



越秀地產股份有限公司

Yuexiu Property Company Limited

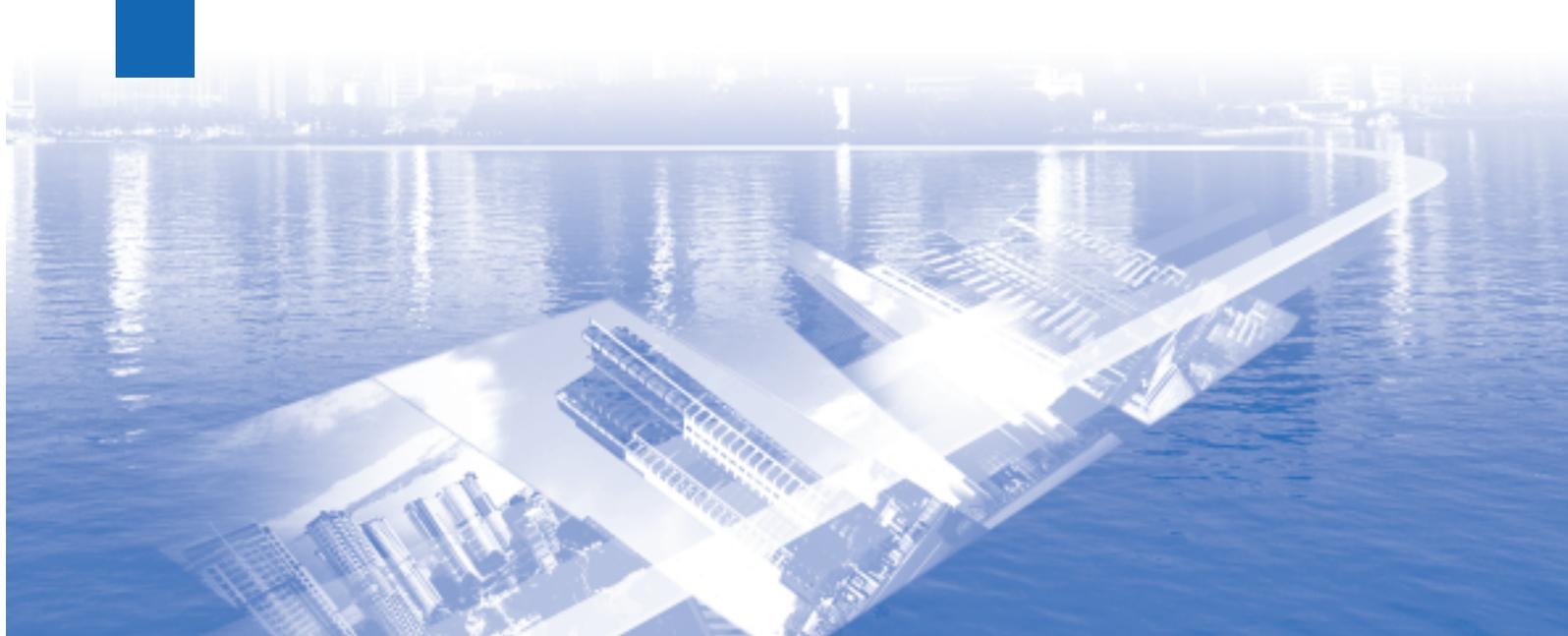
(Stock Code: 00123)



2010
INTERIM REPORT

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Financial Highlights

The Board of Directors of Yuexiu Property Company Limited (“Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 June 2010.

	For the six months ended		Change %
	30 June 2010 (RMB'000) Unaudited	30 June 2009 (RMB'000) Unaudited	
Revenue	1,037,347	2,211,526	↓ 53.1%
Operating profit	414,699	783,247	↓ 47.1%
Profit attributable to equity holders of the Company*	355,660	534,402	↓ 33.4%
Earnings per share for profit attributable to equity holders of the Company*			
- Basic (RMB)	0.0498	0.0750	↓ 33.6%
* From continuing operations			
Contracted sales GFA (sq.m.)	329,300	207,200	↑ 58.9%
Contracted sales value	5,395,000	2,104,000	↑ 156.4%
Property sold but not yet recognized GFA (sq.m.)	653,300	275,400	↑ 137.2%
Property sold but not yet recognized value	9,133,000	2,825,000	↑ 223.3%

	As at		Change %
	30 June 2010 (RMB'000) Unaudited	31 December 2009 (RMB'000) Audited	
Total cash	7,336,297	6,173,115	↑ 18.8%
Including: Cash and cash equivalents	6,125,126	4,327,915	↑ 41.5%
Charged bank deposits	1,211,171	1,845,200	↓ 34.4%
Total assets	43,861,986	37,032,774	↑ 18.4%
Shareholders' equity per share* (RMB)	1.74	1.69	↑ 3.0%
Gearing ratio	40.6%	40.6%	—
* Excluding minority interests			

Management Discussion and Analysis

BUSINESS REVIEW

Implementing the strategy of “Refining operations to improve quality, and Accelerating development to turn a new page”

In the first half of 2010 (the “Reporting Period”), the Group promoted sales at full speed, accelerated the development of projects, deepened structural asset adjustment, and continued to carry out system and institutional reform. These initiatives have laid a solid foundation for the pursuit of the Group’s business strategy.

During the Reporting Period, the Group recorded revenue of approximately RMB1,037 million and profit for the period attributable to equity holders of the Company from continuing operations of approximately RMB356 million. Basic earnings per share from continuing operations amounted to approximately RMB0.0498. Revenue and profit for the period attributable to equity holders of the Company from continuing operations declined by 53.1% and 33.4% respectively as compared to the same period last year.

The decline was mainly due to the fact that property delivery is scheduled to be concentrated in the second half of the year, while contracted sales volume increased substantially in the first half of the year. At the same time, the increased sales costs associated with the increased contracted sales volume were accounted for in the current period.

Given the encouraging performance of contracted sales, the Group will strengthen the replenishment of land reserves in the second half of the year. As such, the Board does not recommend the payment of an interim dividend for 2010. Cash retained will be invested in the Group’s core business which the Board believes will generate greater return to the shareholders.

Market stabilization measures making an impact

In the Reporting Period, confronted with complicated and rapidly changing macro-economic conditions, the government continued to implement a stimulus package to mitigate the aftermath of the global financial crisis. While endeavors were made by the central government to adjust the economic structure, the economy continued to maintain fast and stable growth. In the Reporting Period, China’s GDP reached RMB17,284.0 billion, representing an increase of 11.1% over the same period last year, while the GDP of Guangzhou reached RMB488.6 billion, representing an increase of 13.6% over the same period last year.

To slow down the surge in housing prices in some cities and maintain a stable and healthy domestic real estate market, the government released, in the first half of the year, a series of measures to stabilize the housing prices. As a result, the housing market started to cool down, and the growth of volume and prices decelerated in the second quarter of this year. In the first half of the year, a total of 393.53 million square meters (sq.m.) in commodity housing were sold nation-wide, representing an annual increase of 15%. At the same time, transaction value reached RMB1,982.0 billion, representing an increase of 25% over the same period last year. Average transaction price reached RMB5,036 per sq.m., representing an increase of 9% over the same period last year. In Guangzhou, the total area of commodity housing sold declined to 4.03 million sq.m., representing a decrease of 20% over the same period last year. Transaction value rose slightly by 8% to RMB49.6 billion while the average transaction price rose by 35% to RMB12,313 per sq.m. from the same period last year. On a year-on-year basis, the rise in average transaction price in Guangzhou in the first half of the year was mainly due to the low base in the same period last year. On a month-on-month basis, the average transaction price has begun to soften.

Management Discussion and Analysis

Ranking first in Guangzhou as contracted sales reached record-high

According to the “First half of 2010 sales rankings of real estate enterprises in China” jointly released by China Real Estate Information Corporation and China Real Estate Appraise Center, the sales value of Yuexiu Property for the first half of 2010 ranked first in Guangzhou and 19th nationwide. Sales value achieved by Springland Garden, Jiang Nan New Mansion and Ling Nan Riverside ranked 3rd, 4th and 8th respectively among projects in Guangzhou.

In the first half of 2010, confronted with increasingly intense regulatory policies for the real estate sector, the Group strengthened market research and analysis and at the same time, accelerated project launches and sales. As a result, the Group achieved a new record in contracted sales. Contracted sales in Gross Floor Area (GFA) reached 329,300 sq.m., representing an increase of 58.9% over the same period last year and achieving 61.0% of the target of 540,000 sq.m. for 2010. Contracted sales value reached RMB5,395 million, representing an increase of 156.4% and achieving 68.3% of the target of RMB7,900 million (equivalent to approximately HK\$9,000 million). Average selling price (ASP) reached RMB16,400 per sq.m., representing a year-on-year increase of 61.3%.

In the first quarter, anticipating market adjustment in the face of an overheating market, the Group decisively launched sales promotion and sped up sales for six projects successfully. Projects such as Block F5 of Jiang Nan New Mansion, Block 22 and unsold properties of Block 20-21 of Springland Garden, Block C11 of Ling Nan Riverside, and Phase 3 of Southern Le Sand were well received and basically sold out. In the second quarter, to actively tackle the unfavorable and rapidly changing market conditions, the Group adopted a flexible and innovative promotion approach and achieved impressive results in projects like Starry Winking and Ling Nan Riverside.

Details of contracted sales achieved in the Reporting Period are as follows:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
Starry Winking	Residential	24,000	615	25,600	Tianhe, Guangzhou
Springland Garden	Residential	80,000	1,225	15,300	Haizhu, Guangzhou
Jiang Nan New Mansion	Residential	62,400	1,175	18,800	Haizhu, Guangzhou
Ling Nan Riverside	Residential	57,500	878	15,300	Liwan, Guangzhou
Cong Hua Glade Village	Low-rise Apartment/Villa	35,800	252	7,000	Conghua, Guangzhou
Southern Le Sand	Low-rise Apartment/Villa	22,800	210	9,200	Nansha, Guangzhou
Other Projects	N/A	15,400	365	23,800	Guangzhou
Sub-total		297,900	4,720	15,800	
Investment Properties	N/A	31,400	675	21,500	Guangzhou
Total		329,300	5,395	16,400	

In the first half of the year, recognized sales area reached approximately 68,500 sq.m. (including sold investment properties of 38,100 sq.m.), and revenue was approximately RMB1,085 million (including sold investment properties totaling RMB 702 million). ASP reached approximately RMB15,800 per sq.m. (including sold investment properties).

Recognized sales (including sold investment properties) in the first half of the year are summarized as follows:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
Springland Garden	Residential	8,200	112	13,600	Haizhu, Guangzhou
Royan Jardin	Residential	4,000	51	12,800	Haizhu, Guangzhou
Victory Plaza (Tower Building A)	Office	2,500	63	24,600	Tianhe, Guangzhou
Cong Hua Glade Village	Low-rise Apartment/Villa	10,400	91	8,700	Conghua, Guangzhou
Southern Le Sand	Low-rise Apartment/Villa	3,300	40	12,100	Nansha, Guangzhou
Other Projects	N/A	2,000	26	13,600	Guangzhou
Sub-total		30,400	383	12,600	
Investment Properties	N/A	38,100	702	18,400	Guangzhou
Total		68,500	1,085	15,800	

As of June 30, 2010, property sold but not yet recognized amounted to 653,300 sq.m. or RMB9,133 million. ASP was RMB14,000 per sq.m. Details are summarized as follows:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
Starry Winking	Residential	96,800	2,165	22,400	Tianhe, Guangzhou
Springland Garden	Residential	122,700	1,801	14,700	Haizhu, Guangzhou
Jiang Nan New Mansion	Residential	125,300	2,144	17,100	Haizhu, Guangzhou
Ling Nan Riverside	Residential	96,500	1,413	14,600	Liwan, Guangzhou
Cong Hua Glade Village	Low-rise Apartment/Villa	65,200	388	6,000	Conghua, Guangzhou
Southern Le Sand	Low-rise Apartment/Villa	129,000	809	6,300	Nansha, Guangzhou
Other Projects	N/A	8,600	270	31,500	Guangzhou
Sub-total		644,100	8,990	14,000	
Investment Properties	N/A	9,200	143	15,700	Guangzhou
Total		653,300	9,133	14,000	

Management Discussion and Analysis

Carrying out intensive research on land acquisition opportunities

To further strengthen the Group's sustainable development capability under the strategic goal of "home base in Guangzhou and strategic expansion nationwide", the Group actively sought and adopted diversified land procurement measures. Aiming to capture market opportunities for expansion with reasonable cost, the Group conducted site visits and research on over 40 potential land acquisition projects in key cities around Pearl River Delta Region, Bohai Rim District, Southwest and the central regions. In the first half of the year, through a 100% owned subsidiary, the Group acquired the "Qiguan Plot" in Zhongshan with 137,000 sq.m. in GFA at a total cost of RMB305 million. The Group is optimistic that it would be able to make more acquisitions in the second half of the year.

