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 2012 Interim Results

Results Highlights

- **Breakthrough on Normalized Interaction with Yuexiu REIT.** The proposed injection of Guangzhou IFC into Yuexiu REIT and our corporate strategy of building a normalized interaction program between Yuexiu Property and Yuexiu REIT has been endorsed by an overwhelming majority of the shareholders and independent unitholders of Yuexiu Property and Yuexiu REIT in their respective Extraordinary General Meetings. It is expected that completion of the injection will bring approximately RMB4,000 million of cash inflow and reduce the Group's bank borrowing by approximately RMB4,500 million, thereby lowering the net gearing ratio to 33.5%, a very substantial decrease of about 37.8 percentage points.

- **Sales Reached A Record High Level.** The accumulated contracted sales value amounted to approximately RMB7,148 million for the first half of 2012, contracted sales in GFA was approximately 571,500 sq.m., representing a substantial increase of 132.5% and 187.0% respectively over the same period in 2011, and achieved approximately 71% and 60% of full-year contracted sales target of no less than RMB10,000 million and 960,000 sq.m. respectively.

- **Revenue Slightly Decreased, while Gross Profit Margin Remained at A High Level.** Overall revenue (including sales of investment properties) amounted to approximately RMB4,840 million, a decrease of 10.4% over the same period in 2011. The gross profit margin (including the gain on sales of investment properties) was increased by 12.8 percentage points to approximately 56.5%, which was benefited by recognized sales of commercial and mid-to-high-end residential projects with high gross profit margin.

- **Profit Attributable to Equity Holders From Core Business Maintained A Steady Growth.** Excluding the fair value gains on revaluation of investment properties of the Group (including Yuexiu REIT), the profit attributable to equity holders from core business amounted to approximately RMB903 million, representing an increase of 15.9% over the same period in 2011.

- **Cash Flow Remained in A Stable and Solid Financial Position.** In the first half of 2012, it recorded a completed financing of approximately RMB5,600 million, an operating cash inflow of approximately RMB5,800 million, a balance of cash and changed bank deposits of approximately RMB6,800 million (including cash and cash equivalent in non-current assets held-for-sale) and an undrawn committed banking facilities of approximately RMB1,149 million.

• Revenue	RMB4,264 million (-14.0%)
• Total revenue (including the sales of investment properties)	RMB4,840 million (-10.4%)
• Gross profit margin (including the gain on sales of investment properties)	56.5% (+12.8 percentage points)
• Operating profit (core business)	RMB2,388 million (+20.0%)
• Profit attributable to equity holders of the Company (core business)	RMB903 million (+15.9%)
• Net profit margin (core business)	19.0% (+5 percentage points)
• Property Contracted sales GFA	571,500 square meter (+187.0%)
• Property Contracted sales	RMB7,148 million (+132.5%)
• Total assets	RMB66,457 million (+8.6%)
• Shareholders' equity	RMB21,434 million (+6.2%)
• Shareholders' equity per share	RMB2.307 (+6.2%)

UNAUDITED RESULTS

The board of directors ("Board") of Yuexiu Property Company Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("Group") prepared under Hong Kong Accounting Standard 34 "Interim Financial Reporting" for the six months ended 30 June 2012, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Unaudited	
		Six months ended 30 June	
	Note	**2012**	**2011**
		RMB'000	*RMB'000*
			(Restated)
Revenue	3	4,264,056	4,957,200
Cost of sales	4	(1,680,028)	(2,713,187)
Gross profit		2,584,028	2,244,013
Proceeds from sales of investment properties		575,713	445,111
Direct costs of investment properties sold		(426,279)	(329,985)
Gain on sales of investment properties		149,434	115,126
Fair value gains on revaluation of investment properties		903,802	4,885,689
Gain on disposal of a subsidiary		180,464	—
Selling and marketing costs	4	(140,218)	(78,428)
Administrative expenses	4	(385,299)	(290,852)
Operating profit		3,292,211	6,875,548
Finance income		23,675	29,840
Finance costs		(213,716)	(140,074)
Net foreign exchange (loss)/gain on financing activities		(40,054)	54,536
Share of profit of			
- jointly controlled entities		873	2,046
- associated entities		89,891	298,871
Profit before taxation		3,152,880	7,120,767
Taxation	5	(1,529,126)	(2,527,103)
Profit for the period		1,623,754	4,593,664

	Note	Unaudited Six months ended 30 June 2012 *RMB'000*	 2011 *RMB'000* *(Restated)*
Attributable to			
Equity holders of the Company		1,579,881	4,495,372
Non-controlling interests		43,873	98,292
		1,623,754	4,593,664
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	6		
- Basic		0.1701	0.4842
- Diluted		0.1697	0.4827

Details of dividends payable to equity holders of the Company are set out in Note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Unaudited	
	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
		(Restated)
Profit for the period	1,623,754	4,593,664
Other comprehensive income:		
Currency translation differences	10,099	(40,266)
Change in fair value of available-for-sale financial assets, net of tax	(6,667)	(95,756)
Transfer of reverse upon disposal of a subsidiary	(754)	—
Other comprehensive income/ (loss) for the period, net of tax	2,678	(136,022)
Total comprehensive income for the period	1,626,432	4,457,642
Attributable to		
Equity holders of the Company	1,583,072	4,363,248
Non-controlling interests	43,360	94,394
	1,626,432	4,457,642

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2012

	Note	As at 30 June 2012 *Unaudited* *RMB'000*	As at 31 December 2011 *Audited* *RMB'000* *(Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment		699,532	2,624,912
Investment properties		2,855,249	11,922,571
Land use rights		254,492	557,609
Interests in jointly controlled entities		101,939	100,477
Interests in associated entities		2,043,130	2,008,062
Available-for-sale financial assets		673,895	722,573
Deferred tax assets		88,609	82,594
Accrued rent receivable		—	75,889
		6,716,846	18,094,687
Current assets			
Properties under development		32,802,814	29,777,812
Properties held for sale		1,958,258	2,666,073
Prepayments for land use rights		1,408,907	2,064,505
Inventories		160,424	100,798
Trade receivables	8	5,057	4,523
Available-for-sale financial assets		40,000	—
Other receivables, prepayments and deposits		1,438,843	847,434
Taxation recoverable		650,528	501,004
Charged bank deposits		2,273,868	1,306,754
Cash and cash equivalents		4,035,610	4,820,904
		44,774,309	42,089,807
Non-current assets held-for-sale		14,965,993	1,028,790

	Note	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000 (Restated)
LIABILITIES			
Current liabilities			
Trade and note payables	9	436,318	327,476
Land premium payable		45,944	45,944
Advance receipts from customers		6,089,566	5,392,740
Other payables and accrued charges		5,837,097	6,108,568
Borrowings		10,108,633	10,590,713
Taxation payable		793,383	770,604
		23,310,941	23,236,045
Liabilities associated with non-current assets held-for-sale		7,847,888	122,552
Net current assets		28,581,473	19,760,000
Total assets less current liabilities		35,298,319	37,854,687
Non-current liabilities			
Borrowings		7,818,510	11,191,453
Deferred tax liabilities		5,485,333	5,966,240
Deferred revenue		68,184	68,184
		13,372,027	17,225,877
Net assets		21,926,292	20,628,810
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		851,478	851,021
Share premium		8,874,801	8,871,970
Other reserves		378,972	375,716
Retained earnings			
- Proposed dividends	7	315,921	343,551
- Others		11,012,330	9,744,389
		21,433,502	20,186,647
Non-controlling interests		492,790	442,163
Total equity		21,926,292	20,628,810

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 2012 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 ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, 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 2011, 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) Change in accounting policy on the provision of deferred tax on revaluation of investment properties:

The following amendment to standard is mandatory for the first time for the financial year beginning 1 January 2012 and relevant to the Group.

