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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 2014 Annual Results**

**Results Highlights**

- **Steady growth in operating results.** In 2014, the revenue was approximately RMB15,702 million, an increase of 10.5% comparing with the corresponding period of 2013. Core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and foreign exchange loss/gain) was approximately RMB1,575 million, an increase of 17.0% comparing with the corresponding period of 2013.
- **Record high contracted sales.** In 2014, the aggregate contracted sales value (including contracted sales by joint venture projects) was approximately RMB22,014 million, an increase of 50.4% comparing with the corresponding period of 2013, and 100% of the full year sales target RMB22 billion was completed.
- **Flexible financing channels optimized financial structure.** As of 31 December 2014, the ratio between onshore and offshore borrowings of the Group was 42%:58%. The average funding cost for the full year was 5.07%, a decrease of 0.52 percentage point comparing with the corresponding period of 2013.
- **A nationwide layout was solidified by returning to Tier 1 and Tier 2 cities.** In 2014, the Group acquired two land parcels in Hangzhou and Guangzhou respectively. The total consideration amounted to RMB7,451 million, and the total GFA was approximately 834,300 sq. m.. As of 31 December 2014, total landbank of the Group was approximately 14.31 million sq.m..
- **Return to shareholders.** The Board proposed to declare a final dividend for 2014 of HK\$0.027 per share, together with the interim dividend of HK\$0.049 per share, total dividends for the full year of 2014 was HK\$0.076 per share. Total dividends represented the 40% of the profit attributable to equity holders excluding fair value gains on revaluation of the investment properties and the related tax impact and foreign exchange loss/gain.

## Results Summary

• Revenue	RMB15,702 million (+10.5%)
• Core net profit	RMB1,575 million (+17.0%)
• Contracted sales value	RMB22,014 million (+50.4%)
• Unrecognized sales value	RMB19,330 million (+49.7%)
• Total assets	RMB93,075 million (+19.2%)
• Cash and cash equivalents and charged bank deposits	RMB12,957 million (+54.7%)
• Net gearing ratio	63.1% (+1.5 percentage points)

## RESULTS

The board of directors (“Directors” or “Board”) of Yuexiu Property Company Limited (“Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2014, as follow:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	15,701,739	14,208,873
Cost of sales	4	<u>(11,563,718)</u>	<u>(10,104,420)</u>
Gross profit		4,138,021	4,104,453
Proceeds from sales of investment properties		72,358	364,150
Direct costs of investment properties sold		(49,626)	(288,233)
Gain on sales of investment properties		22,732	75,917
Fair value gains on revaluation of investment properties		1,404,596	1,974,765
Other gains, net	5	437,009	143,541
Selling and marketing costs	4	(651,974)	(493,283)
Administrative expenses	4	<u>(840,109)</u>	<u>(816,662)</u>
Operating profit		4,510,275	4,988,731
Finance income		57,278	44,081
Finance costs	6	(506,797)	(511,944)
Net foreign exchange (loss)/gain on financing activities		(7,525)	193,747
Share of (loss)/profit of			
- joint ventures		(10,793)	(3,857)
- associated entities		<u>360,224</u>	<u>198,958</u>
Profit before taxation		4,402,662	4,909,716
Taxation	7	<u>(1,786,158)</u>	<u>(2,004,627)</u>
Profit for the year		<u><u>2,616,504</u></u>	<u><u>2,905,089</u></u>

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
Attributable to			
Equity holders of the Company		2,471,255	2,880,343
Non-controlling interests		<u>145,249</u>	<u>24,746</u>
		<u>2,616,504</u>	<u>2,905,089</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	8		Adjusted
- Basic		<u>0.2329</u>	<u>0.2901</u>
- Diluted		<u>0.2329</u>	<u>0.2894</u>
Dividends		<u>629,926</u>	<u>619,594</u>

Details of dividends payable to equity holders of the Company are set out in note 9.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>2,616,504</u>	<u>2,905,089</u>
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences	7,066	(50,994)
Change in fair value of available-for-sale financial assets, net of tax	63,838	(37,039)
Transfer of reserve to profit and loss upon disposal of non-current asset held-for-sale	—	(22,325)
Transfer of reserve to profit and loss upon disposal of subsidiaries	<u>—</u>	<u>(6,101)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>70,904</u>	<u>(116,459)</u>
Total comprehensive income for the year	<u><u>2,687,408</u></u>	<u><u>2,788,630</u></u>
Attributable to:		
- Equity holders of the Company	2,538,687	2,765,902
- Non-controlling interests	<u>148,721</u>	<u>22,728</u>
	<u><u>2,687,408</u></u>	<u><u>2,788,630</u></u>

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2014**

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,286,323	1,023,079
Investment properties		12,614,339	10,219,375
Land use rights		255,043	265,901
Interests in joint ventures		1,287,803	1,164,939
Interests in associated entities		6,721,324	6,309,075
Available-for-sale financial assets		929,622	842,226
Deferred tax assets		<u>152,400</u>	<u>130,067</u>
		<u>23,246,854</u>	<u>19,954,662</u>
<b>Current assets</b>			
Properties under development		34,134,730	37,554,999
Properties held for sale		11,330,156	6,342,773
Prepayments for land use rights		9,324,805	3,634,670
Inventories		31,145	10,676
Derivative financial instruments		12,996	47,642
Trade receivables	10	24,440	16,013
Other receivables, prepayments and deposits		1,450,795	1,704,398
Taxation recoverable		562,089	430,582
Charged bank deposits		5,074,695	3,319,484
Cash and cash equivalents		<u>7,882,648</u>	<u>5,054,749</u>
		<u>69,828,499</u>	<u>58,115,986</u>

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	11	185,984	233,069
Advance receipts from customers		12,046,117	11,310,525
Other payables and accrued charges		10,950,353	9,257,473
Borrowings		8,415,093	8,330,549
Taxation payable		<u>2,361,554</u>	<u>2,658,633</u>
		<u>33,959,101</u>	<u>31,790,249</u>
<b>Net current assets</b>		<u>35,869,398</u>	<u>26,325,737</u>
<b>Total assets less current liabilities</b>		<u>59,116,252</u>	<u>46,280,399</u>
<b>Non-current liabilities</b>			
Borrowings		23,644,280	15,534,903
Deferred tax liabilities		5,039,661	5,367,095
Deferred revenue		62,801	64,595
Other payables and accrued charges		<u>116,082</u>	<u>153,798</u>
		<u>28,862,824</u>	<u>21,120,391</u>
<b>Net assets</b>		<u>30,253,428</u>	<u>25,160,008</u>

	<i>Note</i>	<b>2014</b> <i>RMB'000</i>	<b>2013</b> <i>RMB'000</i>
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value		—	854,089
Other statutory capital reserve		—	<u>8,893,459</u>
Share capital and other statutory capital reserves		12,759,402	9,747,548
Other reserves		464,592	396,726
Retained earnings			
- Proposed dividends	9	267,508	251,704
- Others		<u>15,612,473</u>	<u>13,779,227</u>
Non-controlling interests		29,103,975	24,175,205
		<u>1,149,453</u>	<u>984,803</u>
<b>Total equity</b>		<u><u>30,253,428</u></u>	<u><u>25,160,008</u></u>



**1. Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments and available-for-sale financial assets, which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

**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 2013, as described in those annual financial statements.

(a) New, amended and revised standards adopted and relevant to the Group:

The following amendments and interpretation to existing standards are mandatory for the first time for the financial year beginning on or after 1 January 2014 and relevant to the Group.