As of 30 June 2010, the Group had an undeveloped landbank with a total GFA of approximately 4,530,000 sq.m., comprising approximately 54% in residential properties, 10% in office properties, 15% in commercial properties and 21% in carparks and others.

The followings are the brief descriptions of the relevant projects:

Project Name	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carparks & others		Location
					(sq.m.)	(sq.m.)	
Southern Le Sand	1,704,000	872,000	161,000	465,000	206,000		Nansha, Guangzhou
University City Properties	511,000	340,000	—	—	171,000		Panyu, Guangzhou
Jin Sha Zhou Plot (portion)	385,000	263,000	—	9,000	113,000		Baiyun, Guangzhou
B2-10, Zhujiang New Town	210,000	—	157,000	7,000	46,000		Tianhe, Guangzhou
Sports Stadium Building	125,000	—	81,000	25,000	19,000		Yuexiu, Guangzhou
Fortune World Plaza (portion)	119,000	—	78,000	16,000	25,000		Liwan, Guangzhou
Jiang Nan New Village phase 3&4 (portion)	42,000	27,000	—	—	15,000		Haizhu, Guangzhou
D8-C3, Zhujiang New Town	30,000	22,000	—	—	8,000		Tianhe, Guangzhou
Jiangmen Starry Regal Court (formerly Jiangmen Properties)	383,000	266,000	—	21,000	96,000		Beixin, Jiangmen
Zhongshan Nanqu Plot (formerly Zhongshan Plot)	545,000	346,000	—	67,000	132,000		Nanqu, Zhongshan
Zhongshan Qiguan Plot	137,000	105,000	—	10,000	22,000		Shiqi, Zhongshan
Yantai Starry Phoenix (formerly Yantai Plot)	209,000	115,000	—	32,000	62,000		Zhifu, Yantai
Yau Tong Property	59,000	59,000	—	—	—		Yautong, Hong Kong
Other Projects	67,000	31,000	—	7,000	29,000		N/A
Total	4,526,000	2,446,000	477,000	659,000	944,000		

Accelerating project development

To achieve a sales value of HKD Ten Billion and to ensure a proper sales pipeline, the Group actively tackled various market challenges, carried out deployment and adjustments, and accelerated the progress of project development in all dimensions. In the first half of this year, newly started construction area amounted to about 510,000 sq.m., including approximately 200,000 sq.m. in Phase 1 of Jiangmen Starry Regal Court, approximately 180,000 sq.m. in Phase 8 of Southern Le Sand, approximately 90,000 sq.m. in the Hua Du Plot, part of Jin Sha Zhou Plot, and Phase 3&4 of Jiang Nan New Village.

At the same time, the Group strived to mitigate obstacles and sped up progress for projects which had commenced construction. For projects such as Starry Winking, Block A and F of Jiang Nan New Mansion and Block 17-22 of Springland Garden, the Group adopted proactive measures in project planning, material procurement, construction work sequence, and etc. to accelerate construction progress and to ensure completion and delivery of some of the projects ahead of schedule.

As of 30 June 2010, properties under development amounted to approximately 2,710,000 sq.m., of which approximately 49% were residential properties, 14% office buildings, 13% commercial properties and 24% car parks and others.

Details are summarized below:

Project Name	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carparks & others		Location
					(sq.m.)	(sq.m.)	
Southern Le Sand	552,000	308,000	131,000	71,000	42,000		Nansha, Guangzhou
Asia Pacific Century Plaza	232,000	—	105,000	27,000	100,000		Tianhe, Guangzhou
Jiang Nan New Mansion	230,000	148,000	—	29,000	53,000		Haizhu, Guangzhou
Fortune World Plaza (portion)	210,000	—	—	180,000	30,000		Liwan, Guangzhou
Ling Nan Riverside	192,000	170,000	—	—	22,000		Liwan, Guangzhou
Starry Winking	186,000	121,000	—	19,000	46,000		Tianhe, Guangzhou
Springland Garden	165,000	124,000	—	20,000	21,000		Haizhu, Guangzhou
Guangzhou IFC (portion)	164,000	—	—	—	164,000		Tianhe, Guangzhou
Cong Hua Glade Village	152,000	122,000	—	—	30,000		Conghua, Guangzhou
D3-7, Zhujiang New Town	134,000	—	97,000	9,000	28,000		Tianhe, Guangzhou
Hua Du Plot	93,000	71,000	—	—	22,000		Huadu, Guangzhou
Paradiso Homeland (formerly Jiang Nan New Village phase 3 Zone 7)	78,000	57,000	—	1,000	20,000		Haizhu, Guangzhou
Jiang Nan New Village phase 3&4 (portion)	24,000	12,000	—	—	12,000		Haizhu, Guangzhou
Jin Sha Zhou Plot (portion)	22,000	21,000	—	1,000	—		Baiyun, Guangzhou
Jiangmen Starry Regal Court (formerly Jiangmen Plot)	195,000	138,000	—	4,000	53,000		Beixin, Jiangmen
Other Projects	81,000	22,000	42,000	—	17,000		N/A
Total	2,710,000	1,314,000	375,000	361,000	660,000		

Management Discussion and Analysis

Pursuing adjustment in asset structure

According to the plan set at the beginning of this year, the Group actively sought to adjust its asset portfolio and accelerate the disposal of non-core and inefficient properties. In light of the rapidly changing and unfavorable market conditions, the Group adopted diversified sales strategies and disposal of investment properties totaling RMB675 million in value with a floor area of 31,400 sq.m. was achieved in the first half of this year.

As of 30 June 2010, the Group's investment properties totaled approximately 945,500 sq.m., of which approximately 38% were office buildings, 32% commercial properties, and 30% carparks. Rental and management fees reached approximately RMB332 million, representing an increase of 20.4% over the same period last year. During the Reporting Period, the investment properties' fair value appreciated by approximately RMB187 million to RMB7,562 million.

Details of the Group's investment properties are as follows:

Project Name	GFA (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carparks (sq.m.)	Location
Guangzhou IFC (portion)	233,200	167,200	44,700	21,300	Tianhe, Guangzhou
Popark Plaza	85,000	—	85,000	—	Tianhe, Guangzhou
Jin Han Building	45,800	45,800	—	—	Yuexiu, Guangzhou
Guang Yuan Cultural Centre	32,000	—	20,700	11,300	Yuexiu, Guangzhou
Huangshi Garden	30,900	—	30,900	—	Baiyun, Guangzhou
Xiangkang Commercial Plaza	28,900	28,900	—	—	Yuexiu, Guangzhou
Victory Plaza (Tower Building B)	25,700	25,700	—	—	Tianhe, Guangzhou
Jiangxing Building	17,900	17,900	—	—	Haizhu, Guangzhou
Yue Xiu City Plaza	17,500	—	17,500	—	Yuexiu, Guangzhou
Hong Fa Building	17,300	17,300	—	—	Tianhe, Guangzhou
Hong Kong Properties	18,100	7,100	11,000	—	Hong Kong
Other Projects (include carparks)	393,200	47,900	97,200	248,100	N/A
Total	<u>945,500</u>	<u>357,800</u>	<u>307,000</u>	<u>280,700</u>	

Deepening system and institutional reform

In the first half of this year, with the help of Towers Watson, a human resource consulting company, the Group continued to optimize the organizational structure, management hierarchy, and salary and welfare structure. The Group sought to gradually implement market-oriented human resources management system and has built multiple channels to attract and retain talents. The Group has recruited a number of professionals for critical positions. These initiatives are essential to satisfy the Group's demand for talents for its rapid expansion. At the same time, the promotion of management and benchmark tools such as Balanced Scorecard, Key Performance Indicators, and other methodologies help instill market-oriented and scientific benchmarking and measurement of corporate performance and execution capability.

Other businesses continuing to perform

In the first half of 2010, revenue from other businesses (mainly decoration and supermarket segments) amounted to RMB323 million, representing an increase of 12.8% over the same period last year.

GZI Real Estate Investment Trust (GZI REIT), an associate of the Group, achieved gross revenue of approximately RMB240 million, representing an increase of 4.3% over the same period last year. The total amount of distributable income reached RMB116 million, representing an increase of 4.9% over the same period last year. As the Group held 35.58% interest in the trust, it would receive a cash distribution of RMB41 million.

Future prospects

In the second half of the year, market adjustment is expected to continue. At the same time, special construction work arrangements in Guangzhou to ensure the smooth progress of the Asian Game to be held at the end of the year will also have an impact on the market. However, the Group remains optimistic about the mid-to-long term prospect of the domestic real estate market. It will continue to pursue its strategic and business objectives and at the same time to strengthen risk control, maintain sound cash flow, and ensure the achievement of key deliverables.

Key tasks to achieve:

Increase land bank and strengthen sustainable development capability

On one hand, the Group will actively analyze acquisition opportunities and seek to acquire attractive land sites in Guangzhou in the second half of the year so as consolidate our leading position there. The Group will also seek to capitalize on the “Three Old” (old urban areas, old villages and old factories) redevelopment projects. On the other hand, the Group will explore opportunities in economically developed cities in the Pearl River Delta, Bohai Rim, and the central regions.

Tackle market changes and accelerate sales

The Group will strengthen market research, devise various contingency plans, accelerate the speed of project launch and sales, and ensure achievement of business objectives.

Develop excellent core investment properties

The Group’s landmark project, Guangzhou International Finance Center (IFC), aims to soft open its hotel and shopping mall before the Asian Games in November 2010. At the same time, the Group will strengthen promotion of the offices at IFC to financial services companies and other world-class corporations.

ANALYSIS ON OPERATING RESULTS

Change in presentation currency

During the period ended 30 June 2010, the Group changed its presentation currency of its financial statements from Hong Kong dollar to RMB. The Board considers that the change will result in a more appropriate presentation of the Group’s transactions in the financial statements. Details are set out in Note 2 to the “Notes to the Condensed Consolidated Interim Financial Information”.

Revenue and gross profit

For the period ended 30 June 2010, the Group’s revenue amounted to approximately RMB1,037 million, representing a decrease of 53.1% over the same period last year. Gross profit margin was 41.4%, as increased by 5 percentage points over the same period last year.

Due to the decrease in recognized sales GFA, revenue from the property sales (including the sales of investment properties) recorded a decrease of 36% to approximately RMB1,085 million during the period. Gross profit margin remained stable at 39%.

Fair value gains on revaluation of investment properties

During the period, fair value gains on revaluation of investment properties amounted to approximately RMB187 million, representing a decrease of 39.1% over the same period last year.