In December 2010, the HKICPA amended HKAS 12 "Income taxes" to introduce an exception to the principle for the measurement of deferred tax assets and liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

The Group has adopted this amendment retrospectively for the financial period ended 30 June 2012 and the effects of adoption are disclosed as follows.

The Group has investment properties measured at their fair values totalling RMB11,922,571,000 as of 1 January 2012. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties amounting to RMB2,882,571,000 according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below:

	Six months ended 30 June	
Effect on consolidated income statement	**2012**	**2011**
	RMB'000	*RMB'000*
Decrease in taxation	(29,382)	(14,384)
Increase in net profit attributable to equity holders of the Company	29,948	14,337
(Decrease)/ increase in net profit attributable to non-controlling interests	(566)	47
Increase in basic earnings per share (in RMB)	0.0032	0.0015
Increase in diluted earnings per share (in RMB)	0.0032	0.0015

	As at	
	30 June	**31 December**
Effect on consolidated balance sheet	**2012**	**2011**
	RMB'000	*RMB'000*
Increase in deferred tax assets	17,572	17,475
Increase in deferred tax liabilities	96,860	126,488
Decrease in retained earnings	(67,130)	(97,078)
Decrease in exchange fluctuation reserve	(3,806)	(4,149)
Decrease in non-controlling interests	(8,352)	(7,786)

For other investment properties amounting to RMB9,040,000,000, they are held by certain subsidiaries with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. For these investment properties, the presumption is rebutted and related deferred tax is not remeasured.

(b) Amendments to existing standards effective in 2012 but not relevant to the Group:

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2012.

HKFRS 1 (Amendment)	Disclosures - Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures - Transfers of financial assets

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments do not have a significant financial impact on the results and financial position of the Group.

(c) The following new standards and amendments, revisions and interpretation to existing standards have been issued but are not effected for the financial year beginning 1 January 2012 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Investment in associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments : Presentation - Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 (Amendment)	Financial instruments : Disclosures - Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HK(IFRIC) - Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments, revisions and interpretation to existing standards to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

3 SEGMENT INFORMATION

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

The Board considers the business by nature of business activities and assesses the performance of property development, property management, property investment and others.

The Board assesses 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 Board is measured in a manner consistent with that in the condensed 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 Board is measured in a manner consistent with that in the condensed consolidated income statement.

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Six months ended 30 June 2012					
Revenue	3,648,606	210,335	277,537	455,218	4,591,696
Inter-segment revenue	—	(28,925)	(3,747)	(294,968)	(327,640)
Revenue from external customers	3,648,606	181,410	273,790	160,250	4,264,056
Segment results	1,831,777	(3,982)	1,254,673	47,850	3,130,318
Share of profit of					
- jointly controlled entities	873	—	—	—	873
- associated entities	—	—	89,891	—	89,891
Six months ended 30 June 2011					
Revenue	4,416,751	214,095	175,443	268,481	5,074,770
Inter-segment revenue	—	(26,040)	(3,336)	(88,194)	(117,570)
Revenue from external customers	4,416,751	188,055	172,107	180,287	4,957,200
Segment results	1,744,816	7,807	5,134,668	10,067	6,897,358
Share of profit of					
- jointly controlled entities	2,046	—	—	—	2,046
- associated entities	—	—	298,871	—	298,871
As at 30 June 2012					
Segment assets	49,582,542	404,458	12,715,169	484,004	63,186,173
Interests in jointly controlled entities	101,939	—	—	—	101,939
Interests in associated entities	—	—	2,043,130	—	2,043,130
Total reportable segments' assets	49,684,481	404,458	14,758,299	484,004	65,331,242
As at 31 December 2011					
Segment assets	45,686,760	349,060	11,922,571	300,371	58,258,762
Interests in jointly controlled entities	100,477	—	—	—	100,477
Interests in associated entities	—	—	2,008,062	—	2,008,062
Total reportable segments' assets	45,787,237	349,060	13,930,633	300,371	60,367,301

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

	Six months ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
Segment results	3,130,318	6,897,358
Unallocated operating costs	(18,571)	(21,810)
Gain on disposal of a subsidiary	180,464	—
Operating profit	3,292,211	6,875,548
Finance income	23,675	29,840
Finance costs	(213,716)	(140,074)
Net foreign exchange (loss)/ gain on financing activities	(40,054)	54,536
Share of profit of		
- jointly controlled entities	873	2,046
- associated entities	89,891	298,871
Profit before taxation	3,152,880	7,120,767

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

	As at	
	30 June	**31 December**
	2012	**2011**
	RMB'000	*RMB'000*
		(Restated)
Total reportable segments' assets	65,331,242	60,367,301
Deferred tax assets	88,609	82,594
Taxation recoverable	650,528	501,004
Corporate assets	386,769	262,385
Total assets	66,457,148	61,213,284

	Revenue		Total assets	
	Six months ended 30 June		As at 30 June	As at 31 December
	2012	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Restated)
Hong Kong	72,212	71,382	2,087,289	1,929,069
China	4,191,348	4,884,933	63,234,890	58,427,692
Overseas	496	885	9,063	10,540
	4,264,056	4,957,200	65,331,242	60,367,301
Unallocated assets			1,125,906	845,983
			66,457,148	61,213,284

4 EXPENSES BY NATURE

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

	Six month ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
Amortisation of land use rights	8,806	9,283
Depreciation		
- Owned property, plant and equipment	19,874	26,295
- Leased property, plant and equipment	33	27
Provision for/ (reversal of) impairment of property, plant and equipment	940	(8,415)
Reversal of provision for impairment of properties under development	—	(20,914)

5 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2011: 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 (2011: 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 (2011: 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:

	Six month ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
		(Restated)
Current taxation		
- Hong Kong profits tax	1,277	2,487
- China enterprise income tax	71,328	101,358
- China land appreciation tax	152,164	201,258
Deferred taxation		
- Origination and reversal of temporary difference	1,191,034	1,868,172
- Corporate withholding income tax on undistributed profits	113,323	353,828
	1,529,126	2,527,103

6 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.

	Six month ended 30 June	
	2012	**2011**
		(Restated)
Profit attributable to equity holders of the Company (RMB'000)	1,579,881	4,495,372
Weighted average number of ordinary shares in issue ('000)	9,285,540	9,283,497
Basic earnings per share (RMB)	0.1701	0.4842

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.

