



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

(Stock Code: 00123)

INTERIM REPORT  
2011





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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 2011.

	For the six months ended		Change %
	30 June 2011	30 June 2010	
	(RMB'000) Unaudited	(RMB'000) Unaudited	
Revenue	<b>4,957,200</b>	1,037,347	↑ <b>377.9%</b>
Operating profit	<b>6,875,548</b>	414,699	↑ <b>1,557.9%</b>
Profit attributable to equity holders of the Company	<b>4,481,035</b>	355,660	↑ <b>1,159.9%</b>
Earnings per share for profit attributable to equity holders of the Company			
- Basic (RMB)	<b>0.4827</b>	0.0498	↑ <b>869.3%</b>
Contracted sales GFA (sq.m.)	<b>199,100</b>	329,300	↓ <b>39.5%</b>
Contracted sales value	<b>3,074,000</b>	5,395,000	↓ <b>43.0%</b>
Property sold but not yet recognized GFA (sq.m.)	<b>430,700</b>	653,000	↓ <b>34.0%</b>
Property sold but not yet recognized value	<b>6,615,000</b>	9,133,000	↓ <b>27.6%</b>

	As at		Change %
	30 June	31 December	
	2011 (RMB'000) Unaudited	2010 (RMB'000) Audited	
Total cash	<b>7,401,911</b>	7,472,712	↓ <b>0.9%</b>
Including: Cash and cash equivalents	<b>6,616,980</b>	6,451,077	↑ <b>2.6%</b>
Charged bank deposits	<b>784,931</b>	1,021,635	↓ <b>23.2%</b>
Total assets	<b>59,534,178</b>	50,780,930	↑ <b>17.2%</b>
Shareholders' equity per share* (RMB)	<b>2.18</b>	1.71	↑ <b>27.5%</b>
Gearing ratio	<b>41.6%</b>	41.6%	—

\* Excluding non-controlling interests



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the first half of 2011 (“Reporting Period”), the Group confronted a complicated economic landscape and proactively coped with an array of stringent macro-control policies. It managed to retain financial health and cash flow stability by successfully raising capital and maintaining the pace of sales. At the same time the Group sped up its rate of development and exercised effective control over project construction, which has led to enhancement in asset quality and operational efficiency. Corporate branding and identity has also been further strengthened.

During the Reporting Period, the Group realized revenue of RMB4,957 million, an increase of 377.9% over the same period in 2010. Revaluation gain of investment properties and recognized revenue of property sales surged significantly. Profit attributable to equity holders reached RMB4,481 million, an increase of 1159.9% over the same period in 2010. Basic earnings per share amounted to approximately RMB0.4827, an increase of 869.3% over the same period in 2010. Excluding the factor of revaluation gain, related tax impact and non-controlling interests, profit attributable to equity holders was RMB998 million, representing an increase of 350.8%, while basic earnings per share was RMB0.1076.

The Board resolved to declare the payment of an interim dividend for 2011 of HK\$0.04 per share, which is equivalent to approximately RMB0.033 per share. The dividend accounted for 30.5% of the profit attributable to equity holders after excluding the revaluation gain on investment properties.

## Market Analysis

During the Reporting Period, the Chinese economy managed to stay on a healthy and steady growth track by achieving growth expectation while implementing a number of tightening measures, notwithstanding the complex and volatile economic challenges both at home and abroad. GDP reached RMB20,445.9 billion, representing an increase of 9.6% over the same period in 2010. GDP of Guangzhou amounted to RMB 573.0 billion, representing a growth of 11.0% as compared to the same period in 2010.

During the Reporting Period, local governments intensified their efforts to accelerate social housing construction and imposed various measures, including purchase restrictions, credit controls and price restrictions. Against this background, real estate market in a number of cities began to cool down. During the Reporting Period, 444.19 million sq. m. of commodity housing was sold nation-wide, representing an increase of 13% over the same period in 2010. Transaction value reached RMB2,458.9 billion, representing an increase of 24% over the same period in 2010. Average transaction price per sq. m. was RMB5,536, an increase of 10% over the same period in 2010. In Guangzhou, commodity housing sold decreased by 4% over the same period in 2010 to 3.85 million sq.m. Transaction value amounted to RMB56.0 billion, an increase of 13% over the same period in 2010. Average transaction price per sq.m. rose by 18% over the same period in 2010 to RMB14,545.

## Property Contracted Sales on Track

Jun Cheng, phase 8 of Southern Le Sand, the only new project launched during the Reporting Period, is located in Nansha District of Guangzhou and was put on the market in April 2011 with total gross floor area (“GFA”) of 68,000 sq.m (Block 2-4, 7-15,20). Thanks to its successful market positioning, more than 80% was sold with contracted sales amounting to RMB468 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, GFA of contracted sales dropped by 39.5% from the same period in 2010 to 199,100 sq. m., representing 36.9% of the 2011 target of 540,000 sq. m.; contracted sales value dropped by 43.0% from the same period in 2010 to RMB3,074 million, representing 34.2% of the 2011 target of RMB9 billion. Average selling price (ASP) was RMB15,400 per sq.m., a decrease of 6.1% over the same period in 2010. Contracted sales results in the Reporting Period met management expectation.

Nine new projects will be launched in the second half of 2011, of which five are in Guangzhou, namely Starry Golden Sands, Starry Wenhua, Fortune Century Square, Huadu Glade Greenland and Jun Cheng (Block 5, 6, 21), and the other projects are Jiangmen Starry Mountain (formerly Starry Regal Court), Yantai Starry Phoenix, Shenyang Linghai Project, and Zhongshan Starry Winking.

Particulars of contracted sales are summarized below:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/ sq.m.)	Location
Jiang Nan New Mansion	Residential	2,100	49	23,300	Haizhu, Guangzhou
Springland Garden	Residential/ Commercial	23,300	557	23,900	Haizhu, Guangzhou
Ling Nan Riverside	Residential	26,200	534	20,400	Liwan, Guangzhou
Guangzhou Starry Winking	Residential	1,400	49	35,000	Tianhe, Guangzhou
Paradiso Homeland	Residential	9,200	227	24,600	Haizhu, Guangzhou
Cong Hua Glade Village	Residential	23,000	201	8,700	Conghua, Guangzhou
Southern Le Sand	Residential	64,800	572	8,800	Nansha, Guangzhou
Other Projects	N/A	21,200	383	18,000	Guangzhou
Sub-total		171,200	2,572	15,200	
Investment Properties	N/A	27,900	502	18,000	Guangzhou
Total		199,100	3,074	15,400	

During the Reporting Period, recognized sales area was approximately 304,700 sq. m. (including 27,500 sq. m. of investment properties), an increase of 344.8% over the same period in 2010 while recognized sales revenue amounted to approximately RMB4,862 million (including RMB445 million of sale of investment properties), an increase of 348.1% over the same period in 2010. ASP reached approximately RMB16,000 per sq. m. (including sold investment properties), representing an increase of 1.3% over the same period in 2010. Overall gross profit margin was 43.6%, representing an increase of 4.9 percentage points as compared to the corresponding period in 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

Particulars of recognized property sales are summarized as follow:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/ sq.m.)	Location
Jiang Nan New Mansion	Residential	83,200	1,440	17,300	Haizhu, Guangzhou
Springland Garden	Residential	82,500	1,223	14,800	Haizhu, Guangzhou
Guangzhou Starry					
Winking	Residential	47,900	1,119	23,400	Tianhe, Guangzhou
Southern Le Sand	Residential	49,300	389	7,900	Nansha, Guangzhou
Other Projects	N/A	14,300	246	17,200	Guangzhou
Sub-total		277,200	4,417	16,000	
Investment Properties	N/A	27,500	445	16,200	Guangzhou
Total		304,700	4,862	16,000	