Management Discussion and Analysis

Selling and general administrative expenses

During the period, selling expenses increased to approximately RMB92 million, representing an increase of 22.8% over the same period last year. This was mainly attributable to the increase in volume of contracted sales in the first half of 2010. The selling expenses ratio during the period (selling expenses over contracted sales) was 2%, as decreased by 2 percentage points from 4% in the same period last year.

During the period, general administrative expenses increased to approximately RMB313 million, representing an increase of 17.1% over the same period last year. This was mainly derived from the expanded business of the Group. The general administrative expenses ratio during the period (general administrative expenses over contracted sales) was 6%, as decreased by 7 percentage points from 13% in the same period last year.

Finance costs

With the effect of increase in HK\$ interest rate and our increased bank borrowings, the Group's actual interest expenses during the period amounted to approximately RMB328 million, representing an increase of 90.7% as compared to those for the same period last year of RMB172 million. Meanwhile, due to the substantial increase in properties under development as compared to the same period last year, capitalized interest expenses increased to approximately RMB254 million over those for the same period last year of approximately RMB159 million. As a result, finance costs recognized as expenses were approximately RMB73 million, representing an increase of 469.2% over those in the same period last year of approximately RMB13 million.

Share of profits of associated entities

For the period ended 30 June 2010, overall net contribution from the Group's associated entities amounted to RMB97 million, representing an increase of 134.0% over the same period last year. This was mainly derived from the Group's share of profit from a 35.58% equity interest in GZI REIT.

Taxation expenses

During the period, taxation expenses amounted to approximately RMB139 million, representing a decrease of 50.1% over the same period last year of RMB279 million. This was mainly due to the significant decrease in revenue and fair value gains on revaluation of investment properties.

Profit attributable to equity holders of the Company

For the period ended 30 June 2010, the Group recorded profit attributable to equity holders of approximately RMB356 million, representing a decrease of 41.2% over the same period last year. In the first half of 2009, profit attributable to equity holders of the Company included profit from discontinued operation of approximately RMB70 million. Excluding such effect, profit attributable to equity holders of the Company would have decreased by 33%.

Basic earnings per share

For the period ended 30 June 2010, basic earnings per share attributable to equity holders of the Company were RMB0.0498 (30 June 2009: RMB0.0849).

Interim dividend

The Board resolved not to declare an interim dividend for the first half of 2010 (first half of 2009: nil).

Liquidity and financial resources

As at 30 June 2010, the Group's working capital (current assets less current liabilities) amounted to approximately RMB13,929 million (31 December 2009: RMB13,274 million). The Group's current ratio (current assets over current liabilities) was 1.82 times. Cash and cash equivalents amounted to approximately RMB6,125 million (31 December 2009: RMB4,328 million). Charged bank deposits amounted to RMB1,211 million (31 December 2009: RMB1,845 million). Undrawn committed bank facilities amounted to approximately RMB2,500 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 safeguard the business development of the Group. Therefore, the Group places great emphasis on liquidity management and risk control. In addition to maintaining good relationships with financial institutions in Hong Kong and Mainland China, the Group strives to explore alternative financing channels, seeks to lower financing costs, and monitors its capital and debt structures from time to time. The Group also makes appropriate adjustments thereof to enhance its risk resistance capability.

Capital structure

The Group's capital structure is summarized as follows:

	As at	
	30 June	31 December
	2010	2009
	RMB'000	RMB'000
Bank borrowings (floating rate)		
Denominated in RMB	10,864,300	8,814,000
Denominated in Hong Kong dollar	3,706,153	3,728,845
Total bank borrowings	14,570,453	12,542,845
Unsecured other borrowings	49,838	50,028
Finance lease	183	109
Overdrafts	245	404
Total debts	14,620,719	12,593,386
Ageing analysis:		
Repayable within one year	3,168,920	1,887,472
In the second year	4,153,970	2,467,441
In the third to fifth year	4,597,829	5,748,473
Over five year	2,700,000	2,490,000
Total borrowings	14,620,719	12,593,386
Less: Cash and cash equivalents	(6,125,126)	(4,327,915)
Net borrowings	8,495,593	8,265,471
Shareholders' equity (excluding minority interests)	12,430,562	12,075,749
Total capitalization	20,926,155	20,341,220
Gearing ratio	40.6%	40.6%

During the period, net new bank borrowings increased by approximately RMB2,000 million which had been wholly injected into the development of property projects.

Management Discussion and Analysis

Capital expenditures and investments

As at 30 June 2010, the Group's capital expenditures on property, plant, equipment and investment properties amounted to approximately RMB702 million (30 June 2009: RMB16 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. In light of the financial crisis, the Group expects the current low interest rate environment to persist for an extended period of time. 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.

Capital commitment

As at 30 June 2010, the Group had unpaid land premium payable in respect of the land acquisition of approximately RMB611 million (31 December 2009: RMB2,657 million).

Other than the above, Group also had capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately RMB2,980 million (31 December 2009: RMB3,185 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 PRC. 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 2010, total contingent liabilities relating to these guarantees amounted to approximately RMB1,875 million (31 December 2009: RMB1,035 million).

As at 30 June 2010, in connection with the disposal of a subsidiary to GZI REIT in 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately RMB65 million. The Deed of Indemnity will expire on 30 May 2014.

Employees and remuneration policy

As at 30 June 2010, the Group had approximately 5,800 employees (31 December 2009: 5,800 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 accordingly to their performance. Promotion and salary adjustments are based on performance.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

Reference is made to HK\$3,200 million loan agreement dated 8 December 2009 (“Loan Agreement”) with a final maturity in December 2012. In accordance with the terms of the Loan Agreement, it shall be an event of default if Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) ceases to maintain (i) its status as the single largest beneficial shareholder of the Company, or (ii) (whether directly or indirectly) a shareholding interest of not less than 35% in the issued voting share capital of the Company or (iii) an effective management control over the Company. These obligations have been duly complied with for the period ended 30 June 2010.