	Six month ended 30 June	
	2012	**2011**
		(Restated)
Profit attributable to equity holders of the Company (RMB '000)	1,579,881	4,495,372
Weighted average number of ordinary shares in issue ('000)	9,285,540	9,283,497
Adjustments for share options ('000)	26,878	29,128
Weighted average number of ordinary shares for diluted earnings per share ('000)	9,312,418	9,312,625
Diluted earnings per share (RMB)	0.1697	0.4827

7 DIVIDENDS

	Six month ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
2011 final, paid, of HK$0.045 equivalent to RMB0.037 (2010: nil) per ordinary share	338,847	—
2012 interim, proposed, of HK$0.042 equivalent to RMB0.034 (2011: HK$0.04 equivalent to RMB0.033) per ordinary share	315,921	304,758

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

8 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:

	As at	
	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
0 - 30 days	1,630	2,112
31 - 90 days	1,617	409
91 - 180 days	524	125
181 - 365 days	155	77
Over 1 year	1,131	1,800
	5,057	4,523

9 TRADE AND NOTE PAYABLES

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

	As at	
	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
0 - 30 days	427,507	33,419
31 - 90 days	2,187	292,344
91 - 180 days	5,804	744
181 - 365 days	—	296
1 - 2 years	—	59
Over 2 years	820	614
	436,318	327,476

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The growth of the Chinese economy slowed down in the first half of 2012, due to the ever widening and deepening Euro debt crisis and the lack luster performance of the U.S. economy. However, with increased comfort zone and bag of tools afforded by the drop of inflation to a two year low as a result of the macro economic measures promulgated by the Central Government since the second half of 2010, the Central Government decided "stabilising growth" should replace "lowering inflation" as the top priority in the formulation and implementation of future macro revision policies. After more than a decade of high growth, the Chinese economy will be entering into a new cycle. The Group anticipates that we will have to live with the present tough economic conditions in the short term. But there are positive actions, such as the drop in inflation, the recent cuts in reserve ratio and interest rates, that the tight policies are beginning to loosen up, and therefore we expect steady growth of the Chinese economy in the mid to long term.

In the first half of 2012, overall the Central Government maintained a firm and unwavering stance in respect of its determination to cool off the hot domestic property market. Despite actions were taken to loosen up tight credit in the second quarter of 2012, which fuelled speculation that new quantitative easing policies were to be released, the relevant regulatory authorities, including the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, the People's Bank of China and the China Banking Regulatory Commission, were quick to dispel market speculation of any material departure from the official line. Competition remained keen during the Reporting Period for the domestic property market.

Fully leveraging on its own strengths and unique attributes, the Group showed its mettle by opening up a new sustainable business paradigm "DOS" (development, operation and securitization) for its growing commercial property portfolio amid the prevailing complicated macro-economic and harsh domestic property market environment. In addition, by taking various pro-active measures, the Group posted satisfactory performance for the Reporting Period.

Results and Dividend for the First Half of 2012

During the Reporting Period, the Group recorded total revenue (including the sales of investment properties) of approximately RMB4,840 million, representing a decrease of 10.4% over the same period in 2011. Gross profit (including the gain on sales of investment properties) amounted to approximately RMB2,733 million, representing an increase of 15.9% over the same period in 2011, and the gross profit margin (including the gain on sales of investment properties) increased 12.8 percentage points to approximately 56.5%. Excluding fair value gains on revaluation of investment properties of the Group (including Yuexiu Real Estate Investment Trust ("Yuexiu REIT")), the profit attributable to equity holders from core business amounted to approximately RMB903 million, representing an increase of 15.9% over the same period in 2011. Basic earnings per share amounted to approximately RMB0.1701.

The Board resolved to declare the payment of an interim dividend for 2012 of HK$0.042 per share, which is equivalent to approximately RMB0.034 per share. Excluding fair value gains on revaluation of investment properties of the Group (including Yuexiu REIT), the dividend represents 35% of the profit attributable to equity holders from core business.

Record High Operating Results Driven by the Double-wheeled "Residential and Commercial" Business Model

In response to intense market competition, the Company aptly and timely adjusted its marketing strategy and launched products that met market needs. As a result, satisfactory sales performance was achieved. During the Reporting Period, the Group recorded an accumulative contracted sales value amount of approximately RMB7,148 million with a contracted sales GFA of approximately 571,500 sq.m., representing a significant growth of 132.5% and 187.0%, respectively over the same period in 2011, and accounting for approximately 71% and 60% of the full-year contracted sales target of no less than RMB10,000 million and 960,000 sq.m., respectively. Furthermore, the contracted sales of residential projects contributed approximately 54% of our accumulative contracted sales value with the remaining balance from commercial projects, and the proportion was in line with the Group's expectation.

The sales performance of the Group's high-end brand "Starry" was remarkable. We have launched three "Starry" projects located in Guangzhou University City. Guangzhou Starry Wenhan and Guangzhou Starry Wenyu were launched more or less at the same time in the first half of 2012, with earlier than scheduled to meet different market needs. During the Reporting Period, the total contracted sales of these three projects amounted to nearly RMB1,000 million. Furthermore, the sales of Zhongshan Starry Winking made a brilliant start with a contracted sales value amount of over RMB300 million within only three months.

With our operation capability of commercial projects strengthened, we see increased contribution of commercial products to the overall sales. The Company has been focusing on residential property development and striving to improve its commercial operation capability. While we were making progress in the development of our various commercial projects within a reasonable timeframe, innovative marketing strategies were used to target different customers. The better-than-expected sales performance was recognized by the fact that our commercial projects especially Guangzhou Fortune Apartment and Guangzhou Fortune Century Square received an overwhelming response and recorded a contracted sales value amount of over RMB2,300 million during the Reporting Period.

Breakthroughs in Capital Operation, Kicking off Normalized Interaction with a Big Bang

The meticulously planned injection of the Group's premium commercial property Guangzhou International Finance Center ("Guangzhou IFC") by Yuexiu Property into Yuexiu REIT had been approved by an overwhelming majority of shareholders and independent unitholders, as the case may be, at the extraordinary general meetings of Yuexiu Property and Yuexiu REIT respectively. The obtaining of such approvals mean that we are just a step away from completion of this very important capital operation project. If the interaction was completed within this year, it would bring an amount approximately RMB4,000 million of cash inflow, also reduce approximately RMB4,500 million from bank borrowings, and lower the net gearing ratio by 37.8 percentage points to 33.5%. As a significant and the single largest unitholder of Yuexiu REIT, the Group will continue to enjoy long-term growth potential of Guangzhou IFC. This is an important step in initiating the normalized interaction between "Yuexiu Property and Yuexiu REIT", and is also the first step to successful implementation of our new business paradigm "DOS" "Development, Operation and Securitization".

The full operation status of Guangzhou IFC is in its best condition. As at the announcement date, the office occupancy rate of Guangzhou IFC reached 65% on a stable rental level, and the highest monthly rent was RMB300 per sq.m., which was significantly over the average level of the grade A office buildings in Guangzhou City. Moreover, Four Seasons Hotel at the Guangzhou IFC officially commenced operation at the beginning of August 2012 and Ascott Serviced Apartments will be anticipated to operate in September 2012.

