



# 越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

(Stock Code: 00123)

## INTERIM REPORT 2012





## Contents

2	FINANCIAL HIGHLIGHTS
3	CHAIRMAN'S STATEMENT
7	MANAGEMENT DISCUSSION AND ANALYSIS
21	REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
22	INTERIM FINANCIAL INFORMATION
22	Condensed Consolidated Income Statement
24	Condensed Consolidated Statement of Comprehensive Income
25	Condensed Consolidated Balance Sheet
27	Condensed Consolidated Statement of Cash Flows
28	Condensed Consolidated Statement of Changes in Equity
30	Notes to the Condensed Consolidated Interim Financial Information
57	OTHER INFORMATION
62	CORPORATE AND INVESTOR RELATIONS INFORMATION

## 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 2012.

	For the six months ended		Change
	30 June 2012 (RMB' 000) Unaudited	30 June 2011 (RMB' 000) Unaudited	
Total revenue (including the sales of investment properties)	4,839,769	5,402,311	10.4% ↓
Gross profit (including the sales of investment properties)	2,733,462	2,359,139	15.9% ↑
Operating profit (core business)	2,388,409	1,989,859	20.0% ↑
Profit attributable to equity holders of the Company (core business)	903,434	779,349	15.9% ↑
Property contracted sales GFA (sq.m.)	571,500	199,100	187.0% ↑
Property contracted sales value	7,148,000	3,074,000	132.5% ↑
Property sold but not yet recognized GFA (sq.m.)	815,500	430,700	89.3% ↑
Property sold but not yet recognized value	10,217,000	6,615,000	54.5% ↑

	As at		Change
	30 June 2012 (RMB' 000) Unaudited	31 December 2011 (RMB' 000) Audited	
Total cash			
Including: Cash and cash equivalents *	4,526,414	4,820,904	6.1% ↓
Charged bank deposits	2,273,868	1,306,754	74.0% ↑
Total assets	66,457,148	61,213,284	8.6% ↑
Shareholders' equity per share** (RMB)	2.307	2.172	6.2% ↑
Gearing ratio	45.5%	45.7%	0.2 percentage points ↓

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

\*\* Excluding non-controlling interests



## Chairman's Statement

### BUSINESS REVIEW

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

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

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

### Results and Dividend for the First Half of 2012

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

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

## Chairman's Statement

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

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

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

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

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

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

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



## Chairman's Statement

### Investor Relations and Capital Operation Working Seamlessly in Tandem

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

### Strategically Expanding Our Landbank to Achieve Economies of Scale Overall

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

### Brandishing Strategic Value of the Yuexiu Brand and Enhancing Core Competitiveness

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

## BUSINESS OUTLOOK

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

# Chairman's Statement

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

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

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

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

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

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

## ACKNOWLEDGMENT

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

**LU Zhifeng**

*Chairman*

Hong Kong, 21 August 2012





## Management Discussion and Analysis

### ECONOMIC ANALYSIS

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

### Property Market Analysis

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

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

### Business Review

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

## Management Discussion and Analysis

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

Particulars of contracted sales are summarized as follows:

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

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

## Management Discussion and Analysis

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

Particulars of recognized sales are summarized as follows:

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

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

## Management Discussion and Analysis

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

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

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

Note: R - Residential, C - Commercial

### Landbank

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

## Management Discussion and Analysis

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

Particulars of landbank are summarized as follows:

Project	Land use	GFA of			Location
		GFA of Landbank (sq.m.)	Properties under development (sq.m.)	GFA of undeveloped Properties (sq.m.)	
Guangzhou Starry Golden Sands	R, C	396,500	188,200	208,300	Baiyun, Guangzhou
Guangzhou Starry Wenhua	R	221,900	221,900	—	Panyu, Guangzhou
Guangzhou Starry Wenhan	R	164,400	164,400	—	Panyu, Guangzhou
Guangzhou Starry Wenyu	R	141,400	141,400	—	Panyu, Guangzhou
Southern Le Sand	R, C	2,359,700	438,100	1,921,600	Nansha, Guangzhou
Huadu Glade Greenland	R	93,400	93,400	—	Huadu, Guangzhou
Ling Nan Riverside	R	17,000	17,000	—	Liwan, Guangzhou
Paradiso Garden (formerly Jiang Nan New Village Phases 3 & 4)	R	31,500	31,500	—	Haizhu, Guangzhou
Paradiso Courtyard (formerly Jiang Nan New Village Phases 3 & 4)	R	31,800	31,800	—	Haizhu, Guangzhou
Paradiso Riverside (formerly Panyu Southern District Project)	R, C	469,100	469,100	—	Panyu, Guangzhou
Paradiso Sunshine (formerly Panyu Southern District Project)	R	134,100	134,100	—	Panyu, Guangzhou
Zhujiang New Town D8-C3 Project	R	34,900	34,900	—	Tianhe, Guangzhou
Guangzhou Science City Project	R, C	323,400	323,400	—	Luogang, Guangzhou
Conghua Jiangpu Town Project	R	184,900	—	184,900	Conghua, Guangzhou
Guangzhou Fortune Apartment	C	128,900	128,900	—	Liwan, Guangzhou
Guangzhou Fortune World Plaza	C	266,000	266,000	—	Liwan, Guangzhou
Guangzhou Fortune Century Square	C	135,900	135,900	—	Tianhe, Guangzhou
Guangzhou International Finance Center	C	51,600	51,600	—	Tianhe, Guangzhou
Guangzhou Fortune Center	C	210,500	210,500	—	Tianhe, Guangzhou
Asia Pacific Century Plaza	C	232,000	232,000	—	Tianhe, Guangzhou
Sporty Stadium Building	C	125,000	—	125,000	Tianhe, Guangzhou
Other projects	N/A	110,900	50,900	60,000	Guangzhou
<b>Subtotal (Guangzhou)</b>		<b>5,864,800</b>	<b>3,365,000</b>	<b>2,499,800</b>	

## Management Discussion and Analysis

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

Note: R - Residential, C - Commercial

## Management Discussion and Analysis

### Progress of Constructions

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

### Investment Properties

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

Particulars of investment properties are summarized as follows:

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

### OTHER BUSINESS

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

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

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Financial Highlights

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

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

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

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

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

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

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

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

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

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





## Management Discussion and Analysis

### ANALYSIS ON OPERATING RESULTS

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

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

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

#### Revenue and gross profit

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

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

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

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

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

# Management Discussion and Analysis

## Selling and marketing costs and administrative expenses

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

## Finance costs

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

## Share of profits of associated entities

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

## Taxation

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

## Earnings per share

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



## Management Discussion and Analysis

### Interim dividend

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

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

### Liquidity and financial resources

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

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

# Management Discussion and Analysis

## Capital structure

The Group's capital structure is summarized as follow:

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

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

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

## Capital expenditures and investments

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



## 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.

### Commitments for leasehold land and property, plant and equipment

As at 30 June 2012, the Group had unpaid land premium payable in respect of the land acquisition of approximately RMB488 million (31 December 2011: RMB1,079 million). As at the announcement date of the Company, the Group had unpaid land premium payable of approximately RMB604 million.

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

### Contingent liabilities

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

As at 30 June 2012, in connection with the disposal of a subsidiary to Yuexiu REIT in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately RMB60 million. The Deed of Indemnity will expire on 30 May 2014.

### Employees and remuneration policy

As at 30 June 2012, the Group had approximately 6,080 employees (31 December 2011: 5,810 employees). The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees according to their performance. Promotion and salary adjustments are based on performance.

## 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 existed at any time during the six months ended 30 June 2012 and included 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. On 26 March 2012, the Company, as borrower, entered into a supplementary facility letter with the bank. The supplementary facility letter is for an additional loan facility of up to HK\$200 million.
- (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.
- (f) On 27 June 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 5-year term loan facility of up to HK\$500 million from the date of the facility agreement.

Pursuant to the aforesaid loan agreements/facility agreements or letters, Yue Xiu Enterprises (Holdings) Limited, the substantial 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 by Guangzhou Municipal People's Government for facilities (c) and (f); (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), (e) and (f). 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 2012.

# 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 22 to 56, which comprises the condensed consolidated balance sheet of Yuexiu Property Company Limited (the “Company”) and its subsidiaries as at 30 June 2012 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, 21 August 2012

---

*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 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		RMB' 000	RMB' 000 (Restated)
Revenue	6	<b>4,264,056</b>	4,957,200
Cost of sales	7	<b>(1,680,028)</b>	(2,713,187)
Gross profit		<b>2,584,028</b>	2,244,013
Proceeds from sales of investment properties		<b>575,713</b>	445,111
Direct costs of investment properties sold		<b>(426,279)</b>	(329,985)
Gain on sales of investment properties		<b>149,434</b>	115,126
Fair value gains on revaluation of investment properties	12	<b>903,802</b>	4,885,689
Gain on disposal of a subsidiary	22	<b>180,464</b>	—
Selling and marketing costs	7	<b>(140,218)</b>	(78,428)
Administrative expenses	7	<b>(385,299)</b>	(290,852)
Operating profit		<b>3,292,211</b>	6,875,548
Finance income		<b>23,675</b>	29,840
Finance costs		<b>(213,716)</b>	(140,074)
Net foreign exchange (loss)/gain on financing activities		<b>(40,054)</b>	54,536
Share of profit of			
– jointly controlled entities		<b>873</b>	2,046
– associated entities		<b>89,891</b>	298,871
Profit before taxation		<b>3,152,880</b>	7,120,767
Taxation	8	<b>(1,529,126)</b>	(2,527,103)
Profit for the period		<b>1,623,754</b>	4,593,664



## Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Note	Unaudited Six months ended 30 June	
		2012 RMB' 000	2011 RMB' 000 (Restated)
Attributable to			
Equity holders of the Company		<b>1,579,881</b>	4,495,372
Non-controlling interests		<b>43,873</b>	98,292
		<b>1,623,754</b>	4,593,664
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	9		
– Basic		<b>0.1701</b>	0.4842
– Diluted		<b>0.1697</b>	0.4827

The notes on pages 30 to 56 form an integral part of this condensed consolidated interim financial information.

		Unaudited Six months ended 30 June	
		2012 RMB' 000	2011 RMB' 000
Dividend	10	<b>315,921</b>	304,758

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

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

The notes on pages 30 to 56 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Balance Sheet

As at 30 June 2012

	Note	As at	
		30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	699,532	2,624,912
Investment properties	12	2,855,249	11,922,571
Land use rights	13	254,492	557,609
Interests in jointly controlled entities		101,939	100,477
Interests in associated entities		2,043,130	2,008,062
Available-for-sale financial assets		673,895	722,573
Deferred tax assets	21	88,609	82,594
Accrued rent receivable		—	75,889
		<b>6,716,846</b>	18,094,687
<b>Current assets</b>			
Properties under development		32,802,814	29,777,812
Properties held for sale		1,958,258	2,666,073
Prepayments for land use rights		1,408,907	2,064,505
Inventories		160,424	100,798
Trade receivables	14	5,057	4,523
Available-for-sale financial assets		40,000	—
Other receivables, prepayments and deposits		1,438,843	847,434
Taxation recoverable		650,528	501,004
Charged bank deposits		2,273,868	1,306,754
Cash and cash equivalents		4,035,610	4,820,904
		<b>44,774,309</b>	42,089,807
Non-current assets held-for-sale	15	<b>14,965,993</b>	1,028,790

# Condensed Consolidated Balance Sheet

As at 30 June 2012

	Note	As at	
		30 June 2012 Unaudited RMB' 000	31 December 2011 Audited RMB' 000 (Restated)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and note payables	16	436,318	327,476
Land premium payable		45,944	45,944
Advance receipts from customers		6,089,566	5,392,740
Other payables and accrued charges		5,837,097	6,108,568
Borrowings	17	10,108,633	10,590,713
Taxation payable		793,383	770,604
		<b>23,310,941</b>	23,236,045
Liabilities associated with non-current assets held-for-sale	15	<b>7,847,888</b>	122,552
<b>Net current assets</b>		<b>28,581,473</b>	19,760,000
<b>Total assets less current liabilities</b>		<b>35,298,319</b>	37,854,687
<b>Non-current liabilities</b>			
Borrowings	17	7,818,510	11,191,453
Deferred tax liabilities	21	5,485,333	5,966,240
Deferred revenue		68,184	68,184
		<b>13,372,027</b>	17,225,877
<b>Net assets</b>		<b>21,926,292</b>	20,628,810
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	18	851,478	851,021
Share premium	18	8,874,801	8,871,970
Other reserves	20	378,972	375,716
Retained earnings			
– Proposed dividends	20	315,921	343,551
– Others	20	11,012,330	9,744,389
		<b>21,433,502</b>	20,186,647
Non-controlling interests		<b>492,790</b>	442,163
<b>Total equity</b>		<b>21,926,292</b>	20,628,810

The notes on pages 30 to 56 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB' 000	RMB' 000
Net cash used in operating activities	<b>(140,830)</b>	(2,236,130)
Net cash used in investing activities	<b>(732,689)</b>	(978,068)
Net cash generated from financing activities	<b>574,241</b>	3,418,281
(Decrease)/increase in cash and cash equivalents	<b>(299,278)</b>	204,083
Cash and cash equivalents at the beginning of period	<b>4,823,603</b>	6,450,864
Exchange gain/(loss) on cash and cash equivalents	<b>2,020</b>	(38,076)
	<b>4,526,345</b>	6,616,871
Less: Cash and cash equivalents included in non-current assets held-for-sale	<b>(490,804)</b>	—
Cash and cash equivalents at the end of period	<b>4,035,541</b>	6,616,871
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>4,035,610</b>	6,616,980
Bank overdrafts	<b>(69)</b>	(109)
	<b>4,035,541</b>	6,616,871

The notes on pages 30 to 56 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 2012

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests RMB' 000	Total RMB' 000
	Share capital RMB' 000	Share premium RMB' 000	Reserves RMB' 000		
Balance at 1 January 2012, as previously reported	851,021	8,871,970	10,564,883	449,949	20,737,823
Change in accounting policy - adoption of HKAS 12 (Amendment)	—	—	(101,227)	(7,786)	(109,013)
Balance at 1 January 2012, as restated	851,021	8,871,970	10,463,656	442,163	20,628,810
<b>Comprehensive income</b>					
Profit for the period	—	—	1,579,881	43,873	1,623,754
<b>Other comprehensive income</b>					
Currency translation differences	—	—	10,099	—	10,099
Change in fair value of available-for-sale financial assets, net of tax	—	—	(6,154)	(513)	(6,667)
Transfer of reserve upon disposal of a subsidiary (note 22)	—	—	(754)	—	(754)
Total other comprehensive income/(loss) for the period, net of tax	—	—	3,191	(513)	2,678
Total comprehensive income for the period	—	—	1,583,072	43,360	1,626,432
<b>Transactions with owners</b>					
Issue of shares net of issuing expenses	457	2,173	—	—	2,630
Transfer upon exercise of share options	—	658	(658)	—	—
Disposal of a subsidiary (note 22)	—	—	—	(16,880)	(16,880)
Capital injection to a subsidiary	—	—	—	24,500	24,500
Dividends paid	—	—	(338,847)	(353)	(339,200)
Total transactions with owners	457	2,831	(339,505)	7,267	(328,950)
Balance at 30 June 2012	851,478	8,874,801	11,707,223	492,790	21,926,292

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests	Total
	Share capital RMB' 000	Share premium RMB' 000	Reserves RMB' 000		
Balance at 1 January 2011, as previously reported	850,915	8,870,951	6,138,494	485,733	16,346,093
Change in accounting policy - adoption of HKAS 12 (Amendment)	—	—	(197,614)	(8,680)	(206,294)
Balance at 1 January 2011, as restated	850,915	8,870,951	5,940,880	477,053	16,139,799
<b>Comprehensive income</b>					
Profit for the period	—	—	4,495,372	98,292	4,593,664
<b>Other comprehensive income</b>					
Currency translation differences	—	—	(40,266)	—	(40,266)
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	—	—	(132,124)	(3,898)	(136,022)
Total comprehensive income for the period	—	—	4,363,248	94,394	4,457,642
<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	10,303,997	573,527	20,600,045

The notes on pages 30 to 56 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 21 August 2012.

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 2012 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).



# Notes to the Condensed Consolidated Interim Financial Information

## 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 2011, as described in those annual financial statements.

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

- (a) Change in accounting policy on the provision of deferred tax on revaluation of investment properties:

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

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

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

As disclosed in note 12, the Group has investment properties measured at their fair values totalling RMB11,922,571,000 as of 1 January 2012. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties amounting to RMB2,882,571,000 according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below:

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

# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES (CONTINUED)

- (a) Change in accounting policy on the provision of deferred tax on revaluation of investment properties: (Continued)

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

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

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

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

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

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

# Notes to the Condensed Consolidated Interim Financial Information

## 3 ACCOUNTING POLICIES (CONTINUED)

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

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

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

## 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 2011.

# 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 2011.

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 2012, the Group held available-for-sale financial assets of approximately RMB714 million (31 December 2011: RMB723 million), which were classified as level 2 financial instruments (2011 December 2011: level 2).

For the period ended 30 June 2012, 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 2012, there were no reclassifications or transfer of financial assets as a result of a change in the purpose or use of those assets.

## 6 SEGMENT INFORMATION

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

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

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

# Notes to the Condensed Consolidated Interim Financial Information

## 6 SEGMENT INFORMATION (CONTINUED)

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 2012</b>					
Revenue	3,648,606	210,335	277,537	455,218	4,591,696
Inter-segment revenue	—	(28,925)	(3,747)	(294,968)	(327,640)
Revenue from external customers	3,648,606	181,410	273,790	160,250	4,264,056
Segment results	1,831,777	(3,982)	1,254,673	47,850	3,130,318
Share of profit of					
- jointly controlled entities	873	—	—	—	873
- associated entities	—	—	89,891	—	89,891
<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
Segment results	1,744,816	7,807	5,134,668	10,067	6,897,358
Share of profit of					
- jointly controlled entities	2,046	—	—	—	2,046
- associated entities	—	—	298,871	—	298,871

## 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 2012</b>					
Segment assets	49,582,542	404,458	12,715,169	484,004	63,186,173
Interests in jointly controlled entities	101,939	—	—	—	101,939
Interests in associated entities	—	—	2,043,130	—	2,043,130
Total reportable segments' assets	<b>49,684,481</b>	<b>404,458</b>	<b>14,758,299</b>	<b>484,004</b>	<b>65,331,242</b>
<b>As at 31 December 2011</b>					
Segment assets	45,686,760	349,060	11,922,571	300,371	58,258,762
Interests in jointly controlled entities	100,477	—	—	—	100,477
Interests in associated entities	—	—	2,008,062	—	2,008,062
Total reportable segments' assets	<b>45,787,237</b>	<b>349,060</b>	<b>13,930,633</b>	<b>300,371</b>	<b>60,367,301</b>

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

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

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

## 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:

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

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

# 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:

	Six months ended 30 June	
	2012 RMB' 000	2011 RMB' 000
Amortisation of land use rights (note 13)	8,806	9,283
Depreciation		
– Owned property, plant and equipment	19,874	26,295
– Leased property, plant and equipment	33	27
Provision for/(reversal of) impairment of property, plant and equipment (note 11)	940	(8,415)
Reversal of provision for impairment of properties under development	–	(20,914)

## 8 TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2011: 16.5 percent) on the estimated assessable profit for the period.
- (b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and jointly controlled entities in China at 25 percent (2011: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the period, withholding income tax was provided for the dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, jointly controlled entities and associated entities in China at tax rates ranging from 5 percent to 10 percent (2011: 5 percent to 10 percent).

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

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



# 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	
	2012	2011 (Restated)
Profit attributable to equity holders of the Company (RMB' 000)	<b>1,579,881</b>	4,495,372
Weighted average number of ordinary shares in issue ('000)	<b>9,285,540</b>	9,283,497
Basic earnings per share (RMB)	<b>0.1701</b>	0.4842

### Diluted

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

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

## Notes to the Condensed Consolidated Interim Financial Information

### 10 DIVIDENDS

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

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

### 11 PROPERTY, PLANT AND EQUIPMENT

	2012 RMB' 000	2011 RMB' 000
At 1 January	<b>2,624,912</b>	2,199,676
Exchange differences	<b>1,849</b>	(7,191)
Additions	<b>843,362</b>	179,751
Transfer from investment properties (note 12)	<b>94,431</b>	—
Transfer from properties under development	<b>1,265,819</b>	—
Transfer from properties held for sale	<b>42,625</b>	—
Disposals	<b>(658)</b>	(1,857)
Depreciation	<b>(19,907)</b>	(26,322)
(Provision for)/reversal of impairment	<b>(940)</b>	8,415
Transfer to non-current assets held-for-sale (note 15)	<b>(4,151,961)</b>	—
At 30 June	<b>699,532</b>	2,352,472

### 12 INVESTMENT PROPERTIES

	2012 RMB' 000	2011 RMB' 000
At 1 January	<b>11,922,571</b>	7,632,075
Exchange differences	<b>3,130</b>	(11,767)
Additions	<b>34,836</b>	869,533
Transfer to property, plant and equipment (note 11)	<b>(94,431)</b>	—
Disposals	<b>(152,659)</b>	(309,551)
Fair value gains	<b>903,802</b>	4,885,689
Transfer to non-current assets held-for-sale (note 15)	<b>(9,762,000)</b>	—
At 30 June	<b>2,855,249</b>	13,065,979

## 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>2012</b>	2011
	<b>RMB' 000</b>	RMB' 000
At 1 January	<b>557,609</b>	547,113
Additions	<b>162,561</b>	—
Disposals	—	(8,275)
Amortisation	<b>(8,806)</b>	(9,283)
Transfer to non-current assets held-for-sale (note 15)	<b>(456,872)</b>	—
At 30 June	<b>254,492</b>	529,555

### 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>	31 December
	<b>2012</b>	2011
	<b>RMB' 000</b>	RMB' 000
0 - 30 days	<b>1,630</b>	2,112
31 - 90 days	<b>1,617</b>	409
91 - 180 days	<b>524</b>	125
181 - 365 days	<b>155</b>	77
Over 1 year	<b>1,131</b>	1,800
	<b>5,057</b>	4,523

## Notes to the Condensed Consolidated Interim Financial Information

### 15 NON-CURRENT ASSETS HELD-FOR-SALE

On 28 May 2012, the Group entered into a conditional subscription agreement with Yuexiu Real Estate Investment Trust (“Yuexiu REIT”), an associated entity of the Company, to accept its subscription for 99.99% of the enlarged share capital of Tower Top Development Limited (“Tower Top Group”), which is holding 99% interest in Guangzhou International Finance Center (“GZIFC”), a mixed-use commercial building in Guangzhou. On the same date, the Directors of the Company, the trustee and the manager of Yuexiu REIT also entered into a conditional indebtedness agreement in which the Company agreed to transfer and assign the amount owed by Tower Top Group to the Company to Yuexiu REIT. The consideration of the above transactions will be satisfied by cash, issuance of units and deferred units of Yuexiu REIT and new bank facility. Upon the completion of the above transactions, Yuexiu REIT will effectively own 98.99% interests in GZIFC. The above transaction has been approved in the extraordinary general meeting held on 23 July 2012. The completion date for the transaction is expected to be completed on or before 31 December 2012. Given the disposal is highly probable as at 30 June 2012, management classified the assets and liabilities of Tower Top Group as non-current assets held-for-sale and liabilities associated with non-current assets held-for-sale respectively in the condensed consolidated financial information of the Group.

In March 2012, the Group signed a sales and purchase agreement to dispose of Luhu Building in Guangzhou. The transaction is expected to be completed in 2012.

In June 2012, the Group signed a sales and purchase agreement to dispose of the units in City Development Building in Guangzhou. The transaction is expected to be completed in 2012.

In September 2011, the Group signed a sales and purchase agreement to dispose of Hongfa Building in Guangzhou. The transaction was completed in May 2012.

On 9 December 2011, the Group signed another sales and purchase agreement to dispose of Speed Advance Limited which owned the investment property of Guangzhou East Station, to an independent third party for cash consideration and assignment of shareholder’s loan. Accordingly, the assets and liabilities have been presented as non-current assets held-for-sale and liabilities associated with non-current assets held-for-sale as at 31 December 2011. The disposal was completed on 29 May 2012 (see note 22).

## Notes to the Condensed Consolidated Interim Financial Information

### 15 NON-CURRENT ASSETS HELD-FOR-SALE (CONTINUED)

The major classes of assets and liabilities that have been presented as held-for-sale are as follows:

#### (a) Non-current assets held-for-sale

	As at	
	30 June 2012 RMB' 000	31 December 2011 RMB' 000
Property, plant and equipment (note 11)	4,151,961	—
Investment properties (note 12)	9,762,000	1,025,600
Land use rights (note 13)	456,872	—
Cash and cash equivalents	490,804	3,017
Other assets	104,356	173
	<b>14,965,993</b>	<b>1,028,790</b>

#### (b) Liabilities associated with non-current assets held-for-sale

	As at	
	30 June 2012 RMB' 000	31 December 2011 RMB' 000
Borrowings and other payables	6,073,934	67,472
Deferred tax liabilities	1,773,954	55,080
	<b>7,847,888</b>	<b>122,552</b>

### 16 TRADE AND NOTE PAYABLES

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

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

## Notes to the Condensed Consolidated Interim Financial Information

### 17 BORROWINGS

	As at	
	30 June 2012 RMB' 000	31 December 2011 RMB' 000
<b>Non-current</b>		
Long-term bank borrowings		
- Secured	2,647,838	6,732,744
- Unsecured	5,170,545	4,458,552
Obligations under finance leases	127	157
	<b>7,818,510</b>	11,191,453
<b>Current</b>		
Bank overdrafts	69	318
Short-term bank borrowings		
- Secured	535,000	680,000
- Unsecured	670,614	936,623
Current portion of long-term bank borrowings		
- Secured	6,823,879	5,651,562
- Unsecured	2,079,004	3,322,143
Obligations under finance leases	67	67
	<b>10,108,633</b>	10,590,713
Total borrowings	<b>17,927,143</b>	21,782,166

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	As at 30 June 2012 RMB' 000	As at 31 December 2011 RMB' 000	As at 30 June 2012 RMB' 000	As at 31 December 2011 RMB' 000
Within one year	10,108,566	10,590,646	67	67
In the second year	6,530,631	4,842,387	57	38
In the third to fifth year	1,287,752	3,348,909	70	119
Over five years	—	3,000,000	—	—
	<b>17,926,949</b>	21,781,942	<b>194</b>	224

## Notes to the Condensed Consolidated Interim Financial Information

### 18 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares ( ' 000)	Share capital RMB' 000	Share premium RMB' 000	Total RMB' 000
At 1 January 2011	9,282,763	850,915	8,870,951	9,721,866
Issue of shares net of issuing expenses (note 19)	970	83	441	524
Transfer upon exercise of share options	—	—	131	131
At 30 June 2011	9,283,733	850,998	8,871,523	9,722,521
At 1 January 2012	<b>9,284,012</b>	<b>851,021</b>	<b>8,871,970</b>	<b>9,722,991</b>
Issue of shares net of issuing expenses (note 19)	<b>5,639</b>	<b>457</b>	<b>2,173</b>	<b>2,630</b>
Transfer upon exercise of share options	—	—	<b>658</b>	<b>658</b>
At 30 June 2012	<b>9,289,651</b>	<b>851,478</b>	<b>8,874,801</b>	<b>9,726,279</b>

### 19 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options ' 000
At 1 January 2011	58,028
Exercised during the period	(970)
Lapsed during the period	(12,585)
At 30 June 2011	44,473
At 1 January 2012	<b>44,194</b>
Exercised during the period	<b>(5,639)</b>
At 30 June 2012	<b>38,555</b>

## Notes to the Condensed Consolidated Interim Financial Information

### 19 SHARE OPTIONS (CONTINUED)

Particulars of share options as at 30 June 2012 and 31 December 2011 are as follows:

Date of grant	Exercise period	Exercise price HK\$	Number of outstanding share options	
			As at 30 June 2012 '000	As at 31 December 2011 '000
2 May 2003	2 May 2003 - 1 May 2013	0.3950	9,109	10,252
27 October 2003	27 October 2003 - 26 October 2013	0.7840	1,142	1,142
23 December 2003	23 December 2003 - 22 December 2013	0.8140	6,051	6,363
23 June 2004	23 June 2004 - 22 June 2014	0.6070	22,253	26,437
			<b>38,555</b>	44,194

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 2012, all (31 December 2011: 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

### 20 RESERVES

	Capital redemption reserve RMB' 000	Statutory reserves (note (a)) RMB' 000	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
Balance at 1 January 2012, as previously reported	1,699	203,590	(238,256)	407,512	5,320	10,185,018	10,564,883
Change in accounting policy - adoption of HKAS 12 (Amendment)	—	—	(4,149)	—	—	(97,078)	(101,227)
Balance at 1 January 2012, as restated	1,699	203,590	(242,405)	407,512	5,320	10,087,940	10,463,656
Currency translation differences	—	—	10,099	—	—	—	10,099
Change in fair value of available-for-sale financial assets							
– gross	—	—	—	(7,994)	—	—	(7,994)
– tax	—	—	—	1,999	—	—	1,999
– effect of withholding tax	—	—	—	(159)	—	—	(159)
Profit attributable to shareholders	—	—	—	—	—	1,579,881	1,579,881
Transfer of reserve upon disposal of a subsidiary (note 22)	—	(754)	—	—	—	—	(754)
Transfer	—	723	—	—	—	(723)	—
Transfer upon exercise of share options	—	—	—	—	(658)	—	(658)
Dividends paid	—	—	—	—	—	(338,847)	(338,847)
Balance at 30 June 2012	1,699	203,559	(232,306)	401,358	4,662	11,328,251	11,707,223
Representing:							
2012 interim dividends proposed						315,921	
Others						11,012,330	
						<u>11,328,251</u>	

## Notes to the Condensed Consolidated Interim Financial Information

### 20 RESERVES (CONTINUED)

	Capital redemption reserve	Statutory reserves (note (a))	Exchange fluctuation reserve	Available- for-sale financial assets fair value reserve	Employee share-based compensation reserve	Retained profits	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Balance at 1 January 2011, as previously reported	1,699	202,575	(157,859)	716,018	7,497	5,368,564	6,138,494
Change in accounting policy - adoption of HKAS 12 (Amendment)	—	—	(1,531)	—	—	(196,083)	(197,614)
Balance at 1 January 2011, as restated	1,699	202,575	(159,390)	716,018	7,497	5,172,481	5,940,880
Currency translation differences	—	—	(40,266)	—	—	—	(40,266)
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	—	—	—	—	—	4,495,372	4,495,372
Transfer	—	65	—	—	—	(65)	—
Transfer upon exercise of share options	—	—	—	—	(131)	—	(131)
Transfer upon lapse of share options	—	—	—	—	(1,994)	1,994	—
Balance at 30 June 2011	1,699	202,640	(199,656)	624,160	5,372	9,669,782	10,303,997
Representing:							
2011 interim dividends proposed						304,758	
Others						9,365,024	
						9,669,782	

#### 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

### 21 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 2012 and 31 December 2011 represents:

	As at	
	30 June 2012 RMB' 000	31 December 2011 RMB' 000 (Restated)
<b>Deferred tax assets</b>		
– Hong Kong profits tax	37,161	36,968
– China enterprise income tax	51,448	45,626
	<b>88,609</b>	82,594
<b>Deferred tax liabilities</b>		
– Hong Kong profits tax	11,169	13,561
– China enterprise income tax	2,665,790	3,772,899
– China land appreciation tax	2,808,374	2,179,780
	<b>5,485,333</b>	5,966,240

## Notes to the Condensed Consolidated Interim Financial Information

### 22 DISPOSAL OF A SUBSIDIARY

On 29 May 2012, the Group disposed of the entire interest in Speed Advance Limited (“Speed Advance”), a subsidiary of the Group which owns the investment property of Guangzhou East Station, to an independent third party for cash consideration of RMB494 million.

(i) Details of the assets and liabilities of Speed Advance disposed of and the gain on disposal are as follows:

	2012 RMB' 000
Assets and liabilities disposed of:	
Investment properties	783,000
Cash and cash equivalents	11,983
Taxation recoverable	1,043
Other receivable	1,314
Other payables and accrued charges	(401,735)
Taxation payable	(148)
Deferred tax liabilities	(58,392)
Other liabilities	(5,895)
Non-controlling interests	(16,880)
Net assets disposed of	<u>314,290</u>
Cash received	494,000
Less: Net assets disposed of	(314,290)
Add: Release of reserve	754
Gain on disposal of a subsidiary	<u>180,464</u>

(ii) Outflow of cash arising from disposal of a subsidiary:

	2012 RMB' 000
Cash consideration	494,000
Cash and cash equivalents in the subsidiary disposed of	(11,983)
	<u>482,017</u>

## Notes to the Condensed Consolidated Interim Financial Information

### 23 BUSINESS COMBINATION

On 30 December 2010, the Group entered into 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. 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:

	2011 RMB' 000
Purchase consideration:	
Cash paid	388,326
Liabilities assumed and paid	229,674
	<u>618,000</u>
Less: Fair value of net identifiable assets acquired (see below)	<u>(618,000)</u>
Goodwill	<u>—</u>

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

	Fair value RMB' 000
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)
Net identifiable assets acquired	<u>618,000</u>
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)
Cash outflow on acquisition	<u>615,739</u>

Acquisition-related costs of approximately RMB1 million have been recorded in administrative expenses during the year ended 31 December 2011.

## Notes to the Condensed Consolidated Interim Financial Information

### 24 GUARANTEES

	As at	
	30 June 2012 RMB' 000	31 December 2011 RMB' 000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	<b>3,138,830</b>	2,122,850

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 Yuexiu REIT in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium and deferred taxation with an estimated total amount of approximately RMB60 million (31 December 2011: RMB60 million). The Deed of Indemnity will be expired on 30 May 2014.

### 25 COMMITMENTS UNDER OPERATING LEASES

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

	As at	
	30 June 2012 RMB' 000	31 December 2011 RMB' 000
Not later than one year	<b>20,296</b>	18,819
Later than one year and not later than five years	<b>33,129</b>	34,207
	<b>53,425</b>	53,026

# Notes to the Condensed Consolidated Interim Financial Information

## 26 CAPITAL COMMITMENTS

	As at	
	30 June 2012 RMB' 000	31 December 2011 RMB' 000
Capital commitments in respect of property, plant and equipment and investment properties:		
Contracted but not provided for	200,023	626,790
Authorised but not contracted for	353,685	829,463
	<b>553,708</b>	1,456,253

At 30 June 2012, the Group had no financial commitments in respect of equity capital to be injected into any jointly controlled entity or associated entity (31 December 2011: nil).

## 27 SECURITIES FOR BANKING FACILITIES

At 30 June 2012, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment and non-current assets held-for-sale with an aggregate carrying value of approximately RMB20,172 million (31 December 2011: RMB18,965 million), RMB43 million (31 December 2011: RMB43 million), RMB1,474 million (31 December 2011: RMB10,464 million), RMB448 million (31 December 2011: RMB2,375 million) and RMB14,170 million (31 December 2011: nil) respectively;
- (b) mortgages of certain of the Group's land use rights with an aggregate carrying value of nil (31 December 2011: RMB270 million); and
- (c) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately RMB10,756 million (31 December 2011: RMB10,254 million).

# Notes to the Condensed Consolidated Interim Financial Information

## 28 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 2012:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited	A substantial shareholder
Guangzhou Yuexiu Holdings Limited ("GYHL")	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 ("YXCSWL")	A subsidiary of YXE
Kiu Fung Limited ("Kiu Fung")	A subsidiary of YXE
Yuexiu (China) Transport Infrastructure Investment Company Limited ("YCTIIC")	A subsidiary of YXE
Guangzhou Yue Tong Expressway Operations and Management Company Limited ("GYTEOM")	A subsidiary of YXE
Guangzhou Yue Peng Informations Ltd. ("GYPIL")	A subsidiary of YXE
Guangzhou Suiqiao Development Co. Ltd. ("GSDCL")	A subsidiary of YXE
Yue Xiu Securities Company Limited ("YXSCL")	A subsidiary of YXE
Yuexiu REIT	An associated entity
Guangzhou Yuexiu Financial Leasing Co., Ltd. ("GYFL")	A subsidiary of GYHL
Guangzhou Yuexiu Finance Investment Group Co, Ltd. ("GYFIG")	A subsidiary of GYHL
Guangzhou Yuexiu Industry Investment Management Co., Ltd. ("GYIIM")	A subsidiary of GYHL
Guangzhou Securities Limited Liability Company ("GSL")	A subsidiary of GYHL

### (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:

		Six months ended 30 June	
		2012	2011
		RMB' 000	RMB' 000
(I)	Transactions with YXE		
	Rental expenses and property management fees paid to YXE	(1,321)	(860)
	Loan interest paid to YXE	(9,573)	—
(II)	Transaction with YXF		
	Management fees paid to YXF	—	(152)
(III)	Transactions with YXIDL		
	Loan interest paid to YXIDL	—	(286)
	Rental income received from YXIDL	39	—
(IV)	Transaction with YXCSWL		
	Rental income received from YXCSWL	1,421	1,500
(V)	Transaction with Kiu Fung		
	Management fees received from Kiu Fung	527	547



## Notes to the Condensed Consolidated Interim Financial Information

### 28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Transactions with related parties (Continued)

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

	Six months ended 30 June	
	2012 RMB' 000	2011 RMB' 000
(VI) Transactions with Yuexiu REIT		
Asset management fees received from Yuexiu REIT	17,720	14,724
Tenancy service fees received from Yuexiu REIT	9,271	8,773
Rental expenses paid to Yuexiu REIT	(1,565)	(2,112)
(VII) Transaction with GYIIM		
Rental income received from GYIIM	1,248	—
(VIII) Transaction with GYFIG		
Rental income received from GYFIG	1,909	—
(IX) Transaction with GSLL		
Rental income received from GSLL	11,224	—
(X) Transaction with YCTIIC		
Rental income received from YCTIIC	2,349	—
(XI) Transaction with GYTEOM		
Rental income received from GYTEOM	548	—
(XII) Transaction with GYPIL		
Rental income received from GYPIL	370	—
(XIII) Transaction with GSDCL		
Rental income received from GSDCL	279	—
(XIV) Transaction with GYFL		
Rental income received from GYFL	246	—
(XV) Transaction with YXSCL		
Rental income received from YXSCL	19	—

## Notes to the Condensed Consolidated Interim Financial Information

### 28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Balances with related parties

	Note	As at	
		30 June 2012 RMB' 000	31 December 2011 RMB' 000
Amount due to a substantial shareholder	(ii), (iii)	<b>(840,076)</b>	(490,002)
Amounts due from associated entities	(i), (v)	<b>74,369</b>	76,579
Amounts due to associated entities	(i), (iii)	<b>(157,378)</b>	(156,871)
Amounts due from jointly controlled entities	(i), (iv), (vi)	<b>39,834</b>	39,246
Amounts due to jointly controlled entities	(i), (iii)	<b>(242,488)</b>	(236,344)
Amounts due to related companies	(i), (iii)	<b>(47,635)</b>	(67,267)

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

Notes:

- (i) The balance is unsecured, interest free and repayable on demand.
- (ii) Except for an amount approximately RMB839,676,000 (31 December 2011: RMB486,420,000) is unsecured, interest bearing at 3.3 percent to 3.8 percent per annum and repayable within the next 12 months, the remaining balances are unsecured, interest free and repayable on demand.
- (iii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (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 RMB18,249,814 (31 December 2011: RMB20,771,595) which is included in other receivables, prepayments and deposits.
- (vi) These balances were not in default or impaired, except for a provision for impairment losses of approximately RMB32,068,000 (31 December 2011: RMB20,343,000) made for an amount due from a jointly controlled entity.

#### (d) Key management compensation

Key management compensation amounted to RMB2,697,000 for the six months ended 30 June 2012 (for the six months ended 30 June 2011: RMB2,540,000).

## Other Information

### INTERESTS OF DIRECTORS

As at 30 June 2012, 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 2012	exercised during the period	outstanding as at 30 June 2012
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	—	623,221

Note:

- (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.

Save as disclosed herein, as at 30 June 2012, 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 2012, 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) (Note)	Interests of controlled corporations	4,631,163,657	49.85

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 1 January 2012	exercised during the period	outstanding as at 30 June 2012	Exercise price per share HK\$	Date of grant	Exercisable period	Weighted average closing price (b) HK\$	
10,251,984	(1,142,572)	9,109,412	0.395	02/05/2003	02/05/2003 - 01/05/2013 (a)	1.33	
1,142,572	—	1,142,572	0.784	27/10/2003	27/10/2003 - 26/10/2013 (a)	N/A	
6,363,085	(311,610)	6,051,475	0.814	23/12/2003	23/12/2003 - 22/12/2013 (a)	1.94	
26,436,751	(4,183,890)	22,252,861	0.607	23/06/2004	23/06/2004 - 22/06/2014 (a)	1.89	

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

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

### Code Provision A.4.1

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

### Code Provision A.6.7

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



## Other Information

### REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2012 have been reviewed by the Audit Committee and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### 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 2012.

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.

### CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of 2011 Annual Report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B of the Listing Rules, are set out below.

Mr Lau Hon Chuen Ambrose

Cessation of appointment

Qin Jia Yuan Media Services Company Limited (Independent Non-executive director)

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

The Company has not redeemed any of its shares during the six months ended 30 June 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 October 2012 to Friday, 19 October 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 October 2012.

# 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  
Malayan Banking Berhad  
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  
Yuexiu Property Company Limited,  
please contact:  
Mr Ha Hang Leung, Alan  
Telephone : (852) 2511 6671  
Facsimile : (852) 2598 7688  
Email : [contact@yuexiu.com.hk](mailto:contact@yuexiu.com.hk)

## ADR DEPOSITARY BANK

The Bank of New York  
American Depositary Receipts  
620 Avenue of the Americas, 6th Floor  
New York, NY 10011, USA  
Telephone : (646) 885 3218  
Facsimile : (646) 885 3043