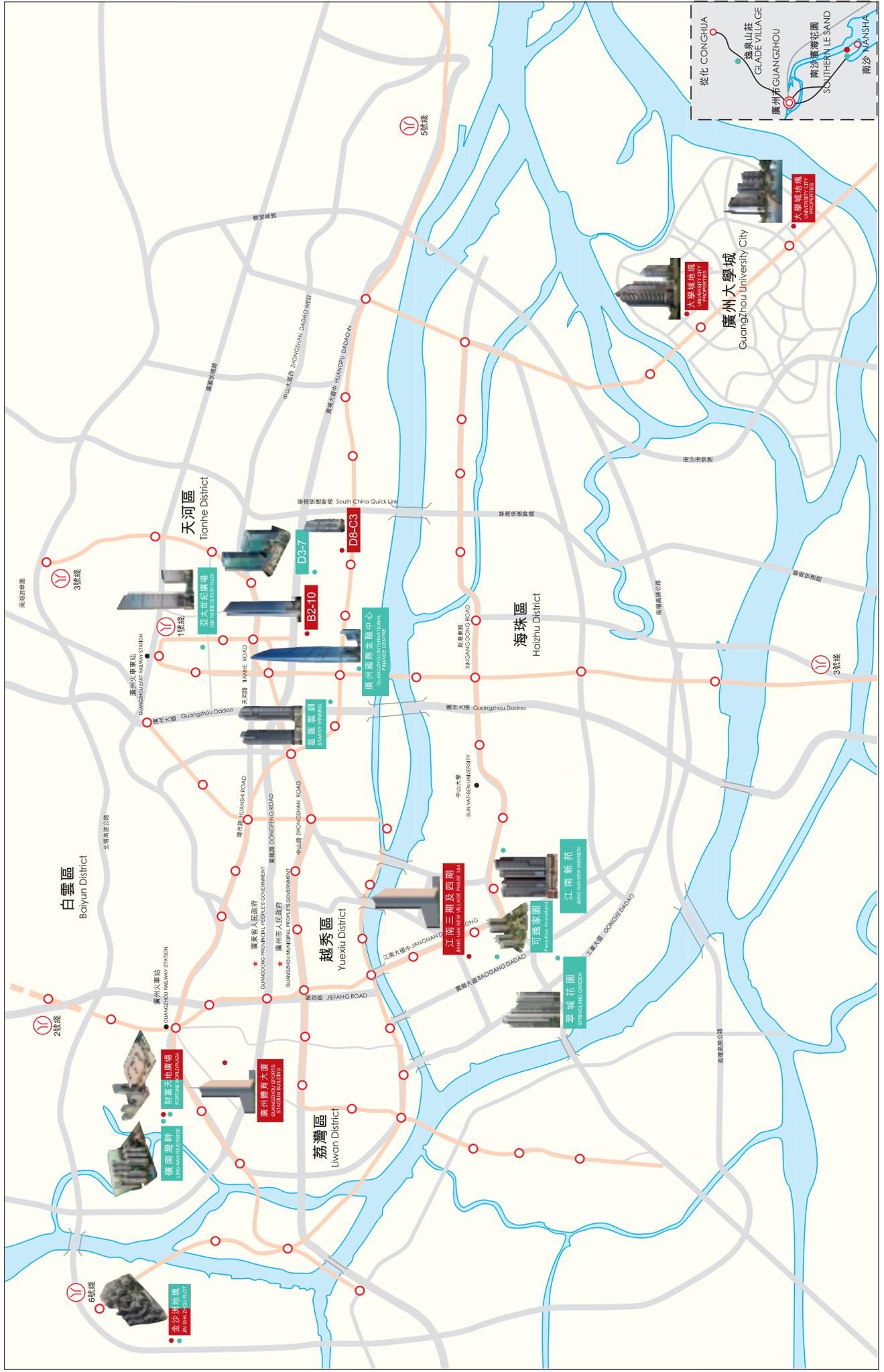
By order of the Board

LU Zhifeng

Chairman

Hong Kong, 20 August 2010

Location Map of Major Property Projects of the Group in Guangzhou

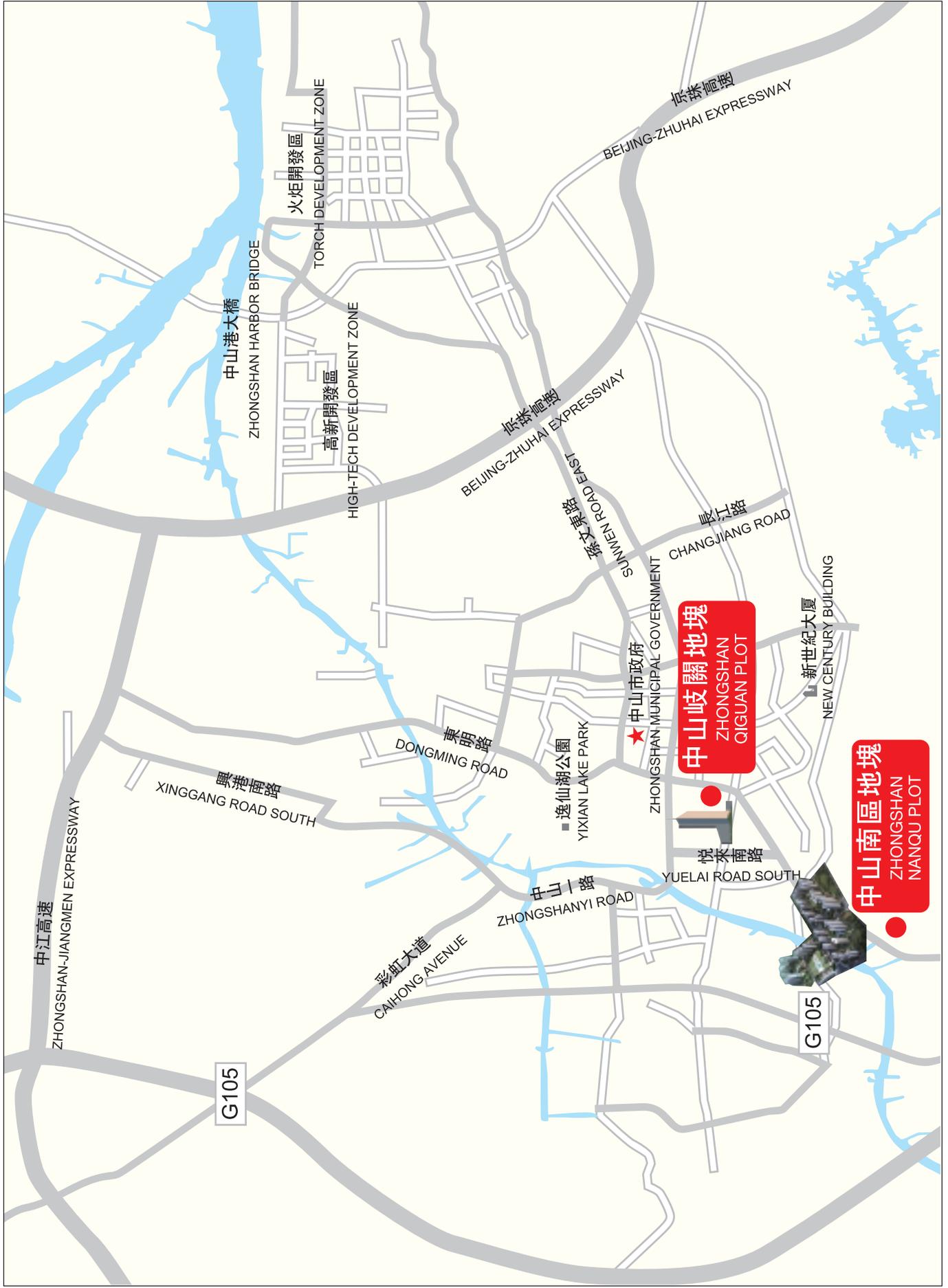


● 未開發物業 Properties For Future Development ● 在建物業 Properties Under Development ● 地鐵站 Metro Station ● 地鐵線 Metro Line

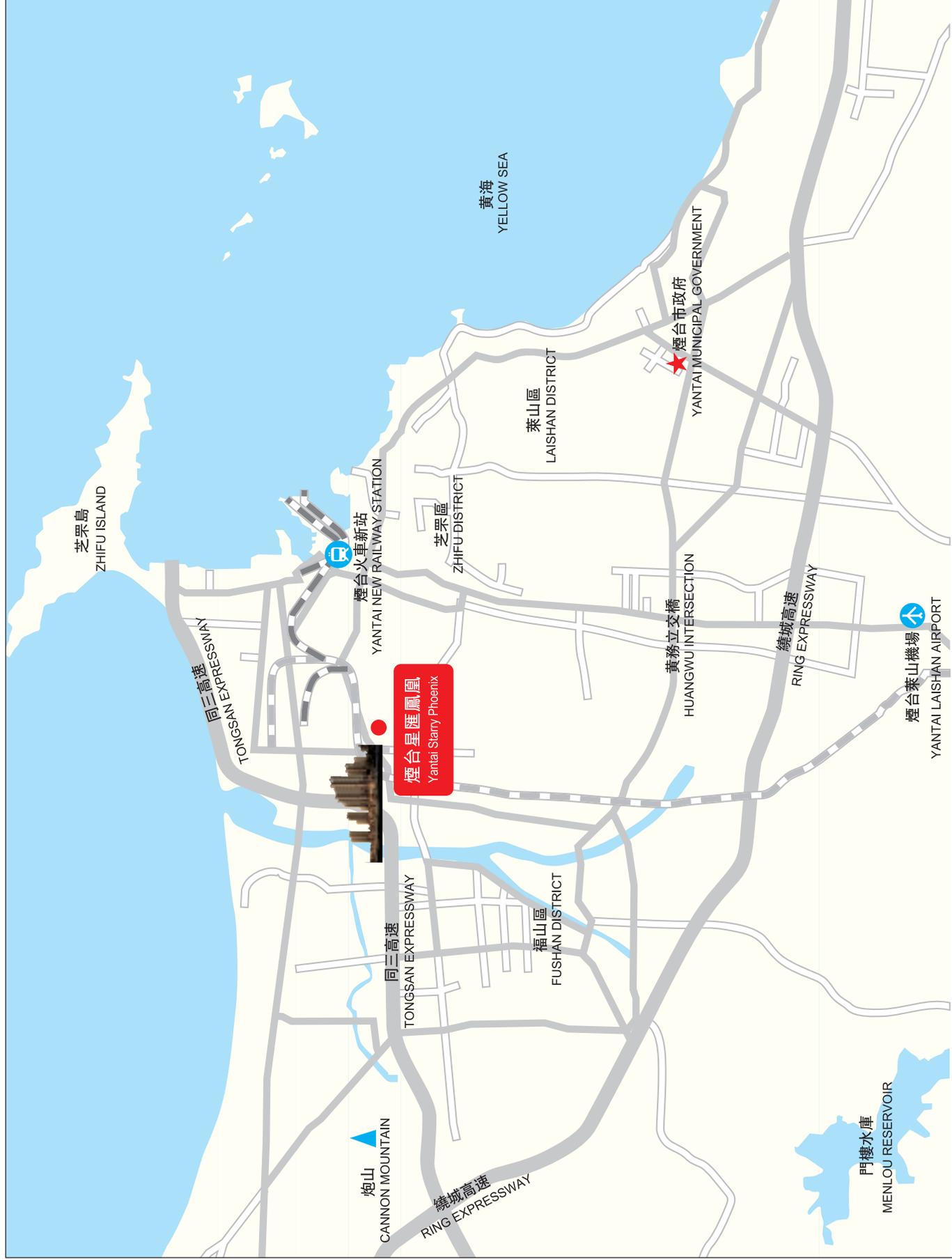
Location Map of Major Property Projects of the Group in Jiangmen



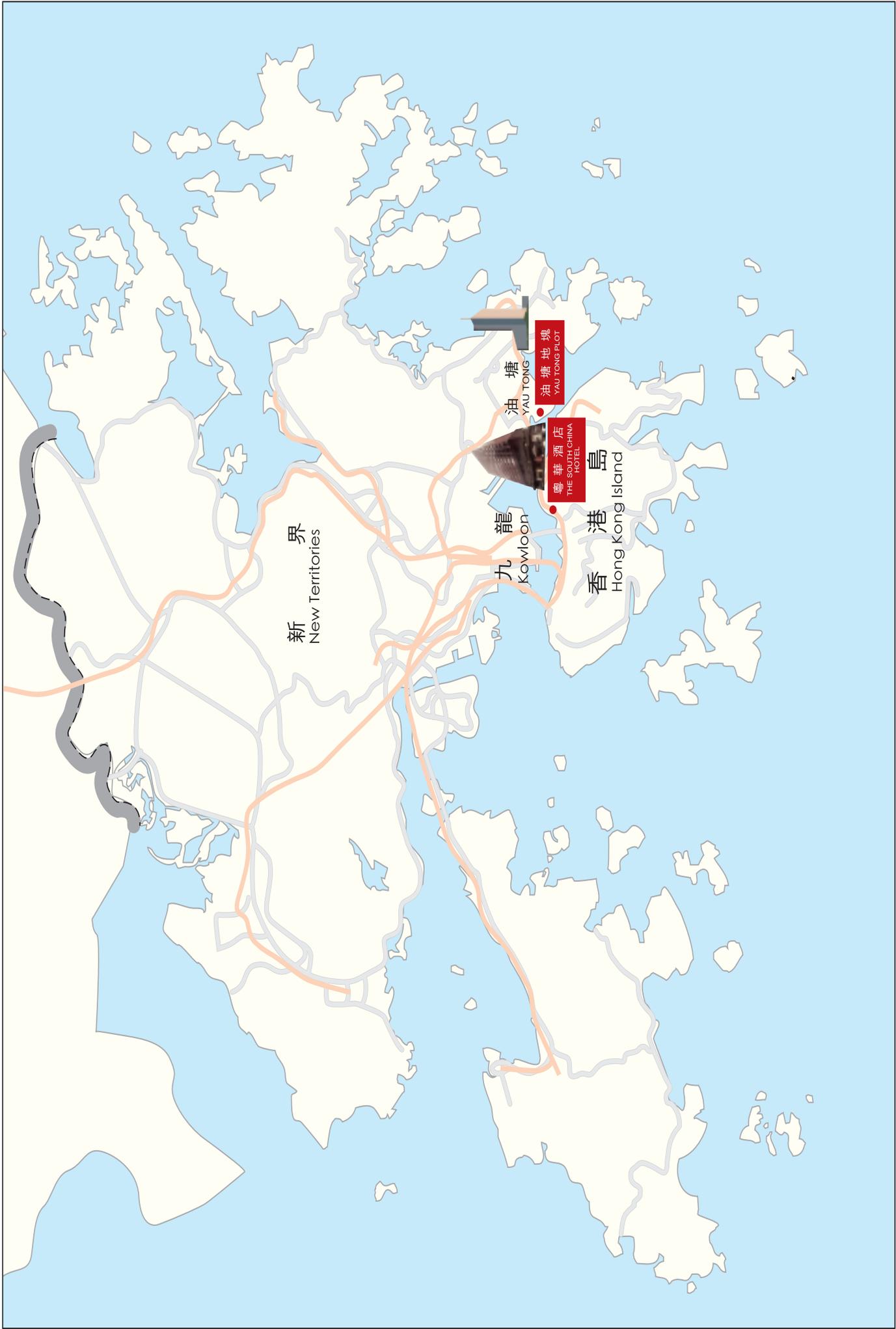
Location Map of Major Property Projects of the Group in Zhongshan



Location Map of Major Property Projects of the Group in Yantai



Location Map of Major Property Projects of the Group in Hong Kong



Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF YUEXIU PROPERTY COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 60, which comprises the condensed consolidated balance sheet of Yuexiu Property Company Limited (“the Company”) and its subsidiaries as at 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flows statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2010

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Revenue	5	1,037,347	2,211,526
Cost of sales	6	(607,590)	(1,408,801)
Gross profit		429,757	802,725
Proceeds from sales of investment properties		702,296	51,651
Direct costs of investment properties sold		(499,812)	(36,797)
Gain on sales of investment properties		202,484	14,854
Fair value gains on revaluation of investment properties		187,168	307,564
Selling and distribution expenses	6	(92,091)	(74,993)
General and administrative expenses	6	(312,619)	(266,903)
Operating profit		414,699	783,247
Finance income		12,384	35,169
Net foreign exchange gain on financing activities		29,039	1,512
Finance costs		(73,100)	(12,842)
Share of profits of			
- jointly controlled entities		45,979	133
- associated entities		97,486	41,665
Profit before tax		526,487	848,884
Taxation	7	(139,361)	(279,250)
Profit for the period from continuing operations		387,126	569,634
Discontinued operation			
Profit for the period from discontinued operation	22	—	179,307
Profit for the period		387,126	748,941
Attributable to			
Equity holders of the Company		355,660	604,750
Minority interests		31,466	144,191
		387,126	748,941

Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Profit for the period attributable to equity holders of the Company			
From continuing operations		355,660	534,402
From discontinued operation		—	70,348
		<u>355,660</u>	<u>604,750</u>
Profit for the period attributable to minority interests			
From continuing operations		31,466	35,232
From discontinued operation		—	108,959
		<u>31,466</u>	<u>144,191</u>
Earnings per share for profit from continuing operations and profit from discontinued operation attributable to equity holders of the Company (expressed in RMB per share)	8		
- Basic			
From continuing operations		0.0498	0.0750
From discontinued operation		—	0.0099
		<u>0.0498</u>	<u>0.0849</u>
- Diluted			
From continuing operations		0.0495	0.0747
From discontinued operation		—	0.0098
		<u>0.0495</u>	<u>0.0845</u>
		RMB'000	RMB'000
Dividend	9	—	50,451

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Profit for the period	<u>387,126</u>	<u>748,941</u>
Other comprehensive income:		
Currency translation differences	(23,318)	(11,566)
Change in fair value of available-for-sale financial assets, net of tax	<u>23,101</u>	<u>254,265</u>
Other comprehensive income for the period, net of tax	<u>(217)</u>	<u>242,699</u>
Total comprehensive income for the period	<u><u>386,909</u></u>	<u><u>991,640</u></u>
Attributable to		
Equity holders of the Company	354,085	840,642
Minority interests	<u>32,824</u>	<u>150,998</u>
	<u><u>386,909</u></u>	<u><u>991,640</u></u>

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2010

	Note	As at	
		30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,890,078	1,579,667
Investment properties	11	7,562,101	7,489,527
Leasehold land and land use rights	12	556,511	552,514
Interests in jointly controlled entities		214,934	170,451
Interests in associated entities		1,579,353	1,527,023
Available-for-sale financial assets		1,109,821	1,082,483
Deferred tax assets	20	40,864	41,310
		<u>12,953,662</u>	<u>12,442,975</u>
Current assets			
Properties under development		19,140,070	15,112,096
Properties held for sale		756,341	902,225
Prepayments for land use rights		1,298,660	1,375,949
Inventories		108,559	90,939
Trade receivables	14	25,968	53,050
Other receivables, prepayments and deposits		1,726,871	548,356
Taxation recoverable		515,558	334,069
Charged bank deposits		1,211,171	1,845,200
Cash and cash equivalents		6,125,126	4,327,915
		<u>30,908,324</u>	<u>24,589,799</u>
LIABILITIES			
Current liabilities			
Trade payables	15	101,582	122,107
Land premium payable		439,182	439,182
Advance receipts from customers		8,290,004	4,075,049
Other payables and accrued charges		4,140,078	3,962,375
Borrowings	16	3,168,920	1,887,472
Taxation payable		839,902	829,204
		<u>16,979,668</u>	<u>11,315,389</u>
Net current assets		<u>13,928,656</u>	<u>13,274,410</u>
Total assets less current liabilities		<u>26,882,318</u>	<u>25,717,385</u>

Condensed Consolidated Balance Sheet

As at 30 June 2010

	Note	As at	
		30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
Non-current liabilities			
Borrowings	16	11,451,799	10,705,914
Deferred tax liabilities	20	2,513,451	2,496,220
		<u>13,965,250</u>	<u>13,202,134</u>
Net assets		<u>12,917,068</u>	<u>12,515,251</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	668,298	668,202
Other reserves	19	7,262,116	7,260,823
Retained earnings	19	4,500,148	4,146,724
		<u>12,430,562</u>	<u>12,075,749</u>
Minority interests		486,506	439,502
Total equity		<u>12,917,068</u>	<u>12,515,251</u>

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Net cash used in operating activities	(920,139)	(112,944)
Net cash generated from/(used in) investing activities	659,456	(610,797)
Net cash generated from financing activities	<u>2,058,680</u>	<u>1,297,983</u>
Increase in cash and cash equivalents	1,797,997	574,242
Cash and cash equivalents at the beginning of period	4,327,511	3,083,247
Transfer to non-current assets held for sale	—	(22,629)
Exchange gains on cash and cash equivalents	<u>(627)</u>	<u>(712)</u>
Cash and cash equivalents at the end of period	<u><u>6,124,881</u></u>	<u><u>3,634,148</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	6,125,126	3,634,335
Bank overdrafts	<u>(245)</u>	<u>(187)</u>
	<u><u>6,124,881</u></u>	<u><u>3,634,148</u></u>

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Unaudited			
	Attributable to equity holders of the Company			Total RMB'000
	Share capital RMB'000	Reserves RMB'000	Minority interests RMB'000	
Balance at 1 January 2010, as previously reported	668,202	11,090,259	419,116	12,177,577
Effect of adoption of amendment to HKAS 17	—	337	—	337
Effect of voluntary change in accounting policy	—	316,951	20,386	337,337
Balance at 1 January 2010, as restated	<u>668,202</u>	<u>11,407,547</u>	<u>439,502</u>	<u>12,515,251</u>
Comprehensive income				
Profit for the period	—	355,660	31,466	387,126
Other comprehensive income				
Currency translation differences	—	(23,318)	—	(23,318)
Change in fair value of available-for-sale financial assets, net of tax	—	21,743	1,358	23,101
Other comprehensive income for the period, net of tax	—	(1,575)	1,358	(217)
Total comprehensive income for the period	—	354,085	32,824	386,909
Transactions with owners				
Employee share options scheme - value of employee services	—	78	—	78
Issue of shares net of issuing expenses	96	554	—	650
Capital injection to a subsidiary	—	—	14,180	14,180
Total transactions with owners	<u>96</u>	<u>632</u>	<u>14,180</u>	<u>14,908</u>
Balance at 30 June 2010	<u>668,298</u>	<u>11,762,264</u>	<u>486,506</u>	<u>12,917,068</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Unaudited			
	Attributable to equity holders of the Company			Total RMB'000
	Share capital RMB'000	Reserves RMB'000	Minority interests RMB'000	
Balance at 1 January 2009, as previously reported	667,345	12,145,826	5,886,112	
Effect of adoption of amendment to HKAS 17	—	253	—	253
Effect of voluntary change in accounting policy	—	310,873	17,285	328,158
Balance at 1 January 2009, as restated	<u>667,345</u>	<u>12,456,952</u>	<u>5,903,397</u>	<u>19,027,694</u>
Comprehensive income				
Profit for the period	—	604,750	144,191	748,941
Other comprehensive income				
Currency translation differences	—	(5,660)	(5,906)	(11,566)
Change in fair value of available-for-sale financial assets, net of tax	—	241,552	12,713	254,265
Other comprehensive income for the period, net of tax	<u>—</u>	<u>235,892</u>	<u>6,807</u>	<u>242,699</u>
Total comprehensive income for the period	<u>—</u>	<u>840,642</u>	<u>150,998</u>	<u>991,640</u>
Transactions with owners				
Employee share options scheme - value of employee services	—	226	—	226
Issue of shares net of issuing expenses	58	338	—	396
Acquisition of a subsidiary	—	—	15,059	15,059
Dividend paid	—	(50,451)	(144,113)	(194,564)
Total transactions with owners	<u>58</u>	<u>(49,887)</u>	<u>(129,054)</u>	<u>(178,883)</u>
Balance at 30 June 2009	<u>667,403</u>	<u>13,247,707</u>	<u>5,925,341</u>	<u>19,840,451</u>

The notes on pages 28 to 60 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Yuexiu Property Company Limited (“Company”) and its subsidiaries (“Group”) is principally engaged in development, operation and management of toll highways and bridges (disposed of in 2009), development, selling and management of properties and holding of investment properties. The Group’s operations are primarily conducted in Hong Kong and Mainland China (“China”).

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited and Singapore Exchange Securities Trading Limited.

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 20 August 2010.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

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

During the period ended 30 June 2010, the Group has changed the presentation currency of its financial statements from Hong Kong dollar to RMB. The Board of Directors considers the change will result in a more appropriate presentation of the Group’s transactions in the financial statements. The comparative figures in this condensed consolidated interim financial information are translated from Hong Kong dollar to RMB using the rates that approximate the closing rates for balance sheet items and average rates for the period under review for income statement items. As a result, the comparative figures have been re-presented and resulted in the decrease of exchange, fluctuation reserve of approximately RMB968 million as at 30 June 2010.

3 ACCOUNTING POLICIES

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

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

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (continued)

(a) Change in accounting policy on leasehold land and land use rights

During the period ended 30 June 2010, the Group changed its accounting policy for leasehold land and land use rights which is held for development for sale. Leasehold land and land use rights which are held for development for sale meet the definition of both inventories under HKAS 2 “Inventories” and leasehold land and land use rights under HKAS 17 “Leases”. Previously, leasehold land and land use rights that are held for development for sale were classified as prepaid operating leases and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land and land use rights during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in profit or loss. Subsequent to the change in accounting policy, leasehold land and land use rights which are held for development for sale are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of leasehold land and land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the period. The revised treatment reflects management’s intent regarding the use of the leasehold land and land use rights and results in a presentation consistent with industry practice.

The change in accounting policy has been accounted for retrospectively and the condensed consolidated interim financial information has been restated by reversing the amortisation charged in prior years. The effect on the condensed consolidated interim financial information is as follows:

Condensed consolidated income statement	Six months ended 30 June	
	2010 RMB’000	2009 RMB’000
Decrease in cost of sales	(56,792)	(5,145)
Increase in share of profits of jointly controlled entities	153	153
Increase in share of profits of associated entities	54	21
Increase in taxation	16,808	1,922
Increase in profit attributable to equity holders of the Company	37,944	1,871
Increase in profit attributable to minority interests	2,247	1,526
Increase in basic and diluted earnings per share (in RMB)	<u>0.0056</u>	<u>0.0005</u>

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (continued)

(a) Change in accounting policy on leasehold land and land use rights (continued)

Condensed consolidated balance sheet	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Decrease in leasehold land and land use rights – non-current	(6,103,210)	(4,182,098)
Increase in interests in jointly controlled entities	5,526	5,372
Increase in interests in associated entities	369	315
Decrease in deferred tax assets	(31,899)	(31,872)
Increase in properties under development	12,318,033	10,376,919
Increase in properties held for sale	152,780	197,071
Decrease in leasehold land and land use rights – current	(5,782,116)	(5,863,196)
Increase in deferred tax liabilities	181,955	165,174
Increase in retained earnings	354,895	316,951
Increase in minority interests	22,633	20,386
	<u>22,633</u>	<u>20,386</u>

(b) Amended standard adopted by the Group

The following new amendment to standard is mandatory for the first time for the financial year beginning 1 January 2010:

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (continued)

(b) Amended standard adopted by the Group (continued)

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.
- If the property interest is held for sale in the ordinary course of business or is in the process of being developed for such sale, that land interest is accounted for as inventory under “Properties held for sale” or “Properties under development” respectively, and stated at the lower of cost and net realisable value. Prior to the amendment, the amortisation of the land interest during the construction period is capitalised.

The effect of the adoption of this amendment is as below:

Condensed consolidated income statement	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Increase/(decrease) in cost of sales	350	(42)
(Decrease)/increase in profit attributable to equity holders of the Company	(350)	42
	=====	=====
Condensed consolidated balance sheet	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Increase in property, plant and equipment	277,474	281,382
Decrease in leasehold land – non-current	(804,348)	(813,148)
Increase in properties under development	723,649	730,368
Increase in properties held for sale	—	3,531
Decrease in leasehold land – current	(196,775)	(201,796)
Increase in retained earnings	—	350
Decrease in exchange fluctuation reserve	—	(13)
	=====	=====

(i) Property, plant and equipment

Leasehold land classified as finance lease is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the land interest. Depreciation commences from the land interest becomes available for its intended use, and is calculated using straight-line method to allocate the cost over the remaining lease terms of 58 to 60 years.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (continued)

(b) Amended standard adopted by the Group (continued)

(ii) Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(c) The following amendments, revision and interpretation to existing standards effective in 2010 but not relevant to the Group:

- HKAS 39 (Amendment), 'Eligible Hedged Items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.
- 'Additional Exemptions for First-time Adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKFRS 2 (Amendment), 'Group Cash-settled Share-based Payment Transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.
- HKFRS 3 (Revised), 'Business Combinations', and consequential amendments to HKAS 27, 'Consolidated and Separate Financial Statements', HKAS 28, 'Investments in Associates', and HKAS 31, 'Interests in Joint Ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has no business combination for which the acquisition date is on or after 1 July 2009.
- HK(IFRIC) - Int 17, 'Distributions of Non-cash Assets to Owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- First improvements to HKFRS (2008) were issued in October 2008 by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.
- Second improvements to HKFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (continued)

(d) The following new standards, new interpretation, amendments and revision to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, 'Financial Instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised approximately RMB23 million of such gains (net of tax) in other comprehensive income. The Group has not yet decided when to adopt HKFRS 9.
- HKAS 24 (Revised) 'Related Party Disclosures' supersedes HKAS 24 'Related Party Disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised HKAS 24 from 1 January 2011.
- Under 'Classification of Rights Issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted. This is not currently applicable to the Group.
- Amendments to HK(IFRIC) Int - 14 'Prepayments of a Minimum Funding Requirement' corrects an unintended consequence of HK(IFRIC) Int-14, 'HKAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int - 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.
- HK(IFRIC) - Int 19, 'Extinguishing Financial Liabilities with Equity Instruments' clarifies the requirements of HKFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. This is not relevant to the Group as the Group does not have such arrangement.
- 'Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters' (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (continued)

(d) The following new standards, new interpretation, amendments and revision to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted: (continued)

- Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

Management is in the process of making an assessment of the impact of these new standards, new interpretation, amendments and revision to standards and interpretation and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Impairment of leasehold land and land use rights and property, plant and equipment

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment, leasehold land and land use rights have been determined based on the higher of their value-for-sale or value-in-use, taking into account the latest market information and past experience.

(b) Net realisable value of properties under development and properties held for sale

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

Notes to the Condensed Consolidated Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(d) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in Note 7.

(e) Current and deferred income tax

The Group is subject to income tax primarily in China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

Notes to the Condensed Consolidated Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(g) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining certain land use rights for construction of properties in China. The Group estimates the accruals for these costs for construction based on historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

(h) Fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustments to reflect those differences; and
- (ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(i) Impairment of trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the condensed consolidated income statement. In determining whether there is any impairment, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors (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 toll operations (disposed of in 2009) 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. Other information provided, except as noted below, to the Board is measured in a manner consistent with that in the condensed consolidated income statement.

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.

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Total continuing operations RMB'000	Discontinued operations (Toll operations) RMB'000	Group RMB'000
Six months ended 30 June 2010							
Revenue	382,662	184,310	154,103	513,932	1,235,007	—	1,235,007
Inter-segment revenue	—	(5,403)	(988)	(191,269)	(197,660)	—	(197,660)
Revenue from external customers	<u>382,662</u>	<u>178,907</u>	<u>153,115</u>	<u>322,663</u>	<u>1,037,347</u>	<u>—</u>	<u>1,037,347</u>
Segment results	<u>54,122</u>	<u>4,133</u>	<u>352,814</u>	<u>24,865</u>	<u>435,934</u>	<u>—</u>	<u>435,934</u>
Share of profits of							
- jointly controlled entities	45,979	—	—	—	45,979	—	45,979
- associated entities	<u>97,486</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>97,486</u>	<u>—</u>	<u>97,486</u>
Six months ended 30 June 2009							
Revenue	1,649,758	171,218	120,236	374,477	2,315,689	446,998	2,762,687
Inter-segment revenue	—	(15,206)	(434)	(88,523)	(104,163)	—	(104,163)
Revenue from external customers	<u>1,649,758</u>	<u>156,012</u>	<u>119,802</u>	<u>285,954</u>	<u>2,211,526</u>	<u>446,998</u>	<u>2,658,524</u>
Segment results	<u>346,851</u>	<u>9,780</u>	<u>418,502</u>	<u>17,739</u>	<u>792,872</u>	<u>221,557</u>	<u>1,014,429</u>
Share of profits/(losses) of							
- jointly controlled entities	133	—	—	—	133	(10,042)	(9,909)
- associated entities	<u>41,665</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>41,665</u>	<u>125,723</u>	<u>167,388</u>

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 30 June 2010					
Segment assets	32,495,086	256,625	7,562,101	460,038	40,773,850
Interests in jointly controlled entities	214,934	—	—	—	214,934
Interests in associated entities	1,579,353	—	—	—	1,579,353
Total assets	34,289,373	256,625	7,562,101	460,038	42,568,137
As at 31 December 2009					
Segment assets	25,717,896	206,077	7,489,527	526,581	33,940,081
Interests in jointly controlled entities	170,451	—	—	—	170,451
Interests in associated entities	1,527,023	—	—	—	1,527,023
Total assets	27,415,370	206,077	7,489,527	526,581	35,637,555

A reconciliation of total segment results to profit before tax and discontinued operation is provided as follows:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Segment results	435,934	792,872
Unallocated operating costs	(21,235)	(9,625)
Operating profit	414,699	783,247
Finance income	12,384	35,169
Net foreign exchange gain on financing activities	29,039	1,512
Finance costs	(73,100)	(12,842)
Share of profits of		
- jointly controlled entities	45,979	133
- associated entities	97,486	41,665
Profit before tax and discontinued operation	526,487	848,884

Notes to the Condensed Consolidated Interim Financial Information

5 SEGMENT INFORMATION (continued)

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

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Total segment assets	42,568,137	35,637,555
Deferred tax assets	40,864	41,310
Taxation recoverable	515,558	334,069
Corporate assets	737,427	1,019,840
Total assets	<u>43,861,986</u>	<u>37,032,774</u>

Information about geographical areas is provided as follows:

	Revenue from continuing operations		Total assets	
	Six months ended		As at	As at
	30 June 2010 RMB'000	2009 RMB'000	30 June 2010 RMB'000	31 December 2009 RMB'000
Hong Kong	85,287	61,795	1,975,108	1,986,255
China	951,549	2,149,208	40,554,229	33,612,454
Overseas	511	523	38,800	38,846
	<u>1,037,347</u>	<u>2,211,526</u>	42,568,137	35,637,555
Unallocated assets			<u>1,293,849</u>	1,395,219
			<u>43,861,986</u>	<u>37,032,774</u>

Notes to the Condensed Consolidated Interim Financial Information

6 EXPENSES BY NATURE

Cost of sales, selling and distribution expenses, and general and administrative expenses of continuing operations included the following:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Amortisation of leasehold land and land use rights	9,397	5,681
Depreciation		
- Owned property, plant and equipment	24,773	23,146
- Leased property, plant and equipment	18	18
Provision for impairment of property, plant and equipment	—	9,278
Reversal of provision for impairment of properties under development	(13,766)	—
	<u>9,397</u>	<u>5,681</u>

7 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2009: 16.5 percent) on the estimated assessable profit for the period.
- (b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated entities and jointly controlled entities in China at 25 percent (2009: range from 20 percent to 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. Subsequent to the disposal of GZI Transport Limited ("Transport"), a subsidiary of the Group, in November 2009, the Group revisited its dividend pay-out policy and considered it is necessary to demand dividend distribution from the subsidiaries in China. Accordingly, withholding income tax was provided for the dividend distributed during the period and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, jointly controlled entities and associated entities in PRC at a tax rate of 5 percent or 10 percent (2009: range from 5 percent to 10 percent), when applicable, for the period ended 30 June 2010.

- (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.

Notes to the Condensed Consolidated Interim Financial Information

7 TAXATION (continued)

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Current taxation		
Hong Kong profits tax	2,960	1,670
China enterprise income tax	22,142	1,951
China land appreciation tax	105,084	120,491
Corporate withholding income tax	277	—
Deferred taxation		
Origination and reversal of temporary differences	(16,313)	155,138
Corporate withholding income tax on undistributed profits	25,211	—
	<u>139,361</u>	<u>279,250</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 period.

	Six months ended 30 June	
	2010	2009
Profit from continuing operations attributable to equity holders of the Company (RMB'000)	355,660	534,402
Profit from discontinued operation attributable to equity holders of the Company (RMB'000)	—	70,348
Profit attributable to equity holders of the Company (RMB'000)	<u>355,660</u>	<u>604,750</u>
Weighted average number of ordinary shares in issue ('000)	<u>7,137,409</u>	<u>7,127,016</u>
Basic earnings per share (RMB)		
From continuing operations	0.0498	0.0750
From discontinued operation	—	0.0099
	<u>0.0498</u>	<u>0.0849</u>

Notes to the Condensed Consolidated Interim Financial Information

8 EARNINGS PER SHARE (continued)

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 months ended 30 June	
	2010	2009
Profit from continuing operations attributable to equity holders of the Company (RMB'000)	355,660	534,402
Profit from discontinued operation attributable to equity holders of the Company (RMB'000)	—	70,348
Profit attributable to equity holders of the Company (RMB'000)	<u>355,660</u>	<u>604,750</u>
Weighted average number of ordinary shares in issue ('000)	7,137,409	7,127,016
Adjustments for share options ('000)	<u>44,160</u>	<u>30,912</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>7,181,569</u>	<u>7,157,928</u>
Diluted earnings per share (RMB)		
From continuing operations	0.0495	0.0747
From discontinued operation	—	0.0098
	<u>0.0495</u>	<u>0.0845</u>

9 DIVIDEND

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
2009 final, paid, nil (2008: HK0.80 cents) per share	<u>—</u>	<u>50,451</u>
2010 interim, proposed, nil (2009: nil) per share	<u>—</u>	<u>—</u>

Notes to the Condensed Consolidated Interim Financial Information

10 INTANGIBLE OPERATING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

	Intangible operating rights RMB'000	Property, plant and equipment RMB'000
Opening net book amount at 1 January 2010, as previously reported	—	1,298,285
Effect of adoption of amendment to HKAS 17	—	281,382
	<hr/>	<hr/>
Opening net book amount at 1 January 2010, as restated	—	1,579,667
Exchange differences	—	(3,412)
Additions	—	340,704
Disposals	—	(2,090)
Depreciation	—	(24,791)
	<hr/>	<hr/>
Closing net book amount at 30 June 2010	—	1,890,078
	<hr/> <hr/>	<hr/> <hr/>
Opening net book amount at 1 January 2009, as previously reported	6,215,852	558,639
Effect of adoption of amendment to HKAS 17	—	285,241
	<hr/>	<hr/>
Opening net book amount at 1 January 2009, as restated	6,215,852	843,880
Exchange differences	—	(3,548)
Additions	1,400	13,692
Disposals	(126,713)	(3,857)
Transfer from properties under development	—	546,261
Impairment	(151,863)	(9,278)
Acquisition of a subsidiary (Note 21)	578,872	21,734
Transfer to non-current assets held for sale	(244,611)	(93)
Amortisation/depreciation		
- continuing operations	—	(23,164)
- discontinued operation	(86,386)	(4,956)
	<hr/>	<hr/>
Closing net book amount at 30 June 2009	6,186,551	1,380,671
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Information

11 INVESTMENT PROPERTIES

	2010 RMB'000	2009 RMB'000
At 1 January	7,489,527	5,241,876
Exchange differences	(4,813)	(239)
Additions	361,633	543
Disposals	(471,414)	(36,797)
Transfer from properties under development	—	2,129,653
Fair value gains	187,168	307,564
	<u>7,562,101</u>	<u>7,642,600</u>
At 30 June	<u>7,562,101</u>	<u>7,642,600</u>

12 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2010 RMB'000	2009 RMB'000
At 1 January, as previously reported	11,612,752	9,993,074
Effect of adoption of amendment to HKAS 17	(1,014,944)	(1,003,680)
Effect of voluntary change in accounting policy	(10,045,294)	(8,687,195)
	<u>552,514</u>	<u>302,199</u>
At 1 January, as restated	552,514	302,199
Additions	13,394	—
Transfer from properties under development	—	226,338
Amortisation	(9,397)	(5,681)
	<u>556,511</u>	<u>522,856</u>
At 30 June	<u>556,511</u>	<u>522,856</u>

13 GOODWILL

	2010 RMB'000	2009 RMB'000
At 1 January	—	111,114
Exchange differences	—	(23)
Impairment	—	(1,300)
Acquisition of a subsidiary (Note 21)	—	27,912
	<u>—</u>	<u>137,703</u>
At 30 June	<u>—</u>	<u>137,703</u>

Goodwill is attributable to the acquisition of 20 percent additional equity interest in GNSR Guangzhou Northern Second Ring Expressway Co., Ltd. and 90 percent equity interest in Cangwu Guihai Cangyu Expressway Co., Ltd.

Notes to the Condensed Consolidated Interim Financial Information

14 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 2010 RMB'000	31 December 2009 RMB'000
0 - 30 days	8,157	24,264
31 - 90 days	4,095	11,965
91 - 180 days	8,388	2,610
181 - 365 days	31	—
Over 1 year	5,297	14,211
	25,968	53,050
	25,968	53,050

15 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
0 - 30 days	40,111	52,957
31 - 90 days	35,624	48,762
91 - 180 days	20,537	15,482
181 - 365 days	775	9
1 - 2 years	777	1,295
Over 2 years	3,758	3,602
	101,582	122,107
	101,582	122,107

Notes to the Condensed Consolidated Interim Financial Information

16 BORROWINGS

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Non-current		
Long-term bank borrowings		
- Secured	8,581,455	8,048,952
- Unsecured	2,820,380	2,606,850
Obligations under finance leases	126	84
Loans from a related company	49,838	50,028
	<u>11,451,799</u>	<u>10,705,914</u>
Current		
Bank overdrafts	245	404
Short-term bank borrowings		
- Secured	70,000	70,000
- Unsecured	388,618	610,043
Current portion of long-term bank borrowings		
- Secured	1,250,000	770,000
- Unsecured	1,460,000	437,000
Obligations under finance leases	57	25
	<u>3,168,920</u>	<u>1,887,472</u>
Total borrowings	<u>14,620,719</u>	<u>12,593,386</u>

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Within one year	3,168,863	1,887,447	57	25
In the second year	4,153,925	2,467,420	45	21
In the third to fifth year	4,547,910	5,698,382	49,919	50,091
Over five years	2,700,000	2,490,000	—	—
	<u>14,570,698</u>	<u>12,543,249</u>	<u>50,021</u>	<u>50,137</u>

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE CAPITAL

	Number of shares ‘000	Amount RMB‘000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	10,000,000	936,400
Issued and fully paid:		
At 1 January 2009	7,126,848	667,345
Issue of shares upon exercise of share options (Note 18)	668	58
At 30 June 2009	7,127,516	667,403
At 1 January 2010	7,136,582	668,202
Issue of shares upon exercise of share options (Note 18)	1,094	96
At 30 June 2010	7,137,676	668,298

18 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options ‘000
At 1 January 2009	76,902
Exercised during the period	(668)
At 30 June 2009	76,234
At 1 January 2010	67,168
Exercised during the period	(1,094)
At 30 June 2010	66,074

Notes to the Condensed Consolidated Interim Financial Information

18 SHARE OPTIONS (continued)

Particulars of share options as at 30 June 2010 and 31 December 2009 are as follows:

Date of grant	Exercise period	Exercise price	Number of outstanding share options	
			As at 30 June 2010	As at 31 December 2009
		HK\$	'000	'000
2 May 2003	2 May 2003 – 1 May 2013	0.410	10,870	10,870
2 June 2003	2 June 2003 – 1 June 2013	0.540	7,000	7,000
27 October 2003	27 October 2003 – 26 October 2013	0.814	1,840	1,840
23 December 2003	23 December 2003 – 22 December 2013	0.846	9,730	9,978
23 June 2004	23 June 2004 – 22 June 2014	0.630	35,514	36,360
28 May 2008	28 May 2008 – 27 May 2018	1.556	1,120	1,120
			66,074	67,168

On 26 June 2002, the Company adopted a share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10 per cent of the number of shares in issue as at 26 June 2002. The exercise price will be determined by the Company's Board of Directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of grant of the options, (ii) an average closing price of the Company's shares for the five business days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares.

As at 30 June 2010, all (31 December 2009: 66,048,000) of the outstanding share options were exercisable.

The fair value of options granted was determined using the Black-Scholes valuation model by Greater China Appraisal Limited, an independent firm of valuers. The significant inputs into the model were share price at the grant date, exercise price, standard deviation of expected share price returns, expected life of options, expected dividend paid-out rate and annual risk-free rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a period of one year before the date when the options were granted.

Notes to the Condensed Consolidated Interim Financial Information

19 RESERVES

	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory reserves RMB'000 (Note (a))	Exchange fluctuation reserve RMB'000	Available- for-sale financial assets fair value reserve RMB'000	Employee share- based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010, as previously reported	6,126,174	1,699	200,829	260,810	662,210	9,114	3,829,423	11,090,259
Effect of adoption of amendment to HKAS 17	—	—	—	(13)	—	—	350	337
Effect of voluntary change in accounting policy	—	—	—	—	—	—	316,951	316,951
At 1 January 2010, as restated	6,126,174	1,699	200,829	260,797	662,210	9,114	4,146,724	11,407,547
Currency translation differences	—	—	—	(23,318)	—	—	—	(23,318)
Change in fair value of available -for-sale financial assets								
- gross	—	—	—	—	30,390	—	—	30,390
- tax	—	—	—	—	(7,597)	—	—	(7,597)
- effect of withholding tax	—	—	—	—	(1,050)	—	—	(1,050)
Profit attributable to shareholders	—	—	—	—	—	—	355,660	355,660
Transfer	—	—	2,236	—	—	—	(2,236)	—
Employee share option scheme – value of employee services	—	—	—	—	—	78	—	78
Issue of shares net of issuing expenses	554	—	—	—	—	—	—	554
Transfer upon exercise of share options	164	—	—	—	—	(164)	—	—
At 30 June 2010	6,126,892	1,699	203,065	237,479	683,953	9,028	4,500,148	11,762,264
Representing:								
2010 interim dividend proposed							—	
Others							4,500,148	
							4,500,148	

Notes to the Condensed Consolidated Interim Financial Information

19 RESERVES (continued)

	Share premium	Capital redemption reserve	Statutory reserves	Exchange fluctuation reserve	Asset revaluation reserve	Available-for-sale financial assets reserve	Employee share-based compensation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note (a))		(Note (a))				
At 1 January 2009 as previously reported	6,118,188	1,699	206,903	283,081	431,768	456,337	10,652	4,637,198	12,145,826
Effect of adoption of amendment to HKAS 17	—	—	—	(13)	—	—	—	266	253
Effect of voluntary change in accounting policy	—	—	—	—	—	—	—	310,873	310,873
At 1 January 2009, as restated	6,118,188	1,699	206,903	283,068	431,768	456,337	10,652	4,948,337	12,456,952
Currency translation differences	—	—	—	(5,660)	—	—	—	—	(5,660)
Change in fair value of available-for-sale financial assets									
- gross	—	—	—	—	—	322,069	—	—	322,069
- tax	—	—	—	—	—	(80,517)	—	—	(80,517)
Profit attributable to shareholders	—	—	—	—	—	—	—	604,750	604,750
Transfer	—	—	6,510	—	(2,993)	—	—	(3,517)	—
Employee share option scheme – value of employee services	—	—	—	—	—	—	226	—	226
Issue of shares net of issuing expenses	338	—	—	—	—	—	—	—	338
Transfer upon exercise of share options	115	—	—	—	—	—	(115)	—	—
Dividend paid	—	—	—	—	—	—	—	(50,451)	(50,451)
At 30 June 2009	<u>6,118,641</u>	<u>1,699</u>	<u>213,413</u>	<u>277,408</u>	<u>428,775</u>	<u>697,889</u>	<u>10,763</u>	<u>5,499,119</u>	<u>13,247,707</u>
Representing:									
2009 interim dividend proposed								—	
Others								5,499,119	
								<u>5,499,119</u>	

Note:

- (a) Statutory reserves represent enterprise expansion and general reserve funds set aside by the subsidiaries, jointly controlled entities and associated entities in China. As stipulated by regulations in China, the Company's subsidiaries, jointly controlled entities and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital.

The asset revaluation reserve represents the fair value adjustment of the 40 percent equity interest in Guangzhou Northern Second Ring Expressway Co., Ltd. ("GNSR Expressway Co., Ltd.") held by the Group at a result of further acquisition of 20 percent additional equity interest in GNSR Expressway Co., Ltd. in 2007.

Notes to the Condensed Consolidated Interim Financial Information

20 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rates.

Deferred taxation as at 30 June 2010 and 31 December 2009 represents:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Deferred tax assets		
Hong Kong profits tax	8,628	9,388
China enterprise income tax	32,236	31,922
	<u>40,864</u>	<u>41,310</u>
Deferred tax liabilities		
Hong Kong profits tax	46,993	40,216
China enterprise income tax	2,002,130	1,891,493
China land appreciation tax	464,328	564,511
	<u>2,513,451</u>	<u>2,496,220</u>

Notes to the Condensed Consolidated Interim Financial Information

21 BUSINESS COMBINATION

On 10 December 2008, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 90 percent equity interest in Cangyu Expressway Limited whose principal asset is the toll operating right of Cangyu Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition and the additional registered capital contribution amounted to RMB162.0 million. The acquisition was completed on 19 January 2009.

Details of the net assets acquired and goodwill are as follows:

	RMB\$'000
Purchase consideration:	
Cash paid	161,950
Direct costs relating to the acquisition	1,528
	<hr/>
Total purchase consideration	163,478
Fair value of net identifiable assets acquired (see below)	(135,566)
	<hr/>
Goodwill	27,912
	<hr/> <hr/>

The goodwill is attributable to the recognition of deferred tax liabilities on fair value gain from the acquisition of 90 percent equity interest in Cangyu Expressway Limited.

Notes to the Condensed Consolidated Interim Financial Information

21 BUSINESS COMBINATION (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Cash and cash equivalents	844	844
Intangible operating rights	578,872	443,609
Property, plant and equipment	21,734	21,734
Trade receivables	803	803
Other receivables, prepayments and deposits	22,991	22,991
Trade and other payables and accrued charges	(44,253)	(44,253)
Amounts due to minority shareholders	(15,946)	(15,946)
Borrowings	(380,600)	(380,600)
Deferred tax liabilities	(33,816)	—
	<hr/>	<hr/>
Net identifiable assets acquired	150,629	49,182
	<hr/> <hr/>	<hr/> <hr/>
Net identifiable assets attributable to the 90 percent additional equity interest acquired by the Group	135,566	44,264
	<hr/> <hr/>	<hr/> <hr/>
Cash outflow to acquire business, net of cash acquired:		
Purchase consideration		163,478
Cash and cash equivalents in the subsidiary acquired		(844)
		<hr/>
Cash outflow on acquisition		162,634
		<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Information

22 DISCONTINUED OPERATION

On 26 November 2009, the Group disposed of the entire equity interest of 45.28% in Transport, a subsidiary of the Group by way of share distribution and share offer. Pursuant to the share distribution arrangement, the Company declared a special dividend that was effected by way of a distribution in specie of Transport shares to the shareholders with a cash alternative. Pursuant to the share offer arrangement, the Company made an offer for sale of all the remaining Transport shares held by it to the shareholders in proportion to their shareholdings. Yue Xiu Enterprises (Holdings) Limited, a substantial shareholder of the Company, is the underwriter of the share offer.