Investor Relations and Capital Operation working seamlessly in tandem

In recent years, the Group reckoned that it is of great importance the investor relations and capital operation should always work hand in hand to maximize the economic benefit of projects undertaken. Particularly, the injection of Guantzhou IFC into Yuexiu REIT would serve as a good example of such collaborations. After the relevant announcement of the injection was made, in order to promote the transaction, the Group actively organized and participated in a variety of investor relations activities. To strengthen the shareholders base, our investor relations team not only maintained an effective communication with the existing unitholders but also reached out to potential investors. The Group conducted over 50 investors meetings during post-result and non-deal roadshows in Hong Kong, Singapore, Japan, Europe, Beijing, Shanghai and etc., attended 6 large-scale conferences held by investment banks.

Strategically Expanding Our Landbank to Achieve Economies of Scale Overall

The Group always adheres to its strategic positioning of “home base in Guangzhou and strategic expansion nationwide”. The Group acts prudently in expanding its land bank after taking into account various factors such as the land market environment, the development trend of the property market and its own financial conditions. During the Reporting Period, the Group acquired a land parcel in Conghua Jiangpu with GFA (adjusted) of approximately 184,900 sq.m. for a total consideration of approximately RMB164 million. As well, the Group acquired another parcel in Hangzhou Lin’an in addition to the land parcels held by the Group in Hangzhou Lin’an with GFA of approximately 214,600 sq.m. for a total consideration of approximately RMB254 million in August 2012. The scale of the Hangzhou Lin’an operations was accordingly enlarged to 1,389,200 sq.m., laying a strong foundation to our brand building in the area and achieving better economy of scale. In the same month, the Group acquired another parcel of land at Hong Kong Prince Edward Road West with GFA (adjusted) of approximately 3,700 sq.m. (39,400 sq.feet) for a total consideration of approximately HKD186 million. As of the end of Reporting Period, the amount of land premium outstanding and unpaid by the Group was approximately RMB488 million.

Brandishing Strategic Value of the Yuexiu Brand and Enhancing Core Competitiveness

The Group has set "With its 30-year long devotion and commitment, Yuexiu Property strives to stimulate value and release the potential of the city" as its annual branding theme. We strategically roll out a brand management and promotional program in order to build the brand name of "Yuexiu" on a nationwide basis. During the Reporting Period, the Group has been awarded "The Outstanding China Property Developers Award 2012" for the fourth consecutive year by Economic Digest, a renowned financial magazine in Hong Kong. Moreover, Guangzhou IFC, a premium commercial project of the Group, won the International Property Awards (Asia Pacific)' "Highly Commended Mixed-use Development China" and Capital Weekly's "Landmark Building Award".

BUSINESS OUTLOOK

Given the change in demographic structure and continuous urbanization process, the Group believes that the strong demand for housing will continue to carry the industry in the mid-to-long term despite the stringent property market conditions in the first half of 2012. In light, the steady economic growth and strong consumption demand will continue to benefit the domestic property market. We expect that the second half of the year will be full of challenges as well as opportunities. The Group will continue to work hard on "Nurturing Inner Force by Intensive Drills to Increase Resilience" to build our internal capabilities in order to enhance our core operating capabilities and to maintain our various operational performance indicators at a high level.

Making Progress in Sales Capability and Striving to Exceed the Full-year Target

Despite that the Group completed 71% of the full-year contracted sales target during Reporting Period with flying colors, it will not relent in its missions of building its sales capability by continuous studying and analyzing our strengths and weaknesses in marketing strategies, marketing systems and customer relationship management and ultimately coming up with a sales capability enhancement proposal. Our targets are deploying more reasonable and effective marketing strategies that can cater for different market needs, consolidating our different marketing resources, forming a multi-channel marketing system and model with a view to excel ourselves.

The Group will be launching seven new projects in the second half of 2012, namely "Paradiso (可逸)" series projects in Guangzhou city, including Paradiso Sunshine (可逸陽光), Paradiso Riverside (可逸江畔), Paradiso Garden (可逸錦園) and Paradiso Courtyard (可逸雋庭), Zhongshan Starry Courtyard (星匯雋軒), Wuhan Qiaokou Project and Hangzhou Lin'an Project, to increase market penetration on a national basis. We believe that in the second half of the year, the GFA with pre-sale permit is expected to reach approximately 950,000 sq.m., we will have adequate supply and diversified products to meet the needs of different customer segments.

Further Improvement in Commercial Property Operation to Boost Normalized Interaction Between "Yuexiu Property and Yuexiu REIT"

The Group is the only China-based, Hong Kong listed real estate enterprise which owns and manages a Hong Kong listed real estate investment trust. The Group will continue to leverage the advantages offered by such unique platform to boost the normalized interaction between "Yuexiu Property and Yuexiu REIT", while speeding up the construction of premium commercial projects and further improving its commercial operation capacity.

In addition to Guantzhou IFC, the Group also owns a number of premium commercial projects, including Guangzhou Fortune World Plaza, Guaungzhou Fortune Center and Asia Pacific Century Plaza. With a GFA of approximately 270,000 sq.m., Guangzhou Fortune World Plaza is positioned to become a leading theme large-scale commercial mall specializing in leather goods which encompass both retail and wholesale as well as exhibitions. Currently, it is undergoing internal renovation and is expected to commence operations in 2013. Formal Leasing will begin in the second half of the year. Construction of Guangzhou Fortune Center with GFA of approximate 210,000 sq.m. has commenced and is scheduled to complete in 2016.

ACKNOWLEDGMENT

With the achievement the Group has made, I would like to take this opportunity to extend my gratitude to my peer directors for their continued directorship and the staff for their relentless hard work throughout the years. At last, I wish to express my deepest appreciation to our shareholders, our customers and business partners for their full confidence and strong support.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Analysis

During the first half of 2012 (the "Reporting Period"), China's central bank lowered the reserve ratio and cut the benchmark interest rates two times, strongly helped maintaining a steady economic growth in China. According to the National Bureau of Statistics of China, the Gross Domestic Product (GDP) grew 7.8% year-on-year to RMB22.7098 trillion, the first time below 8% since the outbreak of the global financial crisis. However, such level of growth still stood on the high side when comparing with the rest of the world. In addition, the year-on-year CPI is gradually decreasing by the fact that the January year-on-year CPI of 4.5% was lowered to 2.2% in June and the inflation pressure was significantly eased, concentrating on central government's economic tightening measures shift from "lowering inflation" to "stabilising growth".

Property Market Analysis

The macroeconomic tightening measures on the property market announced by the central government were taking effect. According to the statistics of property prices in 70 large- and medium-sized cities published by the National Bureau of Statistics in China, the price of those 70 cities with negative year-on-year price growth had been on the rise since the beginning of this year and the number of cities with the similar drop on growth increased to 57 in June. Moreover, the prices of new developed residence in four major cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, turned from growth in January to decline in June with drop by 1.0%, 1.5%, 1.6% and 2.5%, respectively.

However, the statistics also showed that among the 70 large- and medium-sized cities, the number of cities with month-on-month price growth was increasing. This was mainly due to: (i) the favorable policies on the property market received by the central government's reserve ratio and benchmark interest rate cut; and (ii) the rigid demand for housing and increasing demand for improving living environment remained in the market and largely turned into buying upon the release of the favorable policies. Accordingly, tightening measures over the property market still requires a delicate balancing act and it is believed that the central government will continue its stabilizing but strict tightening approach.

