,648,606	210,335	277,537	455,218	4,591,696
Inter-segment revenue	<u>—</u>	<u>(28,925)</u>	<u>(3,747)</u>	<u>(294,968)</u>	<u>(327,640)</u>
Revenue from external customers	<u>3,648,606</u>	<u>181,410</u>	<u>273,790</u>	<u>160,250</u>	<u>4,264,056</u>
Segment results	<u>1,831,777</u>	<u>(3,982)</u>	<u>1,254,673</u>	<u>47,850</u>	<u>3,130,318</u>
Share of profit of					
- jointly controlled entities	873	—	—	—	873
- associated entities	<u>—</u>	<u>—</u>	<u>89,891</u>	<u>—</u>	<u>89,891</u>
<b>As at 30 June 2013</b>					
Segment assets	56,952,337	412,027	9,809,832	338,152	67,512,348
Interests in jointly controlled entities	905,010	—	—	—	905,010
Interests in associated entities	<u>—</u>	<u>—</u>	<u>5,978,362</u>	<u>—</u>	<u>5,978,362</u>
Total reportable segments' assets	<u>57,857,347</u>	<u>412,027</u>	<u>15,788,194</u>	<u>338,152</u>	<u>74,395,720</u>
<b>As at 31 December 2012</b>					
Segment assets	54,081,016	354,674	6,185,441	751,014	61,372,145
Interests in jointly controlled entities	990,734	—	—	—	990,734
Interests in associated entities	<u>—</u>	<u>—</u>	<u>5,964,993</u>	<u>—</u>	<u>5,964,993</u>
Total reportable segments' assets	<u>55,071,750</u>	<u>354,674</u>	<u>12,150,434</u>	<u>751,014</u>	<u>68,327,872</u>

A reconciliation of reportable segment results to profit before taxation is provided as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	3,821,379	3,130,318
Unallocated operating costs ( <i>note</i> )	(33,792)	(18,571)
Other gains	<u>95,899</u>	<u>180,464</u>
Operating profit	3,883,486	3,292,211
Finance income	15,730	23,675
Finance costs	(211,983)	(213,716)
Net foreign exchange gain/(loss) on financing activities	136,043	(40,054)
Share of profit of		
- jointly controlled entities	195	873
- associated entities	<u>82,809</u>	<u>89,891</u>
Profit before taxation	<u><u>3,906,280</u></u>	<u><u>3,152,880</u></u>

*Note:* Unallocated operating costs mainly include staff salaries, rents and rates, depreciation and other operating expenses.

A reconciliation of reportable segments' assets to total assets is provided as follows:

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segments' assets	74,395,720	68,327,872
Deferred tax assets	58,580	81,679
Taxation recoverable	972,254	625,729
Corporate assets	<u>3,088,111</u>	<u>961,653</u>
Total assets	<u><u>78,514,665</u></u>	<u><u>69,996,933</u></u>

	Revenue		Total assets	
	Six months		As at 30	As at 31
	ended 30 June		June	December
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	99,455	72,212	2,273,341	2,254,878
China	5,959,419	4,191,348	72,113,434	66,065,954
Overseas	<u>527</u>	<u>496</u>	<u>8,945</u>	<u>7,040</u>
	<u>6,059,401</u>	<u>4,264,056</u>	74,395,720	68,327,872
Unallocated assets			<u>4,118,945</u>	<u>1,669,061</u>
			<u>78,514,665</u>	<u>69,996,933</u>

#### 4 EXPENSES BY NATURE

Cost of sales, selling and marketing costs, and administrative expenses included the following:

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of land use rights	5,730	8,806
Depreciation		
- Owned property, plant and equipment	22,378	19,874
- Leased property, plant and equipment	29	33
(Reversal of provision)/provision for impairment of property, plant and equipment	(8,442)	940
Reversal of provision for impairment of properties under development	<u>(27,008)</u>	<u>—</u>

## 5 FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest on borrowings and bank overdrafts	731,145	811,215
Interest on loan from an intermediate holding company	—	9,573
Interest on loan from an associated entity	38,467	—
Interest on top-up payment liability	11,560	—
Fair value loss on top-up payment liability	<u>24,468</u>	<u>—</u>
Total borrowing costs incurred	805,640	820,788
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	<u>(593,657)</u>	<u>(607,072)</u>
	<u>211,983</u>	<u>213,716</u>

## 6 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2012: 16.5 percent) on the estimated assessable profit for the period.
- (b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and jointly controlled entities in China at 25 percent (2012: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the period, withholding income tax was provided for the dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, jointly controlled entities and associated entities in China at tax rates ranging from 5 percent to 10 percent (2012: 5 percent to 10 percent).

- (c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

(d) The amount of taxation charged to the condensed consolidated income statement comprises:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current taxation</b>		
Hong Kong profits tax	6,131	1,277
China enterprise income tax	56,895	71,328
China land appreciation tax	549,630	152,164
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	794,118	1,191,034
Corporate withholding income tax on undistributed profits	<u>140,404</u>	<u>113,323</u>
	<u><u>1,547,178</u></u>	<u><u>1,529,126</u></u>

## 7 EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
Profit attributable to equity holders of the Company (RMB'000)	<u>2,340,695</u>	<u>1,579,881</u>
Weighted average number of ordinary shares in issue ('000)	<u>9,303,580</u>	<u>9,285,540</u>
Basic earnings per share (RMB)	<u>0.2516</u>	<u>0.1701</u>



## Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the period which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
Profit attributable to equity holders of the Company (RMB'000)	<u>2,340,695</u>	<u>1,579,881</u>
Weighted average number of ordinary shares in issue ( '000)	9,303,580	9,285,540
Adjustments for share options ( '000)	<u>18,209</u>	<u>26,878</u>
Weighted average number of ordinary shares for diluted earnings per share ( '000)	<u>9,321,789</u>	<u>9,312,418</u>
Diluted earnings per share (RMB)	<u>0.2511</u>	<u>0.1697</u>

## 8 DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
2012 final, paid, of HK\$0.022 equivalent to RMB0.018 (2011: HK\$0.045 equivalent to RMB0.037) per ordinary share	<u>165,536</u>	<u>338,847</u>
2012 special, paid, of HK\$0.031 equivalent to RMB0.025 (2011: nil) per ordinary share	<u>223,256</u>	<u>—</u>
2013 interim, proposed, of HK\$0.049 equivalent to RMB0.039 (2012: HK\$0.042 equivalent to RMB0.034) per ordinary share	<u>363,179</u>	<u>315,921</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 9 TRADE RECEIVABLES

The Group has defined different credit policies for different businesses. The credit terms of the Group are generally within three months. The ageing analysis of trade receivables is as follows:

	As at	
	30 June 2013	31 December 2012
	RMB'000	RMB'000
0 - 30 days	23,750	10,195
31 - 90 days	2,399	6,246
91 - 180 days	396	—
181 - 365 days	187	183
Over 1 year	<u>1,029</u>	<u>1,800</u>
	<u>27,761</u>	<u>18,424</u>

## 10 TRADE AND NOTE PAYABLES

The ageing analysis of trade and note payables is as follows:

	As at	
	30 June 2013	31 December 2012
	RMB'000	RMB'000
0 - 30 days	199,533	79,610
31 - 90 days	59,682	221,188
91 - 180 days	190,716	25,800
181 - 365 days	35,316	6,494
1 - 2 years	2,816	3,039
Over 2 years	<u>310</u>	<u>42</u>
	<u>488,373</u>	<u>336,173</u>

## **CHAIRMAN’S STATEMENT**

### **I. BUSINESS REVIEW**

#### **Economic and Market Environment**

In the first half of 2013, the international economic environment remained complex and challenging. Although recovery of the U.S. economy showed promising signs of an upturn, recession continued in other economies around the world, especially in Europe, hampering the recovery of the global economy. The central government continued to implement proactive fiscal policies and stabilising monetary policies, ensuring that the Chinese economy maintained an overall balance with steady progress in structural optimization and constant delivery of quality improvement through transformation and upgrades. According to the data released by the National Bureau of Statistics, the PRC economy grew by 7.6% in the first half of 2013, as the economy recorded 7.7% growth in the first quarter and 7.5% growth in the second quarter. Although the rate of economic growth declined slightly in the second quarter, the growth rate still remained in the range of 7.4%-7.9% for the fifth consecutive quarter, signally the relative stability of the economy.

In the first half of 2013, despite the implementation of restrictive measures in the property market, such as the “National Five” (國五條), by the central government to further suppress the increase in housing prices, the number of cities with decreasing selling price of residential properties in the first half of 2013 reduced from 16 in January to 1 in June, and the number of cities with increasing selling prices of residential properties rose from 53 in January to 69 in June, according to the statistics released by the National Bureau of Statistics on changes in the prices of residential properties in 70 large and medium-sized cities. Overall, the Chinese property market recorded increases in terms of both price and volume during the first half of 2013.

#### **Operating Results Achieved Steady Growth**

In the first half of 2013, the Group adhered to the objectives of “making steady progress with quality enhancement, facilitating development through innovative transformation” and overcame difficulties arising from the challenging macroeconomic environment, seized periodic market opportunities with the effective adoption of a series of tailored measures to achieve a set of admirable operating results. This established a solid foundation for the full year and for the medium to long term development of the Group.

In the first half of 2013, revenue of the Group was approximately RMB6.059 billion, increased by 42.1% as compared to the same period year-on-year. Total revenue (including revenue from disposal of investment properties) was approximately RMB6.066 billion, increased by 25.3% as compared to the same period year-on-year. Overall gross profit margin was approximately 40.9%, decreased by 19.7 percentage points for the same period year-on-year. Profit attributable to equity holders was approximately RMB2.341 billion, increased by 48.2% as compared to the same period year-on-year. Basic earnings per share was approximately RMB0.2516, increased by 47.9% as compared to the same period year-on-year. Core net profit (profit attributable to equity holders of the Company excluding fair value gains on revaluation of investment properties and the related tax impact) was approximately RMB1.034 billion, increased by 7.8% as compared to the same period year-on-year, core net profit margin was approximately 17.1%.

The Board has resolved to declare an interim dividend for 2013 of HK\$0.049 per share, which is equivalent to approximately RMB0.039 per share, representing 35% of the profit attributable to equity holders without taking into account the effect of gains on revaluation of investment properties of the Group.

### **Property Sales Reached Another New Record High**

In the first half of 2013, although restrictive measures imposed by the central government remained stringent, the Group delivered a new record high in property sales with a diversified sales strategy, accurate customer positioning and accelerated sell-through rate, all of which helped to maintain a healthy sales momentum throughout the period.

In the first half of 2013, the Group recorded aggregate value of contracted sales of approximately RMB8.616 billion and aggregate area of contracted sales of approximately 620,400 sq.m., representing an increase of 20.5% and 8.6% respectively for the same period year-on-year, and accounting for 65.3% and 58.0% of the 2013 contracted sales target of RMB13.2 billion and 1,070,000 sq.m. respectively. Aggregate contracted sales value of the Group for the period from January to July 2013 amounted to approximately RMB10,217 million with aggregate contracted sales GFA of approximately 756,400 sq.m..

In the first half of 2013, the Group recorded excellent sales results in the sale of 24 projects. Benefited from the favourable policy which saw Nansha New District being designated as a State-level New Area, the local project Southern Le Sand received strong demand from the market with aggregate value of contracted sales of approximately RMB910 million. Three projects located in the Guangzhou University Town, namely, Guangzhou Starry Wenhua, Guangzhou Starry Wenyu and Guangzhou Starry Wenhan, continued with strong sales performance with aggregate value of

contracted sales of approximately RMB2.28 billion recorded in the first half of the year. Wuhan Starry Winking, a project outside Guangdong Province, also achieved outstanding sales results, the aggregate value of contracted sales recorded in the first half of the year was approximately RMB860 million. In addition, two new projects were launched in the first half of 2013, namely, Guangzhou Lingnan Hillside and Conghua Glade Greenland) (formerly known as: Conghua Jiangpu Town Land), both projects were launched at the end of June and recorded contracted sales of approximately RMB680 million within just a few days.

### **Diversified Financing Channels Following the First Bond Issuance**

The successful injection of Guangzhou International Finance Center (“Guangzhou IFC”) into Yuexiu Real Estate Investment Trust (“Yuxiu REIT”) resulted in a general uplift to the Group’s financial condition with major financial indicators all at favorable levels. The Group was granted the ratings of “BBB-” and “Baa3” by international rating agencies Fitch and Moody’s respectively, and became one of the only three Hong Kong listed domestic property developers with investment-grade ratings granted by these two rating agencies. The Group then took advantage of a suitable window in the capital market and successfully issued a fixed-rate US\$350 million 5-year bond and a fixed-rate US\$500 million 10-year bond in January 2013, with coupon rates at 3.25% and 4.5% respectively. This issuance brought multiple benefits to the Group by diversifying funding channels, lowering the overall average funding cost and optimizing the tenor and maturity profile of the debt portfolio.

### **A Nationwide Layout Reinforced by the Innovative Development Model of Cooperation**

After entering into joint development projects with other famous developers in 2012, the Group entered into a cooperation project for the first time with an investment fund. Through effective resource integration with an aim of yielding complementary advantage, this model significantly enhanced the Group’s financial flexibility. In addition, the model enabled the gearing ratio to be kept at low level while allowing the Group to expand in scale at a faster rate.

The Group continued to follow the development strategy of “home base in Guangzhou and strategic expansion nationwide”, maintaining a suitable scale of expansion whilst consolidating on the existing overall layout. The strategy facilitated the synergetic development of Guangzhou as the center with other cities that also have significant development potentials. From the beginning of 2013 to the date of this announcement, the Group acquired 5 parcels of land in three cities which were Guangzhou, Hangzhou and Foshan, with a total consideration of approximately RMB6,764 million, and the total GFA was approximately 1.14 million sq.m., of which two of the land parcels were acquired by bidding through an innovative mode of cooperation. As at the date of this announcement, total land bank of the Group was approximately 14.76 million sq.m..

### **Further Development of the Platform for Commercial Properties**

The Group advanced its operation of the commercial properties’ platform and improved its commercial operating capabilities, all of which enabled a targeted and orderly commencement of each of its commercial projects. The leasing of Guangzhou Fortune World Plaza was conducted smoothly and the property was officially opened for business on 14 August 2013. Current contracted occupancy rate was nearly 93% and the average monthly rental was approximately RMB150 per sq.m.. This project has a total GFA of 260,000 sq.m.. It is a large-scale modern shopping complex incorporating leisure, retail, wholesale and exhibition functions, with the main theme as an international centre for shoes and leather goods. In addition, another key commercial property of the Group, Guangzhou Fortune Center, is progressing well and saw its roof-sealing ceremony for the main structure taking place on 19 June 2013. Preliminary leasing has commenced as planned .

### **Active Communication to Maintain Market Awareness**

Since the successful injection of Guangzhou IFC into Yuexiu REIT and being awarded investment-grade ratings by Fitch and Moody’s, the Group has significantly raised its profile in the capital market. Meanwhile, the Group has also increased effort in promoting investors’ relations during the first half of 2013. This included communication with over 600 investors and analysts through one-on-one meetings, teleconferences, project site visits, results roadshows and investment seminars, all of which fostered better understanding of the Group’s operations and developments by shareholders and investors alike.

This effort and focus has also been confirmed and recognized by the capital markets, with the reputation of our corporate brand continued to strengthen. The Group was awarded the “Most Promising Company in China” award, the “Corporate Governance Golden Prize” and “The Outstanding China Property Developers Award 2013” by

“Capital Weekly” and “Economic Digest” respectively. In addition, the Group was also granted the award of “2013 Outstanding Capital Financing Project in China” by the “Capital” magazine in respect of the successful transaction of the Guangzhou IFC.

## **II. BUSINESS OUTLOOK**

Following the outbreak of the global financial crisis, major world economies implemented quantitative easing monetary policies that led to significant inflow of liquid funds into emerging markets. But since the beginning of this year, recovery of the U.S. economy has picked up pace with further upsides projected, which had initiated a reversal of ‘hot money’ away from the emerging markets. This coupled with the contemplation by the Federal Reserve on the timing of a tapering and exit from QE, increased the downward pressure on the emerging market economies. The Chinese economy is currently at a stage of excess production capacities in the development cycle. In order to keep the PRC economy on track for a balanced and healthy development, the central government will transform the economic structure through various means, a particular focus would be to change the past reliance on investment-led economic growth. It is expected that the full-year economic growth of China will remain at around 7.6%.

In such macroeconomic climate, the Group will continue to maintain a sense of urgency for development and adhere to the objectives of “making steady progress with quality enhancement, facilitating development through innovative transformation” by focusing on the main theme for the year of “three ensurings, three breakthroughs and three deepenings” to drive performance of our Group in the second half of the year, look to expand the scale of operation while strengthening the interaction of “Yuexiu Property + Yuexiu REIT”.

### **Accelerating the Building of Core Capabilities**

Enhancing sales capabilities. In January to July 2013, the Group’s aggregate value of contracted sales reached RMB10.217 billion, and 77.4% of the full-year sales target of RMB13.2 billion has been completed. The Group will continue to launch a number of new projects in the second half of the year in addition to the existing sales projects, ensuring sufficient available-for-sale resources. Innovative efforts will be channeled particularly towards marketing methods and strategy to further elevate the level of sales. Accordingly, the Group has decided to increase the full-year sales target to RMB14.5 billion.

Fortifying the establishment of commercial operation capabilities. As at the end of June 2013, approximately 3 million sq.m. GFA owned by the Group were commercial properties. Therefore, commercial operation capabilities will play an important role in the future development of the Group. This will provide a solid foundation for the interaction of the dual platforms of “Yuexiu Property + Yuexiu REIT”, while providing stable cash inflow for the Group and improving resistance to risks.

Enhancing the development and construction capabilities. The Group has been focused on increasing its development and construction capabilities, and has significantly shortened its project development cycle, the asset turnover ratio and return on assets ratio, and improved the quality of its assets and its operation. In the first half of 2013, both the progress of newly commenced projects and the scale of construction were ahead of expectation. Therefore, it is anticipated that both the area of newly commenced projects and area under construction will surpass the full-year completion target, providing a solid foundation for sales.

### **A Drive to Improve the Development Model**

Since obtaining investment-grade ratings from Fitch and Moody’s, the Group will treat the requirement set forth by these rating agencies as a primary factor in its development and strategic planning and endeavor to maintain the ratings. At the same time, the Group will also need to work towards an appropriate level of scale expansion. Under the current backdrop of increasing concentration in the industry, the Group cannot rely solely on traditional means to expand, “facilitating development through innovative transformation” is required to capture opportunities such as merger and acquisition in the industry and to explore other ways of expansion. On the other hand, both resource consolidation and strategic cooperation will also be employed to rapidly expand the development scale of the Group.

### **ACKNOWLEDGMENT**

With respect to the sound developments of the Group achieved over the years, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavours, as well as to express my deepest appreciation to our shareholders, our customers and business partners for their full confidence and dedicated support.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue and Gross Profit**

In the first half of 2013, the Group realized revenue of approximately RMB6,059 million (the same period of 2012: RMB4,264 million), representing a year-on-year increase of 42.1%. The total revenue (including proceeds from sales of investment properties) was approximately RMB6,066 million (the same period of 2012: RMB 4,840 million), representing a year-on-year increase of 25.3%. The gross profit was approximately RMB2,480 million (the same period of 2012: RMB2,584 million), representing a year-on-year decrease of 4.0%, and the gross profit margin reached approximately 40.9%, representing a year-on-year decrease of 19.7 percentage points, mainly due to the difference of product mix and geographic composition, specifically more commercial properties with high gross margin were recognized in the first half of 2012. Moreover, margins saw a marked compression in the period on booking of lower-margin projects being sold during the downturn.

### **Profit Attributable to Equity Holders**

In the first half of 2013, profit attributable to equity holders of the Group was approximately RMB2,341 million (the same period of 2012: RMB1,580 million), representing a year-on-year increase of 48.2%, due to more fair value gains being recorded in respect of Guangzhou Fortune World Plaza during the period. The core net profit excluding fair value gains of investment properties was approximately RMB1,034 million (the same period of 2012: RMB960 million), representing a year-on-year increase of 7.8%.

### **Contracted Sales**

In the first half of 2013, the Group recorded an aggregate contracted sales value of approximately RMB8,616 million with an aggregate contracted sales GFA of approximately 620,400 sq.m., representing year-on-year increases of 20.5% and 8.6% respectively, which achieved approximately 65.3% and 58.0% of the full-year sales targets of RMB13.2 billion and 1,070,000 sq.m. respectively. The average selling price was approximately RMB13,900 per sq.m., representing a year-on-year increase of 11.1%, due to the price increase in some projects during the first half of 2013.

Contracted sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Winking	Residential, parking	500	24	48,000
2	Guangzhou Fortune Century Square	Commercial	10,800	371	34,400
3	Guangzhou Jiang Nan New Mansion	Residential	13,100	372	28,400
4	Guangzhou Paradiso Garden	Residential	1,900	54	28,400
5	Guangzhou Paradiso Courtyard	Residential	4,400	95	21,600
6	Guangzhou Ling Nan Riverside/Guangzhou Fortune Apartment	Commercial	2,600	181	69,600
7	Guangzhou Starry Golden Sands	Residential	40,100	630	15,700
8	Guangzhou Starry Wenhua	Residential	36,000	837	23,300
9	Guangzhou Starry Wenhan	Residential	36,300	750	20,700
10	Guangzhou Starry Wenyu	Residential	32,000	695	21,700
11	Guangzhou Paradiso Riverside	Residential	48,400	656	13,600
12	Guangzhou Paradiso Sunshine	Residential	40,300	480	11,900
13	Southern Le Sand	Residential	97,800	913	9,300
14	Huadu Glade Greenland	Residential	13,400	100	7,500
15	Guangzhou Ling Nan Hillside	Residential	30,200	525	17,400
16	Conghua Glade Greenland (formerly known as: Conghua Jiangpu Town Land)	Residential	26,400	158	6,000
17	Conghua Glade Village	Residential	3,600	45	12,500
	Other projects	N/A	12,600	159	12,600
	<b>Subtotal (Guangzhou)</b>		<b>450,400</b>	<b>7,045</b>	<b>15,600</b>
18	Jiangmen Starry Regal Court	Residential	41,100	248	6,000
19	Zhongshan Starry Winking	Residential	30,200	209	6,900
20	Zhongshan Starry Junting	Residential	200	1	5,000
	<b>Subtotal (Guangdong ex. Guangzhou)</b>		<b>71,500</b>	<b>458</b>	<b>6,400</b>

<b>No.</b>	<b>Project</b>	<b>Type</b>	<b>GFA</b> <i>(sq.m.)</i>	<b>Value</b> <i>(RMB mil)</i>	<b>ASP</b> <i>(RMB/sq.m.)</i>
21	Hangzhou Starry City	Residential	28,300	159	5,600
22	Wuhan Starry Winking	Residential	56,900	861	15,100
23	Shenyang Yuexiu Hill Lake	Residential	1,800	15	8,300
24	Yantai Starry Phoenix	Residential	11,500	78	6,800
	<b>Subtotal (Outside Guangdong)</b>		<b>98,500</b>	<b>1,113</b>	<b>11,300</b>
	<b>Total</b>		<b>620,400</b>	<b>8,616</b>	<b>13,900</b>

In the first half of 2013, the Group's layout of "supported by multiple regions" was further strengthened. In terms of regional composition, Guangzhou accounted for approximately 81.8% of the aggregate contracted sales value of first half of 2013, and Guangdong (excluding Guangzhou) accounted for approximately 5.3% and the regions outside Guangdong accounted for approximately 12.9%. In terms of type, residential properties and commercial properties accounted for approximately 85.4% and 14.6% respectively.

## Recognized Properties

In the first half of 2013, the recognized sales value (including the sale of investment properties of RMB7 million) and recognized sales GFA (including the sale of investment properties of 300 sq.m.) were approximately RMB5,531 million and 369,700 sq.m., representing year-on-year increases of 30.9% and 86.7%, and the average selling price was RMB15,000 per sq.m..

Recognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	Commercial	83,000	2,419	29,100
2	Guangzhou Starry Winking	Residential, parking	2,900	121	41,700
3	Guangzhou Jiang Nan New Mansion	Parking	12,000	344	28,700
4	Guangzhou Ling Nan Riverside	Parking	1,200	23	19,200
5	Guangzhou Starry Wenhua	Residential	52,900	1,155	21,800
6	Southern Le Sand	Residential	29,600	208	7,000
7	Huadu Glade Greenland	Residential	10,300	112	10,900
8	Conghua Glade Village	Residential	1,800	26	14,400
	Other projects	N/A	700	10	14,300
	Investment properties	N/A	300	7	23,300
	<b>Subtotal (Guangzhou)</b>		<b>194,700</b>	<b>4,425</b>	<b>22,700</b>
9	Jiangmen Starry Regal Court	Residential	23,700	218	9,200
10	Zhongshan Starry Winking	Residential	89,600	494	5,500
	<b>Subtotal (Guangdong ex. Guangzhou)</b>		<b>113,300</b>	<b>712</b>	<b>6,300</b>
11	Shenyang Yuexiu Hill Lake	Residential	1,000	9	9,000
12	Yantai Starry Phoenix	Residential	60,700	385	6,300
	<b>Subtotal (Outside Guangdong)</b>		<b>61,700</b>	<b>394</b>	<b>6,400</b>
	<b>Total</b>		<b>369,700</b>	<b>5,531</b>	<b>15,000</b>

## Properties Sold But Not Yet Recognized

As of end of June 2013, the unrecognized sales value amounted to approximately RMB14,871 million, with unrecognized sales GFA of approximately 1,167,200 sq.m., and the average selling price was approximately RMB12,700 per sq.m.. Within of the unrecognized sales value, approximately RMB7,215 million is expected to be recognized in the second half of 2013, and approximately RMB6,844 million is expected to be recognized in 2014.

Properties Sold But Not Yet Recognized are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	Commercial	6,100	196	32,100
2	Guangzhou Starry Winking	Residential, parking	200	9	45,000
3	Guangzhou Jiang Nan New Mansion	Commercial	4,500	89	19,800
4	Guangzhou Paradiso Garden	Residential	19,600	498	25,400
5	Guangzhou Paradiso Courtyard	Residential	4,400	95	21,600
6	Guangzhou Ling Nan Riverside/Guangzhou Fortune Apartment	Commercial	81,500	1,658	20,300
7	Guangzhou Starry Golden Sands	Residential	129,000	1,900	14,700
8	Guangzhou Starry Wenhua	Residential	36,600	779	21,300
9	Guangzhou Starry Wenhan	Residential	99,200	1,882	19,000
10	Guangzhou Starry Wenyu	Residential	46,600	950	20,400
11	Guangzhou Paradiso Riverside	Residential	80,800	1,055	13,100
12	Guangzhou Paradiso Sunshine	Residential	66,600	780	11,700
13	Southern Le Sand	Residential	194,400	1,626	8,400
14	Guangzhou Ling Nan Hillside	Residential	30,200	525	17,400
15	Huadu Glade Greenland	Residential	13,800	61	4,400
16	Conghua Glade Village	Residential	1,800	19	10,600
17	Conghua Glade Greenland	Residential	26,400	158	6,000
	Other projects	N/A	31,800	354	11,100
	<b>Subtotal (Guangzhou)</b>		<b>873,500</b>	<b>12,634</b>	<b>14,500</b>

<b>No.</b>	<b>Project</b>	<b>Type</b>	<b>GFA</b> <i>(sq.m.)</i>	<b>Value</b> <i>(RMB mil)</i>	<b>ASP</b> <i>(RMB/sq.m.)</i>
18	Jiangmen Starry Regal Court	Residential	27,000	90	3,300
19	Zhongshan Starry Winking	Residential	41,500	275	6,600
20	Zhongshan Starry Junting	Residential	200	1	5,000
	<b>Subtotal (Guangdong ex. Guangzhou)</b>		<b>68,700</b>	<b>366</b>	<b>5,300</b>
21	Hangzhou Starry City	Residential	126,800	660	5,200
22	Wuhan Starry Winking	Residential	65,100	980	15,100
23	Shenyang Yuexiu Hill Lake	Residential	5,500	48	8,700
24	Yantai Starry Phoenix	Residential	27,600	183	6,600
	<b>Subtotal (Outside Guangdong)</b>		<b>225,000</b>	<b>1,871</b>	<b>8,300</b>
	<b>Total</b>		<b>1,167,200</b>	<b>14,871</b>	<b>12,700</b>

## Landbank

From the beginning of 2013 to the date of this announcement, the Group acquired 5 parcels of land with total GFA of approximately 1.14 million sq.m. in Guangzhou, Hangzhou and Foshan. The total consideration was approximately RMB6,764 million. As at the date of this announcement, the landbank of the Group was approximately 14.76 million sq.m..

The land acquisitions in 2013 are summarized as follows:

No.	Project	Equity Holding	Site Area (sq.m.)	GFA (sq.m.)	Total Consideration (RMB mil)
1	Hangzhou Lin'an Land Phase IV	100%	161,600	386,100	339
2	Guangzhou Haizhu Nanzhou Road Land	95.48%	42,700	152,600	2,461
3	Hangzhou Yuhang Shangyuan Road Land	100%	67,000	228,800	1,608
4	Hangzhou Jianggan Sanbao Land	20%	12,300	63,800	584
	<b>Subtotal of 1H of 2013</b>		<b>283,600</b>	<b>831,300</b>	<b>4,992</b>
5	Foshan Chancheng Tongji Road Land	19%	56,000	310,800	1,772
	<b>Total</b>		<b>339,600</b>	<b>1,142,100</b>	<b>6,764</b>

As of the end of June 2013, the landbank of the Group reached approximately 14.45 million sq.m. with a regional presence in 12 cities in the PRC with an improved balance between the regions, each of which continue to ameliorate its ability to support future growth in scale. In terms of regional composition, Guangzhou accounted for approximately 41.7% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 14.0%, Bohai Rim Economic Zone accounted for approximately 15.9%, Yangtze River Delta accounted for approximately 18.5%, the Central Region accounted for approximately 8.7%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.5%. In terms of product mix, residential properties accounted for approximately 60.4% and commercial properties and others accounted for 39.6%.

Landbank by the stage of development is summarized as follows:

No.	Project	Equity Holding	Landbank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)
1	Guangzhou Fortune Center	95%	210,500	210,500	—
2	Asia Pacific Century Plaza	95%	232,000	232,000	—
3	Guangzhou Starry Yufu	95%	34,900	34,900	—
4	Guangzhou Paradiso Garden	95%	25,600	25,600	—
5	Guangzhou Paradiso Courtyard	95%	9,600	9,600	—
6	Guangzhou Haizhu Nanzhou Road Land	95.48%	152,600	—	152,600
7	Guangzhou Fortune Apartment	99.06%	120,100	120,100	—
8	Guangzhou Starry Golden Sands	100%	397,900	397,900	—
9	Guangzhou Starry Wenhua	95%	127,600	127,600	—
10	Guangzhou Starry Wenhan	95%	164,400	164,400	—
11	Guangzhou Starry Wenyu	95%	141,400	141,400	—
12	Guangzhou Paradiso Riverside	95%	481,100	481,100	—
13	Guangzhou Paradiso Sunshine	95%	134,100	134,100	—
14	Southern Le Sand	95.48%	2,399,100	682,400	1,716,700
15	Guangzhou Ling Nan Hillside	95%	323,400	323,400	—
16	Guangzhou Ling Nan Villas (formly known as: Luogang Kaiyuan Avenue Land)	95.48%	325,000	325,000	—
17	Guangzhou Changling Road Project	47.75%	446,600	—	446,600
18	Conghua Glade Greenland (formerly known as: Conghua Jiangpu Town Land)	95.48%	189,200	189,200	—
	Other projects	N/A	103,600	43,600	60,000
	<b>Subtotal (Guangzhou)</b>		<b>6,018,700</b>	<b>3,642,800</b>	<b>2,375,900</b>



No.	Project	Equity Holding	Landbank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)
19	Jiangmen Starry Regal Court	95%	384,600	328,200	56,400
20	Zhongshan Starry Winking	95%	295,000	153,000	142,000
21	Zhongshan Starry Junting	100%	152,700	152,700	—
22	Zhongshan Bo'ai Road Project	95%	476,800	108,200	368,600
23	Zhongshan Dongsheng Town Project	100%	427,300	188,500	238,800
24	Nanhai Starry Winking	95%	290,700	290,700	—
	<b>Subtotal (Guangdong ex. Guangzhou)</b>		<b>2,027,100</b>	<b>1,221,300</b>	<b>805,800</b>
25	Shenyang Yuexiu Hill Lake	99.95%	320,500	81,200	239,300
26	Shenyang Nanta Street Project	100%	706,600	109,800	596,800
27	Shenyang Starry Blue Sea (formerly known as: Shenyang Changbai Island Land)	100%	183,600	172,300	11,300
28	Yantai Starry Golden Sands (formerly known as: Yantai Development Zone Land)	100%	601,000	200,700	400,300
29	Qingdao Licang Project	100%	488,600	218,300	270,300
	<b>Subtotal (Bohai Rim Economic Zone)</b>		<b>2,300,300</b>	<b>782,300</b>	<b>1,518,000</b>
30	Hangzhou Starry City	100%	1,838,300	474,700	1,363,600
31	Hangzhou Yuhang Shangyuan Road Land	100%	228,700	—	228,700
32	Hangzhou Jianggan Sanbao Land	20%	63,800	—	63,800
33	Kunshan Huaqiao Project	48.45%	536,300	150,000	386,300
	<b>Subtotal (Yangtze River Delta)</b>		<b>2,667,100</b>	<b>624,700</b>	<b>2,042,400</b>

No.	Project	Equity Holding	Landbank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)
34	Wuhan Starry Winking	100%	647,900	647,900	—
35	Wuhan Jiang'an Project	95.48%	611,000	155,100	455,900
	<b>Subtotal (Central Region)</b>		<b>1,258,900</b>	<b>803,000</b>	<b>455,900</b>
36	Hainan Simapo Island Project	47.50%	98,000	—	98,000
	<b>Subtotal (PRC)</b>		<b>14,370,100</b>	<b>7,074,100</b>	<b>7,296,000</b>
37	Hong Kong Yau Tong Project	100%	70,500	—	70,500
38	Hong Kong Treasure Court Project	100%	1,400	1,400	—
39	Hong Kong Prince Edward Road Project	100%	3,900	—	3,900
	<b>Subtotal (Hong Kong)</b>		<b>75,800</b>	<b>1,400</b>	<b>74,400</b>
	<b>Total</b>		<b>14,445,900</b>	<b>7,075,500</b>	<b>7,370,400</b>

Landbank by uses is summarized as follows:

No.	Project	Landbank GFA (sq.m.)	Residential properties GFA (sq.m.)	Commercial properties GFA (sq.m.)	Parking lots and others GFA (sq.m.)
1	Guangzhou Fortune Center	210,500	—	164,500	46,000
2	Asia Pacific Century Plaza	232,000	—	132,600	99,400
3	Guangzhou Starry Yufu	34,900	20,700	500	13,700
4	Guangzhou Paradiso Garden	25,600	19,600	—	6,000
5	Guangzhou Paradiso Courtyard	9,600	7,000	300	2,300
6	Guangzhou Haizhu Nanzhou Road Land	152,600	110,700	2,000	39,900
7	Guangzhou Fortune Apartment	120,100	—	97,200	22,900
8	Guangzhou Starry Golden Sands	397,900	285,300	10,400	102,200
9	Guangzhou Starry Wenhua	127,600	58,000	1,800	67,800
10	Guangzhou Starry Wenhuan	164,400	109,200	—	55,200
11	Guangzhou Starry Wenyu	141,400	88,900	2,500	50,000
12	Guangzhou Paradiso Riverside	481,100	263,000	48,700	169,400
13	Guangzhou Paradiso Sunshine	134,100	84,500	2,000	47,600
14	Southern Le Sand	2,399,100	1,407,000	516,700	475,400
15	Guangzhou Lingnan Hillside	323,400	184,300	35,000	104,100
16	Guangzhou Lingnan Villas (formerly known as: Luogang Kaiyuan Avenue Land)	325,000	220,100	3,100	101,800
17	Luogang Changling Road Project	446,600	299,000	9,500	138,100
18	Conghua Glade Greenland (formerly known as: Conghua Jiangpu Town Land)	189,200	144,600	400	44,200
	Other projects	103,600	64,400	6,800	32,400
	<b>Subtotal (Guangzhou)</b>	<b>6,018,700</b>	<b>3,366,300</b>	<b>1,034,000</b>	<b>1,618,400</b>
19	Jiangmen Starry Regal Court	384,600	265,100	21,900	97,600
20	Zhongshan Starry Winking	295,000	220,500	7,400	67,100
21	Zhongshan Starry Junting	152,700	110,100	4,300	38,300
22	Zhongshan Bo'ai Road Project	476,800	236,500	129,900	110,400
23	Zhongshan Dongsheng Town Project	427,300	338,400	31,100	57,800
24	Nanhai Starry Winking	290,700	98,500	112,000	80,200
	<b>Subtotal (Pearl River Delta ex. Guangzhou)</b>	<b>2,027,100</b>	<b>1,269,100</b>	<b>306,600</b>	<b>451,400</b>

No.	Project	Landbank GFA (sq.m.)	Residential properties GFA (sq.m.)	Commercial properties GFA (sq.m.)	Parking lots and others GFA (sq.m.)
25	Shenyang Yuexiu Hill Lake	320,500	283,200	7,800	29,500
26	Shenyang Nanta Street Project	706,600	347,900	203,300	155,400
27	Shenyang Starry Blue Sea (formerly known as: Shenyang Changbai Island Land)	183,600	130,400	23,700	29,500
28	Yantai Starry Golden Sands (formerly known as: Yantai Development Zone Land)	601,000	456,500	13,200	131,300
29	Qingdao Licang Project	488,600	321,800	24,800	142,000
	<b>Subtotal (Bohai Rim Economic Zone)</b>	<b>2,300,300</b>	<b>1,539,800</b>	<b>272,800</b>	<b>487,700</b>
30	Hangzhou Starry City	1,838,300	1,320,700	166,000	351,600
31	Hangzhou Yuhang Shangyuan Road Land	228,700	160,400	4,000	64,300
32	Hangzhou Jianggan Sanbao Land	63,800	—	48,200	15,600
33	Kunshan Huaqiao Project	536,300	400,800	18,000	117,500
	<b>Subtotal (Yangtze River Delta)</b>	<b>2,667,100</b>	<b>1,881,900</b>	<b>236,200</b>	<b>549,000</b>
34	Wuhan Starry Winking	647,900	303,300	204,900	139,700
35	Wuhan Jiang'an Project	611,000	289,000	166,700	155,300
	<b>Subtotal (Central Region)</b>	<b>1,258,900</b>	<b>592,300</b>	<b>371,600</b>	<b>295,000</b>
36	Hainan Simapo Island Project	98,000	—	67,600	30,400
	<b>Subtotal (PRC)</b>	<b>14,370,100</b>	<b>8,649,400</b>	<b>2,288,800</b>	<b>3,431,900</b>
37	Hong Kong Yau Tong Project	70,500	70,500	—	—
38	Hong Kong Treasure Court Project	1,400	1,400	—	—
39	Hong Kong Prince Edward Road Project	3,900	3,700	—	200
	<b>Subtotal (Hong Kong)</b>	<b>75,800</b>	<b>75,600</b>	<b>—</b>	<b>200</b>
	<b>Total</b>	<b>14,445,900</b>	<b>8,725,000</b>	<b>2,288,800</b>	<b>3,432,100</b>

## Progress of Construction

In recent years, the Group has been striving to augment its development and construction capabilities, shorten the development cycle of projects and has made pleasing process in meeting the objective of “commencement of construction within half a year and sales within one year after acquisition”. For example, the project of Conghua Glade Greenland (formerly known as: Conghua Jiangpu Street Project) was acquired in June 2012 and construction had commenced within half a year and sales commenced in June 2013.

Meanwhile, the construction of a research and development platform by the Group has started to yield benefits, with the initial set-up of the “product line system”, the strengthening of R&D capabilities and the acceleration of the pace of standardization. Moreover, the Group has also extended a number of R&D results into practical application, for example, part of the standardization research results were applied in the construction of a number of projects, achieving effective cost-reduction.

In the first half of 2013, the new construction starts GFA was approximately 2.21 million sq.m., which accounted for 83% of the annual expected a new construction starts GFA of 2.67 million sq.m., the GFA of completion was approximately 630,000 sq.m., and 41% of the annual expected GFA completion of 1.55 million sq.m..

New construction starts are summarized as follows:

No.	Project	Actual New Construction Starts GFA of 1H 2013 (sq.m.)	Expected New Construction Starts GFA of 2013 (sq.m.)
1	Guangzhou Starry Golden Sands	208,300	208,300
2	Southern Le Sand	276,700	429,600
3	Guangzhou Lingnan Villas (formerly known as: Luogang Kaiyuan Avenue Land)	325,000	325,000
4	Luogang Changling Road Project	—	212,800
5	Jiangmen Starry Regal Court	187,900	187,900
6	Zhongshan Bo'ai Road Project	108,200	108,200
7	Zhongshan Dongsheng Town Project	188,500	188,500
8	Shenyang Starry Blue Sea (formerly known as: Shenyang Changbai Island Land)	172,300	172,300
9	Yantai Starry Golden Sands (formerly known as: Yantai Development Zone Land)	200,700	200,700
10	Qingdao Licang Project	218,300	218,300

<b>No.</b>	<b>Project</b>	<b>Actual New Construction Starts GFA of 1H 2013 (sq.m.)</b>	<b>Expected New Construction Starts GFA of 2013 (sq.m.)</b>
11	Hangzhou Starry City	—	96,400
12	Kunshan Huaqiao Project	150,000	150,000
13	Wuhan Jiang'an Project	155,100	155,100
14	Hong Kong Treasure Court Project	1,400	1,400
15	Hong Kong Prince Edward Road Project	—	3,700
	Other projects	16,400	16,400
	<b>Total</b>	<b>2,208,800</b>	<b>2,674,600</b>

Completions are summarized as follows:

<b>No.</b>	<b>Project</b>	<b>Actual Completion GFA of 1H 2013 (sq.m.)</b>	<b>Expected Completion GFA of 2013 (sq.m.)</b>
1	Guangzhou Fortune Century Square	62,500	62,500
2	Guangzhou Ling Nan Riverside	15,300	15,300
3	Guangzhou Starry Golden Sands	—	189,600
4	Guangzhou Starry Wenhua	94,300	221,900
5	Guangzhou Starry Wenhan	—	164,400
6	Guangzhou Starry Wenyu	—	141,400
7	Guangzhou Paradiso Riverside	—	179,200
8	Southern Le Sand	—	70,900
9	Zhongshan Starry Winking	241,900	241,900
10	Shenyang Yuexiu Hill Lake	—	36,400
11	Yantai Starry Phoenix	219,800	219,800
	Other projects	—	2,800
	<b>Total</b>	<b>633,800</b>	<b>1,546,100</b>

Delivery is summarized as follows:

No.	Project	Actual Delivery GFA of 1H 2013 (sq.m.)	Expected Delivery GFA of 2013 (sq.m.)
1	Guangzhou Fortune Century Square	83,000	89,100
2	Guangzhou Starry Winking	2,900	3,100
3	Guangzhou Jiang Nan New Mansion	12,000	16,500
4	Guangzhou Ling Nan Rivers	1,200	1,200
5	Guangzhou Starry Golden Sands	—	127,600
6	Guangzhou Starry Wenhua	52,900	64,000
7	Guangzhou Starry Wenhua	—	99,200
8	Guangzhou Starry Wenyu	—	46,600
9	Guangzhou Paradiso Riverside	—	72,900
10	Southern Le Sand	29,600	85,400
11	Huadu Glade Greenland	10,300	24,100
12	Conghua Glade Village	1,800	3,600
	Other projects	1,000	1,000
	<b>Subtotal (Guangzhou)</b>	<b>194,700</b>	<b>634,300</b>
13	Jiangmen Starry Regal Court	23,700	39,400
14	Zhongshan Starry Winking	89,600	118,600
	<b>Subtotal (Guangdong Province ex. Guangzhou)</b>	<b>113,300</b>	<b>158,000</b>
15	Shenyang Yuexiu Hill Lake	1,000	6,500
16	Yantai Starry Phoenix	60,700	88,300
	<b>Subtotal (Outside Guangdong Province)</b>	<b>61,700</b>	<b>94,800</b>
	<b>Total</b>	<b>369,700</b>	<b>887,100</b>

## Investment Properties

As at the end of June 2013, the Group owned investment properties under lease of approximately 630,600 sq.m. in total, of which the GFA of offices, commercial properties and parking lots accounted for approximately 7.1%, 62.0% and 30.9%, respectively. The investment properties under construction was approximately 355,600 sq.m., mainly comprising of the commercial portions of Wuhan Starry Winking and Nanhai Starry Winking Project.

No.	Major projects under leasing	GFA (sq.m.)	Offices (sq.m.)	Commercial properties (sq.m.)	Parking lots and others (sq.m.)
1	Guangzhou Fortune Century Square	180,000	—	180,000	—
2	Zhongshan Starry Winking (Commercial)	90,400	—	63,400	27,000
3	Xiangkang Commercial Plaza	31,500	28,100	—	3,400
4	Hong Kong Property	16,000	2,700	11,100	2,200
5	Guang Yuan Cultural Center	32,000	—	18,600	13,400
6	Huangshi Garden	21,000	—	21,000	—
7	Victory Plaza	21,900	—	—	21,900
8	Yuexiu City Plaza	35,000	—	16,700	18,300
	Other projects	202,800	14,100	79,900	108,800
<b>Total</b>		<b>630,600</b>	<b>44,900</b>	<b>390,700</b>	<b>195,000</b>

No.	Major projects under construction	GFA (sq.m.)	Offices (sq.m.)	Commercial properties (sq.m.)	Parking lots and others (sq.m.)
1	Wuhan Starry Winking (Commercial)	243,600	158,700	46,200	38,700
2	Nanhai Starry Winking (Commercial)	112,000	30,000	82,000	—
<b>Total</b>		<b>355,600</b>	<b>188,700</b>	<b>128,200</b>	<b>38,700</b>



## **Other Gains**

In May 2013, the Group completed the disposal transaction of Guangzhou Tiyu Building Company Limited (廣州體育大廈有限公司) through its indirect wholly-owned subsidiary at the consideration (including shareholders' loans) of RMB830 million, profit on disposal (before tax) of approximately RMB59.81 million was recorded in the first half of 2013, after deduction of withholding tax, profit on disposal (after tax) was approximately RMB33 million. During the period, the Group also disposed the equity interest in Shanghai Pufa Plaza and recorded a disposal gain of approximately RMB36.08 million.

## **Selling and Administrative Expenses**

In the first half of 2013, selling expenses of the Group were approximately RMB152 million, increased by 8.6% for the same period year-on-year. The increase in selling expenses was mainly due to an increase in the number of projects outside Guangzhou as compared to the same period of 2012, and sales of such projects outside Guangzhou were carried out through third party agency firms and hence there was an increase in agency fees as compared to the same period of 2012. The ratio of selling expenses (selling expenses as a percentage of the contracted sales value of the same period) was approximately 1.8%, decreased by 0.2 percentage points as compared to 2.0% for the same period of 2012.

In the first half of 2013, administrative expenses of the Group was approximately RMB403 million, increased by 4.7% as compared to the same period year-on-year. The ratio of administrative expenses (administrative expenses as a percentage of the contracted sales value of the same period) was approximately 4.7%, decreased by 0.7 percentage points as compared to 5.4% for the same period of last year.

## **Finance Costs**

In the first half of 2013, interest expenses of the Group were approximately RMB806 million, representing a decrease of 2% as compared to the same period year-on-year. After deduction of capitalized interest expenses of approximately RMB594 million, recognized expenses under finance costs were approximately RMB212 million, slightly decreased by 1% as compared to approximately RMB214 million for the same period in 2012. In the first half of 2013, exchange gains of approximately RMB136 million were also recognized, as compared to exchange losses of approximately RMB40 million for the same period last year.

## **Share of Profit from Associated Entities**

In the first half of 2013, overall share of net contribution from associated entities attributable to the Group decreased by 8% to RMB82.81 million as compared to the same period of last year. This was mainly due to the profit contribution from 35.35% of Yuexiu REIT units held by the Group.

The 2013 interim distribution of Yuexiu REIT was approximately RMB279 million representing an increase of 134.5% as compared to approximately RMB119 million for the same period in 2012. The 2013 interim distribution of Yuexiu REIT attributable to the Group was approximately RMB98 million representing an increase of 133.3% as compared to approximately RMB42 million for the same period in 2012.

## **Earnings Per Share**

In the first half of 2013, basic earnings per share attributable to equity holders of the Company were RMB0.2516 (2012: RMB0.1701).

## **Interim Dividend**

The Board has resolved to declare an interim dividend for the first half of 2013 of HK\$0.049 per share which is equivalent to RMB0.039 per share (the first half of 2012: HK\$0.042 per share which was equivalent to RMB0.034 per share) to shareholders whose names appear on the Register of Members of the Company on 18 October 2013. The interim dividend will be distributed to shareholders on or before 8 November 2013.

Dividends payable to shareholders will be paid in Hong Kong dollars (“HK\$”). The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HK\$ to RMB, as announced by the People’s Bank of China, for the five business days preceding the date of dividend declaration.

## **Liquidity and Financial Resources**

The Group's major sources of funding are from recurring cash flows of its business and committed bank facilities. The Group strongly believes that it is important to maintain a healthy and stable liquidity position so as to meet the needs of a fast-changing external market and to safeguard the healthy development of the Group's business. Therefore, the Group places great emphasis on liquidity management and risk control. Other than maintaining good relationships with financial institutions in Hong Kong and Mainland China, the Group also strives to explore alternative financing channels, while carrying out management over borrowing costs and interest rate to lower financing costs as far as possible. The Group also monitors its capital and debt structure continuously, makes adjustments where appropriate, and strives to improve the structure of borrowings in addition to maintaining a reasonable cash level, in order to enhance its ability to mitigate risks.

The Group captured periodic market opportunities in the first half of 2013 and successfully issued US\$350 million 5-year and US\$500 million 10-year bonds with fixed rates for the first time in January 2013, with coupon rates at 3.25% and 4.5% respectively. Meanwhile, the bank borrowings of RMB3.4 billion was also completed in the first half of the year to replace part of the existing borrowings with relatively high cost. With the debt structure optimized and finance costs continued declining, the overall financial condition of the Group remained solid in the first half of the year. The average cost of financing was 5.99%, decreased by 1.04 percentage points as compared to 7.03% for 2012. The ratio between onshore and offshore borrowings was improved to approximately 47:53 (31 December 2012: 60:40), while the proportion of medium to long term borrowings had increased, bonds represented approximately 21.3% of the overall debt portfolio, and borrowings with maturity after 5 years accounted for approximately 15.1% of total borrowings (as compared to 2.9% as at 31 December 2012).

## **Working Capital**

As at 30 June 2013, the Group's working capital (current assets less current liabilities) amounted to approximately RMB28.004 billion (31 December 2012: approximately RMB27.275 billion). The Group's current ratio (current assets over current liabilities) was 1.88 times. Cash and cash equivalents amounted to approximately RMB7.337 billion (31 December 2012: RMB7.060 billion). Charged bank deposits amounted to approximately RMB3.370 billion (31 December 2012: RMB2.203 billion). Undrawn committed bank facilities amounted to approximately RMB3.3 billion.

## Capital and Financial Structure Analysis

The Group's debts are summarized as follows:

	As at	
	<b>30 June 2013</b>	<b>31 December 2012</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings and bonds		
Denominated in RMB	11,731,868	12,566,252
Denominated in Hong Kong dollars	7,031,647	7,250,185
Denominated in United States dollars	<u>5,554,120</u>	<u>314,323</u>
Total bank borrowings and bonds	24,317,635	20,130,760
Finance lease obligations	225	161
Overdrafts	<u>107</u>	<u>56</u>
Total debts	<u><u>24,317,967</u></u>	<u><u>20,130,977</u></u>
Ageing analysis:		
Within one year	9,338,581	6,828,742
In the second year	3,577,674	7,219,978
In the third to fifth year	7,721,153	5,490,657
Beyond five years	<u>3,680,559</u>	<u>591,600</u>
Total borrowings	24,317,967	20,130,977
Less: Cash and cash equivalents	<u>(7,336,769)</u>	<u>(7,060,453)</u>
Net borrowings	16,981,198	13,070,524
Shareholders' equity (excluding non-controlling interests)	<u>24,003,156</u>	<u>22,158,140</u>
Total capitalization	<u><u>40,984,354</u></u>	<u><u>35,228,664</u></u>
Gearing ratio	41.4%	37.1%

## **Interest Rate Exposure**

Interest expenses accounted for a significant proportion of the Group's finance costs, the loans mainly comprised bank loans and bonds. The Group will continue to closely monitor the trend of interest rate fluctuations in the market and seeks to adopt appropriate risk management measures. The Group will also continued to explore appropriate interest rates hedging tools if and when deemed expedient or appropriate in the future with a view to mitigating interest rate risks. Meanwhile, the Group will also continue to seek more Hong Kong dollar borrowings so as to take advantage of Hong Kong dollar's lower interest rate. As at 30 June 2013, fixed-rate borrowings represented approximately 21% of total borrowings.

## **Foreign Exchange Exposure**

As the business operations of the Group are mainly in Mainland China, income and cash flows are primarily denominated in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings. The Group will review and monitor its currency exposure from time to time and will adopt appropriate currency swaps as and when appropriate to hedge its currency risks.

## **Commitments for Leasehold Land and Property, Plant and Equipment**

As at 30 June 2013, the Group had committed payments of land acquisition costs of approximately RMB2.0 billion (31 December 2012: RMB2.0 billion).

Other than the above, the Group also had capital commitments in respect of purchases of property, plant, equipment and investment properties amounted to approximately RMB1.724 billion (31 December 2012: RMB554 million).

## **Contingent Liabilities**

The Group arranged bank loans for certain purchasers of the Group's properties in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest in performing its liabilities under the guarantee, and the Group will then be entitled to take over the legal title until the property ownership certificate is officially issued to the purchaser. As at 30 June 2013, total contingent liabilities relating to these guarantees amounted to approximately RMB3.390 billion (31 December 2012: RMB1.887 billion).

As at 30 June 2013, in connection with the disposal of a subsidiary to Yuexiu REIT in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately RMB59 million. The Deed of Indemnity will expire on 30 May 2014.

### **Employees and Remuneration Policy**

As at 30 June 2013, the Group had approximately 6,200 employees (31 December 2012: 6,200 employees). The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees according to their performance. Promotion and salary adjustments are based on performance.

## **CORPORATE GOVERNANCE**

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2013.

### **Code Provision A.4.1**

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

### **Code Provision E.1.2**

Code Provision E.1.2 stipulates that chairman of the board should attend the annual general meeting of the Company. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 3 June 2013 due to other business engagement. The chairman or members of Audit, Remuneration and Nomination Committees attended the annual general meeting.

### **Code Provision A.2.1**

Code provision A.2.1 stipulates that the roles of chairman and chief executive (being general manager in the case of the Company) should be separated and should not be performed by the same individual. With effect from 31 July 2013, Mr Zhang Zhaoxing, General Manager of the Company, was appointed as Chairman of the Board of the Company. He has been working seamlessly with the outgoing chairman in formulating and implementing corporate strategies and policies of the Company since his appointment to the Board in 2008. Given Mr Zhang's expertise and vast experience in property development and investment, he continues to serve as the General Manager to ensure continuity of the existing corporate strategies and policies. The Company considers that Mr Zhang would be able to provide strong leadership in the sustainable growth and development of the Company in the new growth era. The balance of power between the Chairman, the General Manager and the Board in general would be ensured by regular discussion and meetings of the full Board and various committees of the Board.

### **REVIEW OF INTERIM RESULTS**

The results of the Group for the six months ended 30 June 2013 have been reviewed by the Audit Committee and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its shares during the six months ended 30 June 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 October 2013 to Friday, 18 October 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 15 October 2013.

By order of the Board  
**Yuexiu Property Company Limited**  
**ZHANG Zhaoxing**  
*Chairman*

Hong Kong, 21 August 2013

As at the date of this announcement, the Board comprises:

*Executive Directors:*                    ZHANG Zhaoxing (Chairman), ZHU Chunxiu, TANG Shouchun,  
  CHEN Zhihong and LAM Yau Fung Curt

*Independent Non-executive*        YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose  
*Directors:*