Properties sold but not yet recognized at the end of the Reporting Period amounted to approximately 430,700 sq. m. in GFA and RMB6,615 million in value. ASP was approximately RMB15,400 per sq. m. Details are summarized as follows:

Project Name	Land Use	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/ sq.m.)	Location
Jiang Nan New Mansion	Residential	63,100	1,160	18,400	Haizhu, Guangzhou
Springland Garden	Residential/ Commercial	23,300	546	23,400	Haizhu, Guangzhou
Ling Nan Riverside	Residential	149,800	2,425	16,200	Liwan, Guangzhou
Guangzhou Starry					
Winking	Residential	3,400	114	34,100	Tianhe, Guangzhou
Paradiso Homeland	Residential	42,600	995	23,400	Haizhu, Guangzhou
Cong Hua Glade Village	Residential	57,300	416	7,300	Conghua, Guangzhou
Southern Le Sand	Residential	76,000	627	8,200	Nansha, Guangzhou
Other Projects	N/A	4,500	90	20,000	Guangzhou
Sub-total		420,000	6,373	15,200	
Investment Properties	N/A	10,700	242	22,600	Guangzhou
Total		430,700	6,615	15,400	

# MANAGEMENT DISCUSSION AND ANALYSIS

## Steady Growth in Landbank

During the Reporting Period, the Group continued to adhere to its strategic positioning of “home base in Guangzhou and strategic expansion nationwide” and selectively sought to expand in a number of strategic cities. During the Reporting Period, the Group acquired a parcel of land located at Nanta Street, Shenyang with a total GFA of 670,000 sq. m. at a land auction for an acquisition price of RMB2.15 billion. In the second half of 2011, the Group will continue to identify suitable landbank acquisition opportunities.

As of 30 June 2011, the Group’s undeveloped landbank amounted to approximately 6.786 million sq.m. Geographically, Guangzhou accounted for about 38%, Pearl River Delta (excluding Guangzhou) about 23%, Bohai Rim Economic Zone about 15%, Yangtze River Delta about 14%, and Central Region about 10%. On a land use basis, residential, office, commercial, and parking and others accounted for about 56%, 9%, 15% and 20% respectively. Particulars of these projects are summarised as follows:

Project Name	Interest Holding	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & Others (sq.m.)	Location
Southern Le Sand	95%	1,635,000	809,000	161,000	465,000	200,000	Nansha, Guangzhou
Panyu Nanqu Plot	95%	554,000	351,000	—	49,000	154,000	Panyu, Guangzhou
Starry Golden Sands	100%	220,000	152,000	—	5,000	63,000	Baiyun, Guangzhou
Sports Stadium Building	100%	125,000	—	81,000	25,000	19,000	Yuexiu, Guangzhou
Jiang Nan New Village phase 3&4 (portion)	95%	10,000	7,000	—	—	3,000	Haizhu, Guangzhou
Other Projects	95%	60,000	31,000	—	7,000	22,000	Guangzhou
Zhongshan Starry Winking	95%	298,000	210,000	—	5,000	83,000	Nanqu, Zhongshan
Zhongshan Bo-ai Plot	95%	513,000	244,000	127,000	3,000	139,000	Dongqu, Zhongshan
Jiangmen Starry Mountain	95%	383,000	266,000	—	21,000	96,000	Beixin, Jiangmen
Nanhai Plot	95%	273,000	100,000	37,000	81,000	55,000	Nanhai, Foshan
Yau Tong Property	100%	59,000	59,000	—	—	—	Yautong, Hong Kong
Hangzhou Lin-an Plot	100%	963,000	653,000	48,000	102,000	160,000	Lin-an, Hangzhou
Wuhan Qiaokou Land	99.75%	710,000	309,000	143,000	58,000	200,000	Qiaokou, Wuhan
Shenyang Linghai Project	99.95%	313,000	305,000	—	—	8,000	Xinqu, Shenyang
Shenyang Nanta Street Plot	100%	670,000	312,000	—	198,000	160,000	Dongling, Shenyang
<b>Total</b>		<b>6,786,000</b>	<b>3,808,000</b>	<b>597,000</b>	<b>1,019,000</b>	<b>1,362,000</b>	

## Full Commencement of Projects

In order to achieve the Group’s target of becoming a quality national property developer, the Group has taken bold measures in launching project development and implementing stringent project management with the aim of achieving efficiency and quality. During the Reporting Period, construction at eight new projects commenced and the newly developed GFA amounted to approximately 1 million sq.m., achieving 72% of the 2011 target of 1.38 million sq.m. These eight new projects were Fortune Center in Guangzhou, Zhujiang New Town D8-C3, Jiang Nan New Village (phase 4 area 10), Starry Wenhua (phase 2), Fortune World Plaza (phase 2), Southern Le Sand (phase 8 area 2), Zhongshan Starry Winking (phase 2) and Zhongshan Qiguan Plot.

With enhanced coordination and project planning, the Group is confident that it will be able to launch nine new projects in the second half of 2011 and the contracted sales target for 2011 would be achieved.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2011, GFA under development amounted to approximately 3.67 million sq.m. The significant increase in GFA under development would ensure that smooth supply of projects for sale in the second half of 2011 and onwards. Geographically, Guangzhou accounted for about 76%, Pearl River Delta (excluding Guangzhou) about 17% and Bohai Rim Economic Zone about 7%. On a land use basis, residential, office, commercial, and parking and other properties accounted for about 49%, 15%, 12% and 24% respectively. Details of these projects are summarised as follows:

Project Name	Interest Holding	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & Others (sq.m.)	Location
Southern Le Sand	95%	498,000	315,000	89,000	71,000	23,000	Nansha, Guangzhou
Asia Pacific Century Plaza	95%	232,000	—	105,000	27,000	100,000	Tianhe, Guangzhou
Starry Wenhua (phase 1)	95%	222,000	148,000	—	—	74,000	Panyu, Guangzhou
Starry Wenhua (phase 2)	95%	289,000	192,000	—	—	97,000	Panyu, Guangzhou
Fortune Center (B2-10)	95%	210,000	—	157,000	7,000	46,000	Tianhe, Guangzhou
Fortune World Plaza (phase 1)	97.55%	210,000	—	—	210,000	—	Liwan, Guangzhou
Fortune World Plaza (phase 2)	97.55%	125,000	—	113,000	—	12,000	Liwan, Guangzhou
Ling Nan Riverside	97.55%	192,000	170,000	—	—	22,000	Liwan, Guangzhou
Starry Golden Sands (phase 1)	100%	187,000	134,000	—	1,000	52,000	Baiyun, Guangzhou
Guangzhou International Finance Centre ("Guangzhou IFC") (portion)	99%	138,000	54,000	—	—	84,000	Tianhe, Guangzhou
Fortune Century Square (D3-7)	100%	134,000	—	97,000	9,000	28,000	Tianhe, Guangzhou
Huadu Glade Greenland	100%	93,000	71,000	—	—	22,000	Huadu, Guangzhou
Paradiso Homeland	95%	74,000	58,000	—	—	16,000	Haizhu, Guangzhou
Cong Hua Glade Village	95%	69,000	57,000	—	—	12,000	Conghua, Guangzhou
Jiang Nan New Village phase 3&4 (portion)	95%	52,000	32,000	—	—	20,000	Haizhu, Guangzhou
D8-C3, Zhujiang New Town	95%	35,000	21,000	—	—	14,000	Tianhe, Guangzhou
Other Projects	95%	36,000	—	—	—	36,000	Guangzhou
Jiangmen Starry Mountain (phase 1)	95%	195,000	138,000	—	4,000	53,000	Beixin, Jiangmen
Zhongshan Starry Winking (phase 1)	95%	163,000	46,000	—	70,000	47,000	Nanqu, Zhongshan
Zhongshan Starry Winking (phase 2)	95%	95,000	95,000	—	—	—	Nanqu, Zhongshan
Zhongshan Qiguan Plot	100%	148,000	106,000	—	9,000	33,000	Shiqi, Zhongshan
Shenyang Linghai Project (phase 1)	99.95%	54,000	48,000	—	—	6,000	Xinqu, Shenyang
Yantai Starry Phoenix	95%	220,000	116,000	—	32,000	72,000	Zhifu, Yantai
<b>Total</b>		<b>3,671,000</b>	<b>1,801,000</b>	<b>561,000</b>	<b>440,000</b>	<b>869,000</b>	

# MANAGEMENT DISCUSSION AND ANALYSIS

## The Continuous Deepening of Assets Adjustment

During the Reporting Period, the Group capitalized on market demand for investment properties in light of the tightening measures being implemented in the residential sector and continued to dispose of certain non-core investment assets. GFA of 27,900 sq.m with a sales value of RMB502 million was disposed of as a result. Since 2008, accumulated sales of non-core investment properties reached RMB2,518 million in total. The disposal of non-core investment assets has helped optimize the Group's investment property portfolio.

Following the formal opening of Guangzhou Friendship Store at the shopping area of Guangzhou IFC in November 2010, tenants started to move into the office space towards the end of the Reporting Period. The Group was among the first batch of tenants moving into Guangzhou IFC and its new headquarters there symbolized a milestone in its history and marked a new page in its corporate identity.

With the continuous economic development of Guangzhou and Zhujiang New Town in particular, office leasing remained active during the Reporting Period. Not only did the vacancy rate remain relatively low, rental rate was also climbing. As such, rental rate at Guangzhou IFC had reached as high as RMB280 per sq.m, which was a historical high in Guangzhou and surpassed the record of RMB245 per sq.m achieved in 2010. Leasing rate had also risen from 25% at the end of 2010 to 45% at the end of June 2011. There was a revaluation gain of RMB4,699 million attributable to the investment property portion of Guangzhou IFC during Reporting Period.

As at 30 June 2011, the Group's investment property portfolio amounted to approximately 870,000 sq.m., of which, office, commercial and parking space accounted for approximately 34%, 35% and 31% respectively. During the Reporting Period, the portfolio generated rental income of approximately RMB172 million and recorded a revaluation gain of approximately RMB4,886 million, taking the total fair value of the portfolio to RMB13,066 million.

Particulars of the investment properties are summarized as follows:

Project Name	GFA (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark (sq.m.)	Location
Guangzhou IFC (portion)	227,100	158,900	46,900	21,300	Tianhe, Guangzhou
Popark Plaza	85,000	—	85,000	—	Tianhe, Guangzhou
Jin Han Building	45,800	45,800	—	—	Yuexiu, Guangzhou
Hong Kong Properties	29,700	11,100	3,200	15,400	Hong Kong
Guang Yuan Cultural Centre	32,000	—	20,700	11,300	Yuexiu, Guangzhou
Huangshi Garden	34,500	—	31,000	3,500	Baiyun, Guangzhou
Xiangkang Commercial Plaza	32,200	28,800	—	3,400	Yuexiu, Guangzhou
Victory Plaza	23,000	1,100	—	21,900	Tianhe, Guangzhou
Yue Xiu City Plaza	36,400	1,400	16,700	18,300	Yuexiu, Guangzhou
Hong Fa Building	32,300	17,300	—	15,000	Tianhe, Guangzhou
Other Projects (include carpark)	291,900	32,700	102,200	157,000	Guangzhou
Total	869,900	297,100	305,700	267,100	



# MANAGEMENT DISCUSSION AND ANALYSIS

## Management Standards on the Rise

To further shorten the development cycle and implement nationwide expansion initiative, the Group continued to strengthen product standardization. Moreover, in order to enhance our brand awareness, the Group has established a brand utilization and management system and formulated rules of brand utilization and promotion. At the same time, a green-initiative technology committee was established and it has conducted nearly 30 researches on safety, energy-saving and green initiatives with practical implementation potential. To further the cooperation with government and other business entities on this research front, the Company has become a member of the Green Building Council of Guangdong Province (廣東省綠色建築委員會).

## Other Businesses

In the Reporting Period, revenue from decoration business amounted to RMB102 million, representing an increase of 3.9% over the same period in 2010. Property management revenue was approximately RMB188 million, an increase of 5.1% over the same period in 2010.

GZI Real Estate Investment Trust (GZI REIT), an associate of the Company, achieved gross revenue of approximately RMB257 million, representing an increase of 7.1% over the same period last year. The total amount of distributable income was RMB118 million, representing a slight increase of 2.0% over the same period last year. As the Group held a 35.58% interest in the trust, it would receive a cash distribution of RMB42 million. The Group is also actively seeking to make best use of the interaction in commercial properties between the Group and GZI REIT.

## Future Prospects

Looking forward, as there is abundant inventory available for sale in the second half of 2011, management is highly confident that the 2011 contracted sales target of not less than 540,000 sq. m. and RMB 9 billion could be achieved. It is worth mentioning that the four new projects to be launched in Jiangmen, Yantai, Shenyang and Zhongshan in the second half of 2011 will be the highlights of the Group's strategic nationwide expansion plan, of which Jiangmen Starry Mountain and Yantai Starry Phoenix commenced grand sales in late July and the beginning of August respectively. Sell-through rate reached 56% and 60% respectively for the first phase sales, paving a good foundation for property sales in the second half. The Group will devote every effort to speed up the sales process and generation of cash inflow including nine new projects in the second half of 2011.

Further our efforts in commencing new projects. During the Reporting Period, newly constructed GFA reached a record high as the Group sought to achieve the target of commencing construction on at least 1.38 million sq.m. in the full year of 2011. The target might be raised to as high as 2 million sq.m. so as to build a solid foundation for rapid growth in the future.

Closely monitor the opportunity to increase land bank. The Group will seek to capitalize on its financial strength by taking advantage of attractive land acquisition targets offered by the current price environment and potential merger and acquisition opportunities. It will seek to solidify in its home base and to grow its national footprint in select second-tier and third-tier cities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### ANALYSIS ON OPERATING RESULTS

#### Profit attributable to equity holders of the Company

For the period ended 30 June 2011, the Group recorded profit attributable to equity holders of approximately RMB4,481 million, representing a significant increase of 1,159.9% over the same period last year. Excluding the fair value gains on revaluation of investment properties, the profit attributable to equity holders recorded approximately RMB998 million, representing a significant increase of 350.8% over the same period last year.

#### Revenue and gross profit

For the period ended 30 June 2011, the Group's revenue (excluding the sales of investment properties) amounted to approximately RMB4,957 million, representing a significant increase of 377.9% over the same period last year. Gross profit margin was 45.3%, increased by 5.4 percentage points over the same period last year.

Due to the increase in recognized sales GFA to approximately 304,700 sq.m. over those for the same period last year of 68,500 sq.m., revenue from the property sales (including the sales of investment properties) recorded a significant increase of 348.1% to approximately RMB4,862 million during the period. Gross profit margin was 43.6%, increased by 4.9 percentage points over the same period last year.

#### Fair value gains on revaluation of investment properties

During the period, fair value gains on revaluation of investment properties amounted to approximately RMB4,886 million, representing a significant increase of 2,510.3% over the same period last year. This was mainly attributable to the fair value gains on revaluation of investment properties for Guangzhou IFC amounted to approximately RMB4,699 million.

#### Selling and marketing costs and administrative expenses

During the period, selling and marketing cost decreased to approximately RMB78 million, representing a decrease of 14.8% over the same period last year. The administrative expenses decreased to approximately RMB291 million, representing a decrease of 1.9% over the same period last year. The decrease in expenses was mainly attributable to strengthen cost control.

#### Finance costs

With the effect of increase in interest rate and our increased bank borrowings, the Group's interest expenses before capitalisation during the period amounted to approximately RMB470 million, representing an increase of 43% as compared to those for the same period last year of RMB328 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 RMB330 million over those for the same period last year of approximately RMB255 million. As a result, finance costs recognized as expenses were approximately RMB140 million, representing an increase of 91.6% over those in the same period last year of approximately RMB73 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Share of profits of associated entities

For the period ended 30 June 2011, overall net contribution from the Group's associated entities amounted to RMB299 million, a rise of 206.6% over the same period last year. This was mainly derived from the Group's share of a 35.58% of the result of the GZI REIT.

## Taxation

During the period, taxation amounted to approximately RMB2,541 million, representing a significant increase of 1,723.7% over the same period last year of RMB139 million. This was mainly due to the significant increase in revenue and fair value gains on revaluation of investment properties.

## Earnings per share

For the period ended 30 June 2011, basic earnings per share attributable to equity holders of the Company were RMB0.4827 (30 June 2010: RMB0.0498).

## Interim dividend

The Board resolved to declare an interim dividend for the first half of 2011 of HK\$0.04 which is equivalent to approximately RMB0.033 (first half of 2010: nil) per share payable on 18 November 2011 to shareholders whose names appear on the Register of Members of the Company on 21 October 2011. The dividend accounted for 30.5% of the profit attributable to equity holders after excluding the revaluation gain on investment properties.

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

## Liquidity and financial resources

As at 30 June 2011, the Group's working capital (current assets less current liabilities) amounted to approximately RMB22,821 million (31 December 2010: RMB18,163 million). The Group's current ratio (current assets over current liabilities) was 2.30 times. Cash and cash equivalents amounted to approximately RMB6,617 million (31 December 2010: RMB6,451 million). Charged bank deposits amounted to RMB785 million (31 December 2010: RMB1,022 million). Undrawn committed bank facilities amounted to approximately RMB1,472 million.

The Group's major sources of liquidity are from recurring cash flows of its business and committed bank facilities. The Group insists on the importance of maintaining a healthy and stable liquidity position so as to meet the need of a fast-changing external market and to safeguard the business development of the Group. Therefore, the Group places great emphasis on liquidity management and risk control. Other than maintaining good relationships with financial institutions in Hong Kong and Mainland China, the Group strives to explore alternative financing channels, seek to lower financing costs, and monitor the capital and debt structure from time to time. The Group also makes appropriate adjustments thereof in order to enhance its risk resistance capability.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital structure

The Group's capital structure is summarized as follows:

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Bank borrowings (floating rate)		
Denominated in RMB	<b>13,308,868</b>	12,871,558
Denominated in Hong Kong dollar	<b>7,665,156</b>	4,815,481
Total bank borrowings	<b>20,974,024</b>	17,687,039
Unsecured other borrowings	<b>48,089</b>	48,940
Finance lease	<b>158</b>	154
Bank overdrafts	<b>109</b>	213
Total debts	<b>21,022,380</b>	17,736,346
Ageing analysis:		
Repayable within one year	<b>5,682,106</b>	6,033,686
In the second year	<b>8,327,635</b>	7,280,071
In the third to fifth year	<b>4,012,639</b>	1,422,589
Over five years	<b>3,000,000</b>	3,000,000
Total borrowings	<b>21,022,380</b>	17,736,346
Less: Cash and cash equivalents	<b>(6,616,980)</b>	(6,451,077)
Net borrowings	<b>14,405,400</b>	11,285,269
Shareholders' equity (excluding non-controlling interests)	<b>20,211,025</b>	15,860,360
Total capitalization	<b>34,616,425</b>	27,145,629
Gearing ratio	<b>41.6%</b>	41.6%

During the period, net new bank borrowings increased by approximately RMB3,286 million which had been wholly injected into the development of property projects.

## Capital expenditures and investments

As at 30 June 2011, the Group's capital expenditures on property, plant, equipment, construction in progress, investment properties and land use rights amounted to approximately RMB1,049 million (30 June 2010: RMB702 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

## **Interest rate exposure**

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

## **Foreign exchange exposure**

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

## **Capital commitments**

As at 30 June 2011, the Group had unpaid land premium payable in respect of the land acquisition of approximately RMB1,103 million (31 December 2010: RMB3,145 million).

Other than the above, Group also had capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately RMB1,753 million (31 December 2010: RMB2,243 million).

## **Contingent liabilities**

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in the Mainland China. Pursuant to the terms of the guarantees, upon default in mortgage payments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 30 June 2011, total contingent liabilities relating to these guarantees amounted to approximately RMB1,923 million (31 December 2010: RMB1,923 million).

As at 30 June 2011, 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 RMB62 million. The Deed of Indemnity will expire on 30 May 2014.

## **Employees and remuneration policy**

As at 30 June 2011, the Group had approximately 5,647 employees (31 December 2010: 5,430 employees). The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees according to their performance. Promotion and salary adjustments are based on performance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Continuing Disclosure Requirements under Rule 13.21 of the Listing Rules

In accordance with the requirements under Rule 13.21 of the Listing Rules, the directors of the Company reported below details of loan facilities, which exist at any time during the six months ended 30 June 2011 and include conditions relating to specific performance of the controlling shareholder of the Company.

- (a) On 8 December 2009, the Company, as borrower, entered into a HK\$3,200 million loan agreement with a group of banks with a final maturity in December 2012.
- (b) On 1 April 2011, the Company, as borrower, entered into two bilateral agreements with two banks for unsecured term loan facilities in the aggregate amount of HK\$800 million. In particular, the first loan facility was a facility of up to HK\$500 million for a term of 3 years from the date of the relevant letter of offer, i.e., 10 March 2011. The second loan facility of up to HK\$300 million was for a term of 3 years from 1 April 2011, the date of the relevant facility agreement.
- (c) On 26 May 2011, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of up to HK\$400 million from the date of the acceptance of the facility.
- (d) On 16 June 2011, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of up to HK\$500 million from the date of the facility letter, i.e. 9 June 2011.
- (e) On 29 June 2011, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 3-year term loan facility of up to HK\$1,000 million from the date of the facility agreement.

Pursuant to the aforesaid loan agreements / facility agreements or letters, Yue Xiu Enterprises (Holdings) Limited, the controlling shareholder of the Company is required, at all times, (i) to be the single largest beneficial shareholder of the Company; (ii) to be owned as to at least 51% beneficial interest in the Company by Guangzhou Municipal People's Government for facility (c); (iii) to be wholly owned by Guangzhou Municipal People's Government for facility (e); (iv) to maintain shareholding interest of not less than 35% in the issued voting share capital of the Company; (v) to maintain effective management control over the Company for facilities (a), (b), (d) and (e). Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

These obligations have been duly complied with for the period ended 30 June 2011.



# MANAGEMENT DISCUSSION AND ANALYSIS

## **Corporate Social Responsibility**

With the steady development of the PRC economy, in recent years, the Group has implemented restructuring on a continued basis and strengthened its presence in the nationwide real estate market, achieving good operating results. Meanwhile, the Group has actively performed its corporate social responsibility, actively participated in social welfare undertakings and improved the quality of community life. Besides, the Group carried out the concept of green construction by increasing its investment in energy conservation and environmental protection and selecting environmentally friendly materials. The project of Jiangmen Starry Mountain has even passed the accreditation by experts from U.S. Green Building Council and obtained the LEED-CS Design Pre-certification Gold Grade.

In the future, the Group will continue to work hard, abide by the core values of “quality, integrity, excellence” and continue to enhance the awareness of sustainable development and environmental protection. The Group will persist in providing customers with high quality products and satisfactory services, assume social responsibility towards the enterprise’s stakeholders and actively participate in social welfare undertakings so as to constantly promote the harmonious development of the nature, the society, the enterprise and people, thus making greater contribution to our employees and the society.

By order of the Board

**LU Zhifeng**

*Chairman*

Hong Kong, 17 August 2011

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## 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 17 to 46, which comprises the condensed consolidated balance sheet of Yuexiu Property Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months 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, 17 August 2011

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*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2011</b>	2010
		<b>RMB'000</b>	RMB'000
Revenue	6	<b>4,957,200</b>	1,037,347
Cost of sales	7	<b>(2,713,187)</b>	(623,584)
Gross profit		<b>2,244,013</b>	413,763
Proceeds from sales of investment properties		<b>445,111</b>	702,296
Direct costs of investment properties sold		<b>(329,985)</b>	(499,812)
Gain on sales of investment properties		<b>115,126</b>	202,484
Fair value gains on revaluation of investment properties	12	<b>4,885,689</b>	187,168
Selling and marketing costs	7	<b>(78,428)</b>	(92,091)
Administrative expenses	7	<b>(290,852)</b>	(296,625)
Operating profit		<b>6,875,548</b>	414,699
Finance income		<b>29,840</b>	12,384
Finance costs		<b>(140,074)</b>	(73,100)
Net foreign exchange gain on financing activities		<b>54,536</b>	29,039
Share of profits of			
– jointly controlled entities		<b>2,046</b>	45,979
– associated entities		<b>298,871</b>	97,486
Profit before taxation		<b>7,120,767</b>	526,487
Taxation	8	<b>(2,541,487)</b>	(139,361)
Profit for the period		<b>4,579,280</b>	387,126
Attributable to			
Equity holders of the Company		<b>4,481,035</b>	355,660
Non-controlling interests		<b>98,245</b>	31,466
		<b>4,579,280</b>	387,126
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	9		
– Basic		<b>0.4827</b>	0.0498
– Diluted		<b>0.4812</b>	0.0495

The notes on pages 24 to 46 form an integral part of this condensed consolidated interim financial information.

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2011</b>	2010
		<b>RMB'000</b>	RMB'000
Dividend	10	<b>304,758</b>	–

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

**Unaudited**  
**Six months ended 30 June**

	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Profit for the period	<b>4,579,280</b>	387,126
Other comprehensive income:		
Currency translation differences	<b>(39,036)</b>	(23,318)
Change in fair value of available-for-sale financial assets, net of tax	<b>(95,756)</b>	23,101
Other comprehensive loss for the period, net of tax	<b>(134,792)</b>	(217)
Total comprehensive income for the period	<b>4,444,488</b>	386,909
Attributable to		
Equity holders of the Company	<b>4,350,141</b>	354,085
Non-controlling interests	<b>94,347</b>	32,824
	<b>4,444,488</b>	386,909

The notes on pages 24 to 46 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	As at	
		30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	2,352,472	2,199,676
Investment properties	12	13,065,979	7,632,075
Land use rights	13	529,555	547,113
Interests in jointly controlled entities		112,225	110,289
Interests in associated entities		1,868,957	1,608,654
Available-for-sale financial assets		1,054,585	1,154,600
Deferred tax assets	20	47,361	44,216
Accrued rent receivable		64,294	—
		<b>19,095,428</b>	13,296,623
<b>Current assets</b>			
Properties under development		21,741,725	17,305,880
Properties held for sale		2,043,279	2,621,017
Prepayments for land use rights		7,672,308	6,254,647
Inventories		57,243	47,847
Trade receivables	14	22,805	10,041
Other receivables, prepayments and deposits		988,308	3,329,834
Taxation recoverable		511,171	442,329
Charged bank deposits		784,931	1,021,635
Cash and cash equivalents		6,616,980	6,451,077
		<b>40,438,750</b>	37,484,307
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	15	247,866	171,301
Land premium payable		45,944	45,944
Advance receipts from customers		5,698,825	7,900,585
Other payables and accrued charges		5,265,776	4,633,355
Borrowings	16	5,682,106	6,033,686
Taxation payable		677,472	536,868
		<b>17,617,989</b>	19,321,739
<b>Net current assets</b>		<b>22,820,761</b>	18,162,568
<b>Total assets less current liabilities</b>		<b>41,916,189</b>	31,459,191

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	As at	
		30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
<b>Non-current liabilities</b>			
Borrowings	16	15,340,274	11,702,660
Deferred tax liabilities	20	5,782,730	3,410,438
		<b>21,123,004</b>	15,113,098
<b>Net assets</b>			
		<b>20,793,185</b>	16,346,093
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	850,998	850,915
Share premium	17	8,871,523	8,870,951
Other reserves	19	636,976	769,930
Retained earnings			
– Proposed dividend	19	304,758	—
– Others	19	9,546,770	5,368,564
		<b>20,211,025</b>	15,860,360
Non-controlling interests		582,160	485,733
<b>Total equity</b>		<b>20,793,185</b>	16,346,093

The notes on pages 24 to 46 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Net cash used in operating activities	<b>(2,236,130)</b>	(920,139)
Net cash (used in)/generated from investing activities	<b>(978,068)</b>	659,456
Net cash generated from financing activities	<b>3,418,281</b>	2,058,680
Increase in cash and cash equivalents	<b>204,083</b>	1,797,997
Cash and cash equivalents at the beginning of period	<b>6,450,864</b>	4,327,511
Exchange losses on cash and cash equivalents	<b>(38,076)</b>	(627)
Cash and cash equivalents at the end of period	<b>6,616,871</b>	6,124,881
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>6,616,980</b>	6,125,126
Bank overdrafts	<b>(109)</b>	(245)
	<b>6,616,871</b>	6,124,881

The notes on pages 24 to 46 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 2011

	Unaudited				Total RMB'000
	Attributable to equity holders of the Company			Non- controlling interests	
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	RMB'000	
Balance at 1 January 2011	850,915	8,870,951	6,138,494	485,733	16,346,093
<b>Comprehensive income</b>					
Profit for the period	—	—	4,481,035	98,245	4,579,280
<b>Other comprehensive income</b>					
Currency translation differences	—	—	(39,036)	—	(39,036)
Change in fair value of available-for-sale financial assets, net of tax	—	—	(91,858)	(3,898)	(95,756)
Total other comprehensive loss for the period, net of tax	—	—	(130,894)	(3,898)	(134,792)
Total comprehensive income for the period	—	—	4,350,141	94,347	4,444,488
<b>Transactions with owners</b>					
Issue of shares net of issuing expenses	83	441	—	—	524
Transfer upon exercise of share options	—	131	(131)	—	—
Capital injection to a subsidiary	—	—	—	2,080	2,080
Total transactions with owners	83	572	(131)	2,080	2,604
Balance at 30 June 2011	850,998	8,871,523	10,488,504	582,160	20,793,185

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Unaudited				Total RMB'000
	Attributable to equity holders of the Company			Non- controlling interests RMB'000	
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000		
Balance at 1 January 2010	668,202	6,126,174	5,281,373	439,502	12,515,251
<b>Comprehensive income</b>					
Profit for the period	—	—	355,660	31,466	387,126
<b>Other comprehensive income</b>					
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
Total other comprehensive (loss)/income for the period, net of tax	—	—	(1,575)	1,358	(217)
Total comprehensive income for the period	—	—	354,085	32,824	386,909
<b>Transactions with owners</b>					
Employee share options scheme - value of employee services	—	—	78	—	78
Issue of shares net of issuing expenses	96	554	—	—	650
Transfer upon exercise of share options	—	164	(164)	—	—
Capital injection to a subsidiary	—	—	—	14,180	14,180
Total transactions with owners	96	718	(86)	14,180	14,908
Balance at 30 June 2010	668,298	6,126,892	5,635,372	486,506	12,917,068

The notes on pages 24 to 46 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 (the “Company”) and its subsidiaries (together the “Group”) is principally engaged in 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 was approved for issue by the Board of Directors on 17 August 2011.

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 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, 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) Amended and revised standards adopted by the Group:

The following amendment and revision to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- Amendment to HKAS 34 'Interim Financial Reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.
- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual periods beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose (i) the name of the government and the nature of their relationship; (ii) the nature and amount of any individually significant transactions; and (iii) the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The change in accounting policy only results in additional disclosures.

### (b) Amendments and interpretation to existing standards effective in 2011 but not relevant to the Group:

The following amendments and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2011.

HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments, except for amendment to HKAS 34 "Interim Financial Reporting" as disclosed in note 3(a), are not expected to have a significant financial impact on the results and financial position of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES (CONTINUED)

(c) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKFRS 1 (Amendment)	Disclosures - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013

Management is in the process of making an assessment of the impact of these new standards and amendments to standards 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

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2010.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

There have been no changes in any risk management policies since year end.

### 5.2 Fair value estimation

The different levels of financial instruments carried at fair value by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2011, the Group held available-for-sale financial assets of approximately RMB1,055 million (31 December 2010: RMB1,155 million), which were classified as level 2 financial instruments (2010 December 2010: level 2).

For the period ended 30 June 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the period ended 30 June 2011, there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors (the “Board”). Management determines the reportable operating segments based on the Group’s internal reports, which are then submitted to the Board for performance assessment and resources allocation.

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

The Board assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. 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.

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
<b>Six months ended 30 June 2011</b>					
Revenue	4,416,751	214,095	175,443	268,481	5,074,770
Inter-segment revenue	–	(26,040)	(3,336)	(88,194)	(117,570)
Revenue from external customers	4,416,751	188,055	172,107	180,287	4,957,200
Reportable segment results	1,744,816	7,807	5,134,668	10,067	6,897,358
Share of profits of					
- jointly controlled entities	2,046	–	–	–	2,046
- associated entities	298,871	–	–	–	298,871
<b>Six months ended 30 June 2010</b>					
Revenue	382,662	184,310	157,015	513,932	1,237,919
Inter-segment revenue	–	(5,403)	(3,900)	(191,269)	(200,572)
Revenue from external customers	382,662	178,907	153,115	322,663	1,037,347
Reportable segment results	54,122	4,133	352,814	24,865	435,934
Share of profits of					
- jointly controlled entities	45,979	–	–	–	45,979
- associated entities	97,486	–	–	–	97,486

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (CONTINUED)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
<b>As at 30 June 2011</b>					
Segment assets	41,921,255	284,119	13,065,979	249,165	55,520,518
Interests in jointly controlled entities	112,225	—	—	—	112,225
Interests in associated entities	1,868,957	—	—	—	1,868,957
Total reportable segments' assets	43,902,437	284,119	13,065,979	249,165	57,501,700
<b>As at 31 December 2010</b>					
Segment assets	38,587,111	241,928	7,632,075	326,743	46,787,857
Interests in jointly controlled entities	110,289	—	—	—	110,289
Interests in associated entities	1,608,654	—	—	—	1,608,654
Total reportable segments' assets	40,306,054	241,928	7,632,075	326,743	48,506,800

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Reportable segment results	6,897,358	435,934
Unallocated operating costs	(21,810)	(21,235)
Operating profit	6,875,548	414,699
Finance income	29,840	12,384
Finance costs	(140,074)	(73,100)
Net foreign exchange gain on financing activities	54,536	29,039
Share of profits of		
- jointly controlled entities	2,046	45,979
- associated entities	298,871	97,486
Profit before taxation	7,120,767	526,487

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 SEGMENT INFORMATION (CONTINUED)

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Total reportable segments' assets	<b>57,501,700</b>	48,506,800
Deferred tax assets	<b>47,361</b>	44,216
Taxation recoverable	<b>511,171</b>	442,329
Corporate assets	<b>1,473,946</b>	1,787,585
	<hr/>	<hr/>
Total assets	<b>59,534,178</b>	50,780,930
	<hr/> <hr/>	<hr/> <hr/>

Information about geographical areas is provided as follows:

	<b>Revenue</b>		<b>Total assets</b>	
	<b>Six months ended</b>		<b>As at</b>	As at
	<b>30 June</b>		<b>30 June</b>	31 December
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Hong Kong	<b>71,382</b>	85,287	<b>1,817,954</b>	1,755,919
China	<b>4,884,933</b>	951,549	<b>55,651,914</b>	46,699,036
Overseas	<b>885</b>	511	<b>31,832</b>	51,845
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>4,957,200</b>	1,037,347	<b>57,501,700</b>	48,506,800
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Unallocated assets			<b>2,032,478</b>	2,274,130
			<hr/>	<hr/>
			<b>59,534,178</b>	50,780,930
			<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 EXPENSES BY NATURE

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Amortisation of land use rights (note 13)	<b>9,283</b>	9,397
Depreciation		
- Owned property, plant and equipment	<b>26,295</b>	24,773
- Leased property, plant and equipment	<b>27</b>	18
Reversal of provision for impairment of property, plant and equipment (note 11)	<b>(8,415)</b>	—
Reversal of provision for impairment of properties under development	<b>(20,914)</b>	(13,766)

## 8 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2010: 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 (2010: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the period, withholding income tax was provided for the dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, jointly controlled entities and associated entities in China at tax rates ranging from 5 percent to 10 percent (2010: 5 percent).

- (c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.
- (d) The amount of taxation charged to the condensed consolidated income statement comprises:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
<b>Current taxation</b>		
Hong Kong profits tax	<b>2,487</b>	2,960
China enterprise income tax	<b>101,358</b>	22,142
China land appreciation tax	<b>201,258</b>	105,084
Corporate withholding income tax	<b>—</b>	277
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<b>1,882,556</b>	(16,313)
Corporate withholding income tax on undistributed profits	<b>353,828</b>	25,211
	<b>2,541,487</b>	139,361

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9 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	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	<b>4,481,035</b>	355,660
Weighted average number of ordinary shares in issue ('000)	<b>9,283,497</b>	7,137,409
Basic earnings per share (RMB)	<b>0.4827</b>	0.0498

### 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	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	<b>4,481,035</b>	355,660
Weighted average number of ordinary shares in issue ('000)	<b>9,283,497</b>	7,137,409
Adjustments for share options ('000)	<b>29,128</b>	44,160
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>9,312,625</b>	7,181,569
Diluted earnings per share (RMB)	<b>0.4812</b>	0.0495

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10 DIVIDEND

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
2010 final, paid, nil (2009: nil) per share	—	—
2011 interim, proposed, of HK\$0.04 equivalent to RMB0.033 (2010: nil) per share	<b>304,758</b>	—

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

## 11 PROPERTY, PLANT AND EQUIPMENT

	2011 RMB'000	2010 RMB'000
At 1 January	<b>2,199,676</b>	1,579,667
Exchange differences	<b>(7,191)</b>	(3,412)
Additions	<b>179,751</b>	340,704
Disposals	<b>(1,857)</b>	(2,090)
Depreciation	<b>(26,322)</b>	(24,791)
Reversal of impairment	<b>8,415</b>	—
At 30 June	<b>2,352,472</b>	1,890,078

## 12 INVESTMENT PROPERTIES

	2011 RMB'000	2010 RMB'000
At 1 January	<b>7,632,075</b>	7,489,527
Exchange differences	<b>(11,767)</b>	(4,813)
Additions	<b>869,533</b>	361,633
Disposals	<b>(309,551)</b>	(471,414)
Fair value gains	<b>4,885,689</b>	187,168
At 30 June	<b>13,065,979</b>	7,562,101

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13 LAND USE RIGHTS

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

	<b>2011</b> <b>RMB'000</b>	2010 RMB'000
At 1 January	<b>547,113</b>	552,514
Additions	<b>—</b>	13,394
Disposals	<b>(8,275)</b>	—
Amortisation	<b>(9,283)</b>	(9,397)
At 30 June	<b>529,555</b>	556,511

## 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:

	<b>As at</b>	
	<b>30 June</b> <b>2011</b> <b>RMB'000</b>	31 December 2010 RMB'000
0 - 30 days	<b>15,266</b>	6,740
31 - 90 days	<b>5,578</b>	40
91 - 180 days	<b>150</b>	63
181 - 365 days	<b>129</b>	—
Over 1 year	<b>1,682</b>	3,198
	<b>22,805</b>	10,041

## 15 TRADE AND NOTE PAYABLES

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

	<b>As at</b>	
	<b>30 June</b> <b>2011</b> <b>RMB'000</b>	31 December 2010 RMB'000
0 - 30 days	<b>238,842</b>	165,993
31 - 90 days	<b>5,317</b>	3,343
91 - 180 days	<b>2,928</b>	988
1 - 2 years	<b>165</b>	400
Over 2 years	<b>614</b>	577
	<b>247,866</b>	171,301

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16 BORROWINGS

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
<b>Non-current</b>		
Long-term bank borrowings		
– Secured	8,574,580	9,552,216
– Unsecured	6,717,502	2,101,401
Obligations under finance leases	103	103
Loans from a related company (note 26(c))	48,089	48,940
	<b>15,340,274</b>	11,702,660
<b>Current</b>		
Bank overdrafts	109	213
Short-term bank borrowings		
– Secured	636,464	270,000
– Unsecured	1,885,951	2,699,811
Current portion of long-term bank borrowings		
– Secured	1,913,434	825,000
– Unsecured	1,246,093	2,238,611
Obligations under finance leases	55	51
	<b>5,682,106</b>	6,033,686
Total borrowings	<b>21,022,380</b>	17,736,346

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Within one year	5,682,051	6,033,635	55	51
In the second year	8,327,597	7,280,033	38	38
In the third to fifth year	3,964,485	1,373,584	48,154	49,005
Over five years	3,000,000	3,000,000	–	–
	<b>20,974,133</b>	17,687,252	<b>48,247</b>	49,094

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (‘000)	Share capital RMB’000	Share premium RMB’000	Total RMB’000
At 1 January 2010	7,136,582	668,202	6,126,174	6,794,376
Issue of shares net of issuing expenses (note 18)	1,094	96	554	650
Transfer upon exercise of share options	—	—	164	164
At 30 June 2010	7,137,676	668,298	6,126,892	6,795,190
At 1 January 2011	<b>9,282,763</b>	<b>850,915</b>	<b>8,870,951</b>	<b>9,721,866</b>
Issue of shares net of issuing expenses (note 18)	<b>970</b>	<b>83</b>	<b>441</b>	<b>524</b>
Transfer upon exercise of share options	—	—	<b>131</b>	<b>131</b>
At 30 June 2011	<b>9,283,733</b>	<b>850,998</b>	<b>8,871,523</b>	<b>9,722,521</b>

## 18 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options ‘000
At 1 January 2010	67,168
Exercised during the period	(1,094)
At 30 June 2010	66,074
At 1 January 2011	<b>58,028</b>
Exercised during the period	<b>(970)</b>
Lapsed during the period	<b>(12,585)</b>
At 30 June 2011	<b>44,473</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 SHARE OPTIONS (CONTINUED)

Particulars of share options as at 30 June 2011 and 31 December 2010 are as follows:

Date of grant	Exercise period	Exercise price HK\$	Number of outstanding share options	
			As at 30 June 2011 '000	As at 31 December 2010 '000
2 May 2003	2 May 2003 - 1 May 2013	0.3950	10,252	11,291
27 October 2003	27 October 2003 - 26 October 2013	0.7840	1,143	1,703
23 December 2003	23 December 2003 - 22 December 2013	0.8140	6,571	9,041
23 June 2004	23 June 2004 - 22 June 2014	0.6070	26,507	35,993
			<b>44,473</b>	58,028

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 percent 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 2011, all (31 December 2010: all) of the outstanding share options were exercisable.

The fair value of options granted was determined using the Black-Scholes valuation model by, an independent valuer, Greater China Appraisal Limited. 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 payout 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

	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 2011	1,699	202,575	(157,859)	716,018	7,497	5,368,564	6,138,494
Currency translation differences	–	–	(39,036)	–	–	–	(39,036)
Change in fair value of available- for-sale financial assets							
– gross	–	–	–	(88,768)	–	–	(88,768)
– tax	–	–	–	22,192	–	–	22,192
– effect of withholding tax	–	–	–	(25,282)	–	–	(25,282)
Profit attributable to shareholders	–	–	–	–	–	4,481,035	4,481,035
Transfer	–	65	–	–	–	(65)	–
Transfer upon exercise of share options	–	–	–	–	(131)	–	(131)
Transfer upon lapse of share options	–	–	–	–	(1,994)	1,994	–
At 30 June 2011	1,699	202,640	(196,895)	624,160	5,372	9,851,528	10,488,504
Representing:							
2011 interim dividend proposed						304,758	
Others						9,546,770	
						<u>9,851,528</u>	

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19 RESERVES (CONTINUED)

	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	1,699	200,829	260,797	662,210	9,114	4,146,724	5,281,373
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
Transfer upon exercise of share options	—	—	—	—	(164)	—	(164)
At 30 June 2010	1,699	203,065	237,479	683,953	9,028	4,500,148	5,635,372
Representing:							
2010 interim dividend proposed						—	
Others						4,500,148	
						4,500,148	

### Note:

- (a) Statutory reserves represent enterprise expansion and general reserve funds set up 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 only.

# 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 rate.

Deferred taxation as at 30 June 2011 and 31 December 2010 represents:

	<b>As at</b>	
	<b>30 June 2011 RMB'000</b>	31 December 2010 RMB'000
<b>Deferred tax assets</b>		
Hong Kong profits tax	<b>15,539</b>	21,665
China enterprise income tax	<b>31,822</b>	22,551
	<b>47,361</b>	44,216
<b>Deferred tax liabilities</b>		
Hong Kong profits tax	<b>54,144</b>	39,781
China enterprise income tax	<b>3,932,508</b>	2,006,125
China land appreciation tax	<b>1,796,078</b>	1,364,532
	<b>5,782,730</b>	3,410,438

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 21 BUSINESS COMBINATION

On 30 December 2010, the Group entered into the Sales and Purchase Agreements with two independent third parties to acquire the entire equity interest in Shenyang Linghai Property Development Company Limited (“Shenyang Linghai”), held directly as to 99% by a Hong Kong company and 1% by an individual at a total consideration of RMB618 million. The principal activity of Shenyang Linghai is engaged in the development and construction of real estates in Shenyang, China. The transaction was completed on 27 January 2011.

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

	<b>RMB\$'000</b>
Purchase consideration:	
Cash paid	388,326
Liabilities assumed and paid	229,674
	<hr/>
	618,000
Less: fair value of net identifiable assets acquired(see below)	(618,000)
	<hr/>
Goodwill	—
	<hr/> <hr/>

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

	<b>Fair value RMB'000</b>
Property, plant and equipment	1,233
Properties under development	1,169,000
Other receivables, prepayments and deposits	1,903
Cash and cash equivalents	2,261
Trade and other payables and accrued charges	(426,317)
Deferred tax liabilities	(130,080)
	<hr/>
Net identifiable assets acquired	618,000
	<hr/> <hr/>
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration	388,326
Liabilities assumed and paid	229,674
Cash and cash equivalents in the subsidiary acquired	(2,261)
	<hr/>
Cash outflow on acquisition	615,739
	<hr/> <hr/>

Acquisition-related costs included in administrative expenses in the condensed consolidated income statement for the period ended 30 June 2011 is approximately RMB1 million.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 22 CONTINGENT LIABILITIES

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	<b>1,923,377</b>	1,923,248

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") in 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium and deferred taxation with an estimated total amount of approximately RMB62 million (31 December 2010: RMB63 million). The Deed of Indemnity will be expired on 30 May 2014.

## 23 COMMITMENTS UNDER OPERATING LEASES

- (a) 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 2011 RMB'000	31 December 2010 RMB'000
Not later than one year	<b>8,067</b>	10,831
Later than one year and not later than five years	<b>8,473</b>	11,737
Later than five years	—	108
	<b>16,540</b>	22,676

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 23 COMMITMENTS UNDER OPERATING LEASES (CONTINUED)

### (b) Other commitments

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Commitment in respect of properties under development: Contracted but not provided for	<b>1,103,000</b>	3,145,000

Included in this amount were 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 2011, total consideration for these land use rights amounted to approximately RMB4,667 million (31 December 2010: RMB8,894 million) for which the Group has prepaid approximately RMB3,564 million (31 December 2010: RMB5,749 million).

## 24 OTHER COMMITMENTS

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties: Contracted but not provided for	<b>929,801</b>	1,215,405
Authorised but not contracted for	<b>823,317</b>	1,027,989
	<b>1,753,118</b>	2,243,394

At 30 June 2011, the Group had no financial commitments in respect of equity capital to be injected into any jointly controlled entity or associated entity (31 December 2010: nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 25 SECURITIES FOR BANKING FACILITIES

At 30 June 2011, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, investment properties, property, plant and equipment with an aggregate carrying value of approximately RMB8,280 million (31 December 2010: RMB8,002 million), RMB11,010 million (31 December 2010: RMB5,876 million) and RMB2,040 million (31 December 2010: RMB2,033 million) respectively;
- (b) mortgages of certain of the Group's land use rights with an aggregate carrying value of approximately RMB256 million (31 December 2010: nil); and
- (c) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately RMB7,455 million (31 December 2010: RMB4,874 million).

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Related parties

The Company's substantial shareholder is Yue Xiu Enterprises (Holdings) Limited ("YXE"). 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 2011:

Significant related parties	Relationship with the Company
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
Kiu Fung Limited ("Kiu Fung")	A subsidiary of YXE
GZI REIT	An associated entity

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties

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

		<b>Six months ended 30 June</b>	
		<b>2011</b>	2010
		<b>RMB'000</b>	RMB'000
(I)	Transactions with YXE		
	Rental expenses and property management fees paid to YXE	<b>(860)</b>	(944)
	Service fees paid to YXE	<b>—</b>	(263)
(II)	Transactions with YXF		
	Management fees paid to YXF	<b>(152)</b>	(159)
(III)	Transaction with YXIDL		
	Loan interest paid to YXIDL	<b>(286)</b>	(273)
(IV)	Transaction with YXCSSL		
	Rental income received from YXCSSL	<b>1,500</b>	1,315
(V)	Transaction with HWB		
	Rental income received from HWB	<b>404</b>	354
(VI)	Transaction with Kiu Fung		
	Management fees received from Kiu Fung	<b>547</b>	570
(VII)	Transactions with GZI REIT		
	Asset management fees received from GZI REIT	<b>14,724</b>	14,054
	Tenancy service fees received from GZI REIT	<b>8,773</b>	8,292
	Rental expenses paid to GZI REIT	<b>(2,112)</b>	(1,991)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Balances with related parties

		As at	
	Note	30 June 2011 RMB'000	31 December 2010 RMB'000
Amount due to a substantial shareholder	(i), (iii)	<b>(64,829)</b>	(75,230)
Amounts due from associated entities	(i), (v), (vii)	<b>87,646</b>	73,469
Amounts due to associated entities	(i), (ii)	<b>(159,217)</b>	(141,324)
Amounts due from jointly controlled entities	(i), (iv), (vii)	<b>48,187</b>	48,297
Amounts due to jointly controlled entities	(i), (iii)	<b>(152,588)</b>	(155,489)
Loan from a related company	(ii), (vi)	<b>(48,089)</b>	(48,940)
Amounts due to related companies	(i), (iii)	<b>(2,239)</b>	(4,872)

Except for the amount due to a substantial shareholder, amounts due from associated entities and loan from a related company 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 is unsecured, interest bearing at Hong Kong Interbank Offer Rate plus 1 percent per annum and is not repayable within the next 12 months.
- (iii) These balances are included in other payables and accrued charges.
- (iv) The balance is included in interests in jointly controlled entities.
- (v) The balance is included in interests in associated entities except for an amount of approximately RMB30,398,000 (31 December 2010: RMB14,867,000) 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, except for a provision for impairment losses of approximately RMB32,068,000 (31 December 2010: RMB32,068,000) was made for an amount due from a jointly controlled entity.

### (d) Key management compensation

Key management compensation amounted to RMB3,587,000 for the six months ended 30 June 2011 (for the six months ended 30 June 2010: RMB2,416,000).

## INTERESTS OF DIRECTORS

As at 30 June 2011, 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	4,550,000	0.05
Mr Lau Hon Chuen Ambrose	Personal	3,640,000	0.04
Mr Chen Zhihong	Personal	751,740	0.01

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

Name of Director	Date of grant	Adjusted exercise price per share HK\$	Number of share options		
			outstanding as at 1 January 2011	exercised during the period	outstanding as at 30 June 2011
Mr Tang Shouchun	23/06/2004(a)	0.607	1,620,375	—	1,620,375
Mr Chen Zhihong	23/06/2004(a)	0.607	623,221(b)	—	623,221

Notes:

(a) 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.

(b) Balance as at 13 June 2011, date of appointment of Mr Chen Zhihong as a director of the Company.

Save as disclosed herein, as at 30 June 2011, 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 2011, 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	4,631,163,657	49.88

Note:

Guangzhou Yue Xiu Holdings Limited is deemed by the SFO to be interested in 4,631,163,657 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	4,631,163,657
Superb Master Ltd.	302,247,835
Excellence Enterprises Co., Ltd. ("Excellence")	4,323,213,675
Bosworth International Limited ("Bosworth")	3,160,100,867
Sun Peak Enterprises Ltd. ("Sun Peak")	735,387,900
Novena Pacific Limited ("Novena")	735,387,900
Shine Wah Worldwide Limited ("Shine Wah")	205,463,700
Morrison Pacific Limited ("Morrison")	205,463,700
Perfect Goal Development Co., Ltd. ("Perfect Goal")	176,458,100
Greenwood Pacific Limited ("Greenwood")	176,458,100
Seaport Development Limited ("Seaport")	45,803,108
Goldstock International Limited ("Goldstock")	45,803,108
Yue Xiu Finance Company Limited	5,702,147

- (i) 3,160,100,867 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
- (ii) 735,387,900 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 205,463,700 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 176,458,100 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 45,803,108 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 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 were as follows:

Number of share options			outstanding as at 30 June 2011 HK\$	Adjusted exercise price per share	Date of grant HK\$	Exercisable period	Weighted average closing price (b)
outstanding as at 1 January 2011	exercised during the period	lapsed during the period					
11,290,686	—	(1,038,702)	10,251,984	0.395	02/05/2003	02/05/2003 - 01/05/2013 (a)	N/A
1,703,471	—	(560,899)	1,142,572	0.784	27/10/2003	27/10/2003 - 26/10/2013 (a)	N/A
9,040,857	(137,109)	(2,332,923)	6,570,825	0.814	23/12/2003	23/12/2003 - 22/12/2013 (a)	2.05
35,993,091	(833,324)	(8,652,384)	26,507,383	0.607	23/06/2004	23/06/2004 - 22/06/2014 (a)	1.88

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 2011, 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 2011 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 2011.

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 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 18 October 2011 to Friday, 21 October 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company’s Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Monday, 17 October 2011.

# CORPORATE AND INVESTOR RELATIONS INFORMATION

## BOARD OF DIRECTORS

### Executive directors

Mr Lu Zhifeng (*Chairman*)  
Mr Zhang Zhaoxing  
Mr Liang Yi  
Mr Tang Shouchun  
Mr Chen Zhihong  
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 ADVISER

Baker & McKenzie

## 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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## ADR DEPOSITARY BANK

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