Business Review

During the Reporting Period, the Group realized an overall revenue (including the sales of investment properties) of approximately RMB4,840 million, representing a decrease of 10.4% over the same period in 2011. The gross profit (including the gain on sales of investment properties) was RMB2,733 million, representing an increase of 15.9% over the same period in 2011, and the gross profit margin (including the gain on sales of investment properties) was increased by 12.8 percentage points to approximately 56.5%, which was benefited by recognized sales of commercial and mid-to-high-end residential projects with high gross profit margin during the Reporting Period. Profit attributable to equity holders amounted to approximately RMB1,580 million, representing a decrease of 64.8% over the same period in 2011. The decrease in profit attributable to shareholders was primarily due to the fact that the fair value gains from revaluation of investment properties was lower than that of the same period in 2011. Basic earnings per share amounted to approximately RMB0.1701. Excluding the fair value gains on revaluation of investment properties of the Group (including Yuexiu REIT), the profit attributable to shareholders from core business amounted to approximately RMB903 million, representing an increase of 15.9% over the same period in 2011.

During the Reporting Period, the Group recorded an accumulative contracted sales value amount of approximately RMB7,148 million with contracted sales GFA of approximately 571,500 sq.m., representing a significant growth of 132.5% and 187.0%, respectively over the same period in 2011, and accounting for approximately 71% and 60% of the full-year contracted sales target of no less than RMB10,000 million and 960,000 sq.m., respectively. The average selling price was approximately RMB12,500 per sq.m.. The sales performance was in line with the management's expectation.

Particulars of contracted sales are summarized as follows:

Project	**Land use**	**GFA** *(sq.m.)*	**Value** *(RMB mil)*	**ASP** *(RMB/sq.m.)*	**Location**
Guangzhou Starry Golden Sands	R	54,100	799	14,800	Baiyun, Guangzhou
Guangzhou Starry Wenhua	R	10,400	217	20,900	Panyu, Guangzhou
Guangzhou Starry Wenhan	R	31,800	559	17,600	Panyu, Guangzhou
Guangzhou Starry Wenyu	R	11,700	201	17,200	Panyu, Guangzhou
Southern Le Sand	R	110,200	784	7,100	Nansha, Guangzhou
Huadu Glade Greenland	R	23,700	148	6,200	Huadu, Guangzhou
Guangzhou Starry Winking	R, P	5,700	207	36,300	Tianhe, Guangzhou
Ling Nan Riverside	R	3,300	68	20,600	Liwan, Guangzhou
Conghua Glade Village	R	800	11	13,800	Conghua, Guangzhou
Guangzhou Fortune Apartment	C	77,400	1,459	18,900	Liwan, Guangzhou
Guangzhou Fortune Century Square	C	32,400	900	27,800	Tianhe, Guangzhou
Investment properties	N/A	38,700	555	14,300	Guangzhou
Other projects	N/A	25,900	393	15,200	Guangzhou
Subtotal (Guangzhou)		**426,100**	**6,301**	**14,800**	
Jiangmen Starry Regal Court	R	53,200	340	6,400	Pengjiang, Jiangmen
Zhongshan Starry Winking	R	61,700	317	5,100	Nanqu, Zhongshan
Shenyang Yuexiu Hill Lake	R	4,000	33	8,300	Shenbei, Shenyang
Yantai Starry Phoenix	R	26,500	157	5,900	Zhifu, Yantai
Total		**571,500**	**7,148**	**12,500**	

Note: R - Residential, C - Commercial, P - Parking

During the Reporting Period, the recognized sales revenue was approximately RMB4,224 million (including the sales of investment properties of RMB576 million), representing a decrease of 13.1% over the same period in 2011. The recognized sales GFA was 198,000 sq.m. (including investment properties sold of 47,700 sq.m.), representing a decrease of 35.0% over the same period in 2011. The average selling price was approximately RMB21,300 per sq.m..

Particulars of recognized sales are summarized as follows:

Project	**Land use**	**GFA** *(sq.m.)*	**Value** *(RMB mil)*	**ASP** *(RMB/sq.m.)*	**Location**
Jiang Nan New Mansion	C	23,900	1,000	41,800	Haizhu, Guangzhou
Springland Garden	R, C	23,000	568	24,700	Haizhu, Guangzhou
Ling Nan Riverside	R	25,900	561	21,700	Liwan, Guangzhou
Paradiso Homeland	R	39,300	917	23,300	Haizhu, Guangzhou
Conghua Glade Village	R	3,400	35	10,300	Conghua, Guangzhou
Guangzhou Starry Winking	R, P	5,200	185	35,600	Tianhe, Guangzhou
Southern Le Sand	R	26,100	182	7,000	Nansha, Guangzhou
Other projects	N/A	3,500	200	57,100	Guangzhou
Subtotal		**150,300**	**3,648**	**24,300**	
Investment properties	N/A	47,700	576	12,100	Guangzhou
Total		**198,000**	**4,224**	**21,300**	

Note: R - Residential, C - Commercial, P - Parking

During the Reporting Period, the sales of properties sold but not yet recognized amounted to approximately RMB10,217 million, with a total GFA of approximately 815,500 sq.m. with an average selling price of RMB12,500 per sq.m..

Particulars of properties sold but not yet recognized are summarized as follows:

Project	**Land use**	**GFA** *(sq.m.)*	**Value** *(RMB mil)*	**ASP** *(RMB/sq.m.)*	**Location**
Guangzhou Starry Golden Sands	R	72,100	1,044	14,500	Baiyun, Guangzhou
Guangzhou Starry Wenhua	R	40,100	814	20,300	Panyu, Guangzhou
Guangzhou Starry Wenhan	R	31,800	559	17,600	Panyu, Guangzhou
Guangzhou Starry Wenyu	R	11,700	201	17,200	Panyu, Guangzhou
Southern Le Sand	R	206,700	1,617	7,800	Nansha, Guangzhou
Huadu Glade Greenland	R	36,200	243	6,700	Huadu, Guangzhou
Guangzhou Starry Winking	R	4,700	191	40,600	Tianhe, Guangzhou
Ling Nan Riverside	R	2,700	50	18,500	Liwan, Guangzhou
Jiang Nan New Mansion	R	3,500	62	17,700	Haizhu, Guangzhou
Paradiso Homeland	R	3,700	88	23,800	Haizhu, Guangzhou
Conghua Glade Village	R	4,400	40	9,100	Conghua, Guangzhou
Guangzhou Fortune Apartment	C	77,400	1,459	18,900	Liwan, Guangzhou
Guangzhou Fortune Century Square	C	69,200	1,948	28,200	Tianhe, Guangzhou
Investment properties	N/A	26,200	293	11,200	Guangzhou
Other projects	N/A	24,600	341	13,900	Guangzhou
Subtotal (Guangzhou)		**615,000**	**8,950**	**14,600**	
Jiangmen Starry Regal Court	R	76,900	514	6,700	Pengjiang, Jiangmen
Zhongshan Starry Winking	R	61,700	317	5,100	Nanqu, Zhongshan
Shenyang Yuexiu Hill Lake	R	12,400	124	10,000	Shenbei, Shenyang
Yantai Starry Phoenix	R	49,500	312	6,300	Zhifu, Yantai
Total		**815,500**	**10,217**	**12,500**	