Amendment to HKAS 32, ‘Financial instruments: Presentation’ on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to HKAS 36, ‘Impairment of assets’, on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units (“CGUs”) which had been included in HKAS 36 by the issue of HKFRS 13.

HK(IFRIC) 21, ‘Levies’, sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 ‘Provisions’. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised.

- (b) Amendments to existing standards effective in 2014 but not currently relevant to the Group:

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement — Novation of derivatives
HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) (Amendments)	Investment Entities

The application of the adopted amended HKFRSs has had no material effect on the Group’s results and financial position.

- (c) New Hong Kong Companies Ordinance (Cap. 622):

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

- (d) New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendments)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture Bearer Plants	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plans — Employee Contributions	1 July 2014
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKAS 28 and HKFRS 10 (Amendments)	Sale and Contribution of Assets Between an Investor and its Associate or Joint Venture	1 January 2016

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual improvements 2010-2012 cycle	Improvements to HKFRSs	1 July 2014
Annual improvements 2011-2013 cycle	Improvements to HKFRSs	1 July 2014
Annual improvements 2012-2014 cycle	Improvements to HKFRSs	1 January 2016

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to existing standards but is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group intends to adopt these new standards and amendments to existing standards when they become effective.

### 3 Segment information

The chief operating decision-maker has been identified as the executive directors. 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 Group's operating and reportable segments under HKFRS 8 and the types of turnover are as follows:

Property development	sales of property development activities
Property management	property management services
Property investment	property rentals
Others	revenue from real estate agency and construction and building design consultancy services

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 consolidated financial statements.

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 are measured in a manner consistent with that in the consolidated income statement.

	<b>Property development</b> <i>RMB'000</i>	<b>Property management</b> <i>RMB'000</i>	<b>Property investment</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Group</b> <i>RMB'000</i>
<b>Year ended 31 December 2014</b>					
Revenue	14,811,011	478,338	250,017	1,106,035	16,645,401
Inter-segment revenue	—	(80,870)	(5,206)	(857,586)	(943,662)
Revenue from external customers	<u>14,811,011</u>	<u>397,468</u>	<u>244,811</u>	<u>248,449</u>	<u>15,701,739</u>
Segment results	<u>2,676,262</u>	<u>13,585</u>	<u>1,498,865</u>	<u>20,692</u>	<u>4,209,404</u>
Depreciation and amortisation	<u>(58,757)</u>	<u>(440)</u>	<u>—</u>	<u>(13,872)</u>	<u>(73,069)</u>
Fair value gains on revaluation of investment properties	<u>—</u>	<u>—</u>	<u>1,404,596</u>	<u>—</u>	<u>1,404,596</u>
Share of (loss)/profit of:					
- joint ventures	(10,793)	—	—	—	(10,793)
- associated entities	<u>5,093</u>	<u>—</u>	<u>337,347</u>	<u>17,784</u>	<u>360,224</u>

	<b>Property development</b> <i>RMB'000</i>	<b>Property management</b> <i>RMB'000</i>	<b>Property investment</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Group</b> <i>RMB'000</i>
<b>Year ended 31 December 2013</b>					
Revenue	13,145,199	425,605	463,872	850,446	14,885,122
Inter-segment revenue	<u>—</u>	<u>(79,568)</u>	<u>(6,726)</u>	<u>(589,955)</u>	<u>(676,249)</u>
Revenue from external customers	<u>13,145,199</u>	<u>346,037</u>	<u>457,146</u>	<u>260,491</u>	<u>14,208,873</u>
Segment results	<u>2,704,039</u>	<u>11,948</u>	<u>2,270,974</u>	<u>4,435</u>	<u>4,991,396</u>
Depreciation and amortisation	<u>(42,448)</u>	<u>(480)</u>	<u>—</u>	<u>(15,898)</u>	<u>(58,826)</u>
Fair value gains on revaluation of investment properties	<u>—</u>	<u>—</u>	<u>1,974,765</u>	<u>—</u>	<u>1,974,765</u>
Share of (loss)/profit of:					
- joint ventures	(3,857)	—	—	—	(3,857)
- associated entities	<u>(11,266)</u>	<u>—</u>	<u>187,040</u>	<u>23,184</u>	<u>198,958</u>
	<b>Property development</b> <i>RMB'000</i>	<b>Property management</b> <i>RMB'000</i>	<b>Property investment</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Group</b> <i>RMB'000</i>
<b>As at 31 December 2014</b>					
Segment assets	67,439,095	455,924	12,614,339	390,443	80,899,801
Interests in joint ventures	1,287,803	—	—	—	1,287,803
Interests in associated entities	<u>534,007</u>	<u>—</u>	<u>6,054,786</u>	<u>132,531</u>	<u>6,721,324</u>
Total reportable segments' assets	<u>69,260,905</u>	<u>455,924</u>	<u>18,669,125</u>	<u>522,974</u>	<u>88,908,928</u>
Total reportable segments' assets include:					
Additions to non-current assets	<u>320,889</u>	<u>2,123</u>	<u>132,340</u>	<u>242</u>	<u>455,594</u>

	Property development	Property management	Property investment	Others	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2013</b>					
Segment assets	58,456,305	435,884	10,219,375	336,729	69,448,293
Interests in joint ventures	1,164,939	—	—	—	1,164,939
Interests in associated entities	<u>330,031</u>	<u>—</u>	<u>5,849,822</u>	<u>129,222</u>	<u>6,309,075</u>
Total reportable segments' assets	<u>59,951,275</u>	<u>435,884</u>	<u>16,069,197</u>	<u>465,951</u>	<u>76,922,307</u>
Total reportable segments' assets include:					
Additions to non-current assets	<u>152,746</u>	<u>787</u>	<u>332,229</u>	<u>304</u>	<u>486,066</u>

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

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	4,209,404	4,991,396
Unallocated operating costs ( <i>note</i> )	(136,138)	(146,206)
Other gains, net	<u>437,009</u>	<u>143,541</u>
Operating profit	4,510,275	4,988,731
Finance income	57,278	44,081
Finance costs	(506,797)	(511,944)
Net foreign exchange (loss)/gain on financing activities	(7,525)	193,747
Share of (loss)/profit of:		
- joint ventures	(10,793)	(3,857)
- associated entities	<u>360,224</u>	<u>198,958</u>
Profit before taxation	<u>4,402,662</u>	<u>4,909,716</u>

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

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

	<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segments' assets	88,908,928	76,922,307
Deferred tax assets	152,400	130,067
Taxation recoverable	562,089	430,582
Corporate assets	<u>3,451,936</u>	<u>587,692</u>
Total assets	<u>93,075,353</u>	<u>78,070,648</u>

  

	<b>Revenue</b>		<b>Total assets</b>	
	<b>Year ended 31 December</b>		<b>As at 31 December</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	116,551	113,123	2,361,614	2,231,176
China	15,585,188	14,094,704	86,539,475	74,682,844
Overseas	<u>—</u>	<u>1,046</u>	<u>7,839</u>	<u>8,287</u>
	<u>15,701,739</u>	<u>14,208,873</u>	88,908,928	76,922,307
Unallocated assets			<u>4,166,425</u>	<u>1,148,341</u>
			<u>93,075,353</u>	<u>78,070,648</u>

As at 31 December 2014, total non-current assets other than financial instruments and deferred income tax assets located in China is RMB 21,175 million (2013: RMB 18,030 million), the total of these non-current assets located in Hong Kong is RMB 990 million (2013: RMB 952 million).