Analysis of the result of discontinued operation and the result recognised on the remeasurement of assets of the disposal group, are as follows:

	Six months ended 30 June 2009 RMB'000
Revenue	446,998
Expenses	(222,724)
	<hr/>
Profit before tax of discontinued operation	224,274
Taxation	(44,967)
	<hr/>
Profit from discontinued operation	179,307
	<hr/> <hr/>
Operating cash flows	271,064
Investing cash flows	(126,261)
Financing cash flows	(212,963)
	<hr/>
	(68,160)
	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Information

23 CONTINGENT LIABILITIES

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note (a))	<u>1,874,693</u>	<u>1,035,067</u>

Notes:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) In connection with the disposal of a subsidiary to GZI Real Estate Investment Trust ("GZI REIT"), an associated entity, in 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately RMB65 million (31 December 2009: RMB65 million). The Deed of Indemnity will be expired on 30 May 2014.

24 COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Not later than one year	24,216	100,772
Later than one year and not later than five years	52,592	25,778
Later than five years	44,577	50,058
	<u>121,385</u>	<u>176,608</u>

Notes to the Condensed Consolidated Interim Financial Information

25 OTHER COMMITMENTS

(a) Commitment in respect of properties under development

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Contracted but not provided for	<u>610,629</u>	<u>2,657,000</u>

The amounts represent commitments relating to certain land use rights in China ranging from 50 to 75 years for which ownership certificates have not yet been obtained. As at 30 June 2010, total consideration for these land use rights amounted to approximately RMB1,150 million (31 December 2009: RMB4,032 million) for which the Group has prepaid approximately RMB539 million (31 December 2009: RMB1,375 million).

(b) Capital commitments in respect of property, plant and equipment and investment properties

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Contracted but not provided for	1,590,601	1,629,955
Authorised but not contracted for	<u>1,389,589</u>	<u>1,554,921</u>
	<u>2,980,190</u>	<u>3,184,876</u>

At 30 June 2010, the Group had no financial commitments in respect of equity capital to be injected into any jointly controlled entity or associated entity (31 December 2009: nil).

Notes to the Condensed Consolidated Interim Financial Information

26 SECURITIES FOR BANKING FACILITIES

At 30 June 2010, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with an aggregate carrying value of approximately RMB5,198 million (31 December 2009: RMB5,238 million), nil (31 December 2009: RMB7 million), RMB4,971 million (31 December 2009: RMB4,548 million) and RMB1,371 million (31 December 2009: RMB1,052 million) respectively;
- (b) mortgages of certain of the Group's leasehold land and land use rights with an aggregate carrying value of approximately RMB487 million (31 December 2009: RMB438 million); and
- (c) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately RMB3,006 million (31 December 2009: RM2,784 million).

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table below summarises the names of related parties, with whom the Group has significant transactions during the period, and their relationship with the Company as at 30 June 2010:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	A substantial shareholder
Yue Xiu Finance Company Limited ("YXF")	A subsidiary of YXE
Yue Xiu International Development Limited ("YXIDL")	A subsidiary of YXE
Yue Xiu Cold Storage and Warehousing Limited ("YXCSSL")	A subsidiary of YXE
Hi-Watt Battery Industry Company Limited ("HWB")	A subsidiary of YXE
GZI Real Estate Investment Trust ("GZI REIT")	An associated entity
Guangdong Humen Bridge Co., Ltd. ("GHB")	An associated entity disposed of during 2009

Notes to the Condensed Consolidated Interim Financial Information

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Transactions with related parties

Save as disclosed elsewhere in this interim financial information, the Group had the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
(I) Transactions with YXE		
(i) Rental expenses and property management fees paid to YXE	(944)	(870)
(ii) Rental income received from YXE	—	63
(iii) Service fees paid to YXE	(263)	(265)
(II) Transactions with YXF		
Management fees paid to YXF	(159)	(159)
(III) Transaction with YXIDL		
Loan interest paid to YXIDL	(273)	(309)
(IV) Transaction with YXCSSL		
Rental income received from YXCSSL	1,315	1,323
(V) Transaction with HWB		
Rental income received from HWB	354	643
(VI) Transactions with GZI REIT		
(i) Asset management fees received from GZI REIT	14,054	14,162
(ii) Tenancy service fees received from GZI REIT	8,292	7,834
(iii) Rental expenses paid to GZI REIT	(1,976)	(1,589)
(VII) Transaction with GHB		
Loan interest received from GHB	—	15
(VIII) Gain on disposal of a toll operating right of Xiang Jiang Bridge II to a state-owned enterprise	—	58,065
	<u> </u>	<u> </u>

Notes to the Condensed Consolidated Interim Financial Information

27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties

	As at	
	30 June 2010 RMB'000	31 December 2009 RMB'000
Amount due to a substantial shareholder (Note (i) and (iii))	(67,727)	(73,561)
Amounts due from associated entities (Note (i), (v) and (vii))	75,375	76,164
Amounts due to associated entities (Note (i) and (iii))	(117,939)	(118,848)
Amounts due from jointly controlled entities (Note (i), (iv) and (vii))	162,461	163,959
Amounts due to jointly controlled entities (Note (i) and (iii))	(131,186)	(130,564)
Loans from a related company (Note (ii) and (vi))	(49,838)	(50,028)
Amounts due to related companies (Note (i) and (iii))	(2,239)	(5,468)
	<u>(67,727)</u>	<u>(130,564)</u>

Except for the amount due to a substantial shareholder, amounts due from associated entities and loans from a related company which are denominated in Hong Kong dollar, all others related party balances are denominated in RMB.

Note:

- (i) These balances are unsecured, interest free and repayable on demand.
- (ii) The loan balance at 30 June 2010 and 31 December 2009 is unsecured, interest bearing at Hong Kong Interbank Offered Rate plus 1 percent per annum, and not repayable within the next twelve months.
- (iii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iv) These balances are included in interests in jointly controlled entities.
- (v) The balance is included in interests in associated entities except for an amount of approximately RMB15,320,000 as at 30 June 2010 (31 December 2009: RMB15,552,000) which is included in other receivables, prepayments and deposits.
- (vi) The balance is included in long-term borrowings.
- (vii) These balances were not in default or impaired as at 30 June 2010 and 31 December 2009, except for a provision for impairment losses of approximately RMB32,068,000 (31 December 2009: RMB32,068,000) made for an amount due from a jointly controlled entity as at 30 June 2010.

(d) Key management compensation

Key management compensation amounted to RMB2,416,000 for the six months ended 30 June 2010 (for the six months ended 30 June 2009: RMB37,467,000).

Other Information

INTERESTS OF DIRECTORS

As at 30 June 2010, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) were as follows:

1. Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lee Ka Lun	Personal	3,500,000	0.049
Mr Lau Hon Chuen Ambrose	Personal	1,680,000	0.024

2. Long positions in underlying shares of equity derivatives of the Company:

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding as at 1 January 2010	exercised during the period	outstanding as at 30 June 2010
Mr Tang Shouchun	23/06/2004(a)	0.630	1,560,000	—	1,560,000
Mr Liang Youpan	02/05/2003(b)	0.410	2,000,000	—	2,000,000
	23/06/2004(a)	0.630	8,350,000	—	8,350,000
Mr Lau Hon Chuen Ambrose	28/05/2008(c)	1.556	1,120,000	—	1,120,000

Notes:

- The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.
- The share options are exercisable from 2 May 2003 to 1 May 2013, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.
- The share options are exercisable from 28 May 2008 to 27 May 2018, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

Save as disclosed herein, as at 30 June 2010, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Other Information

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 30 June 2010, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Long position in shares	Approximate % of interest
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited)	Interests of controlled corporations	3,329,935,248	46.65

Note:

Guangzhou Yue Xiu Holdings Limited is deemed by the SFO to be interested in 3,329,935,248 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long position in shares
Yue Xiu	3,329,935,248
Excellence Enterprises Co., Ltd. ("Excellence")	3,325,548,981
Bosworth International Limited ("Bosworth")	2,430,846,821
Sun Peak Enterprises Ltd. ("Sun Peak")	565,683,000
Novena Pacific Limited ("Novena")	565,683,000
Shine Wah Worldwide Limited ("Shine Wah")	158,049,000
Morrison Pacific Limited ("Morrison")	158,049,000
Perfect Goal Development Co., Ltd. ("Perfect Goal")	135,737,000
Greenwood Pacific Limited ("Greenwood")	135,737,000
Seaport Development Limited ("Seaport")	35,233,160
Goldstock International Limited ("Goldstock")	35,233,160
Yue Xiu Finance Company Limited	4,386,267

- (i) 2,430,846,821 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
- (ii) 565,683,000 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 158,049,000 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 135,737,000 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 35,233,160 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

SHARE OPTIONS

The Company

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme (“2002 Share Option Scheme”). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

Pursuant to the 2002 Share Option Scheme, the Board may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries (“Participants”) options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 per cent of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme, but the Company may seek approval from its shareholders in a general meeting to refresh the 10 per cent limit.

On 2 June 2004, the shareholders of the Company approved the refreshment of the 10 per cent limit under the 2002 Share Option Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes of the Company must not exceed 30 per cent of the shares of the Company in issue from time to time. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 per cent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders’ approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK\$10, with full payment of the exercise price to be made upon exercise of an option.

Other Information

No options had been cancelled or lapsed during the period. Movements during the period of the options granted under the share option scheme of the Company to the Participants including the directors of the Company as disclosed in page 61 were as follows:

Number of share options			Exercise price per share HK\$	Date of grant	Exercisable period	Weighted average closing price (b) HK\$
outstanding as at 1 January 2010	exercised during the period	outstanding as at 30 June 2010				
10,870,000	—	10,870,000	0.410	02/05/2003	02/05/2003 - 01/05/2013 (a)	N/A
7,000,000	—	7,000,000	0.540	02/06/2003	02/06/2003 - 01/06/2013 (a)	N/A
1,840,000	—	1,840,000	0.814	27/10/2003	27/10/2003 - 26/10/2013 (a)	N/A
9,978,000	(248,000)	9,730,000	0.846	23/12/2003	23/12/2003 - 22/12/2013 (a)	2.09
36,360,000	(846,000)	35,514,000	0.630	23/06/2004	23/06/2004 - 22/06/2014 (a)	2.18
1,120,000	—	1,120,000	1.556	28/05/2008	28/05/2008 - 27/05/2018 (a)	N/A

Notes:

- (a) The options granted were exercisable in 3 tranches.
- (b) The weighted average closing price per share immediately before the dates on which the options were exercised.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010, except for the following deviation:

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.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2010 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2010.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

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 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

Corporate and Investor Relations Information

BOARD OF DIRECTORS

Executive directors

Mr Lu Zhifeng (*Chairman*)
Mr Zhang Zhaoxing
Mr Liang Yi
Mr Tang Shouchun
Mr Liang Youpan
Mr Lam Yau Fung Curt

Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph
Mr Lee Ka Lun
Mr Lau Hon Chuen Ambrose

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISORS

Baker & McKenzie
Jones Day

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited

WEBSITES TO ACCESS COMPANY INFORMATION

<http://www.yuexiuproperty.com>
<http://www.irasia.com/listco/hk/yuexiuproperty>
<http://www.hkexnews.hk>

REGISTERED OFFICE

26th Floor
Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

SHARE REGISTRAR

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

SHARE LISTING

The Company's shares are listed on:
The Stock Exchange of Hong Kong Limited
Singapore Exchange Securities Trading Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited – 00123
Reuters – 123.HK
Bloomberg – 123 HK

INVESTOR RELATIONS

For further information about
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