Note: R - Residential, C - Commercial

Landbank

During the Reporting Period, the Group acquired a land parcel in Conghua Jiangpu Town with a site area of approximately 64,300 sq.m. and a total GFA (adjusted) of approximately 184,900 sq.m. for a total consideration of RMB164 million. In addition, the Group acquired another parcel the Hangzhou Lin'an Phase III land with a site area of approximately 120,700 sq.m. and a total GFA of approximately 214,600 sq.m. for a total consideration of RMB254 million in August 2012. In the same month, the Group acquired another parcel of land at Hong Kong Prince Edward West Land with a site area of approximately 732 sq.m. (7,900 sq.feet) and a total GFA of approximately 3,700 sq.m. (39,400 sq.feet) for a total consideration of approximately HKD186 million.

As of end of Reporting Period, the Group had a landbank of approximately 11.53 million sq.m., of which the GFA of properties under development was approximately 5.64 million sq.m. and an undeveloped properties of approximately 5.89 million sq.m.. Geographically, Guangzhou accounted for approximately 50.8%, the Pearl River Delta (excluding Guangzhou) approximately 21.8%, the Bohai Rim Economic Zone approximately 10.9%, the Yangtze River Delta approximately 10.2%, Central China region approximately 5.6%, and Hong Kong approximately 0.7%. The proportion of residential and commercial properties was approximately 74.1% and 25.9% respectively.

Particulars of landbank are summarized as follows:

Project	Land use	GFA of Landbank *(sq.m.)*	GFA of Properties under development *(sq.m.)*	GFA of undeveloped Properties *(sq.m.)*	Location
Guangzhou Starry Golden Sands	R, C	396,500	188,200	208,300	Baiyun, Guangzhou
Guangzhou Starry Wenhua	R	221,900	221,900	—	Panyu, Guangzhou
Guangzhou Starry Wenhan	R	164,400	164,400	—	Panyu, Guangzhou
Guangzhou Starry Wenyu	R	141,400	141,400	—	Panyu, Guangzhou
Southern Le Sand	R, C	2,359,700	438,100	1,921,600	Nansha, Guangzhou
Huadu Glade Greenland	R	93,400	93,400	—	Huadu, Guangzhou
Ling Nan Riverside	R	17,000	17,000	—	Liwan, Guangzhou
Paradiso Garden (formerly Jiang Nan New Village Phases 3 & 4)	R	31,500	31,500	—	Haizhu, Guangzhou
Paradiso Courtyard (formerly Jiang Nan New Village Phases 3 & 4)	R	31,800	31,800	—	Haizhu, Guangzhou
Paradiso Riverside (formerly Panyu Southern District Project)	R, C	469,100	469,100	—	Panyu, Guangzhou
Paradiso Sunshine (formerly Panyu Southern District Project)	R	134,100	134,100	—	Panyu, Guangzhou
Zhujiang New Town D8-C3 Project	R	34,900	34,900	—	Tianhe, Guangzhou
Guangzhou Science City Project	R, C	323,400	323,400	—	Luogang, Guangzhou
Conghua Jiangpu Town Project	R	184,900	—	184,900	Conghua, Guangzhou
Guangzhou Fortune Apartment	C	128,900	128,900	—	Liwan, Guangzhou
Guangzhou Fortune World Plaza	C	266,000	266,000	—	Liwan, Guangzhou

Project	Land use	GFA of Landbank	GFA of Properties under development	GFA of undeveloped Properties	Location
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	
Guangzhou Fortune Century Square	C	135,900	135,900	—	Tianhe, Guangzhou
Guangzhou International Finance Center	C	51,600	51,600	—	Tianhe, Guangzhou
Guangzhou Fortune Center	C	210,500	210,500	—	Tianhe, Guangzhou
Asia Pacific Century Plaza	C	232,000	232,000	—	Tianhe, Guangzhou
Sporty Stadium Building	C	125,000	—	125,000	Tianhe, Guangzhou
Other projects	N/A	110,900	50,900	60,000	Guangzhou
Subtotal (Guangzhou)		**5,864,800**	**3,365,000**	**2,499,800**	
Jiangmen Starry Regal Court	R, C	582,000	334,100	247,900	Pengjiang, Jiangmen
Zhongshan Starry Winking	R, C	555,800	257,300	298,500	Nanqu, Zhongshan
Zhongshan Starry Junting	R, C	151,700	151,700	—	Dongqu, Zhongshan
Zhongshan Bo'ai Road Project	R, C	512,600	—	512,600	Dongqu, Zhongshan
Zhongshan Dongsheng Town Project	R, C	427,300	—	427,300	Dongsheng, Zhongshan
Foshan Nanhai Project	R, C	289,300	289,300	—	Nanhai, Foshan
Subtotal (Pearl River Delta (excluding Guangzhou))		**2,518,700**	**1,032,400**	**1,486,300**	
Shenyang Yuexiu Hill Lake	R	366,700	85,200	281,500	Shenbei, Shenyang
Shenyang Nanta Street Project	R, C	669,900	118,000	551,900	Dongling, Shenyang
Yantai Starry Phoenix	R, C	219,800	219,800	—	Zhifu, Yantai
Subtotal (Bohai Rim Economic Zone)		**1,256,400**	**423,000**	**833,400**	
Hangzhou Lin'an Land Project	R, C	1,174,600	180,400	994,200	Lin'an, Hangzhou
Subtotal (Yangtze River Delta)		**1,174,600**	**180,400**	**994,200**	
Wuhan Qiaokou Project	R	643,900	643,900	—	Qiaokou, Wuhan
Subtotal (Central China Region)		**643,900**	**643,900**	**—**	
Subtotal (the PRC)		**11,458,400**	**5,644,700**	**5,813,700**	
Hong Kong Yau Tong Project	R	70,500	—	70,500	Hong Kong
Hong Kong Treasure Court Project	R	1,400	—	1,400	Hong Kong
Hong Kong Prince Edward Road Project	R	3,700	—	3,700	Hong Kong
Subtotal (Hong Kong)		**75,600**	**—**	**75,600**	
Total		**11,534,000**	**5,644,700**	**5,889,300**	

Note: R - Residential, C - Commerical

Progress of Constructions

During the Reporting Period, the GFA of new construction starts was approximately 1,810,000 sq.m., representing 86% of the target GFA of new construction starts for the full year of 2.10 million sq.m., and completed GFA was approximately 110,000 sq.m., but more projects are expected to be completed in the second half of the year, the completion target of approximately 1,000,000 sq.m. can be reached. We believe that in the second half of the year, the GFA with pre-sale permit is expected to reach approximately 950,000 sq.m., such an ample inventory will enable the Group to exceed the sales target for the full year.