For the years ended 31 December 2014 and 2013, the Group does not have any single customer with the transaction value over 10% of the total external sales.

#### 4 Expenses by nature

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

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Advertising and promotion expenses	553,364	420,775
Business tax and other levies	993,342	922,096
Cost of properties sold included in cost of sales	9,917,073	8,632,902
Cost of inventories included in cost of sales	30,501	44,877
Direct operating expenses arising from investment properties		
- that generate rental income	106,868	112,535
- that did not generate rental income	322	339
Depreciation		
- Owned property, plant and equipment	62,147	46,284
- Leased property, plant and equipment	64	85
Reversal of provision for impairment of property, plant and equipment	(2,647)	(14,531)
Amortisation of land use rights	10,858	12,457
Operating leases - Land and buildings	85,459	74,185
Auditor's remuneration	6,500	6,500
Employee benefit expenses	938,840	848,686
Reversal of impairment of properties under development	<u>(21,192)</u>	<u>(26,653)</u>

#### 5 Other gains, net

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal of subsidiaries	449,414	59,810
Gain on disposal of non-current asset held-for-sale	—	36,089
Fair value (loss)/gain on derivative financial instruments	(34,646)	47,642
Disposal gain on available-for-sale financial assets	19,240	—
Others	<u>3,001</u>	<u>—</u>
	<u>437,009</u>	<u>143,541</u>



6 **Finance costs**

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings and overdrafts wholly repayable within five years	1,138,546	1,153,341
Interest on bank borrowings wholly repayable over five years	109,772	47,826
Interest on borrowings from related companies wholly repayable within five years	65,970	87,819
Interest on other borrowings wholly repayable within five years	69,865	66,496
Interest on other borrowings wholly repayable over five years	148,995	132,153
Interest expense from top-up payment liability repayable within five years	6,711	16,794
Fair value loss on top-up payment liability, repayable within five years	<u>99,447</u>	<u>15,812</u>
Total borrowing costs incurred	1,639,306	1,520,241
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	<u>(1,132,509)</u>	<u>(1,008,297)</u>
	<u><u>506,797</u></u>	<u><u>511,944</u></u>

7 **Taxation**

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2013: 16.5 percent) on the estimated assessable profit for the year.
- (b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and joint ventures in China at 25 percent (2013: 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 year, withholding income tax was provided for dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, joint ventures and associated entities in China at tax rates ranging from 5 percent to 10 percent (2013: 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 consolidated income statement comprises:

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current taxation</b>		
Hong Kong profits tax	5,769	11,004
China enterprise income tax	437,873	746,351
China land appreciation tax	1,681,596	428,690
Over-provision in prior years	(484)	(45,238)
<b>Deferred taxation</b>		
Origination and reversal of temporary difference	617,403	1,774,838
China land appreciation tax	(1,170,456)	(1,096,348)
Corporate withholding income tax on undistributed profits	<u>214,457</u>	<u>185,330</u>
	<u><u>1,786,158</u></u>	<u><u>2,004,627</u></u>

## 8 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 year.

	<b>2014</b>	<b>2013</b>
		Adjusted
Profit attributable to equity holders of the Company (RMB'000)	<u>2,471,255</u>	<u>2,880,343</u>
Weighted average number of ordinary shares in issue ('000)	<u>10,610,052</u>	<u>9,928,727</u>
Basic earnings per share (RMB)	<u>0.2329</u>	<u>0.2901</u>

During the year ended 31 December 2014, 3,077,015,931 new shares were issued at the subscription price of HK\$1.25 each on the basis of 33 rights issue for every 100 shares held on 25 September 2014.

## 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 year 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>2014</b>	<b>2013</b>
		Adjusted
Profit attributable to equity holders of the Company (RMB'000)	<u>2,471,255</u>	<u>2,880,343</u>
Weighted average number of ordinary shares in issue ('000)	10,610,052	9,928,727
Adjustments for share options ('000)	<u>—</u>	<u>23,362</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>10,610,052</u>	<u>9,952,089</u>
Diluted earnings per share (RMB)	<u>0.2329</u>	<u>0.2894</u>

The earning per share for the year ended 31 December 2013 has been adjusted to reflect the effect of rights issue of the Company during the year.

## 9 Dividends

The dividends paid in 2014 was approximately RMB 622 million (2013: RMB761 million). The directors proposed a final dividend of HK\$0.027 per ordinary share, totalling approximately RMB268 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 26 May 2015. These financial statements do not reflect this dividend payable.

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, paid, of HK\$0.049 (2013: HK\$0.049 equivalent to RMB0.039) per ordinary share	362,418	360,505
Final, proposed, of HK\$0.027 (2013: HK\$0.035 equivalent to RMB0.027) per ordinary share	<u>267,508</u>	<u>259,089</u>
	<u>629,926</u>	<u>619,594</u>

## 10 Trade receivables

The Group has defined 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:

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	11,305	10,240
31 - 90 days	2,026	3,620
181 - 365 days	875	886
Over 1 year	<u>19,520</u>	<u>10,553</u>
	33,726	25,299
Less: provision for impairment of trade receivables	<u>(9,286)</u>	<u>(9,286)</u>
	<u><u>24,440</u></u>	<u><u>16,013</u></u>

## 11 Trade and note payables

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

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 30 days	96,208	76,593
31 - 90 days	70,189	122,992
91 - 180 days	10,829	23,738
181 - 365 days	4,868	5,706
1 - 2 years	296	3,985
Over 2 years	<u>3,594</u>	<u>55</u>
	<u><u>185,984</u></u>	<u><u>233,069</u></u>

## **CHAIRMAN’S STATEMENT**

### **I. BUSINESS REVIEW**

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

In 2014, under the persistent impact of the international financial crisis, the global economy entered into a new situation. The U.S. economic improved and announced to end the Quantitative Easing Policy, yet Japan and EU maintained or started quantitative easing measures. China’s economy entered into a “new normal”, the economic growth slowed down and reached 7.4% in 2014, which was the lowest growth rate since 1990 and below the growth target of 7.5%. However, in terms of total national economic output, it reached the level of RMB63.6 trillion, surpassing the benchmark of RMB60 trillion for the first time, making China and U.S. the only two economies in world surpassing the size of US\$10 trillion. Overall speaking, the China’s economy remained stable under the “new normal” and presented a desirable trend of stabilised growth, optimized structure, enhanced quality and improved standard of living.

In 2014, China property market experienced a substantial adjustment. The expansion in development scale after the strong growth of property sales in 2013, caused the sudden release of supply in large quantity, resulting the imbalance of supply and demand, and the selling price drop to a reasonable level from a high-watermark. However, after the correction in the first half of the year, the central government accommodated the upgrading housing demand through relaxing Home Purchasing Restriction policy and reducing interest rate, and the property market rebounded moderately in the second half of the year. The GFA sold and sales value of commodity housing in 2014 was 1.2 billion sq.m. and RMB7.6 trillion respectively, decreases of 7.6% and 6.3% comparing with the corresponding period of 2013.

#### **Operating Results Achieved Stable Growth**

In 2014, the Group adopted the main themes of “three ensurings, three accelerations and three strengthenings”. Against a backdrop of complicated and fluctuating property market in 2014, the Group still delivered satisfactory result through capturing the market trend and adjusting strategy appropriately.

In 2014, revenue realized by the Group was approximately RMB15,702 million, an increase of 10.5% comparing with the corresponding period of 2013. Profit attributable to equity holders was approximately RMB2,471 million, a decrease of 14.2% comparing with the corresponding period of 2013. Core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and foreign exchange loss/gain) was approximately RMB1,575 million, an increase of 17.0% comparing with the corresponding period of 2013.

The Board proposed to declare a final dividend for 2014 of HK\$0.027 per share, which was equivalent to approximately RMB0.022 per share, together with the interim dividend of HK\$0.049 per share, which was equivalent to approximately RMB0.039 per share, total dividends for the full year of 2014 was HK\$0.076 per share, which was equivalent to approximately RMB0.061 per share. Total dividends represented 40% of the profit attributable to equity holders excluding fair value gains on revaluation of the investment properties and the related tax impact and foreign exchange loss/gain.

### **Record High Contracted Sales**

In 2014, after recognizing the market landscape, the Group adjusted sales strategies flexibly to capture early opportunities in the market and responded positively to the downturn of the market. Contracted sales for the full year met the target by adopting diversified and innovative sales methods. The Group recorded aggregate contracted sales value of approximately RMB22,014 million and the aggregate contracted sales GFA was approximately 1,886,100 sq.m., increased by 50.4% and 63.3% respectively comparing with the corresponding period of 2013. The Group delivered a record high in contracted sales for the full year, and our target completion rate and year-on-year growth rate were of the highest rankings among peers in the industry.

### **Flexible Financing Channels Optimized Financial Structure**

In 2014, facing the financing environment with tightened liquidity in general, the Group fully utilized onshore and offshore financing channels advantages for realizing a balance of capital and further optimized the financing structure. In 2014, the new financing and refinancing amount of RMB21,750 million was realized, included the successfully completed rights issue financing of HK\$3,846 million with an over-subscription of 4.19 times and private placement of HK\$2.3 billion corporate bonds for a term of 15 years with annual coupon rate at only 6.1%. As of the end of 2014, the total borrowings reached approximately RMB32,059 million, the ratio between onshore and offshore borrowings of the Group was 42%:58%. By a mix of funding channels, the average funding cost in 2014 was further decreased 0.52 percentage point to 5.07%.

In 2014, the Group successfully maintained the investment-grade ratings by international rating agencies Moody's and Fitch, and was also granted investment-grade rating by another international rating agency Standard & Poor's, and the Group became one of the very few domestic property developers with investment-grade ratings granted by these three rating agencies at the same time. The ratings granted to the Group by Moody's, Fitch and Standard & Poor's were "Baa3/stable", "BBB-/stable" and "BBB-/stable" respectively.

### **First Time to Exercise Call Option Manifested the Advantage of Partnership with Investment Fund**

Since 2013, the Group started to partner with an investment fund in land acquisition. This innovative model enhanced the Group's financial flexibility and allowed the Group to expand in scale at a faster rate. In 2014, the Group exercised the call option for the first time, which repurchased 80% equity interest of Foshan Lingnan Junting from the investment fund. Our first time to exercise call option fully evidenced the unique advantage of our Group's partnership with investment fund, which lowered the investment risk in the early stage of development, substantially shortened input and output cycle, increased asset turnover.

### **A Nationwide Layout was Solidified by Returning to Tier 1 and Tier 2 Cities**

Under the strategic layout of "home base in Guangzhou and strategic expansion nationwide", the Group captured market opportunities and timely acquired landbank according to the strategic guidance of "returning to Tier 1 and Tier 2 cities". Following the acquisition of the Hangzhou Gudun Road land parcel through partnership with investment fund in the first half of 2014, the Group also acquired Guangzhou Baiyun Tonghe land parcel, through its wholly-owned subsidiary in the second half of the year, the total consideration of the 2 parcels amounted to RMB7,451 million, and the total GFA was approximately 834,300 sq. m..

As of 31 December 2014, the total landbank of the Group was approximately 14.31 million sq.m.. In terms of the attributable interest, the Group's landbank was approximately 11.62 million sq.m.. The Group's landbank had major presence in 12 cities in the Pearl River Delta, the Yangtze River Delta, Bohai Rim Economic Zone and Central China region, showing remarkable effect of a nationwide presence in China.

## **Strengthening of Two-way Communication with Capital Market**

In 2014, the Group continued to work on improving investor relations, enabling timely and effective communication with investors and analysts while allowing the management of the Group to get a deeper understanding of the capital market. Thus, two-way communication channels between the Group and the capital market were established, through which shareholders and investors can know more about the operation and development of the Group on the one hand, and give the feedback and opinions from investors to management for formulating future strategies, on the other hand.

The Group's efforts were also confirmed and recognized by the capital market, with the reputation of our corporate brand continuing to strengthen. In 2014, the Group was awarded the "2014 Corporate Governance Gold Award" and "The Outstanding China Property Developers Award 2014" by "The Asset" magazine and "Economic Digest", respectively, and our 2013 annual report was also awarded "Galaxy Annual Reports — Overall Presentation — Property Development-Silver Prize" from USA renowned annual report award institution MERCOMM.

## **II. BUSINESS OUTLOOK**

In 2015, the global economic environment will remain challenging. Although some developed economies have accelerated in recovery, the process is complicated and endless. At the beginning of the year, Europe initiated the quantitative easing policy to stimulate investment and consumption through releasing liquidity by cutting interest rate in order to generate economic growth, and accordingly the global money supply is anticipated to maintain at a relatively stable level. China property market will be more complicated in 2015. Under increasing downward pressure on the national economy, the industry enters a new normal. Market competition and changes become more intensive, leading to greater challenges, while encompassing new development opportunities at the same time. "Less administrative" will be the major direction of development. When sales restrictions are fully removed, the property market will establish a long-term effective mechanism adapting to the new normal. Continual relaxation of monetary policy will be favourable for the property market to recover moderately.



Under such new normal of the macro-economy, the Group will continue to maintain a sense of urgency for development and adhere to the objectives of “enhancing internal strengths through upgrading management, increasing vigour through reforms and innovations” by focusing on the main themes of “three ensurings, three breakthroughs and three enhancements” to strengthen management and risk control, enhancing quality and efficiency, adapting to new normal state actively, to realize a perfect completion of the Twelfth Five-year Plan and paving the way for the Thirteenth Five-year Plan.

### **Achieve Progress Amidst Stability through Implementation of “Three Ensurings”**

**Ensure completion of major operating indicators for the full year.** In 2015, the Group will further increase the sales target according to operating conditions and the development trend of the property market, contracted sales target is set at RMB24.8 billion, an increase of 12.7% comparing the corresponding period of 2014. **Ensure development funds and security.** Expand financing channels according to conditions of the financing environment, optimize financial structure to lower financing costs, accelerate recovery of funds and improve the financial risk monitoring system to ensure security of funds and investment grade rating. **Ensure efficient investment demand.** Pursuant to the expansion strategic guidelines of “returning to tier 1 and tier 2 cities”, further expand development scale on quality land parcels with reasonable price.

### **Adhere to Reforms and Realize “Three Breakthroughs”**

**Achieve new breakthroughs by reforming systems and mechanisms to stimulate new vigour.** The Group conducted reforms on mechanisms according to the business development needs of the Group, by centering on the Employee Incentive Scheme of “sharing benefits and risks jointly” as core, both the management and shareholders aim at the same target level. At the beginning of 2015, the Group implemented the Employee Incentive Scheme in the Foshan Chancheng Foping Road Project for the first time. **Achieve significant breakthrough through consolidation of resources to create a new development landscape.** The Group will seek merger and acquisition opportunities actively amidst the process of survival of the fittest in the industry to achieve notable enhancement in scale, efficiency and benefits. **Further breakthrough has been made in the optimization of business model and increase the growth momentum.** Mode of cooperation with investment funds has been optimized and active exploration is made in the developing direction of property financing.

## **Upgrading Management to Achieve “Three Enhancements”**

**Reinforce efficiency management, enhance operation quality.** Control expenses strictly and accelerate turnover rate so as to increase return for shareholders and strive to realize the transformation from “growth in scale” to “efficiency development”. **Optimize the management and control system, enhance organizing capability.** Further optimize the management and control system for investment, cost control, finance and human resources by recruiting professionals to further optimize the personnel structure. **Deepen the building of a value-creation head office and enhance the supporting capability of the head office.** Reinforce the building of a “value-creation” head office, enhance strategic management work to strengthen the strategic leadership role of the head office. At the same time, management and development costs are also strictly controlled to strengthen financial management. Resources will be coordinated and consolidated to strengthen the coordination management of funds and taxation matters.

## **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 2014, the Group realized revenue of approximately RMB15,702 million (2013: RMB14,209 million), increased by 10.5% comparing with the corresponding period of 2013. The gross profit was approximately RMB4,138 million (2013: RMB4,104 million), increased by 0.8% comparing with the corresponding period of 2013, and the gross profit margin was approximately 26.4%, a decrease of 2.5 percentage points comparing with the corresponding period of 2013, which was mainly due to the changes in product mix, as more commercial properties with high gross profit margin were recognized during the corresponding period of 2013.

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

In 2014, profit attributable to equity holders of the Group was approximately RMB2,471 million (2013: RMB2,880 million), a decrease of 14.2% comparing with the corresponding period of 2013, mainly due to the fair value gains in 2014 of approximately RMB1,405 million (2013: RMB1,975 million), representing a decrease of 28.9% comparing with the corresponding period of 2013. Excluding fair value gains on revaluation of investment properties and the related tax impact and foreign exchange loss/gain, the core net profit was approximately RMB1,575 million, an increase of 17.0% comparing with the corresponding period of 2013, core net profit margin was 10.0%.

### **Contracted Sales**

In 2014, the Group recorded an aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB22,014 million, an increase of 50.4% comparing with the corresponding period of 2013, equivalent to an achievement of approximately 100% of the full-year contracted sales target of RMB22 billion. The aggregate contracted sales GFA (including contracted sales by joint venture projects) was approximately 1,886,100 sq.m., representing an increase of 63.3% comparing with the corresponding period of 2013, the average selling price was approximately RMB11,700 per sq.m., a decrease of 7.9% comparing with the corresponding period of 2013, due to the change in product mix.

In terms of regional composition, Guangzhou accounted for approximately 57.3% of the aggregate contracted sales value of 2014, Pearl River Delta (excluding Guangzhou) accounted for approximately 12.2%, Yangtze River Delta accounted for approximately 8.6%, Central China Region accounted for approximately 14.0%, and Bohai Rim Economic Zone accounted for approximately 7.9%. In terms of types of products, residential properties and parking accounted for approximately 93.2%, commercial properties and other products accounted for approximately 6.8%.

Contracted sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/ sq.m.)
1	Guangzhou Starry Cullinan	Residential	3,600	211	58,600
2	Guangzhou Starry Winking	Residential	1,300	49	37,700
3	Guangzhou Fortune Century Square	Commercial	10,200	344	33,700
4	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	18,700	443	23,700
5	Guangzhou Starry Golden Sands	Residential	95,200	1,686	17,700
6	Guangzhou Starry Wenhua	Residential	18,800	450	23,900
7	Guangzhou Starry Wenhan	Residential	5,000	127	25,400
8	Guangzhou Starry Wenyu	Residential	18,900	463	24,500
9	Guangzhou Paradiso Riverside	Residential	85,900	1,232	14,300
10	Guangzhou Paradiso Sunshine	Residential	11,100	129	11,600
11	Southern Le Sand	Residential	188,200	2,002	10,600
12	Guangzhou Lingnan Hillside	Residential	77,000	1,438	18,700
13	Guangzhou Lingnan Villas	Residential	63,900	837	13,100
14	Guangzhou Lingnan Wood	Residential	65,900	963	14,600
15	Huadu Glade Greenland	Residential	1,100	7	6,400
16	Conghua Glade Village	Residential	2,200	35	15,900
17	Conghua Glade Greenland	Residential	101,200	668	6,600
	Other projects	N/A	35,400	827	23,400
	<b>Subtotal (Guangzhou)</b>		<b>803,600</b>	<b>11,911</b>	<b>14,800</b>

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/ sq.m.)
18	Jiangmen Starry Regal Court	Residential	101,800	699	6,900
19	Zhongshan Starry Winking	Residential	49,700	297	6,000
20	Zhongshan Starry Junting	Residential/ Commercial	19,600	223	11,400
21	Zhongshan Starry Peakfield	Residential	38,600	298	7,700
22	Zhongshan Paradiso Jadin	Residential	58,900	301	5,100
23	Nanhai Starry Winking	Residential	16,900	265	15,700
24	Foshan Lingnan Junting	Residential	75,900	592	7,800
	<b>Subtotal (Pearl River Delta ex Guangzhou)</b>		<b>361,400</b>	<b>2,675</b>	<b>7,400</b>
25	Hangzhou Starry City	Residential	38,000	232	6,100
26	Hangzhou Starry Joy City	Residential	28,200	314	11,100
27	Kunshan Paradiso Pavilion	Residential	161,300	1,355	8,400
	<b>Subtotal (Yangtze River Delta)</b>		<b>227,500</b>	<b>1,901</b>	<b>8,400</b>
28	Wuhan Starry Winking	Residential	90,700	1,585	17,500
29	Wuhan Starry Emperor	Residential	135,300	1,492	11,000
	<b>Subtotal (Central China Region)</b>		<b>226,000</b>	<b>3,077</b>	<b>13,600</b>
30	Shenyang Yuexiu Hill Lake	Residential	1,700	14	8,200
31	Shenyang Starry Blue Sea	Residential	58,500	417	7,100
32	Yantai Starry Phoenix	Residential	17,400	120	6,900
33	Yantai Starry Golden Sands	Residential	71,400	383	5,400
34	Qingdao Starry Blue Bay	Residential	99,300	801	8,100
	<b>Subtotal (Bohai Rim Economic Zone)</b>		<b>248,300</b>	<b>1,735</b>	<b>7,000</b>
35	Guangzhou Starry Winking Podium	Commercial	19,300	715	37,000
	<b>Total</b>		<b>1,886,100</b>	<b>22,014</b>	<b>11,700</b>

## Recognized Sales

In 2014, the recognized sales revenue (including revenue from the sales of investment properties of RMB72 million) was approximately RMB14,883 million, increased by 10.2% comparing with the corresponding period of 2013, and recognized sales GFA (including the area of sold investment properties of 3,900 sq.m.) was approximately 1,184,400 sq.m., increased by 26.2% comparing with the corresponding period of 2013, and the average selling price was approximately RMB12,600 per sq.m.

Recognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/ sq.m.)
1	Guangzhou Fortune Century Square	Commercial	6,300	202	32,100
2	Guangzhou Starry Winking	Residential, parking	1,300	54	41,500
3	Guangzhou Starry Cullinan	Residential	300	20	66,700
4	Guangzhou Jiangnan New Mansion	Parking	600	19	31,700
5	Guangzhou Paradiso Garden	Residential	19,400	495	25,500
6	Guangzhou Paradiso Courtyard	Residential	6,800	146	21,500
7	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	52,400	1,224	23,400
8	Guangzhou Starry Golden Sands	Residential	9,300	147	15,800
9	Guangzhou Starry Wenhua	Residential	27,900	689	24,700
10	Guangzhou Starry Wenhan	Residential	13,900	305	21,900
11	Guangzhou Starry Wenyu	Residential	14,100	355	25,200
12	Guangzhou Paradiso Riverside	Residential	73,800	1,059	14,400
13	Guangzhou Paradiso Sunshine	Residential	80,100	951	11,900
14	Southern Le Sand	Residential	278,300	2,748	9,900
15	Guangzhou Lingna Hillside	Residential	118,200	2,199	18,600
16	Huadu Glade Greenland	Residential	2,300	17	7,400
17	Conghua Glade Village	Residential	2,100	32	15,200
	Other projects	N/A	26,900	280	10,400
	Investment Properties	N/A	3,900	72	18,500
	<b>Subtotal (Guangzhou)</b>		<b>737,900</b>	<b>11,014</b>	<b>14,700</b>

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/ sq.m.)
18	Jiangmen Starry Regal Court	Residential	87,700	735	8,400
19	Zhongshan Starry Winking	Residential	64,500	434	6,700
20	Zhongshan Starry Junting	Residential	25,600	228	8,900
	<b>Subtotal (Pearl River Delta ex Guangzhou)</b>		<b>177,800</b>	<b>1,397</b>	<b>7,900</b>
21	Hangzhou Starry City	Residential	122,600	637	5,200
22	Kunshan Paradiso Pavilion	Residential	46,300	410	8,900
	<b>Subtotal (Yangtze River Delta)</b>		<b>168,900</b>	<b>1,047</b>	<b>6,200</b>
23	Wuhan Starry Winking	Residential	82,100	1,303	15,900
	<b>Subtotal (Central China Region)</b>		<b>82,100</b>	<b>1,303</b>	<b>15,900</b>
24	Shenyang Yuexiu Hill Lake	Residential	3,900	31	7,900
25	Yantai Starry Phoenix	Residential	13,800	91	6,600
	<b>Subtotal (Bohai Rim Economic Zone)</b>		<b>17,700</b>	<b>122</b>	<b>6,900</b>
	<b>Total</b>		<b>1,184,400</b>	<b>14,883</b>	<b>12,600</b>

### Unrecognized Sales

As of 31 December 2014, the unrecognized sales value amounted to approximately RMB19,330 million, with unrecognized sales GFA of approximately 1,815,800 sq.m., and the average selling price was approximately RMB10,600 per sq.m. Of the unrecognized sales value, approximately RMB14,218 million is expected to be recognized in 2015.

Unrecognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/ sq.m.)
1	Guangzhou Fortune Century Square	Commercial	5,900	197	33,400
2	Guangzhou Starry Winking	Residential	700	30	42,900
3	Guangzhou Starry Cullinan	Residential	3,300	191	57,900
4	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	17,500	376	21,500
5	Guangzhou Jiangnan New Mansion	Parking	500	14	28,000
6	Guangzhou Starry Golden Sands	Residential	95,200	1,705	17,900
7	Guangzhou Starry Wenhua	Residential	20,800	453	21,800
8	Guangzhou Starry Wenhan	Residential	900	19	21,100

No.	Project	Type	GFA (sq.m.)	Value (RMB million)	ASP (RMB/ sq.m.)
9	Guangzhou Starry Wenyu	Residential	11,200	260	23,200
10	Guangzhou Paradiso Riverside	Residential	64,100	919	14,300
11	Guangzhou Paradiso Sunshine	Residential	4,800	55	11,500
12	Southern Le Sand	Residential	112,700	1,264	11,200
13	Guangzhou Lingnan Hillside	Residential	38,700	711	18,400
14	Guangzhou Lingnan Villas	Residential	65,300	860	13,200
15	Guangzhou Lingnan Wood	Residential	65,900	963	14,600
16	Huadu Glade Greenland	Residential	1,500	6	4,000
17	Conghua Glade Village	Residential	200	3	15,000
18	Conghua Glade Greenland	Residential	135,300	874	6,500
	Other projects	N/A	23,000	694	30,200
	<b>Subtotal (Guangzhou)</b>		<b>667,500</b>	<b>9,594</b>	<b>14,400</b>
19	Jiangmen Starry Regal Court	Residential	91,900	450	4,900
20	Zhongshan Starry Winking	Residential	28,500	158	5,500
21	Zhongshan Starry Junting	Residential/ Commercial	4,400	82	18,600
22	Zhongshan Starry Peakfield	Residential	38,600	298	7,700
23	Zhongshan Paradiso Jadin	Residential	58,900	301	5,100
24	Nanhai Starry Winking	Residential	16,900	265	15,700
25	Foshan Lingnan Junting	Residential	75,900	592	7,800
	<b>Subtotal (Pearl River Delta ex Guangzhou)</b>		<b>315,100</b>	<b>2,146</b>	<b>6,800</b>
26	Hangzhou Starry City	Residential	81,500	482	5,900
27	Hangzhou Starry Joy City	Residential	28,200	314	11,100
28	Kunshan Paradiso Pavilion	Residential	167,100	1,365	8,200
	<b>Subtotal (Yangtze River Delta)</b>		<b>276,800</b>	<b>2,161</b>	<b>7,800</b>
29	Wuhan Starry Winking	Residential	103,200	1,770	17,200
30	Wuhan Starry Emperor	Residential	137,600	1,516	11,000
	<b>Subtotal (Central China Region)</b>		<b>240,800</b>	<b>3,286</b>	<b>13,600</b>
31	Shenyang Yuexiu Hill Lake	Residential	3,000	29	9,700
32	Shenyang Starry Blue Sea	Residential	78,800	568	7,200
33	Yantai Starry Phoenix	Residential	6,300	48	7,600
34	Yantai Starry Golden Sands	Residential	128,200	697	5,400
35	Qingdao Starry Blue Bay	Residential	99,300	801	8,100
	<b>Subtotal (Bohai Rim Economic Zone)</b>		<b>315,600</b>	<b>2,143</b>	<b>6,800</b>
	<b>Total</b>		<b>1,815,800</b>	<b>19,330</b>	<b>10,600</b>



## Landbank

In 2014, the Group acquired two parcels of land with total GFA of approximately 834,300 sq.m. in Hangzhou and Guangzhou, respectively. The total consideration was approximately RMB7,451 million. The Hangzhou Yuhang Gudun Road Land was acquired through joint venture with investment fund, the attributable land premium of the Group was RMB6,547 million.

The land acquisitions in 2014 are summarized as follows:

No. Project	Equity holding	Site area (sq.m.)	GFA (sq.m.)	Amount of Value (RMB million)
1 Hangzhou Starry Joy City	9.55%	57,300	185,400	1,000
2 Guangzhou Baiyun Tonghe Land	100%	147,700	648,900	6,451
<b>Total</b>		<b>205,000</b>	<b>834,300</b>	<b>7,451</b>

As of 31 December 2014, the landbank of the Group reached approximately 14.31 million sq.m. with a total of 33 projects in 12 cities in the PRC with an improved optimization in the balance among regions. In terms of the attributable interest, the Group's landbank was approximately 11.62 million sq.m. In terms of regional composition, Guangzhou accounted for approximately 39.2% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 12.4%, Bohai Rim Economic Zone accounted for approximately 14.3%, Yangtze River Delta accounted for approximately 18.5%, the Central China Region accounted for approximately 14.4%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.5%. In terms of usage, residential properties accounted for approximately 54.5%, commercial properties and others accounted for approximately 45.5%.

Landbank 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	Yuexiu Financial Tower	95%	211,500	211,500	—
2	Asia Pacific Century Plaza	95%	232,000	232,000	—
3	Guangzhou Haizhu Nanzhou Road Project	95.48%	152,600	—	152,600
4	Guangzhou Fortune Apartment	99.06%	7,900	7,900	—
5	Guangzhou Starry Golden Sands	100%	205,300	205,300	—
6	Southern Le Sand	95.48%	2,396,400	927,500	1,468,900
7	Guangzhou Lingnan Villas	95.48%	325,000	325,000	—
8	Guangzhou Lingnan Wood	47.74%	446,200	446,200	—
9	Yuexiu Poly Actel (formerly known as Guangzhou Luogang Yunpu Industrial Park Project)	4.77%	667,900	157,700	510,200
10	Conghua Glade Grassland	95.48%	189,300	189,300	—
11	Guangzhou Baiyun Tonghe Land	100%	648,900	—	648,900
	Other projects	N/A	114,400	69,300	45,100
	<b>Subtotal (Guangzhou)</b>		<b>5,597,400</b>	<b>2,771,700</b>	<b>2,825,700</b>
12	Jiangmen Starry Regal Court	95%	250,100	190,800	59,300
13	Zhongshan Starry Winking	95%	161,700	161,700	—
14	Zhongshan Starry Peakfield	95%	329,700	113,000	216,700
15	Zhongshan Paradiso Jadin	100%	426,300	132,200	294,100
16	Nanhai Starry Winking	100%	290,700	290,700	—
17	Foshan Lingnan Junting	19%	314,900	298,700	16,200
	<b>Subtotal (Pearl River Delta ex Guangzhou)</b>		<b>1,773,400</b>	<b>1,187,100</b>	<b>586,300</b>
18	Shenyang Yuexiu Hill Lake	99.95%	291,000	21,100	269,900
19	Shenyang Starry Winking	100%	519,900	175,500	344,400
20	Shenyang Starry Blue Sea	100%	181,300	172,700	8,600
21	Yantai Starry Golden Sands	100%	601,700	386,700	215,000
22	Qingdao Starry Blue Bay	100%	465,000	465,000	—
	<b>Subtotal (Bohai Rim Economic Zone)</b>		<b>2,058,900</b>	<b>1,221,000</b>	<b>837,900</b>
23	Hangzhou Starry City	100%	1,718,300	447,700	1,270,600
24	Hangzhou Starry Upper City	100%	225,700	225,700	—

No.	Project	Equity holding	Landbank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)
25	Hangzhou Victory Center	20%	71,900	71,900	—
26	Hangzhou Starry Joy City	9.55%	185,400	185,400	—
27	Kunshan Paradiso Pavilion	48.45%	452,000	452,000	—
	<b>Subtotal (Yangtze River Delta)</b>		<b>2,653,300</b>	<b>1,382,700</b>	<b>1,270,600</b>
28	Wuhan Starry Winking	100%	553,900	553,900	—
29	Wuhan Starry Emperor	95.48%	603,800	603,800	—
30	Wuhan International Financial City (formerly known as Jiangnan Jingwu Road Project)	7.64%	890,500	83,900	806,600
	<b>Subtotal (Central China Region)</b>		<b>2,048,200</b>	<b>1,241,600</b>	<b>806,600</b>
31	Hainan Simapo Island Project	47.50%	100,400	6,000	94,400
	<b>Subtotal (PRC)</b>		<b>14,231,600</b>	<b>7,810,100</b>	<b>6,421,500</b>
32	Hong Kong Yau Tong Project	100%	70,500	—	70,500
33	Hong Kong Prince Edward Road Project	100%	4,000	4,000	—
	<b>Subtotal (Hong Kong)</b>		<b>74,500</b>	<b>4,000</b>	<b>70,500</b>
	<b>Total</b>		<b>14,306,100</b>	<b>7,814,100</b>	<b>6,492,000</b>

### Progress of Construction

The Group always strives for high turnover and enhancing the development efficiency. Hangzhou Starry Joy City follows the high turnover strategy of “land acquisition, new construction starts and launching for sale in the same year”, the development is speeded up. The scale of properties under development was enhanced in 2014, project development was progressing as scheduled in order to satisfy the sales growth, new construction starts, completion and delivery were in line with the Group’s schedule.

New construction starts, completions and deliveries are summarized as follows:

<b>Construction Progress</b>	<b>Actual GFA in 2013 (sq.m.)</b>	<b>Actual GFA in 2014 (sq.m.)</b>	<b>Planned GFA for 2015 (sq.m.)</b>
PUD	7,725,800	7,814,100	6,928,200
New construction starts	3,828,200	2,162,400	1,933,300
Completion	1,614,700	2,054,700	2,819,200
Delivery	938,200	1,203,700	1,958,600

### **Investment Properties**

As of 31 December 2014, the Group owned investment properties under lease of approximately 595,900 sq.m. in total, of which offices, commercial properties, car park and others accounted for approximately 8.9%, 61.7% and 29.4%, respectively. The investment properties under construction were approximately 314,500 sq.m., mainly comprising Yuexiu Financial Tower (Formerly: Guangzhou Fortune Center) and the commercial portions of Nanhai Starry Winking. The Group recorded rental revenue of approximately RMB245 million in 2014, a decrease of 46.4% comparing with the corresponding period of 2013, mainly due to the adjustment of tenant structure in Guangzhou Fortune World Plaza.

In 2014, the Group recorded fair value gains on revaluation of investment properties of approximately RMB1,405 million, which was mainly attributable to fair value gains recorded by Yuexiu Financial Tower during the year.

### **Net Other Gains**

During the year, the Group's net other gains were mainly from the disposal of indirect wholly-owned subsidiaries which held certain properties of Guangzhou Starry Winking and recorded profit on disposal (before tax) of approximately RMB449 million.

### **Selling and marketing costs**

During the year, the Group's selling and marketing costs increased by 32.2% to approximately RMB652 million as compared to previous year. The increase in selling and marketing costs was mainly due to more advertising and marketing efforts were placed in response to the market changes and more projects were launched as compared to previous year. The selling and marketing costs accounted for 3.0% of the contracted sales for the year, reduced by 0.4 percentage points as compared to 3.4% of previous year.

## **Administrative expenses**

The Group continued to strengthen controls over expenses and strictly followed the annual expenses budget. During the year, administrative expenses of the Group were approximately RMB840 million, increased by 2.9% as compared to previous year. It was mainly attributable to the increase in manpower costs. Administrative expenses accounted for 3.8% of the contracted sales, reduced by 1.8 percentage points as compared to 5.6% of previous year.

## **Finance Costs**

During the year, the Group's interest expenses on borrowings (excluding the top-up payment liability) increased by 3.0% to approximately RMB1,533 million as compared to previous year. And the interest capitalization was approximately RMB1,133 million. The Group's average effective borrowing cost for the year was approximately 5.07% per annum (2013: 5.59% per annum).

## **Share of profit from associated entities**

During the year, overall share of net contribution from associated entities attributable to the Group increased by 81.1 % to approximately RMB360 million as compared to previous year. This was mainly contributed by the Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), in which the Group held an equity interest of 36.45%.

The total distribution by Yuexiu REIT for 2014 was increased by 10.7% to approximately RMB663 million as compared to previous year. As such, the Group's share of cash distribution amounted to approximately RMB242 million.

## **Basic earnings per Share**

During the year, 3,077,015,931 new shares were issued by the Company on 22 October 2014 under the rights issue at the subscription price of HK\$1.25 per share on the basis of 33 rights shares for every 100 shares held on 25 September 2014.

For the year ended 31 December 2014, basic earnings per share (calculated by the weighted average number of ordinary shares in issue) attributable to equity holders of the Company were RMB0.2329 (2013 adjusted: RMB0.2901).

## **Final Dividend**

The Board has recommended the payment of a final dividend for 2014 of HK\$0.027 per share which is equivalent to RMB0.022 per share (2013: HK\$0.035 per share which was equivalent to RMB0.027 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 11 June 2015. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 6 July 2015. Together with the interim dividend of HK\$0.049 per share which was equivalent to approximately RMB0.039 per share, total dividends for the year ended 31 December 2014 will amount to HK\$0.076 per share which is equivalent to approximately RMB0.061 per share.

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 announced by the People’s Bank of China in the five business days preceding the date of dividend declaration.

## **Liquidity and Financial Resources**

Cash receipts from operating activities and committed banking facilities are the main liquidity sources to the Group. The Group has always adhered to prudent financial management principles, emphasis on funding management and risk control, establish an ongoing monitoring system to tackle the rapid market changes, ensure a healthy adequate liquidity and secure the business development. The Group continues to maintain a good relationship with commercial banks in Mainland China and Hong Kong, it also adheres to explore more funding channel at the same time, to optimize the capital structure and lower the funding costs, and to enhance its risk resistance capabilities.

For the year ended 31 December 2014, the Group completed bank financing of approximately RMB16,900 million, of which net increase in bank borrowing of approximately RMB6,400 million. In October 2014, the right issue of HK\$3,846 million was successfully completed with an over-subscription of 4.19 times. Meanwhile, through its medium term note programme, the Company further completed a private placement of HK\$2,300 million corporate notes in November 2014 on a term of 15 years, with the annual coupon rate at 6.1%. The sources of funding were diversified and overall debt maturity profile was also extended. Debt structure had been optimised, with funding cost continued to reduce. The Group's effective borrowing cost for the year was approximately 5.07% per annum, decreased by 0.52 percentage points as compared to 5.59% per annum for the year of 2013. Borrowings with maturity within one year only accounted for approximately 26% of the total borrowings (2013: 35%), fixed notes accounted for approximately 22% of the total borrowings. The ratio of onshore to offshore borrowings was maintained at 42%:58%. The Group's overall financial position remained healthy and solid.

### **Working Capital**

As at 31 December 2014, the Group's working capital (current assets less current liabilities) amounted to approximately RMB35,869 million (31 December 2013: approximately RMB26,326 million). The Group's current ratio (current assets over current liabilities) was 2.1 times (31 December 2013: 1.8 times). Cash and cash equivalents amounted to approximately RMB7,883 million (31 December 2013: RMB5,055 million). Charged bank deposits amounted to approximately RMB5,075 million (31 December 2013: RMB3,319 million). Undrawn bank facilities amounted to approximately RMB3,329 million.

## Capital and Financial Structure Analysis

The Group's debts are summarized as follow:

	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings and notes		
Denominated in RMB	13,787,880	10,355,330
Denominated in Hong Kong dollars	12,240,383	7,357,686
Denominated in United States dollars	<u>6,030,900</u>	<u>6,152,157</u>
Total bank borrowings and bonds	32,059,163	23,865,173
Finance lease obligations	138	193
Overdrafts	<u>72</u>	<u>86</u>
Total debts	<u><u>32,059,373</u></u>	<u><u>23,865,452</u></u>
<b>Ageing analysis:</b>		
Within one year	8,415,093	8,330,549
In the second year	7,195,990	4,817,035
In the third to fifth year	10,622,550	7,020,496
Beyond five years	<u>5,825,740</u>	<u>3,697,372</u>
Total borrowings	32,059,373	23,865,452
Less: Cash and cash equivalents	<u>(7,882,648)</u>	<u>(5,054,749)</u>
Net borrowings	24,176,725	18,810,703
Total equity	<u>30,253,428</u>	<u>25,160,008</u>
Total capitalization	<u><u>54,430,153</u></u>	<u><u>43,970,711</u></u>
Gearing ratio	<u><u>44.4%</u></u>	<u><u>42.8%</u></u>

## Capital Expenditures and Investments

During the year, the Group's capital expenditures on property, plant and equipment, construction in progress and investment properties amounted to approximately RMB456 million.



## **Interest Rate Exposure**

The Group's major interest rate exposure relates to RMB, HK and US dollar borrowings and deposits. The Group currently has not made any arrangement for interest rate hedging instruments. Offshore interest rates pursue an upward trend this year while onshore interest rates are estimated to decline. The Group will closely monitor the interest rate fluctuation and manage its exposure with appropriate risk control management measures. The Group will adopt suitable actions and instruments to mitigate the interest rate risk at appropriate time, including arrangements for an appropriate amount of fixed-rate financing and interest rate hedging contracts. Meanwhile, the Group will continue to utilize onshore and offshore financing advantages for seeking more low interest borrowings.

## **Foreign Exchange Exposure**

Since business operations of the Group are mainly located in Mainland China, income and cash inflows are primarily in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of bank borrowings and interests. The Group currently has not made any arrangement for exchange rate hedging instruments. The Group will continue to closely monitor fluctuations in and the trend of RMB, evaluate the impact of changes in the exchange rate on the Group and will adopt suitable actions and instruments to manage the foreign exchange risk when appropriate, including an adjustment to the proportion of foreign currency financing, the adoption of an appropriate amount of foreign exchange hedging instruments and an increase in offshore RMB financing when the interest rate is acceptable.

## **Capital Commitments**

As of 31 December 2014, the Group also had capital commitments in respect of purchases of property, plant and equipment amounted to approximately RMB1,684 million (31 December 2013: RMB911 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 owns the legal title of such pledged

properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 31 December 2014, total contingent liabilities relating to these guarantees amounted to approximately RMB6,492 million (31 December 2013: RMB2,781 million).

As at 31 December 2014, certain subsidiaries of the Group jointly and severally provided guarantee of approximately RMB3,290 million (31 December 2013: RMB3,680 million) in respect of a syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after full repayment of the syndicated loan.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2014, the Group had approximately 6,690 employees (31 December 2013: 6,050 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. 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 year ended 31 December 2014.

### **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 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.

## **REVIEW OF ANNUAL RESULTS**

The annual results have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong

Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

The Company has not redeemed any of its shares during the year. 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 Thursday, 21 May 2015 to Tuesday, 26 May 2015, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 26 May 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 20 May 2015.

In addition, the register of members of the Company will be closed from Tuesday, 9 June 2015 to Thursday, 11 June 2015, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final 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, no later than 4:30 p.m. on Monday, 8 June 2015.

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

Hong Kong, 27 February 2015

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

*Executive Directors:* ZHANG Zhaoxing (Chairman), ZHU Chunxiu, TANG Shouchun, CHEN Zhihong, LI Feng and OU Junming

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