Investment Properties

As at the end of the Reporting Period, the Group owned investment properties of approximately 438,200 million sq.m. in total, of which the GFA of office, commercial and parking space accounted for approximately 25.3%, 33.1% and 41.6%, respectively. During the Reporting Period, the rental from the investment properties owned by the Group amounted to approximately RMB274 million.

Particulars of investment properties are summarized as follows:

Project	GFA	Office	Commercial	Parking	Location
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	
Jin Han Building	45,800	45,800	—	—	Yuexiu, Guangzhou
Hong Kong properties	14,300	2,000	11,100	1,200	Hong Kong
Guang Yuan Cultural Center	32,000	—	20,700	11,300	Yuexiu, Guangzhou
Huangshi Garden	34,500	—	31,000	3,500	Baiyun, Guangzhou
Xiangkang Commercial Plaza	32,200	28,800	—	3,400	Yuexiu, Guangzhou
Victory Plaza	22,300	400	—	21,900	Tianhe, Guangzhou
Yuexiu City Plaza	35,000	—	16,700	18,300	Yuexiu, Guangzhou
Other projects (including parking lots)	222,100	34,000	65,400	122,700	Guangzhou
Total	**438,200**	**111,000**	**144,900**	**182,300**	

OTHER BUSINESS

During the Reporting Period, the revenue from the decoration business amounted to approximately RMB60 million, representing a decrease of 41.2% over the same period in 2011. The revenue from property management was approximately RMB181 million, representing a decrease of 3.7% over the same period in 2011.

Yuexiu REIT, an associate of the Group, recorded a total revenue of approximately RMB271 million during the Reporting Period, representing an increase of 5.4% over the same period in 2011. The total distributable income amounted to approximately RMB119 million, representing an increase of 0.5% over the same period in 2011. The Group held 35.58% interest in Yuexiu REIT, the profit from Yuexiu REIT was approximately RMB90 million, representing a decrease of 69.9% over the same period in 2011. Due to a decrease of fair value gains of investment properties, the Group will receive a cash distribution of RMB42 million.

FINANCIAL REVIEW

Financial Highlights

1. **Sales reached a record high level in the first half of 2012**

   Contracted sales amounted to approximately RMB7,148 million in the first half of 2012, representing an increase of 132.5% over the same period last year, achieved approximately 71% of our full-year sales target. Contracted sales in GFA reached approximately 571,500 sq.m., representing a substantial increase of approximately 187.0% over the same period last year. Revenue from properties sold but not yet recognized was approximately RMB10,217 million, which will be recognized in the second half of this year and during the next two years consecutively.

2. **Breakthrough on normalized interaction with Yuexiu REIT**

   The proposed injection of Guangzhou IFC into Yuexiu REIT had been approved in the Extraordinary General Meeting. The Group's corporate strategy of building a normalized interaction with Yuexiu REIT has made a historic breakthrough. It is expected that the injection will bring approximately RMB4,000 million of cash inflow to the Group and reduce its bank borrowings by RMB4,500 million, thereby lowering the gearing ratio by 37.8 percentage points to 33.5%.

3. **Revenue slightly decreased, while gross profit margin remained at a high level**

Overall revenue (including sales of investment properties) amounted to approximately RMB4,840 million, representing a decrease of 10.4% over the same period last year. Overall gross profit margin (including gain on sales of investment properties) was approximately 56.5%, representing an increase of 12.8 percentage points over the same period last year. This was mainly attributable to the Group's proactive responses to the market adjustment of sales strategy and launch of sales of large-scale commercial projects in suitable time, gross profit margin recorded an approximately of 59.0% on property sales (including gain on sales of investment properties) for the period, representing an increase of 15 percentage points over the same period last year.

4. **Profit attributable to equity holders from core business maintained a steady growth**

Due to a high fair value gain was recorded upon the Guangzhou IFC completed its construction in same period last year, profit attributable to equity holders of the Group for the period ended 30 June 2012 decreased by 64.8% to approximately RMB1,580 million as compared to the same period last year. Profit attributable to equity holders for the period from core business (excluding the factor of fair value gains on revaluation of investment properties of the Group and Yuexiu REIT) amounted to approximately RMB903 million, representing an increase of 15.9% over the same period last year. Net profit margin was approximately 19%, representing an increase of 5 percentage points over the same period last year.

5. **Cash flow remained in a stable and solid financial position**

In a challenging financing environment, the Group's liquidity position remained stable and solid. The refinancing of approximately RMB5,600 million was completed in the first half of 2012, cash inflow from operating activities was approximately RMB5,800 million, ensures the development and expansion of projects. Balances of cash and charged bank deposits at the end of the first half of 2012 were approximately RMB6,800 million (including cash and cash equivalent in non-current assets held-for-sale in the financial statement of the Group) with the undrawn committed banking facilities of approximately RMB1,149 million, the Group maintained sound financial position.

ANALYSIS ON OPERATING RESULTS

The proposed injection of Guangzhou IFC into Yuexiu REIT by the Group was approved by the shareholders in the Company's Extraordinary General Meeting held on 23 July 2012. The assets and liabilities of Tower Top Group had been classified as non-current assets held for sale and liabilities associated with non-current assets held for sale respectively in the financial statements of the Group.

Profit attributable to equity holders of the Company

Due to a high fair value gain was recorded upon the Guangzhou IFC completed its construction in same period last year, profit attributable to equity holders of the Group for the period ended 30 June 2012 decreased by 64.8% to approximately RMB1,580 million as compared to the same period last year. Profit attributable to equity holders for the period from core business (excluding the factor of fair value gains on revaluation of investment properties of the Group and Yuexiu REIT) amounted to approximately RMB903 million, representing an increase of 15.9% over the same period last year.

Revenue and gross profit

For the period ended 30 June 2012, revenue (including the sales of investment properties) amounted to approximately RMB4,840 million, representing a decrease of 10.4% over the same period last year. Gross profit (including gain on sales of investment properties) increased by 15.9% over the same period last year to RMB2,733 million, with gross profit margin (including gain on sales of investment properties) at 56.5%, representing an increase of 12.8 percentage points over the same period last year.

During the period, GFA of recognized sales amounted to approximately 198,000 sq.m., revenue recorded from property sales (including the sales of investment properties) was approximately RMB4,224 million, representing a decrease of 13.1% over the same period last year. The Group proactively responded to the highly regulated market environment by making timely adjustments to its sales strategy and launch of sales of large-scale commercial projects with high gross profit margin, the gross profit margin from property sales for the period (including gain on sales of investment properties) was 59.0%, representing an increase of 15 percentage points over the same period last year.

Contracted sales amounted to approximately RMB7,148 million, representing a significant increase of 132.5% over the same period last year. The GFA of contracted sales was approximately 571,500 sq.m., representing a substantial increase of 187.0% over the same period last year. Contracted sales achieved approximately 71% of our full-year sales target. Contracted sales and pre-sales totalled RMB7,851 million, achieved 79% of our full-year sales target of RMB10,000 million.

Fair value gains on revaluation of investment properties

For the period ended 30 June 2012, fair value gains on revaluation of the Group's investment properties amounted to approximately RMB904 million, representing a significant decrease of 81.5% over the same period last year, which was primarily attributable to a high fair value gain of approximately RMB4,699 million was recorded when the investment property portion of Guangzhou IFC completed the construction in same period last year. Fair value gains on revaluation of investment properties during the period were also mainly resulted from the fair value gain from Guangzhou IFC.

Selling and marketing costs and administrative expenses

For the period ended 30 June 2012, the Group's selling and marketing costs were approximately RMB140 million, representing an increase of 78.8% over the same period last year, and administrative expenses were approximately RMB385 million during the period, representing an increase of 32.5% over the same period last year. The increase in selling and marketing costs was mainly due to the launch of sales for projects during the first half of 2012, such as Starry Wenhan（星匯文翰）and Starry Zhongshan（中山星匯雲錦）. The increase in administrative expenses was mainly due to the increase in the number of employees as a result of business expansion. Selling and marketing costs accounted for approximately 2.0% (30 June 2011: 2.6%) of contracted sales for the period. Administrative expenses accounted for approximately 5.4% (30 June 2011: 9.6%) of contracted sales for the period.

Finance costs

With the effect of increase in interest rate and our increased bank borrowings, the Group's interest expense before capitalisation during the period amounted to approximately RMB821 million, an increase of 74.7% as compared to those for the same period last year of approximately RMB470 million. Meanwhile, due to the increase in properties under development as compared to the same period last year, capitalized interest expense increased to approximately RMB607 million over those for the same period last year of approximately RMB330 million. As a result, finance costs recognized as expenses were approximately RMB214 million, an significant increase of 52.9% over those in the same period last year of approximately RMB140 million.

Share of profits of associated entities

For the period ended 30 June 2012, overall net contribution from the Group's associated entities amounted to RMB90 million, a significant decrease of 69.9% over the same period last year. This was mainly derived from the Group's a 35.58% interest held associated entity, Yuexiu REIT (Stock code: 00405). As a result of the revaluation gain on investment properties decreased significantly during the period, Yuexiu REIT reported the profit after taxation decreased by 69.9% to approximately RMB253 million during the period. The Group's share of its profit dropped by 69.9% to approximately RMB90 million accordingly.

Taxation

For the period ended 30 June 2012, the Group's taxation amounted to approximately RMB1,529 million, a significant decrease of 39.5% over the same period last year of RMB2,527 million. This was mainly due to the significant decrease in revenue and fair value gains on revaluation of investment properties.

Earnings per share

For the period ended 30 June 2012, basic earnings per share attributable to equity holders of the Company were RMB0.1701 (30 June 2011: RMB0.4842).

Interim dividend

The Board resolved to declare an interim dividend for the first half of 2012 of HK$0.042 which is equivalent to approximately RMB0.034 (first half of 2011: HK$0.04 which is equivalent to approximately RMB0.033) per share payable on 15 November 2012 to shareholders whose names appear on the Register of Members of the Company on 19 October 2012. The dividend accounted for 35% of the profit attributable to equity holders excluding the factor of the fair value gains on revaluation of investment properties of the Group and Yuexiu REIT.

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

Liquidity and financial resources

As at 30 June 2012, the Group's working capital (current assets less current liabilities) amounted to approximately RMB28,581 million (31 December 2011: RMB19,760 million). The Group's current ratio (current assets over current liabilities) was 1.92 times. Cash and cash equivalents (including cash and cash equivalents in non-current assets held-for-sale) amounted to approximately RMB4,526 million (31 December 2011: RMB4,821 million). Charged bank deposits amounted to RMB2,274 million (31 December 2011: RMB1,307 million). Undrawn committed bank facilities amounted to approximately RMB1,149 million.

The Group's major sources of liquidity are from recurring cash flows of its business and committed bank facilities. The Group insists on the importance of maintaining a healthy and stable liquidity position so as to meet the need of a fast-changing external market and to safeguard the business development of the Group. 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 strives to explore alternative financing channels, seek to lower financing costs, and monitor the capital and debt structure from time to time. The Group also makes appropriate adjustments thereof in order to enhance its risk resistance capability.

Capital structure

The Group's capital structure is summarized as follow:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Bank borrowings (floating rate)		
Denominated in RMB*	14,726,312	14,347,503
Denominated in Hong Kong dollar	7,384,955	6,808,442
Denominated in United States dollar	315,613	625,679
Total bank borrowings	22,426,880	21,781,624
Finance lease	194	224
Bank overdrafts	69	318
Total debts	22,427,143	21,782,166
Ageing analysis:		
Repayable within one year	10,358,674	10,590,713
In the second year	6,830,717	4,842,425
In the third to fifth year	2,262,752	3,349,028
Over five year	2,975,000	3,000,000
Total borrowings	22,427,143	21,782,166
Less: Cash and cash equivalents**	(4,526,414)	(4,820,904)
Net borrowings	17,900,729	16,961,262
Shareholders' equity (excluding minority interests)	21,433,502	20,186,647
Total capitalization	39,334,231	37,147,909
Gearing ratio	45.5%	45.7%

* Included the bank borrowing in liabilities associated with non-current assets held for sale in the financial statement of the Group.

** Included the cash and bank deposits in non-current assets held for sale in the financial statement of the Group.

Capital expenditures and investments

During the period, the Group's capital expenditures on property, plant, equipment, construction in progress, investment properties and land use rights amounted to approximately RMB1,041 million.

Interest rate exposure

Interest expenses accounted for a significant proportion of the Group's finance costs, and are charged at floating rates. The Group closely monitors the trend of interest rate fluctuations in the market and seeks to adopt appropriate risk management measures. The Group will explore appropriate interest rates hedging measures if and when deemed appropriate in the future with a view to mitigate the interest rate risks. At the same time, the Group may continue to seek more Hong Kong dollar borrowings so as to take advantage of Hong Kong dollar's lower interest rate.

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 2012, the Group had unpaid land premium payable in respect of the land acquisition of approximately RMB488 million (31 December 2011: RMB1,079 million). As at the announcement date of the Company, the Group had unpaid land premium payable of approximately RMB604 million.

Other than the above, Group also had capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately RMB554 million (31 December 2011: RMB1,456 million).

Contingent liabilities

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in the Mainland China. Pursuant to the terms of the guarantees, upon default in mortgage payments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 30 June 2012, total contingent liabilities relating to these guarantees amounted to approximately RMB3,139 million (31 December 2011: RMB2,123 million).

As at 30 June 2012, 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 RMB60 million. The Deed of Indemnity will expire on 30 May 2014.

Employees and remuneration policy

As at 30 June 2012, the Group had approximately 6,080 employees (31 December 2011: 5,810 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

Throughout the six months ended 30 June 2012, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012), with the exception of code provision A.4.1 and A.6.7.

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 A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors should attend general meetings of the Company. Mr. Lee Ka Lun, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 6 June 2012 due to an overseas commitment.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2012 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 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 October 2012 to Friday, 19 October 2012, 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, 16 October 2012.

By order of the Board
LU Zhifeng
Chairman

Hong Kong, 21 August 2012

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

Executive Directors:	LU Zhifeng (Chairman), ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, CHEN Zhihong and LAM Yau Fung Curt
Independent Non-executive Directors:	YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose