YUEXIU PROPERTY COMPANY LIMITED

Annual Report 2012

Stock Code: 00123

越秀地產
YUEXIU PROPERTY

1992 20TH 2012
越秀地產上市二十周年

1992 2012

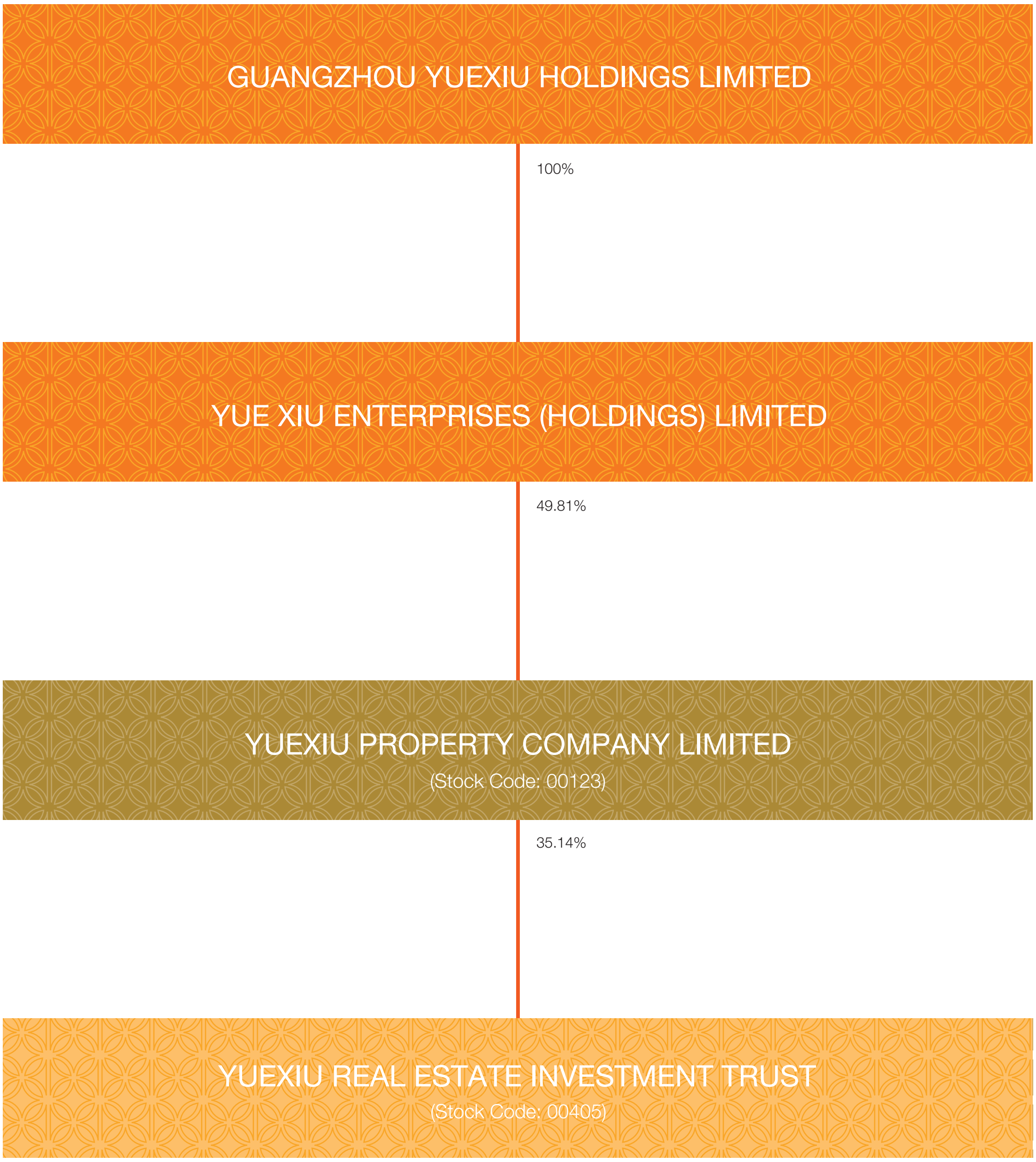
越秀地產上市二十周年

THE 20TH ANNIVERSARY OF YUEXIU PROPERTY

CONTENTS

CORPORATE STRUCTURE

As at 31 December 2012



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Lu Zhifeng (Chairman)
Mr Zhang Zhaoxing
Mr Tang Shouchun
Mr Chen Zhihong
Mr Lam Yau Fung Curt

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS

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

ADR DEPOSITARY BANK

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

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

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited
Singapore Exchange Securities Trading Limited

Stock codes
The Stock Exchange of Hong Kong Limited - 00123
Reuters – 123.HK
Bloomberg – 123 HK

Bond

The Stock Exchange of Hong Kong Limited

U.S.$350,000,000 3.25 per cent. Notes due 2018
(Stock code: 4596)
U.S.$500,000,000 4.50 per cent. Notes due 2023
(Stock code: 4597)

INVESTOR RELATIONS

For further information about
Yuexiu Property Company Limited,
please contact:
Mr Ha Hang Leung, Alan
Telephone : (852) 2511 6671
Facsimile : (852) 2511 0832
Email : contact@yuexiu.com.hk

FINANCIAL HIGHLIGHTS

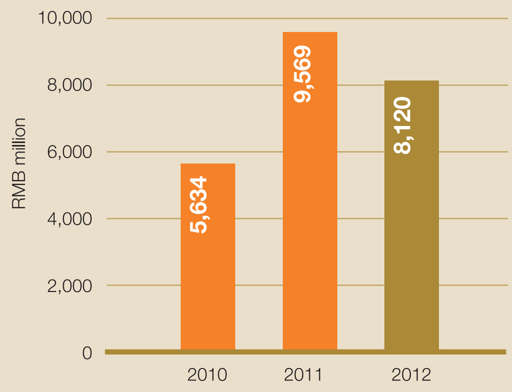
INCOME STATEMENT HIGHLIGHTS

RMB'000	For the year ended 31 December 2012	2011	Change
Revenue	**8,119,945**	9,569,006	-15.1%
Total revenue (including the sales of investment properties)	**8,976,364**	10,272,148	-12.6%
Gross profit margin for property sales (including the sales of investment properties)	**47.0%**	40.0%	+7 p.p.t.
Profit attributable to equity holders of the Company	**2,481,834**	5,235,666	-52.6%
Basic earnings per share (RMB)	**0.2672**	0.5640	-52.6%
Dividend per share for the year (HK$)	**0.095**	0.085	+11.8%

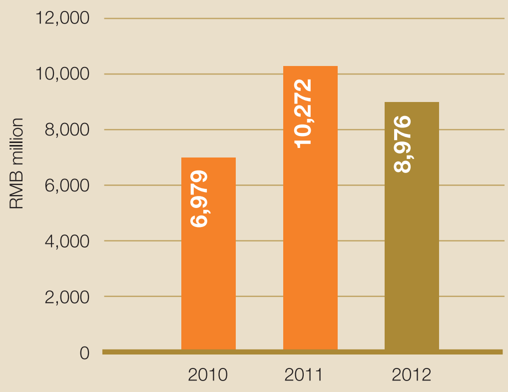
BALANCE SHEET HIGHLIGHTS

RMB'000	Year ended 31 December 2012	2011	Change
Total cash (including cash, cash equivalents and charged bank deposits)	**9,263,401**	6,127,658	+51.2%
Total assets	**69,996,933**	61,213,284	+14.3%
Total assets less current liabilities	**42,440,452**	37,854,687	+12.1%
Shareholders' equity	**22,158,140**	20,186,647	+9.8%
Shareholders' equity per share (RMB)	**2.383**	2.174	+9.6%

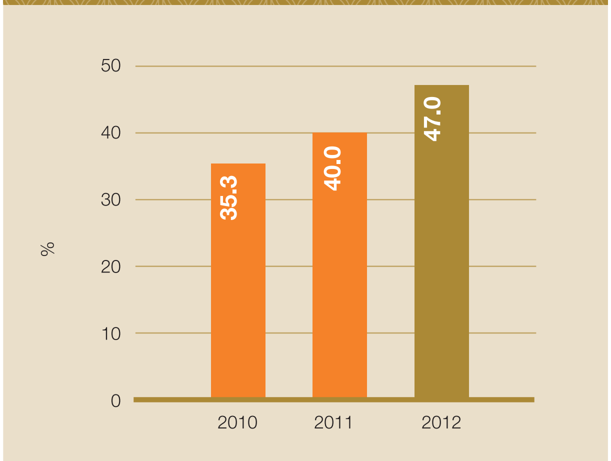
Revenue



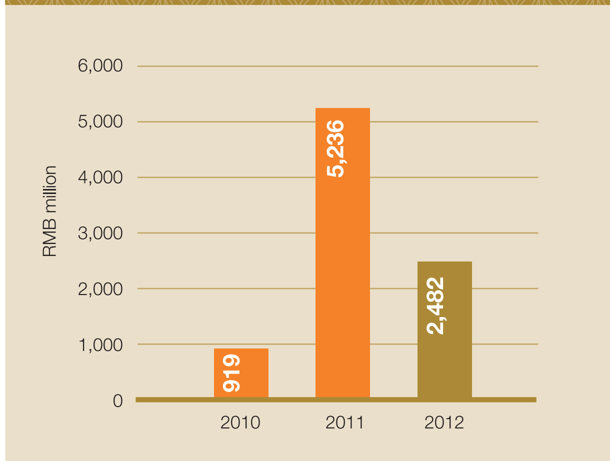
Total Revenue
(including the sales of investment properties)



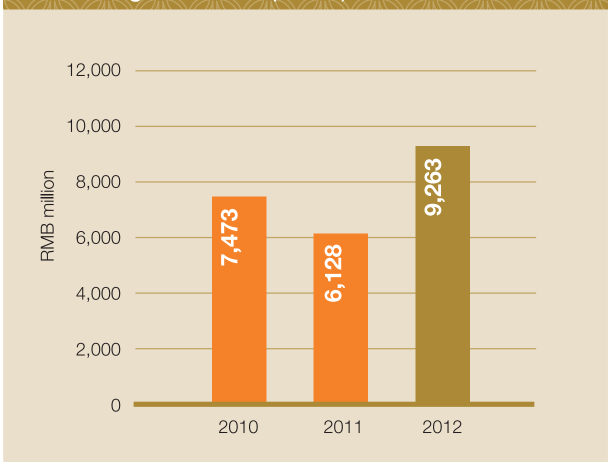
Gross Profit Margin for Property Sales (including the sales of invesment properties)



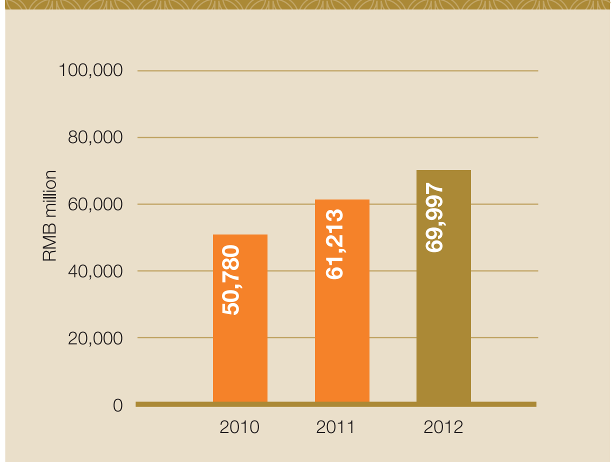
Profit Attributable to Equity Holders of the Company



Total Cash (including cash, cash equivalents and charged bank deposits)



Total Assets



KEY EVENTS OF THE YEAR

JANUARY

- The Group was awarded "Asset Triple A China's Most Promising Companies 2011" organised by The Asset, a renowned financial magazine in Asia, among one of the three winning Hong Kong listed property developers.

- The commercial project, Guangzhou Fortune Apartment, was launched and received overwhelming response with over 300 units sold immediately.

APRIL

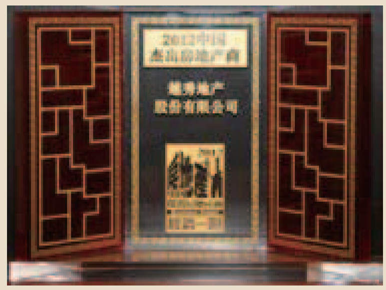
- The Commercial Property Department was formally established to promote the overall development of the Group's commercial projects, marking a milestone in the Group's dual-engine strategy of simultaneous development of residential and commercial projects.

JUNE

- The Group was awarded "The Excellence of Listed Enterprise Award 2012" by Capital Weekly, a famous financial magazine in Hong Kong, for the second consecutive year.

JULY

- The resolution to inject Guangzhou International Finance Center into Yuexiu REIT was passed with majority of over 90% votes at the extraordinary general meeting held by the Group.



- The Group was honored with the "Outstanding Chinese Property Developer Award 2012" by Economic Digest, a well-known financial magazine in Hong Kong, for the fourth consecutive year.

AUGUST

- Guangzhou Fortune World Plaza, a strategically important commercial project of the Group, commenced pre-leasing, signifying the launch of this spectacular flagship project.

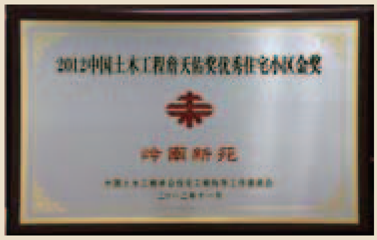
SEPTEMBER

- Guangzhou International Finance Center, one of the ten tallest skyscrapers in the world and a new landmark of Guangzhou, was fully launched.

OCTOBER

- The successful injection of Guangzhou International Finance Center into Yuexiu REIT signifying an important step in the normalised interaction between Yuexiu Property and Yuexiu REIT as well as the first key step in the Group's integrated strategy of "DOS" (Development, Operation and Securitization).

NOVEMBER



- Guangzhou Ling Nan New Mansion (Guangzhou Ling Nan Riverside) won the Gold Prize in the "Zhan Tianyou Civil Engineering Awards 2012" under the Outstanding Residential Community category.
- Guangzhou International Finance Center won the prestigious Royal Institute of British Architects' (RIBA) "Lubetkin Prize 2012".

- The Group acquired a parcel of land located in Simapo, Haikou through the acquisition of 50% equity interest in Hainan White Horse Construction & Development Co., Ltd., launching a presence in the high-end tourism property market.

DECEMBER

- The Group held a celebration at the Four Seasons Hotel in Hong Kong to mark Yuexiu Property's 20th anniversary of listing in Hong Kong.

- Conghua Jiangpu Street Land and Yantai Development Zone Land commenced construction, meeting the Group's target of "Construction starts within 6 months upon land acquisition". Both projects are expected to be launched in 2013.
- A joint venture was established by the Group and Guangdong Poly Property Development Limited to jointly develop the land parcel of Luogang Changling Road, Guangzhou. Such joint venture was a breakthrough in the exploration of new development approaches for the Group.

Chairman's
Statement

CHAIRMAN'S STATEMENT

2012 saw the successful completion of the "refining operations" development phase and the first year of the "all round improvement phase". The Group steadfastly adhered to its corporate motto of "Nurturing inner force by intensive drills to increase resilience, forging ahead by taking swift responsive actions to break barriers", actively sought breakthrough in the face of a challenging market and realized a solid operation performance.

I. BUSINESS REVIEW

Economic and Market Environment

More than three years had passed since the outbreak of the global financial crisis in 2009, but recovery of the global economy was still slow, major economies in the world experienced a loss of growth momentum, and the International Monetary Fund had repeatedly slashed its forecast for global GDP growth in 2012. Against this backdrop, the Central Government sought to stabilise its domestic economy and stimulate growth through various measures such as the reduction of deposit-reserve ratio and benchmark interest rates cuts. According to the National Bureau of Statistics of China, the GDP of China grew by 7.8% in 2012, dropping back below 8% for the first time post the global financial crisis. However, such level of growth still compared favourably with the rest of the world, with the overall trend stabilising over time. In addition, the Consumer Price Index (CPI) grew by 2.6% in 2012, 2.8 percentage points lower than that in 2011 and the inflation pressure was significantly eased.

During 2012, the Central Government maintained a firm and unwavering stance in regulating the domestic property market and continued to implement restrictive policy measures on purchase, price and credit. According to the latest statistics of the National Bureau of Statistics of China, development and investment in the national property market, revenue from the sale of commercial properties as well as the GFA of commercial properties sold experienced certain level of growth, but the pace of growth had tapered. Although the tightening measures implemented by the Central Government were taking effect, the need for housing and the desire for improved living environment remained strong, which continued to push up property prices. Therefore, the Central Government emphasized on a number of occasions its commitment in strictly implementing policy measures to stabilise the property market.

Chairman
Mr. Lu Zhifeng

Operating Results Achieving a New Level

2012 saw the successful completion of the "refining operations" development phase and the first year of the "all round improvements phase". The Group steadfastly adhered to its corporate motto of "Nurturing inner force by intensive drills to increase resilience, forging ahead by taking swift responsive actions to break barriers", actively sought breakthrough in the face of a challenging market and realized a solid operating performance.

During 2012, the Group recorded total revenue (including proceeds from the sale of investment properties) of approximately RMB8.976 billion, representing a decrease of 12.6% over the previous year. Meanwhile, the Group had also disposed of Guangzhou IFC and Popark Plaza by way of transfer of equity interest at a transfer price of approximately RMB13.44 billion and RMB984 million, respectively. The gross profit margin of property sales (including gain on the sale of investment properties) increased by 7 percentage points over the previous year to approximately 47.0%. Profit attributable to equity holders from property sales and related business amounted to approximately RMB1.033 billion, representing an increase of 2.5% over the previous year. Basic earnings per share amounted to approximately RMB0.2672.

2012 marked the Group's 20th anniversary of public listing. In the harsh economic and market environment, the Group continued to record a strong performance and saw the completion of major capital operations including the injection of Guangzhou IFC into Yuexiu REIT and after the balance sheet date, its first bond issuance. To further enhance the Group's shareholder return, the Board proposed to declare the payment of a final dividend for 2012 of HK$0.022 per share, which was equivalent to approximately RMB0.018 per share, together with the interim dividend of HK$0.042 per share, which was equivalent to approximately RMB0.034 per share, the total dividends would be HK$0.064 per share, which is equivalent to approximately RMB0.052 per share, representing 40% of the profit attributable to equity holders excluding fair value gains on revaluation of investment properties and negative goodwill[1] of the Group. In addition, the Board also proposed to declare a special dividend of HK$0.031 per share, which was equivalent to approximately RMB0.025 per share.

Contracted Sales Reaching a New High Amid Adverse Market Conditions

In the fast-changing property market environment, the Group was able to capitalize on market opportunities with its enhanced sales capabilities. A clear focus on sales allowed us to align construction schedules with sales timetable, proactively managing project progress to provide effective support for sales activities.

During 2012, the Group recorded an aggregate contracted sales value of approximately RMB12.3 billion with an aggregate contracted sales GFA of approximately 1,035,200 sq.m., representing increases of 35.9% and 70.1% year-on-year respectively, and accounting for approximately 123% and 108% of the full-year contracted sales targets of no less than RMB10 billion and 960,000 sq.m., respectively, exceeding its full-year contracted sales targets. Meanwhile, the Group delivered an aggregate value of contracted sales and preliminary sales (for which formal sales contracts would be entered into shortly after the pre-sales) of approximately RMB16.128 billion and an aggregate GFA of contracted sales and preliminary sales GFA of approximately 1,303,600 sq.m..

In 2012, the Group launched a total of eleven new projects, including high-end residential projects Guangzhou Starry Wenhan (廣州星匯文瀚) and Guangzhou Starry Wenyu (廣州星匯文宇) and a commercial project Guangzhou Fortune Apartment (廣州財富公館), which were different types of products tailored to meet the needs of a wide spectrum of customers. In addition, the Group also launched projects outside Guangdong Province, namely Hangzhou Starry City (杭州星匯城) and Wuhan Starry Winking (武漢星匯雲錦), which achieved pleasing sales performance and steadily increased the sales contribution of the projects outside Guangdong Province.

As of the end of 2012, the Group had properties sold but not yet recognized of approximately RMB11.8 billion, of which approximately RMB8.5 billion is expected to be recognized in 2013, laying a solid foundation for the results of 2013.

A Commitment to an Innovative Development Model Endorsed by Major Capital Operations

During 2012, the Group completed the injection of its premium commercial property Guangzhou IFC into Yuexiu REIT, harnessing the synergistic benefits of the unique interaction platform "Yuexiu Property + Yuexiu REIT", which generated a cash inflow of approximately RMB4.9 billion and reduced bank borrowings by approximately RMB4.5 billion, thus significantly lowered the net gearing ratio. Meanwhile, as the single largest unitholder of Yuexiu REIT, the Group will continue to enjoy the steady revenue stream from long-term growth of this property. The completion of this transaction further demonstrated the Group's commitment to this unique and innovative development model of "DOS" (Development, Operation and Securitization), which shortened the investment cycle in commercial properties and accelerated capital turnover.

1 Negative goodwill represents the excess of the share of the fair value of net assets acquired over acquisition cost in the consolidated income statement.

A Breakthrough in the Adoption of Bond Financing

After the injection of Guangzhou IFC into Yuexiu REIT, the financial condition of the Group had visibly improved with healthy financial metrics. With this in mind, the Group took advantage of a suitable window in the debt market and successfully issued US$350 million 3.25% (T+255) 5-year unsecured senior notes and US$500 million 4.5% (T+275) 10-year unsecured senior notes in January 2013. It was the first time for the Group to issue bonds offshore. The issue was met by a positive market response and resulted in an over-subscription. The success of this programme was a major step in improving the financing structure of the Group. It diversified funding channels, lowered the overall average financing cost and optimised the tenor and maturity structure of the portfolio.

The notes have been rated "BBB-" and "Baa3" by Fitch and Moody respectively, both of which are well-known global rating agencies. The Group is currently one of the only three Hong Kong listed domestic property developers with investment-grade ratings granted by these two rating agencies.

Further Consolidation and Optimization of a Nationwide Layout

The Group has always been guided by its strategic policy of "home base in Guangzhou and strategic expansion nationwide". The Group enlarged its land bank after carefully analysing various factors such as the land market environment, the development trend of the property market and its own financial conditions. During 2012, the Group capitalised on opportunities in the land market and acquired 12 parcels of land in Conghua and Luogang, Guangzhou, Yantai, Shenyang, Qingdao, Hangzhou, Wuhan, Hainan and Hong Kong respectively with total GFA of approximately 3.78 million sq.m. for total consideration of approximately RMB8.026 billion, thereby further strengthened its strategic position in Guangzhou and continued to tap the potential of regions such as Pearl River Delta Bohai Rim Economic Zone, the Yangtze River Delta and Central China region where we have established a foothold. In terms of the attributable interest, the Group's total GFA was increased by approximately 3.16 million sq.m.

While increasing its landbank, the Group also actively sought to explore a diversified range of development models partnering with other prominent developers and using external resources to add value to development projects. As of the end of 2012, the Group's landbank reached approximately 14.40 million sq.m., with presence in 12 cities, including Guangzhou, Foshan, Zhongshan, Jiangmen, Yantai, Shenyang, Qingdao, Hangzhou, Kunshan, Wuhan, Haikou and Hong Kong. In terms of the attributable interest, the Group's landbank was approximately 13.50 million sq.m..

Successful Establishment of Two Platforms

Business platform construction and investment property leasing were advanced side by side to make a breakthrough in the Group's operating ability. During 2012, the Group formally set up the Commercial Property Department, and established a business management team with a two-tier management structure supporting the idea of "Strategic planning by Headquarter, solid delivery of projects by teams", in order to further enhance the commercial operating ability, and provide strong support for the interaction of the dual platforms "Yuexiu Property + Yuexiu REIT". Guangzhou IFC had been fully completed and commenced operation on 26 September 2012. The construction of Guangzhou Fortune World Plaza achieved a new breakthrough. It adopted an innovative operating system which drove forward the three main tasks of "construction, decoration, leasing" side by side. Coordination and execution efforts in the construction site were enhanced by way of vertical management. Meanwhile, centering around "solid delivery of projects by teams", the Group channeled its energy in advertising properties for lease, using reliable operating performance as a firm base to drive project construction. It also focused on rapidly building a team to work on diversifying the customer base and attracting major commercial tenants which materialised a pre-occupancy rate of over 50% and an average monthly rental rate of approximately RMB140 per sq.m..

The Group consolidated the resources of Technology Development Department and the Design Institute to establish Yuexiu Property Research Institute, with an aim to provide technical support for product innovation and accelerated nationwide development, while laying a strong foundation for improvements in cost management. Meanwhile, its product research and development base had been set up to research on new projects such as the standardization of residential renovations.

Raising Profile in the Capital Market

The Group recognized the importance to galvanise our relationship with shareholders and investors, and continued to work on improving investor relations in recent years, enabling effective communication between shareholders, investors and the company, allowing them to get a deeper understanding of the company's philosophy and strategy. In turn this can be reflected in the Company's stock value. In 2012, the Group actively interacted with shareholders and investors, meetings were arranged with more than 1,000 investors to proactively promote its performance and development, so as to obtain increasing interest from the capital markets. This was done through one-on-one meetings, conference calls, site visits and conferences organized by investment banks. Major renowned international investment banks also included the Group in its research coverage. Several investment banks (such as Citibank and Bank of America Merrill Lynch) issued coverage reports on us for the first time, and other investment banks which had previously included us in their coverage also continued to update research reports on the Group with more than 100 reports in total.

At the same time, to aid the smooth running of major capital operations such as the injection of IFC into Yuexiu REIT and the unsecured senior note issuance, the Group organized and participated in a variety of promotional activities, introducing the purpose of these operations and their expected benefits to the Group. This allowed more and more investors to better understand the Group and our development strategy and direction.

Significant Enhancement of Brand Recognition

Guided by the aim to strengthen the "Yuexiu" brand, the Group worked on improving its branding in 2012. The Group strengthened the co-ordination and planning of product lines, engaged international well-known public relations companies, carried out systematic planning in brand management and promotion. The brand management system for product series was revised to move towards a more standardised and professional process.

With a number of outstanding capital operation projects, excellent operating results and a clear development strategy, the Group gained recognition from the capital market and the wider community, and continuously improved its brand awareness in 2012. It also received numerous awards from renowned institutions, including "The Outstanding China Property Developers Award 2012" for the fourth consecutive year by "Economic Digest", a famous financial magazine in Hong Kong, "Excellence of Listed Enterprise Awards in 2012" by "Capital Weekly" and "2012 Most Promising Company in China" and "2012 Corporate Golden Award – Finance Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" for the second consecutive year by "The Asset". Moreover, Guangzhou IFC, a premium commercial project of the Group, won the "Highly Commended Mixed-use Development in China" award of the International Property Awards (Asia Pacific) and "The Best Guangzhou Landmark Building" from Capital Weekly.

After-sales Service Mechanism Adding Value to Products

In order to better provide after-sales services to customers, the Group established a customer service department in the marketing center in 2012 to carry out the setup of a customer service system, providing functional assurance for quality management. Meanwhile, the Group also initiated an assessment regime for the property consulting services. This created a feedback mechanism to identify any quality issues encountered at the early stages of a project. It signified the start of a continuous improvement effort to promote project quality. The establishment of an after-sales service mechanism added tremendous value to products.

II. BUSINESS OUTLOOK

In 2013, the global economic prospect continues to be clouded by uncertainties. China's economic growth is expected to settle at the level of 7.5%, effectively entering into a period of stable growth, intensifying the market competition of several domestic industries, particularly the real estate industry which has been affected by the macroeconomic regulations. Noting that the housing prices have not been sufficiently reined in, the Central Government swiftly launched additional real estate control policies such as "National Five (國五條)" in early 2013. It is believed that such control of the real estate industry by the government will continue. Having said that, 2013 is also the year when new national leaders were unveiled. The macroeconomy showed promising signs for stronger growth. The Central Government has set out to promote urbanization and increase workers income, as well as to aid the transform and improve the structure of the economy. All of these is expected to translate into increased disposable income and strong demand for residential properties, signally room for growth in the real estate industry. Within each challenge lies an opportunity, we are confident that our business will continue to develop in the year ahead.

By adhering to the overall theme for 2013 of "improving quality by making progress while ensuring stability, and stimulating development by refining the methods" and the main aspects of "three ensurings, three breakthroughs, three deepenings", the Group continues to "nurture inner force". While following the guiding spirit of 'ensuring growth, ensuring reliability and ensuring development', the Group will seek to accelerate the transformation of development methods, endeavor to achieve greater breakthroughs in resource integration and allocation, to build core competitiveness and to improve development quality and efficiency. Also on the agenda for the year is HR reform, comprehensive risk management and strengthening the management and control by the Headquarter, all of which should propel the Group's development to a new level.

Ensuring Steady Growth of Operational Indicators

The Group will further enhance its sales capability, research on the strengths and weaknesses of its marketing strategy, marketing system and customer relationship management, develop proposals for sales capability improvement, and endeavor to maintain a "double-digit" growth in sales results. According to the current real estate market environment and the Company's development, the contracted sales targets are initially set at RMB13.2 billion and 1.07 million sq.m., respectively in 2013. It is expected that we will launch three new projects, including Guangzhou Lingnan Hillside (廣州嶺南山畔), Conghua Jiangpu Street Project (從化江浦街項目) and Yantai Development Zone Project (煙台開發區項目), and the existing projects in Guangzhou, Zhongshan, Hangzhou, Wuhan and other cities will continue to launch new phases, with adequate resources available for sale. Together with the existing projects in 2012, the number of projects for sale in 2013 are expected to exceed 25.

Ensuring Reliable Financing

The Group will continue to attach great importance to fund raising in 2013. The Group will closely follow trends in the capital market whilst selecting the most suitable and cost-effective ways to source funding for the expansion of its businesses, ensuring that the company's development is backed by reliable financing.

Ensuring an Appropriate Scale of Expansion

In line with the development strategy of "home base in Guangzhou and strategic expansion nationwide", the Group will maintain a suitable scale of expansion and consolidate the current regional distribution to establish a pattern that centres on Guangzhou, while strategically developing first and second-tier cities with great development potential into regional centres.

Making Breakthroughs in the Integration and Allocation of Resources

In addition to acquiring land bank by tender, auction and listing-for-sale, the Group will make full use of and maximize the Company's internal and external resources in continuously increasing the strategic cooperation efforts and attracting strong and large-scale real estate enterprises for joint developments. In addition, the Group will also closely follow the new round of opportunities arising from mergers and acquisitions in the real estate industry and explore ways of expansion in order to achieve leapfrog development.

Making Breakthroughs in Building Core Competitiveness

In 2012, the Group successfully injected Guangzhou IFC into Yuexiu REIT. This important capital operation project was a significant step towards the normalised interaction of "Yuexiu Property + Yuexiu REIT", and the first key step to implementing the long term development strategy of "DOS" (Development + Operation + Securitisation). Hereafter, the Group will accelerate the transformation of its development model, deepen the interaction of "Yuexiu Property + Yuexiu REIT" and promote the normalization of the high-end development model of "DOS".

Making Breakthroughs in Improving Quality and Efficiency

As of the end of 2012, the Group had a landbank of approximately 14.40 million sq.m., constituting of approximately 25 projects under construction with GFA of approximately 5.53 million sq.m., and GFA of properties for future development of 8.87 million sq.m.. The Group already has sizable assets, therefore it will continue to enhance operational capabilities to further shorten the project development and construction cycles so as to improve asset turnover and ROE as well as the quality of assets GFA of new construction starts GFA in 2013 is estimated to be approximately 2.66 million sq.m., and the completed GFA will be approximately 1.54 million sq.m..

Deepening the Reform on Human Resources

The Group will undertake research into conventional pattern of human resource allocation, study models of talents demand optimization and remuneration system, to effectively manage the number of employees and foster per capita efficiency. Secondly, it will also increase the integration of human resources, improve the efficiency of resource utilization in order, to promote the consolidation of resources. Furthermore, the Group will push forward with the building of a learning enterprise, strengthen and enlarge its internal team of lecturers, deepen the influence of its "Starry Senior Grade (星匯高級)" and "Starry Junior Grade (星匯中級)" schemes and introduce its "Leadership training program (領導力培訓項目)".

Deepening Comprehensive Risk Management

The Group will carry out internal control self-assessment, establish material risk warning indicators and risk execution information system. Meanwhile, the Group will further improve its contract management and legal risk management systems, strengthen its intellectual property management and establish the intellectual property protection system.

Deepening Management and Control Model

To better support the Group's future expansion scale and development, the Group will continue to improve its corporate governance and related system and processes, as well as its control of project companies, enhance the independent execution ability of project companies, push forward system construction and optimization by means of information technology, gradually establish a streamlined management and intelligent decision making system, to further improve its control efficiency.

ACKNOWLEDGMENT

I would like to take this opportunity to thank our directors, management and all the staff for their efforts and satisfactory results in the past year. At the same time, I would also like to thank all our shareholders, relationship banks, friends of the investment community, and business partners for their enduring full confidence and strong support.

Mr. Lu Zhifeng
Chairman

Management

Discussion And Analysis

REVENUE AND GROSS PROFIT

In 2012, the Group realized total revenue (including proceeds from sales of investment properties) of approximately RMB8.976 billion, representing a year-on-year decrease of 12.6%. Meanwhile, the Group had also disposed of Guangzhou IFC and Popark Plaza by way of transfer of equity interest at the transfer price of approximately RMB13.44 billion and RMB984 million, respectively. The gross profit margin for property sales (including gain on disposal of investment properties) increased to approximately 47.0%, representing a year-on-year increase of seven percentage points.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2012, profit attributable to equity holders of the Group was approximately RMB2.482 billion, representing a year-on-year decrease of 52.6%, mainly due to higher fair value gains on appraisal recorded by Guangzhou IFC upon its completion in 2011. In addition, due to the transfer of Guangzhou IFC and Popark Plaza, the Group recognized gains on transfer of subsidiaries of approximately RMB437 million in 2012. The profit attributable to equity holders from property sales and related business was approximately RMB1.033 billion, representing a year-on-year increase of 2.5%.

CONTRACTED SALES

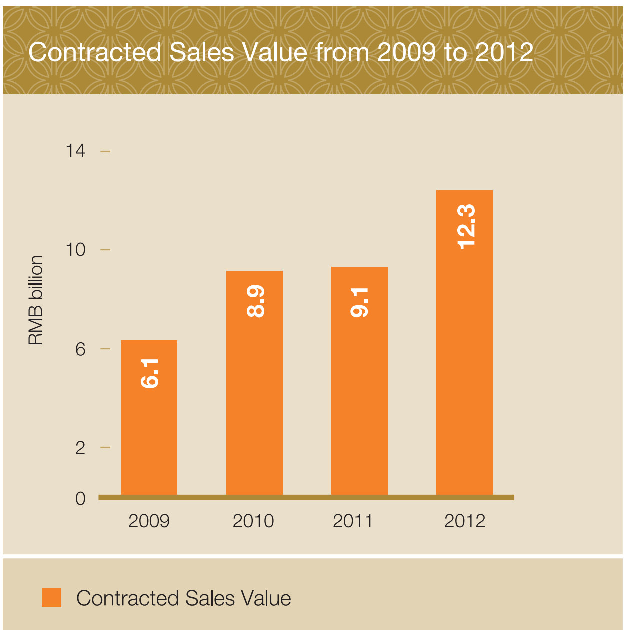
In response to market changes, the Group adjusted its product positioning accordingly and carried out construction schedule in an effective manner, so as to launch suitable products timely. During 2012, the Group recorded an aggregate contracted sales value of approximately RMB12.3 billion with an aggregate contracted sales GFA of approximately 1,035,200 sq.m., representing increases of 35.9% and 70.1% year-on year respectively, and accounting for approximately 123% and 108% of the full-year and the average selling price was approximately RMB11,900 per sq.m.. The 20.1% year-on-year decline in the average selling price was mainly attributed to the changes in the product mix and the regional structure. The sales performance was satisfactory and in line with the expectation of the management.

Particulars of contracted sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
1	Guangzhou Starry Winking	Residential, parking	8,500	327	38,500	Tianhe, Guangzhou
2	Guangzhou Fortune Century Square	Commercial	48,400	1,399	28,900	Tianhe, Guangzhou
3	Guangzhou Jiang Nan New Mansion	Residential	3,600	55	15,300	Haizhu, Guangzhou
4	Guangzhou Springland Garden	Residential	100	2	20,000	Haizhu, Guangzhou
5	Guangzhou Paradiso Garden	Residential	17,700	444	25,100	Haizhu, Guangzhou
6	Guangzhou Paradiso Courtyard	Residential	2,400	51	21,300	Haizhu, Guangzhou
7	Guangzhou Ling Nan Riverside	Residential	16,800	341	20,300	Liwan, Guangzhou
8	Guangzhou Fortune Apartment	Commercial	77,900	1,468	18,800	Liwan, Guangzhou
9	Guangzhou Starry Golden Sands	Residential	70,900	1,025	14,500	Baiyun, Guangzhou
10	Guangzhou Starry Wenhua	Residential	23,800	500	21,000	Panyu, Guangzhou
11	Guangzhou Starry Wenhan	Residential	62,900	1,132	18,000	Panyu, Guangzhou
12	Guangzhou Starry Wenyu	Residential	14,600	255	17,500	Panyu, Guangzhou
13	Guangzhou Paradiso Riverside	Residential	32,400	399	12,300	Panyu, Guangzhou
14	Guangzhou Paradiso Sunshine	Residential	26,300	300	11,400	Panyu, Guangzhou
15	Southern Le Sand	Residential	168,900	1,251	7,400	Nansha, Guangzhou
16	Huadu Glade Greenland	Residential	44,600	295	6,600	Huadu, Guangzhou
17	Conghua Glade Village	Residential	2,200	24	10,900	Conghua, Guangzhou
	Investment properties	N/A	17,900	340	19,000	Guangzhou
	Other projects	N/A	47,700	591	12,400	Guangzhou
	Subtotal (Guangzhou)		**687,600**	**10,199**	**14,800**	
18	Jiangmen Starry Regal Court	Residential	76,400	508	6,600	Pengjiang, Jiangmen
19	Zhongshan Starry Winking	Residential	100,900	561	5,600	Nanqu, Zhongshan
	Subtotal (Pearl River Delta (excluding Guangzhou))		**177,300**	**1,069**	**6,000**	
20	Hangzhou Starry City	Residential	98,500	501	5,100	Hangzhou, Zhejiang
21	Wuhan Starry Winking	Residential	8,200	119	14,500	Wuhan, Hubei
22	Shenyang Hill Lake	Residential	9,800	78	8,000	Shenbei, Shenyang
23	Yantai Starry Phoenix	Residential	53,800	334	6,200	Zhifu, Yantai
	Subtotal (Outside Guangdong province)		**170,300**	**1,032**	**6,100**	
	Total		**1,035,200**	**12,300**	**11,900**	

In 2012, there were seven cities in which we delivered sales, enforcing a layout "supported by multiple regions". Within the aggregate contracted sales value for 2012, Guangzhou contributed approximately 83% and regions outside Guangzhou contributed approximately 17%. In addition, the Group launched commercial properties that were not subject to "purchase restriction" measures in response to the property market policies. The Group leveraged on the double-wheel driving force of "residential + commercial", for which the residential properties and commercial properties accounted for approximately 68% and 32% respectively.

The contracted sales for 2012 was at a record high, and significantly increased from RMB6.1 billion in 2009 to RMB12.3 billion in 2012.



RECOGNIZED PROPERTIES

During 2012, the recognized sales revenue was approximately RMB7,803 million (including the sale of investment properties of RMB856 million), representing a decrease of 15.0% over the previous year. The recognized sales GFA was approximately 561,100 sq.m. (including the sale of investment properties of 69,700 sq.m.), representing a decrease of 4.2% over the previous year. The average selling price was approximately RMB13,900 per sq.m..

Particulars of recognized properties are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
1	Guangzhou Fortune Century Square	Commercial	6,900	202	29,300	Tianhe, Guangzhou
2	Guangzhou Starry Winking	Residential, parking	10,100	389	38,500	Tianhe, Guangzhou
3	Guangzhou Jiang Nan New Mansion	Commercial	23,900	1,000	41,800	Haizhu, Guangzhou
4	Guangzhou Springland Garden	Commercial, parking	23,600	573	24,300	Haizhu, Guangzhou
5	Guangzhou Paradiso Homeland	Residential	42,500	992	23,300	Haizhu, Guangzhou
6	Ling Nan Riverside	Residential	40,000	852	21,300	Liwan, Guangzhou
7	Huadu Glade Greenland	Residential	46,400	317	6,800	Huadu, Guangzhou
8	Conghua Glade Village	Residential	6,100	97	15,900	Conghua, Guangzhou
9	Southern Le Sand	Residential	165,300	1,345	8,100	Nansha, Guangzhou
10	Jiangmen Starry Regal Court	Residential	90,600	622	6,900	Pengjiang, Jiangmen
11	Shenyang Yuexiu Hill Lake		13,600	127	9,300	Shenbei, Shenyang
	Other projects	N/A	22,400	431	19,000	Guangzhou
	Subtotal		**491,400**	**6,947**	**14,100**	
	Investment properties	N/A	69,700	856	12,000	Guangzhou
	Total		**561,100**	**7,803**	**13,900**	

PROPERTIES SOLD BUT NOT YET RECOGNIZED

As of the end of 2012, the value of properties sold but not yet recognized amounted to approximately RMB11,788 million, with GFA of approximately 916,400 sq.m. and an average selling price of RMB12,900 per sq.m.. Of the value of properties sold but not yet recognized, approximately RMB8.5 billion is expected to be recognized in 2013.

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

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	Location
1	Guangzhou Starry Winking	Residential	2,600	106	40,800	Tianhe, Guangzhou
2	Guangzhou Fortune Century Square	Commercial	78,300	2,245	28,700	Tianhe, Guangzhou
3	Guangzhou Jiang Nan New Mansion	Residential	3,500	62	17,700	Haizhu, Guangzhou
4	Guangzhou Paradiso Garden	Residential	17,700	444	25,100	Haizhu, Guangzhou
5	Guangzhou Paradiso Courtyard	Residential	2,400	51	21,200	Haizhu, Guangzhou
6	Guangzhou Fortune Apartment	Commercial	80,100	1,500	18,700	Liwan, Guangzhou
7	Guangzhou Starry Golden Sands	Residential	88,900	1,270	14,300	Baiyun, Guangzhou
8	Guangzhou Starry Wenhua	Residential	53,500	1,097	20,500	Panyu, Guangzhou
9	Guangzhou Starry Wenhan	Residential	62,900	1,132	18,000	Panyu, Guangzhou
10	Guangzhou Starry Wenyu	Residential	14,600	255	17,500	Panyu, Guangzhou
11	Guangzhou Paradiso Riverside	Residential	32,400	399	12,300	Panyu, Guangzhou
12	Guangzhou Paradiso Sunshine	Residential	26,300	300	11,400	Panyu, Guangzhou
13	Southern Le Sand	Residential	126,200	921	7,300	Nansha, Guangzhou
14	Huadu Glade Greenland	Residential	10,700	73	6,800	Huadu, Guangzhou
	Other projects	N/A	17,700	160	9,100	Guangzhou
	Subtotal (Guangzhou)		**617,800**	**10,015**	**16,200**	
15	Jiangmen Starry Regal Court	Residential	9,500	60	6,300	Pengjiang, Jiangmen
16	Zhongshan Starry Winking	Residential	100,900	561	5,600	Nanqu, Zhongshan
17	Shenyang Yuexiu Hill Lake	Residential	4,700	42	8,900	Shenbei, Shenyang
18	Yantai Starry Phoenix	Residential	76,800	490	6,400	Zhifu, Yantai
19	Hangzhou Starry City	Residential	98,500	501	5,100	Hangzhou, Zhejiang
20	Wuhan Starry Winking	Residential	8,200	119	14,500	Wuhan, Hubei
	Total		**916,400**	**11,788**	**12,900**	

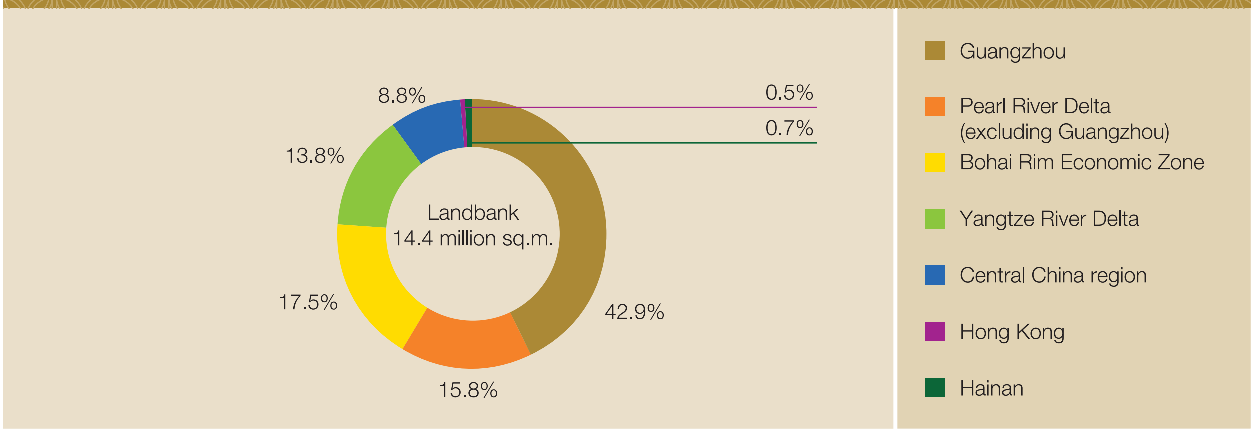
LANDBANK

In the second half of 2012, the emergence of high quality land at relatively low cost in the market afforded an opportunity for the Group to increase its land bank in a cost-effective manner, thereby consolidating the strategic presence of the Group in the PRC. In 2012, the Group acquired 12 parcels of land with a total GFA of approximately 3.78 million sq.m. in the cities of Conghua, Luogang, Yantai, Shenyang, Qingdao, Hangzhou, Wuhan, Hainan and Hong Kong with total investments of RMB8.026 billon. In terms of attributable interest, the Group's total GFA was approximately 3.16 million sq.m.. In addition, the Group has also made a great breakthrough in adopting strategic cooperation to develop projects. The cooperation with many prominent developers such as Guangdong Poly Property Development Limited (廣東保利房地產開發有限公司) achieved the scale effect of "Advancing large projects with small investment through strong partnership", delivering mutual complementary advantages.

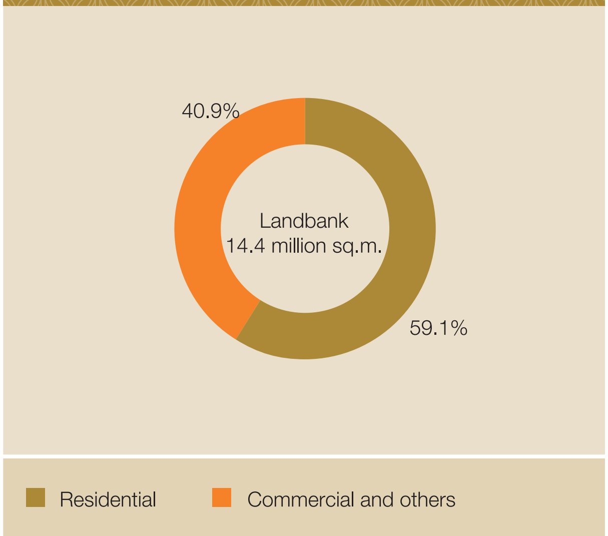
No.	Project	Type	Equity holding	Site area (sq.m.)	GFA (adjusted) (sq.m.)	Total consideration (RMB mil)	Average land cost (RMB/ sq.m.)	Location
1	Conghu Jiangpu Town Land	Residential	95.48%	64,300	188,400	164	870	Conghua, Guangzhou
2	Luogang Kaiyuan Avenue Land	Residential, commercial	95.48%	90,500	323,900	1,250	3,900	Luogang, Guangzhou
3	Luogang Changling Road Land	Residential	47.74%	157,200	446,600	1,650	3,700	Luogang, Guangzhou
4	Hangzhou Lin'an Land Phase III	Residential	100%	120,700	277,700	254	910	Lin'an, Hangzhou
5	Kushan Huaqiao Land	Residential	48.45%	165,200	536,300	496	930	Huaqiao, Kunshan
6	Yantai Development Zone Land	Residential	100%	200,000	601,000	530	880	Development Zone, Yantai
7	Qingdao Licang Land	Residential	100%	128,500	488,600	1,011	2,100	Licang, Qingdao
8	Shenyang Changbai Island Land	Residential	100%	45,500	183,600	400	2,200	Heping, Shenyang
9	Wuhan Jiang'an Land	Residential	95.48%	141,800	424,100	1,201	2,800	Jiang'an, Wuhan
10	Wuhan Jiang'an Land Phase II	Residential	95.48%	49,300	203,600	568	2,800	Jiang'an, Wuhan
11	Hainan Simapo Island Land	Residential, commercial	47.5%	1,130,000	98,000	350	—	Haikou
12	Hong Kong Prince Edward Road West Land	Residential	100%	700	3,900	152	39,000	Hong Kong
	Total			**2,293,700**	**3,775,700**	**8,026**		

As of the end of 2012, the landbank of the Group reached approximately 14.40 million sq.m. and located in 12 cities in the PRC with a balanced development between regions. The ability of each region to support future scale of growth continued to strengthen. Of the landbank, approximately 42.9%, 15.8%, 17.5%, 13.8%, 8.8%, 0.7% and 0.5% were located in Guangzhou, Pearl River Delta (excluding Guangzhou), Bohai Rim Economic Zone, Yangtze River Delta, Central China region, Hainan and Hong Kong, respectively by geographical regions; and approximately 59.1% and 40.9% of the landbank were for residential properties and commercial properties and others, respective by uses.

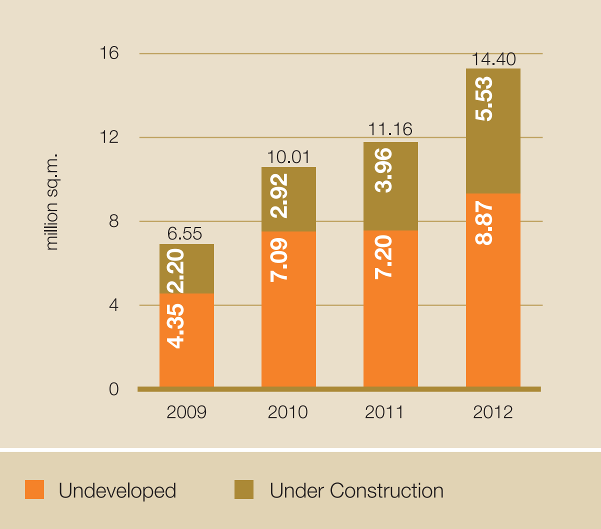
Landbank by Geographical Regions



Landbank by Uses



Landbank from 2009 to 2012



Particulars of land bank by development stages are summarized as follows:

No.	Project	Equity proportion	Land bank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)	Location
1	Guangzhou Fortune Century Square	100%	62,500	62,500	—	Tianhe, Guangzhou
2	Guangzhou Fortune Center	95%	210,500	210,500	—	Tianhe, Guangzhou
3	Asia Pacific Century Plaza	95%	232,000	232,000	—	Tianhe, Guangzhou
4	Sporty Stadium Building	100%	125,000	—	125,000	Tianhe, Guangzhou
5	Guangzhou Starry Yufu	95%	34,900	34,900	—	Tianhe, Guangzhou
6	Guangzhou Paradiso Garden	95%	25,600	25,600	—	Haizhu, Guangzhou
7	Guangzhou Paradiso Courtyard	95%	9,600	9,600	—	Haizhu, Guangzhou
8	Guangzhou Fortune Apartment	99.06%	135,400	135,400	—	Liwan, Guangzhou
9	Guangzhou Starry Golden Sands	100%	397,900	189,600	208,300	Baiyun, Guangzhou
10	Guangzhou Starry Wenhua	95%	221,900	221,900	—	Panyu, Guangzhou
11	Guangzhou Starry Wenhan	95%	164,400	164,400	—	Panyu, Guangzhou
12	Guangzhou Starry Wenyu	95%	141,400	141,400	—	Panyu, Guangzhou
13	Guangzhou Paradiso Riverside	95%	484,200	484,200	—	Panyu, Guangzhou
14	Guangzhou Paradiso Sunshine	95%	134,100	134,100	—	Panyu, Guangzhou
15	Southern Le Sand	95.48%	2,401,000	405,700	1,995,300	Nansha, Guangzhou
16	Guangzhou Lingnan Hillside	95%	323,400	323,400	—	Luogang, Guangzhou
17	Luogang Kaiyuan Avenue Land	95.48%	323,900	—	323,900	Luogang, Guangzhou
18	Luogang Changling Road Land	47.74%	446,600	—	446,600	Luogang, Guangzhou
19	Conghua Jiangpu Town Land	95.48%	188,400	188,400	—	Conghua, Guangzhou
	Other projects	N/A	115,200	55,200	60,000	Guangzhou
	Subtotal (Guangzhou)		**6,177,900**	**3,018,800**	**3,159,100**	
20	Jiangmen Starry Regal Court	95%	384,700	140,300	244,400	Pengjiang, Jiangmen
21	Zhongshan Starry Winking	95%	536,900	394,900	142,000	Nanqu, Zhongshan
22	Zhongshan Starry Junting	100%	152,700	152,700	—	Dongqu, Zhongshan
23	Zhongshan Bo'ai Road Project	95%	476,800	—	476,800	Dongqu, Zhongshan
24	Zhongshan Dongsheng Town Project	100%	427,300	—	427,300	Dongsheng, Zhongshan
25	Nanhai Starry Winking	95%	290,700	290,700	—	Nanhai, Foshan
	Subtotal (Pearl River Delta (excluding Guangzhou))		**2,269,100**	**978,600**	**1,290,500**	

No.	Project	Equity proportion	Land bank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)	Location
26	Shenyang Yuexiu Hill Lake	99.95%	320,600	81,200	239,400	Shenbei, Shenyang
27	Shenyang Nanta Street Project	100%	706,700	109,800	596,900	Dongling, Shenyang
28	Shenyang Changbai Island Land	100%	183,600	—	183,600	Heping, Shenyang
29	Yantai Starry Phoenix	100%	219,800	219,800	—	Zhifu, Yantai
30	Yantai Development Zone Land	100%	601,000	—	601,000	Development Zone, Yantai
31	Qingdao Licang Land	100%	488,600	—	488,600	Licang, Qingdao
	Subtotal (Bohai Rim Economic Zone)		**2,520,300**	**410,800**	**2,109,500**	
32	Hangzhou Starry City	100%	1,452,200	474,700	977,500	Lin'an, Hangzhou
33	Kunshan Huaqiao Land	48.45%	536,300	—	536,300	Huaqiao, Kunshan
	Subtotal (Yangtze River Delta)		**1,988,500**	**474,700**	**1,513,800**	
34	Wuhan Starry Winking	100%	647,200	647,200	—	Qiaokou, Wuhan
35	Wuhan Jiang'an Land	95.48%	627,700	—	627,700	Jiangan, Wuhan
	Subtotal (Central China Region)		**1,274,900**	**647,200**	**627,700**	
36	Hainan Simapo Island Land	47.50%	98,000	—	98,000	Haikou
	Subtotal (the PRC)		**14,328,700**	**5,530,100**	**8,798,600**	
37	Hong Kong Yau Tong Project	100%	70,500	—	70,500	Hong Kong
38	Hong Kong Treasure Court Project	100%	1,400	—	1,400	Hong Kong
39	Hong Kong Prince Edward Road West Project	100%	3,900	—	3,900	Hong Kong
	Subtotal (Hong Kong)		**75,800**	—	**75,800**	
	Total		**14,404,500**	**5,530,100**	**8,874,400**	

Particulars of land bank by uses are summarized as follows:

No.	Project	Land bank GFA (sq.m.)	Residential properties GFA (sq.m.)	Commercial properties GFA (sq.m.)	Parking lots and others GFA (sq.m.)
1	Guangzhou Fortune Century Square	62,500	—	34,300	28,200
2	Guangzhou Fortune Center	210,500	—	164,500	46,000
3	Asia Pacific Century Plaza	232,000	—	132,600	99,400
4	Sporty Stadium Building	125,000	—	106,300	18,700
5	Guangzhou Starry Yufu	34,900	20,700	500	13,700
6	Guangzhou Paradiso Garden	25,600	9,600	—	16,000
7	Guangzhou Paradiso Courtyard	9,600	7,000	—	2,600
8	Guangzhou Fortune Apartment	135,400	—	97,200	38,200
9	Guangzhou Starry Golden Sands	397,900	285,300	10,400	102,200
10	Guangzhou Starry Wenhua	221,900	141,700	1,800	78,400
11	Guangzhou Starry Wenhan	164,400	109,200	—	55,200
12	Guangzhou Starry Wenyu	141,400	88,900	2,500	50,000
13	Guangzhou Paradiso Riverside	484,200	265,500	48,700	170,000
14	Guangzhou Paradiso Sunshine	134,100	84,700	—	49,400
15	Southern Le Sand	2,401,000	1,404,700	519,100	477,200
16	Guangzhou Lingnan Hillside	323,400	184,300	35,000	104,100
17	Luogang Kaiyuan Avenue Land	323,900	223,600	—	100,300
18	Luogang Changling Road Land	446,600	299,000	9,500	138,100
19	Conghua Jiangpu Town Land	188,400	147,100	—	41,300
	Other projects	115,200	32,800	—	82,400
	Subtotal (Guangzhou)	**6,177,900**	**3,304,100**	**1,162,400**	**1,711,400**
20	Jiangmen Starry Regal Court	384,700	268,700	21,900	94,100
21	Zhongshan Starry Winking	536,900	335,000	82,200	119,700
22	Zhongshan Starry Junting	152,700	110,100	4,300	38,300
23	Zhongshan Bo'ai Road Project	476,800	236,500	130,000	110,300
24	Zhongshan Dongsheng Town Project	427,300	338,400	31,100	57,800
25	Nanhai Starry Winking	290,700	98,500	112,000	80,200
	Subtotal (Pearl River Delta (excluding Guangzhou))	**2,269,100**	**1,387,200**	**381,500**	**500,400**

No.	Project	Land bank GFA (sq.m.)	Residential properties GFA (sq.m.)	Commercial properties GFA (sq.m.)	Parking lots and others GFA (sq.m.)
26	Shenyang Yuexiu Hill Lake	320,600	312,900	—	7,700
27	Shenyang Nanta Street Project	706,700	347,900	203,300	155,500
28	Shenyang Changbai Island Land	183,600	133,400	23,700	26,500
29	Yantai Starry Phoenix	219,800	115,500	32,300	72,000
30	Yantai Development Zone Land	601,000	456,500	10,300	134,200
31	Qingdao Licang Land	488,600	323,000	24,700	140,900
	Subtotal (Bohai Rim Economic Zone)	**2,520,300**	**1,689,200**	**294,300**	**536,800**
32	Hangzhou Starry City	1,452,200	1,040,000	157,000	255,200
33	Kunshan Huaqiao Land	536,300	400,800	18,100	117,400
	Subtotal (Yangtze River Delta)	**1,988,500**	**1,440,800**	**175,100**	**372,600**
34	Wuhan Starry Winking	647,200	303,300	204,900	139,000
35	Wuhan Jiang'an Land	627,700	306,800	165,600	155,300
	Subtotal (Central China Region)	**1,274,900**	**610,100**	**370,500**	**294,300**
36	Hainan Simapo Island Land	98,000	—	67,600	30,400
	Subtotal (the PRC)	**14,328,700**	**8,431,400**	**2,451,400**	**3,445,900**
37	Hong Kong Yau Tong Project	70,500	70,500	—	—
38	Hong Kong Treasure Court Project	1,400	1,400	—	—
39	Hong Kong Prince Edward Road West Project	3,900	3,900	—	—
	Subtotal (Hong Kong)	75,800	75,800	—	—
	Total	**14,404,500**	**8,507,200**	**2,451,400**	**3,445,900**

From the beginning of 2013 up to the date hereof, the Group acquired Hangzhou Lin'an Land Phase IV, with a site area of approximately 161,600 sq.m. and GFA of approximately 386,100 sq.m. at the consideration of RMB339 million. As at the date hereof, the land bank owned by the Group was approximately 14.79 million sq.m.

PROGRESS OF CONSTRUCTION

In line with the Group's focus on sales, it has arranged its construction work based on sales schedules, placing strong emphasis on project progress in order to provide effective support for sales. As a result, the Group allocated more resources on development and construction and made a great breakthrough in shortening the project development cycle, the average period from land acquisition to commencement of construction was shortened from two years to 10 – 18 months currently. Conghua Jiangpu Town Land was acquired on June 2012, with the construction commencing in the same year, achieving the goal of "construction starts within half a year upon land acquisition" set by the Group. In 2012, the GFA of newly constructed properties was approximately 2.58 million sq.m., achieving 123% of the annual scheduled GFA for new construction starts (i.e. 2.10 million sq.m.); and the completion GFA was approximately 1.06 million sq.m., achieving 106% of the annual target of completed GFA (i.e. approximately 1.0 million sq.m.).

No.	Project	New Construction Starts GFA (sq.m.)	Completion GFA (sq.m.)
1	Guangzhou International Finance Center	—	51,900
2	Guangzhou Fortune Century Square	—	73,400
3	Guangzhou Fortune World Plaza		297,400
4	Guangzhou Paradiso Homeland	—	74,300
5	Huadu Glade Greenland	—	93,400
6	Guangzhou Paradiso Riverside	305,000	—
7	Southern Le Sand	151,000	206,000
8	Guangzhou Lingnan Hillside	323,400	—
9	Conghua Jiangpu Town Land	188,400	—
10	Jiangmen Starry Regal Court	—	196,500
11	Zhongshan Starry Winking	122,200	—
12	Nanhai Starry Winking	289,100	—
13	Hangzhou Starry City	474,700	—
14	Wuhan Starry Winking	541,100	—
15	Shenyang Yuexiu Hill Lake	73,400	46,200
16	Shenyang Nanta Street Project	109,800	—
	Others	—	23,700
	Total	**2,578,100**	**1,062,800**

INVESTMENT PROPERTIES

As at the end of 2012, the Group owned investment properties under lease of approximately 571,900 sq.m. in total, of which the GFA of offices, commercial properties and parking lots accounted for approximately 25.3%, 33.1% and 41.6%, respectively. The investment properties under construction was approximately 355,700 sq.m., mainly comprising of the commercial portions of Wuhan Starry Winking and Nanhai Starry Winking Project.

No.	Major projects under leasing	GFA (sq.m.)	Office (sq.m.)	Commercial properties (sq.m.)	Parking lots and others (sq.m.)	Location
1	Guangzhou Fortune World Plaza	34,300	—	34,300	—	Liwan, Guangzhou
2	Zhongshan Starry Winking (Commercial)	74,700	—	63,300	11,400	Nanqu, Zhongshan
3	Xiangkang Commercial Plaza	31,500	28,100	—	3,400	Yuexiu, Guangzhou
4	Jin Han Building	45,800	45,800	—	—	Yuexiu, Guangzhou
5	Hong Kong Property	32,500	19,200	11,100	2,200	Hong Kong
6	Guang Yuan Cultural Center	32,000	—	20,700	11,300	Yuexiu, Guangzhou
7	Huangshi Garden	21,000	—	21,000	—	Baiyun, Guangzhou
8	Victory Plaza	500	500	—	—	Tianhe, Guangzhou
9	Yuexiu City Plaza	35,000	—	16,700	18,300	Yuexiu, Guangzhou
	Other projects (including car parks)	264,600	28,300	87,800	148,500	Guangzhou
	Total	**571,900**	**121,900**	**254,900**	**195,100**	

No.	Major projects under construction	GFA (sq.m.)	Office (sq.m.)	Commercial properties (sq.m.)	Parking lots and others (sq.m.)	Location
1	Wuhan Starry Winking (Commercial)	244,300	162,300	43,300	38,700	Qiaokou, Wuhan
2	Nanhai Starry Winking (Commercial)	111,400	—	111,400	—	Nanhai, Foshan
	Total	**355,700**	**162,300**	**154,700**	**38,700**	

In 2012, the Group recorded an appreciation upon the revaluation of investment properties of RMB1.567 billion, representing a significantly decrease by 68% over the previous year. The decrease was mainly due to the completion of Guangzhou IFC as an investment property in the prior year which recorded an appreciation in value of RMB4.715 billion during the period. The appreciation on investment properties in the current year was also mainly due to the appreciation on the revaluation of investment properties recorded by Guangzhou IFC in the first half of 2012 as well as the appreciation upon the revaluation of investment properties located in Guangzhou including Guangzhou Fortune World Plaza.

SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

During the year, the Group's selling and marketing costs amounted to approximately RMB465 million, an increase of 82.2% over the previous year, the increase in selling and marketing costs was primarily attributable to more projects being launched for sale in 2012, including 11 new projects, including Guangzhou Starry Wenhan (廣州星匯文翰), Guangzhou Starry Wenyu (廣州星匯文宇), Guangzhou Paradiso Garden (廣州可逸錦苑), Guangzhou Paradiso Riverside (廣州可逸江畔), Guangzhou Paradiso Sunshine (廣州可逸陽光) and Zhongshan Starry Winking (中山星匯雲錦), resulting in contracted sales value hitting a new record and a corresponding increase in advertising and promotional expenses over the previous year. The proportion of selling and marketing costs (calculated as total sales and marketing costs as a percentage of contract value) was approximately 3.8%, representing only a slight increase of 1% as compared to 2.8% recorded last year.

During the year, total administrative expenses was approximately RMB831 million, increased by 13.8% over the previous year. The increase in administrative expenses was mainly due to the growing workforce as the Group continued to expand its operations and as projects outside of Guangzhou entered into the development period. Meanwhile, the Group continued to improve cost control by strict implementation of the annual budget on costs. The proportion of administrative expenses (calculated as total administrative expenses as a percentage of contract sales value) was approximately 6.8%, representing a decrease of 1.3 percentage points as compared to 8.1% recorded over the previous year.

FINANCE COSTS

As a result of the increase in bank borrowings and the associated interest rates, the Group's interest expense before capitalisation during 2012 was approximately RMB1.707 billion, an increase of 43% as compared to approximately RMB1.191 billion recorded over the previous year. Meanwhile, due to the increase in projects under development as compared to last year, capitalized interest expense increased to approximately RMB1.154 billion from approximately RMB718 million over the previous year. As a result, total finance costs recognized as expenses were approximately RMB553 million, an increase of 17% as compared to approximately RMB473 million recorded last year.

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

For the year ended 31 December 2012, overall net contribution from the Group's associated entities decreased sharply by 48.8% to RMB246 million as compared to last year. This was mainly due to the significant decrease in the appreciated value on revaluation of investment properties of Yuexiu REIT, in which 35.14% of its units were held by the Group, resulting in the decrease in Yuexiu REIT's profit after taxation by 48.6% from last year to approximately RMB688 million. The share of profits attributable to the Group amounted to approximately RMB242 million.

TAXATION

For the year ended 31 December 2012, the Group's tax expenses amounted to approximately RMB2.075 billion, representing a significant decrease of 31% as compared to approximately RMB3.008 billion last year. This was also mainly due to the decrease in revenue and gains on revaluation of investment properties recognised during the year.

EARNINGS PER SHARE

For the year ended 31 December 2012, basic earnings per share attributable to equity holders of the Company were RMB0.2672 (2011: RMB0.5640).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend for 2012 of HK$0.022 per share which is equivalent to RMB0.018 per share (2011: HK$0.045 per share which was equivalent to RMB0.037 per share) and a special dividend of HK$0.031 per share which is equivalent to RMB0.025 payable to shareholders whose names appear on the Register of Members of the Company at 5:00 pm on 6 June 2013. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or before 26 June 2013. Together with the interim dividend of HK$0.042 per share which was equivalent to approximately RMB0.034 per share, total dividends for the year ended 31 December 2012 will amount to HK$0.095 per share which is equivalent to approximately RMB0.077 per share.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group's working capital (current assets less current liabilities) amounted to approximately RMB27.275 billion (31 December 2011: approximately RMB19.760 billion). The Group's current ratio (current assets over current liabilities) was 1.99 times. Cash and cash equivalents amounted to approximately RMB7.06 billion (31 December 2011: RMB4.821 billion). Charged bank deposits amounted to approximately RMB2.203 billion (31 December 2011: RMB1.307 billion). Undrawn committed bank facilities amounted to approximately RMB3.9 billion.

The Group's major sources of liquidity are from cash inflows of its business operations and committed bank facilities. The Group strongly believes that it is important to maintain a healthy and stable liquidity level so as to meet the needs of a fast-changing external market and to safeguard the business development of the Group. Therefore, the Group places great emphasis specifically 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 with a focus to lower financing costs. It monitors the capital and debt structure on a continuous basis, making adjustments where appropriate in order to enhance its ability to mitigate risks.

CAPITAL STRUCTURE

The Group's debts are summarized as follow:

	2012 RMB'000	2011 RMB'000 (Restated)
Bank borrowings (floating rate)		
Denominated in RMB	**12,566,252**	14,347,503
Denominated in Hong Kong dollars	**7,250,185**	6,808,442
Denominated in United States dollars	**314,323**	625,679
Total bank borrowings	**20,130,760**	21,781,624
Finance lease obligations	**161**	224
Overdrafts	**56**	318
Total debts	**20,130,977**	21,782,166
Ageing analysis:		
Repayable within one year	**6,828,742**	10,590,713
In the second year	**7,219,978**	4,842,425
In the third to fifth year	**5,490,657**	3,349,028
Beyond five years	**591,600**	3,000,000
Total borrowings	**20,130,977**	21,782,166
Less: Cash and cash equivalents	**(7,060,453)**	(4,820,904)
Net borrowings	**13,070,524**	16,961,262
Shareholders' equity (excluding non-controlling interests)	**22,158,140**	20,186,647
Total capitalization	**35,228,664**	37,147,909
Gearing ratio	**37.1%**	45.7%

In 2012, under the circumstances of persistent tightening of macroeconomic policies and the uncertainties of relaxation in the credit environment, the Group actively sought for innovative financing channels. During the year, the Group completed refinancing of approximately RMB13.9 billion. Part of the high interest rate loans were replaced this reducing the finance costs effectively. During the year, the Group also brought approximately RMB5.4 billion of cash inflow through the transfer of Guangzhou IFC and Popark Plaza and reduced bank borrowings by approximately RMB4.5 billion, optimizing the overall financing structure. The gearing ratio decreased to 37.1% from 45.7% last year, net debt ratio decreased to 47.0% from 75.9% last year. In January 2013, the successful issuance of US$350 million 5-year corporate bonds at 3.25% per annum and US$500 million 10-year corporate bonds at 4.5% per annum adjusted the ratio between domestic and overseas borrowings to 50:50, enhanced the financing structure by increasing the ratio of medium to long term borrowings, hence reducing the overall average cost of borrowings.

CAPITAL EXPENDITURES AND INVESTMENTS

During the period, the Group's capital expenditures on property, plant and equipment, construction in progress, investment properties and land use rights amounted to approximately RMB932 million.

INTEREST RATE EXPOSURE

Interest expenses accounted for a significant proportion of the Group's finance costs, and are charged at floating rates. The Group will continue to closely monitor the trend of interest rate fluctuations in the market and seek to adopt appropriate risk management measures. The Group will explore appropriate interest rates hedging tools if and when deemed appropriate in the future with a view to mitigating interest rate risks. Meanwhile, the Group will also 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 Renminbi (RMB). The main cash outflows in Hong Kong are related to cash dividend payments 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 31 December 2012, the Group had commitment for land use right of approximately RMB2 billion (31 December 2011: RMB1.079 billion).

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

CONTINGENT LIABILITIES

The Group arranged bank loans for certain purchasers of the Group's properties in the PRC and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest in performing its liabilities under the guarantee, and the Group 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 31 December 2012, total contingent liabilities relating to these guarantees amounted to approximately RMB1.887 billion (31 December 2011: RMB2.123 billion).

As at 31 December 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 31 December 2012, the Group had approximately 6,200 employees (31 December 2011: 5,800 employees). The Group remunerates its employees largely based on industry practice, including contributory provident funds and other employee benefits. Other employee benefits include contributory provident funds, insurance and medical coverage, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees according to their individual performance. Promotion and salary adjustments are based on performance.

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 year ended 31 December 2012 and included conditions relating to specific performance of the controlling shareholder of the Company.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) On 9 November 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 18-month term loan facility of up to HK$300 million from the date of the facility agreement.

(g) On 14 December 2012, the Company, as borrower, entered into a HK$3,800 million loan agreement with a group of banks with a final maturity in December 2015.

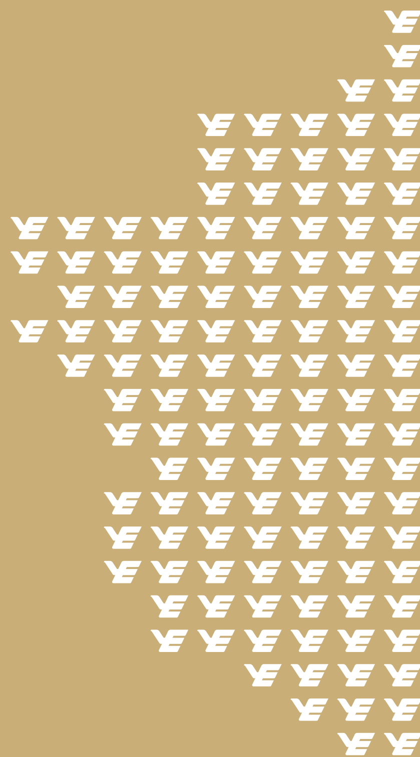
Pursuant to the aforesaid loan agreements/facility agreements or letters, Yue Xiu Enterprises (Holdings) Limited, the substantial shareholder of the Company is required, at all times, (i) to be the single largest beneficial shareholder of the Company; (ii) to have at least 51% beneficial interest be owned by Guangzhou Municipal People's Government for facilities (b), (e) and (f); (iii) to be wholly owned by Guangzhou Municipal People's Government for facilities (d) and (g); (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), (c), (d), (e), (f) and (g). 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 year ended 31 December 2012.

PROPERTY DEVELOPMENT

REGION		GFA (sq.m.)
Guangzhou	42.9%	6,177,900
Pearl River Delta (excluding Guangzhou)	15.8%	2,269,100
Zhongshan		1,593,700
Jiangmen		384,700
Foshan		290,700
Bohai Rim Region	17.5%	2,520,300
Yantai		820,800
Shenyang		1,210,900
Qingdao		488,600
Yangtze River Delta	13.8%	1,988,500
Hangzhou		1,452,200
Kunshan		536,300
Central Region	8.8%	1,274,900
Wuhan		1,274,900
Hainan	0.7%	98,000
Haikou		98,000
Hong Kong	0.5%	75,800
TOTAL	100%	14,404,500

Development Stage		GFA (sq.m.)
PUD	38.4%	5,530,100
PFD	61.6%	8,874,400




Bohai Rim Region
• Shenyang
• Yantai
• Qingdao
Central Region
• Wuhan
Yangtze River Delta
• Hangzhou
• Kunshan
Hainan
• Haikou
Pearl River Delta
& Hong Kong
• Guangzhou
• Jiangmen
• Zhongshan
• Foshan

GUANGZHOU

1. Guangzhou Fortune Center
2. Guangzhou Starry Wenhua
3. Southern Le Sand
4. Guangzhou Starry Winking
5. Guangzhou Paradiso Courtyard
6. Guangzhou International Finance Center

1.

2.

6.

3.

4.

5.

OUTSIDE GUANGZHOU

1. Zhongshan Starry Winking
2. Jiangmen Starry Regal Court
3. Shenyang Yuexiu Hill Lake
4. Hangzhou Starry City
5. Yantai Starry Phoenix
6. Wuhan Starry Winking

1.

2.

3.

4.

5.

6.

GUANGZHOU

GUANGZHOU STARRY WENHUA

Residential Project

Gross Floor Area: 221,900 sq.m.

Launch Year: 2011

Guangzhou Starry Wenhua (廣州星匯文華) is one of the master pieces of the Group's "Starry Series" in the new era of residential living. It is located within the Guangzhou University Town where cultural resources, natural resources and regional resources converge. Starry Wenhua is facing the Pearl River and Ling Nan Garden of Impression (嶺南印象園) on the south side, adjacent to South China University of Technology (華南理工大學) and Guangzhou University of Technology (廣州工業大學) on the eastern and western sides. The project is surrounded by 10 top universities and colleges and immersed in a cultural atmosphere. The project is adjacent to the University Town South Station of the No. 4 Guangzhou Metro Line (廣州地鐵四號線大學城南站). The city center of Guangzhou is within a travelling distance of 15 minutes with a convenient traffic network. The design of the project is a fusion of the traditional Ling Nan culture and the modern style of simplicity, and aims to create an innovative benchmark architecture of medium and small size units with an elite community. Construction is in progress and completion is expected in 2013.

SOUTHERN LE SAND

Residential Project

Gross Floor Area: 2,401,000 sq.m.

Southern Le Sand (南沙濱海花園) is a matured large-scale development created by the Group after 10 years of refinement. It is a new marina zone integrating waterfront living, leisure, resort, investment and business, the development is constructed in 9 phases. Commercial facilities include commercial pedestrian streets, commercial office buildings, large-scale shopping malls, an entertainment city and super 5-star hotels, etc. With our 10 year excellance track record and the broader national policy to classify Nansha as a state-level new zone, the sales of this project has been ahead of the regional market. In September 2012, Southern Le Sand launched a brand new phase, which received popular market response.

GUANGZHOU

GUANGZHOU PARADISO RIVERSIDE

Residential Project

Gross Floor Area : 484,200 sq.m.

Launch Year: 2012

Guangzhou Paradiso Riverside (廣州可逸江畔) is located to the south of Shiqiao city, Panyu district of Guangzhou, and is only 10 minutes' drive from the city center of Shiqiao. The project is facing the Shawan Waterway (沙 灣 水 道) on the southern side, being the unique large-scale low-density riverside project enjoying the privacy of the river bank. It adopted a minimalist and modern architectural style with a unique touch of Ling Nan culture. The project comprises of approximately 50,000 sq.m. of large-scale commercial space, 70,000 sq.m. of modern Chinese garden landscape and 20,000 sq.m. of recreational facilities. Panyu Secondary School (番 禺 中 學), a first class school in Guangdong Province, a hospital and a large-scale supermarket are located in the surrounding areas of the project, making it one of the projects with the most comprehensive facilities within the region. Construction work is in progress and is expected to be completed in 2014.

GUANGZHOU LING NAN HILLSIDE

Residential Project

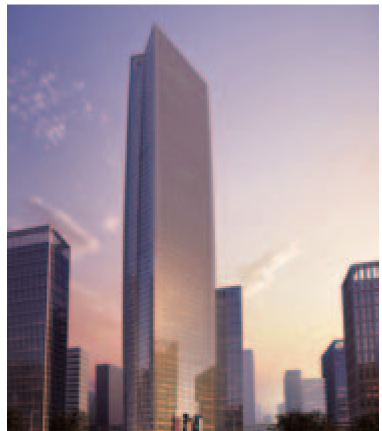
Gross Floor Area: 323,400 sq.m.

Launch Year: 2013 (Expected)

Guangzhou Ling Nan Hillside (廣 州 嶺 南 山 畔) is located at Luogang Science and Technology City in Guangzhou. The project is mainly of Ling Nan style and adopts a dotted architectural layout, which emphasizes the traditional heritage of courtyard space, forming the "gardens in a park and gardens within woods" landscape. The architectural style is an abstract refinement of the traditional Ling Nan architecture, which was applied to the external walls to create a Chinese motif. Strolling along the hillside woods and walking leisurely through the varying courtyard space, one can converse with nature in peace and enjoy stylish living with a tranquil heart.

GUANGZHOU

GUANGZHOU FORTUNE WORLD PLAZA



GUANGZHOU FORTUNE CENTER

Commercial Project

Gross Floor Area: 297,400 sq.m.

Commercial Project

Gross Floor Area: 210,500 sq.m.

Guangzhou Fortune World Plaza (廣州財富天地廣場) is located at Xiwan Road, Liwan District of Guangzhou City. It is a large-scale integrated modern commercial complex with multiple functions of commodity exhibitions, wholesale and retail, information exchange, design and development, warehouse and logistics, commercial and residential facilities all under one roof, and it is developed, constructed and operated by a top class team. Guangzhou Fortune World Plaza, together with the grade A offices and service apartments in the surrounding areas, have formed a large-scale commercial complex. It is a major upgrade of the traditional market in more ways than one with traffic convenience, comprehensive facilities, the provision of state-of-the-art logistic delivery, business finance, food and beverage, and entertainment services. The project has commenced pre-leasing officially in the second half of 2012, full operation is expected to commence in July 2013.

Guangzhou Fortune Center (廣州財富中心) is located on the eastern side of the Zhujiang East Avenue in Guangzhou on the central axis of the CBD of Pearl River New Town, the building is approximately 310 meters tall. The project will comprise of high standard super grade A offices and adopt advanced energy-saving technology and green architecture design concepts. The sleek and dynamic lines of the double arc external façades gives an international touch that combines perfectly with the sun-shade system. The tower blocks remark a commercial undertone with internal functions designed with international leading standards to cater for the customized needs of top class international enterprises. Construction is in progress and is expected to be completed in 2016.

JIANGMEN & ZHONGSHAN

JIANGMEN STARRY REGAL COURT

Residential Project

Gross Floor Area: 384,700 sq.m.

Launch Year: 2011

Jiangmen Starry Regal Court (江門星匯名庭) is located at the junction of North Ring Road and Huang Zhuan Avenue of Jiangmen City. It is adjacent to the planned municipal park on the southern side and the future municipal administration center will be located on the southern side of the park. The region in which it is located has convenient traffic network. The project adopted a green and Australian modern style of architectural design. The project has been named as the "Exemplary Property of Lowest-carbon Urban Living" in Jiangmen, and has been preliminarily certified as the winner of Leadership in Energy and Environmental Design (LEED) Gold Prize. The surrounding facilities include vehicle terminals, convention and exhibition centers, 5-star hotels, youth palace, etc., making it an ideal home for first time buyers and upgraders alike. Phase one and Phase two developments are expected to be completed in 2013 and 2016 respectively.

ZHONGSHAN STARRY WINKING

Residential and Commercial Project

Gross Floor Area: 536,900 sq.m.

Launch Year: 2012

Zhongshan Starry Winking (中山星匯雲錦) is located at Xingnan Road of the South district in Zhongshan city, it has a convenient traffic network and takes only a 10-minute drive to the prosperous business district of the city center. The project highlights living in a "natural, low-carbon, comfortable and ecological" space with comprehensive lifestyle and leisure facilities, creating a large-scale commercial and residential community conducive to living, business and leisure. The project has a large-scale shopping mall of over 60,000 sq.m. in gross floor area and attracted reputable Chinese home building businesses such as Macalline home decoration and building materials center to be an anchor tenant, forming the largest building materials market in Zhongshan to cater for the Pearl River Delta region with enormous potential investment opportunities. Phase one of the project is expected to be completed in 2013 and Phase two is expected to be completed in 2016.

YANTAI & SHENYANG

YANTAI DEVELOPMENT ZONE PROJECT

Residential Project

Gross Floor Area: 601,000 sq.m.

Launch Year: 2013 (Expected)

Yantai Development Zone Project (煙台開發區項目) is located at a prime land parcel within the Economic and Technological Development Zone (經濟技術開發區) in Yantai city of Shandong Province. The project is surrounded by Golden River Park (黃金河公園), Golden Beach Marina Park (金沙灘海濱公園) and the famous red wine vineyards with a beautiful environment. The area is not only a development zone highlighted in the "Twelfth Five-year Plan" of the Yantai Economic and Technological Development Zone, but also a bridging zone between the east and west districts of the development zone and an ideal place for investment, residence and tourism. The project is planned to be a high-end residential area and a commercial theme street, forming yet another quality product in Yantai after the Yuexiu Starry Phoenix project developed by Yuexiu Property. The project has commenced construction officially at the end of 2012, which is expected to be formally launched in 2013.

SHENYANG CHANGBAI ISLAND PROJECT

Residential Project

Gross Floor Area: 183,600 sq.m.

Launch Year: 2013 (Expected)

Shenyang Changbai Island Project (瀋陽長白島項目) is located on the northern side of Changbai Wu Road of Changbai Island in Heping district, Shenyang city, Liaoning Province, with the city's main road Shengli Avenue on the eastern side and a green belt on the northern side with an excellent view and pleasant surrounding environment. Changbai Island is a new residential township and a key development in Shenyang city, which is currently under the development stage, surrounding facilities are being developed with vast future development potential. The land site is about 10 minutes' drive from the Nanta Street project in Shenyang acquired by the Group in 2011, both projects will be jointly developed with shared resources to exploit the benefits of economies of scale.

HANGZHOU & WUHAN

HANGZHOU STARRY CITY

Residential and Commercial Project

Gross Floor Area: 1,452,200 sq.m.

Launch Year: 2012

Hangzhou Starry City (杭州星匯城) is located in the core zone of the Qingshan Lake Science and Technology Town (青山湖科技城核心區) on the western side of Hangzhou, Zhejiang Province. The project has a total GFA of approximately 1.45 million sq.m., of which approximately 1.04 million sq.m. in GFA are residential use and approximately 410,000 sq.m. are for commercial use and other purposes. It will be an urban complex with high-end residential units, villas, 5-star hotels, super grade A offices and a large-scale shopping mall under one roof. Upon completion, the project will become a innovative and inviting city combining leisure and resort living space, with technological research and innovation.

WUHAN STARRY WINKING

Residential and Commercial Project

Gross Floor Area: 647,200 sq.m.

Launch Year: 2012

Wuhan Starry Winking (武漢星匯雲錦) is located at the junction of Jinghan Avenue and Qiaokou Road in the Qiaokou district in Wuhan of Hubei Province. The land parcel is a core land plot of the “Han River Ecological Business Zone” in the “Twelfth Five-Year Plan” of the Wuhan Municipal Government, linking seamlessly with the No. 1 Light Rail Line of Wuhan, and it takes about 5 minutes to travel to Wuchang district and Hanyang district. The project has GFA of about 650,000 sq.m., of which approximately 300,000 sq.m. are residential space, 350,000 sq.m. are for commercial use and other purposes. It has plans to construct a grade A office tower of over 300 meters tall, a top class commercial shopping mall and a number of boutique high-end apartment blocks of over 130 meters tall. It is set to become a large-scale city complex housing residential units, shopping mall, business units and entertainment facilities under one roof and become a new landmark along the Han River coast.

LANDBANK

As at 31 December 2012

No.	Project	Equity holding	Landbank (sq.m.)	Development Stages: Properties Under Development (sq.m.)	Development Stages: Properties for Future Development (sq.m.)
1	Guangzhou Fortune Century Square	100%	62,500	62,500	—
2	Guangzhou Fortune Center	95%	210,500	210,500	—
3	Asia Pacific Century Plaza	95%	232,000	232,000	—
4	Sporty Stadium Building	100%	125,000	—	125,000
5	Guangzhou Starry Yufu	95%	34,900	34,900	—
6	Guangzhou Paradiso Garden	95%	25,600	25,600	—
7	Guangzhou Paradiso Courtyard	95%	9,600	9,600	—
8	Guangzhou Fortune Apartment	99.06%	135,400	135,400	—
9	Guangzhou Starry Golden Sands	100%	397,900	189,600	208,300
10	Guangzhou Starry Wenhua	95%	221,900	221,900	—
11	Guangzhou Starry Wenhan	95%	164,400	164,400	—
12	Guangzhou Starry Wenyu	95%	141,400	141,400	—
13	Guangzhou Paradiso Riverside	95%	484,200	484,200	—
14	Guangzhou Paradiso Sunshine	95%	134,100	134,100	—
15	Southern Le Sand	95.48%	2,401,000	405,700	1,995,300
16	Guangzhou Lingnan Hillside	95%	323,400	323,400	—
17	Luogang Kaiyuan Avenue Land	95.48%	323,900	—	323,900
18	Luogang Changling Road Land	47.74%	446,600	—	446,600
19	Conghua Jiangpu Town Land	95.48%	188,400	188,400	—
	Other projects	N/A	115,200	55,200	60,000
	Subtotal (Guangzhou)		**6,177,900**	**3,018,800**	**3,159,100**
20	Jiangmen Starry Regal Court	95%	384,700	140,300	244,400
21	Zhongshan Starry Winking	95%	536,900	394,900	142,000
22	Zhongshan Starry Junting	100%	152,700	152,700	—
23	Zhongshan Bo'ai Road Project	95%	476,800	—	476,800
24	Zhongshan Dongsheng Town Project	100%	427,300	—	427,300
25	Nanhai Starry Winking	95%	290,700	290,700	—
	Subtotal (Pearl River Delta (excluding GZ))		**2,269,100**	**978,600**	**1,290,500**
26	Shengyang Yuexiu Hill Lake	99.95%	320,600	81,200	239,400
27	Shengyang Nanta Street Project	100%	706,700	109,800	596,900
28	Shengyang Changbai Island Land	100%	183,600	—	183,600
29	Yantai Starry Phoenix	100%	219,800	219,800	—
30	Yantai Development Zone Land	100%	601,000	—	601,000
31	Qingdao Licang Land	100%	488,600	—	488,600
	Subtotal (Bohai Rim Economic Zone)		**2,520,300**	**410,800**	**2,109,500**
32	Hangzhou Starry City	100%	1,452,200	474,700	977,500
33	Kunshan Huaqiao Land	48.45%	536,300	—	536,300
	Subtotal (Yangtze River Delta)		**1,988,500**	**474,700**	**1,513,800**
34	Wuhan Starry Winking	100%	647,200	647,200	—
35	Wuhan Jiang'an Land	95.48%	627,700	—	627,700
	Subtotal (Central Region)		**1,274,900**	**647,200**	**627,700**
36	Hainan Simapo Island Land	47.50%	98,000	—	98,000
	Subtotal (Hainan)		**98,000**	—	**98,000**
37	Hong Kong Yau Tong Project	100%	70,500	—	70,500
38	Hong Kong Treasure Court Project	100%	1,400	—	1,400
39	Hong Kong Prince Edward Road West Project	100%	3,900	—	3,900
	Subtotal (Hong Kong)		**75,800**	—	**75,800**
	Total		**14,404,500**	**5,530,100**	**8,874,400**

Uses			
Residential Properties (sq.m.)	Commercial Properties (sq.m.)	Parking lots and others (sq.m.)	2013 Completion Schedule (Expected) (sq.m.)
—	34,300	28,200	62,500
—	164,500	46,000	—
—	132,600	99,400	—
—	106,300	18,700	—
20,700	500	13,700	—
9,600	—	16,000	—
7,000	—	2,600	—
—	97,200	38,200	—
285,300	10,400	102,200	189,500
141,700	1,800	78,400	221,900
109,200	—	55,200	164,400
88,900	2,500	50,000	141,400
265,500	48,700	170,000	179,200
84,700	—	49,400	—
1,404,700	519,100	477,200	70,900
184,300	35,000	104,100	—
223,600	—	100,300	—
299,000	9,500	138,100	—
147,100	—	41,300	—
32,800	—	82,400	—
3,304,100	**1,162,400**	**1,711,400**	**1,029,800**
268,700	21,900	94,100	—
335,000	82,200	119,700	256,200
110,100	4,300	38,300	—
236,500	130,000	110,300	—
338,400	31,100	57,800	—
98,500	112,000	80,200	—
1,387,200	**381,500**	**500,400**	**256,200**
312,900	—	7,700	36,500
347,900	203,300	155,500	—
133,400	23,700	26,500	—
115,500	32,300	72,000	219,800
456,500	10,300	134,200	—
323,000	24,700	140,900	—
1,689,200	**294,300**	**536,800**	**256,300**
1,040,000	157,000	255,200	—
400,800	18,100	117,400	—
1,440,800	**175,100**	**372,600**	—
303,300	204,900	139,000	—
306,800	165,600	155,300	—
610,100	**370,500**	**294,300**	—
—	67,600	30,400	—
—	**67,600**	**30,400**	—
70,500	—	—	—
1,400	—	—	—
3,900	—	—	—
75,800	—	—	—
8,507,200	**2,451,400**	**3,445,900**	**1,542,300**

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Group has upheld its corporate principles of "Realising a better life" by adhering to the core values of "quality, integrity and excellence" and adopting the performance of social responsibilities as one of the fundamental principles of corporate development. In 2012, the Group incorporated social responsibilities into the corporate development strategies and formulated the social responsibility implementation plan to perform the obligations of a corporate citizen. Thus, the operating results of the Group were not only reflected in its financial performance, but also in the returns to the shareholders, staff and various stakeholders in the community.

GREEN ENVIRONMENT PROTECTION

As a responsible property developer, the Group has been adhering to its philosophy of "Low-Carbon, Green and Intelligent" development. In 2012, the Group compiled the "White Paper on Green Architecture of Yuexiu Property" to incorporate the development of green architecture into the strategic directions of the Group. Meanwhile, a series of green management systems and measures targeting the various aspects of property development projects such as research and development, design, procurement, construction and operation have been established. This included the selection of suppliers who use green materials and environmental processes in procurements and strict supervision on the environmental processes to be implemented by the construction parties, in order to effectively reduce the adverse effects of construction on the surrounding environment and the community.

On 31 March 2012, in response to the "Earth Hour" environmental protection campaign launched by the WWF (World Wide Fund for Nature), the Group's Guangzhou International Finance Center shut down all the lights of the whole building for one hour from 20:30 to 21:30, while hosting a special charitable event of an electricity-free philharmonic concert "Zero in Listening to the Earth Hour" at the same time, to let people appreciate the benefits of a "zero" carbon life during the lights off hour and initiate motivations for environmental protection.

COMMUNITY AND CHARITABLE ACTIVITIES

The Group organized community-culture activities proactively within its property projects with an aim to build happy communities. In 2012, nearly 300 community-culture events of various categories were organized. The Group also strongly supported staff to participate in community volunteering work to demonstrate love and care to the community. In 2012, the Group actively organized staff to participate in community activities, such as visiting pensioners' homes, providing sponsorship in education, helping in difficulties, etc., a total of more than 1,500 staff members had participated in these volunteering activities.

In 2012, the Group continued its active participation in social charitable activities. The Group's poverty relief work in Niuliujia Village and Pozai Village in Maoming City and Hengkeng Village in Conghua City of Guangdong Province focused on the building of a long-term effective mechanism together with the local people to enhance poverty reliefs, focusing not only on "giving fish" but also more on "teaching the method of fishing". In 2012, the funds used for poverty relief in the above three villages were RMB3.41 million on a cumulative basis, which were applied in developing special crops and animal husbandry, providing skill training, repairing roads and reconstructing bridges, subsidizing the purchases of medical insurance, all of which achieved pleasing results.

STAFF CARE AND DEVELOPMENT

The Group attaches great importance to occupational health and safety of staff. No occupational disease cases had occurred during the full year in 2012. Staff coverage of medical checks and health files reached 100% in 2012. Customized medical checks were also implemented such that staff members may increase the number of medical examination items depending on their own needs. Arrangements were also made for one-on-one interviews between doctors and staff with health problems to address any queries and provide advice on food, exercise and therapy. Moreover, the Group also made regular visits and organized donations to help resolve difficulties faced by staff members who suffer from critical illness or other emergencies.

The Group also attaches great importance to career development of staff. Nearly 400 training sessions of various categories were held during the year and the number of participants in these trainings reached almost 19,000. The Group continued to conduct and improve trainings under the "Starry Program (星匯計劃)" covering training series for elementary, intermediate and advanced levels to focus on cultivating talents suitable for role models, subject experts and operation managers correspondingly.

FUTURE PROSPECTS

The Group will continue to explore ways to do more in corporate social responsibilities (CSR), promote the building of a CSR system to incorporate social responsibility plans into corporate strategies and corporate culture in order to achieve further enhancement of CSR management and bring the Group's CSR building to a new level.

INVESTOR RELATIONS REPORT

The Group fully recognizes the importance of maintaining a good relationship with the shareholders and investors. Therefore, we have been continually stepping up our investor relation efforts to establish interactive communication channels between our business operations and the capital market so as to achieve effective communication between the shareholders as well as investors and the Group. Such channels help our stakeholders better understand our operational philosophy and business strategies and thus allowing the Group's market capitalization to reflect the true value of the Group.

INVESTOR RELATIONS ACTIVITIES

In 2012, the Group actively organized activities to interact with its shareholders and investors. In addition to over ten roadshows in Hong Kong, Singapore, Beijing, Japan and Europe, the Group also attended 16 large-scale investor seminars held by investment banks, organized over 200 one-on-one teleconferences and over 80 site visits for different projects, and meeting with a total of over a thousand investors. Through such activities, we were able to communicate the Group's results and developments with investors and build a more significant presence in the capital market.

MAJOR INVESTOR RELATIONS ACTIVITIES IN 2012

Month	Location	Activities
January	Shanghai	UBS Greater China Conference
	Hong Kong	Macquarie Asia-Pacific Financials & Property Conference
	Beijing	Deutsche Bank Access China 2012
March	Hong Kong	2011 Annual Results Press Conference and Analysts' Conference
	Hong Kong	Roadshow organized by Morgan Stanley
	Singapore	Roadshow organized by J.P. Morgan
	Hong Kong	Roadshow organized by Standard Chartered Bank
	Shanghai	Roadshow organized by BOC International
	Beijing	Roadshow organized by Goldman Sachs
	Singapore	J.P. Morgan Asia Pacific Property Conference 2012
	Guangzhou	Site visit for stock commentators

Month	Location	Activities
April	Hong Kong	Macquarie APREA Investor Day 2012
	Xiamen	2012 Nomura China Investor Forum
May	Hong Kong	Joint Press Conference and Analyst Briefing for the Guangzhou International Finance Center transaction between Yuexiu Property and Yuexiu REIT
	Zhongshan	Site visit for stock commentators
June	Beijing	J.P. Morgan China Conference 2012
July	Hong Kong, China Japan, Singapore, Europe	Roadshows co-organized by BOC International, J.P. Morgan, Goldman Sachs, Morgan Stanley and Standard Chartered Bank
August	Hong Kong	2012 Interim Results Press Conference and Analysts' Conference.
	Hong Kong	Interim Results Roadshow organized by Deutsche Bank
	Hong Kong	Interim Results Roadshow organized by Citibank
	Singapore	Interim Results Roadshow organized by DBS Vickers
	Japan	Interim Results Roadshow organized by Mizuho Securities
September	Hong Kong	Sunwah Kingsway Investor Conference
	Guangzhou	Official Opening Ceremony of Guangzhou International Finance Center

Month	Location	Activities
November	Macau	Citi Greater China Investor Conference 2012
	Beijing	Bank of America Merrill Lynch China Conference 2012
	Singapore	Morgan Stanley 11th Annual Asia Pacific Summit
	UK, Europe	NDR organized by Morgan Stanley
	Hong Kong	CLSA Property Day
	Hong Kong	CIMB 8th Hong Kong/China Conference
	Guangzhou	Site visit for Hong Kong media
December	Tokyo	Nomura Investment Forum
	Hong Kong	Bank of America Merrill Lynch Greater China Property Corporate Day
	Shanghai	BOCOM Shanghai Conference
	Hong Kong	Yuexiu Property 20th Anniversary Listing in Hong Kong

CAPITAL OPERATIONS

To drive forward the injection of Guangzhou International Finance Center into Yuexiu REIT and the implementation of financing activities such as the issuance of bonds, the Group proactively organized and participated in various investor relations activities following the announcements of the projects. This allowed investors to gain deeper understanding of the goals of the Group's financing activities as well as its development direction and strategies. The Group believes that timely and effective communication with its shareholders and investors can improve their understanding and recognition of the Group. This not only helps strengthen and expand our investor base, but also facilitate the diversification of our financing channels and the reduction of our financing costs.

RESEARCH COVERAGE

In 2012, as the recognition of the Group in the capital market continued to grow, more and more internationally renowned investment banks published research reports on the Group. In the meantime, other investment banks also continued to update their research reports on us, the total number of reports on us reached over 100. Notably, all the reports gave us a rating of "BUY".

AWARDS AND RECOGNITIONS

"Highly Commended Mixed-Use Development in China"
Guangzhou International Finance Center
International Property Awards (Asia Pacific)

"China's Most Promising Companies 2012"
The Asset Magazine

Gold Award in "The Asset Corporate Awards 2012"
The Asset Magazine

"Outstanding China Property Developer Awards 2012"
Economic Digest

"Lubetkin Prize 2012"
Guangzhou International Finance Center
Royal Institute of British Architects

"The Excellence of Listed Enterprise Awards 2012"
Capital Weekly

"The Best Guangzhou Landmark Building"
Guangzhou International Finance Center
Capital Weekly

"LEED-CS Pre-certification Gold Prize"
Guangzhou Starry Yufu
U.S. Green Building Council

"Outstanding Residential Community Gold Award of Zhan Tianyou Awards on Civil Engineering Projects in China 2012"
Ling Nan New Mansion (Guangzhou Ling Nan Riverside)
China Civil Engineering Society

"Top 10 Comprehensive Strengths of Real Estate Developers in Guangdong 2012"
Guangdong Enterprises Confederation, Guangdong Entrepreneurs Association

"Top 10 Reliable Real Estate Developers in Guangdong 2012"
Guangdong Enterprises Confederation, Guangdong Entrepreneurs Association

"Top 10 Most Respected Real Estate Brands in Guangdong 2012"
Guangdong Enterprises Confederation, Guangdong Entrepreneurs Association

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Lu Zhifeng, aged 60, was appointed executive director and Chairman of the Company in 2008. He is also the Chairman of Guangzhou Yue Xiu Holdings Limited ("GZ Yue Xiu"), a substantial shareholder of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"). Mr Lu holds a Master of Business Administration degree and the qualification of senior economist in China. He has accumulated nearly forty years of experience in production operation, capital and corporate management. Before taking up his post of Chairman of the Company, Mr Lu was the managing director of Guangzhou Automobile Industry Group Co., Ltd., vice chairman of Guangzhou Automobile Group Co., Ltd., chairman of Guangzhou Honda Automobile Co., Ltd., and vice chairman and executive director of Denway Motors Limited. Before that, he had been general manager of Guangzhou Yangcheng Automobile Group Co. and vice chairman and managing director of Guangzhou Yangcheng Automobile Co., Ltd.

Mr Zhang Zhaoxing, aged 49, was appointed executive director, a Vice Chairman and General Manager of the Company in 2008. He is a vice chairman and general manager of GZ Yue Xiu and Yue Xiu and Chairman of Yue Xiu Transport Infrastructure Limited, a company listed on the Stock Exchange (Stock Code: 1052). Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Vice Chairman and General Manager of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange (Stock Code: 002152). Mr Zhang is a deputy of the 12th National People's Congress of the People's Republic of China and he is the only deputy from Guangzhou SOE.

Mr Tang Shouchun, aged 50, was appointed executive director of the Company in 2006. Mr Tang is currently a deputy general manager of GZ Yue Xiu and Yue Xiu, and is responsible for overseeing the Group's internal management, legal, internal audit and financial affairs. Mr Tang graduated from Nanjing Agricultural University and is a senior accountant, senior economist and registered asset appraiser in China, and has a Doctor degree in Agricultural Economics and Management. Prior to joining Yue Xiu in 2002, he taught at Southwestern University of Finance and Economics in Chengdu and was a vice professor of South China Normal University in Guangzhou. He had been a director and chief accountant of Guangzhou City Construction & Development Group Co. Ltd., responsible for overseeing financial accounting, financial management and capital operation of the company. He also participated in the planning and operation management of various large real estate projects. He has extensive experience in the financial management and capital operation of large enterprises.

Mr Chen Zhihong, aged 51, was appointed executive director and General Manager, Operations of the Company in 2011. Mr Chen holds a master of business administration degree of the South China University of Technology and the qualifications of economist and engineer in China. He joined Yue Xiu in January 2001 and has held management positions of deputy general manager and general manager of the corporate management department and general manager of the investment department. In January 2006, he was promoted as a deputy general manager of the Company and as a deputy managing director of Guangzhou City Construction & Development Co. Ltd. Prior to joining Yue Xiu, Mr. Chen Zhihong worked for Guangzhou Paper Group for almost 20 years and had been engaged in the operational management of the enterprise and has been seconded to Restructuring Commission of Guangzhou Municipality (廣州市政府體制改革委員會) to participate in economic restructuring. He has extensive experience in the real estate industry and is familiar with the regulatory policies for the real estate industry in China.

Mr Lam Yau Fung Curt, aged 44, was appointed executive director of the Company in 2010. He is also the director of capital markets of Yue Xiu. Mr Lam was previously Head of Corporate Finance and Business Development at GOME Electrical Appliances Holding Limited (Stock Code: 493), one of China's largest electronics retailers, which is listed on the Stock Exchange. Prior to joining GOME, he spent more than 10 years working in investment banking and capital markets at Schroders Asia, ABN AMRO Rothschild, and Deutsche Bank. Mr Lam has extensive experience in financial management, investment and transaction analysis, capital markets, and corporate finance. He is a Chartered Financial Analyst (CFA) and holds a MBA from Rice University in the US.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 65, has been an independent non-executive director of the Company since 1992. Mr Yu holds a Master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance.

Mr Lee Ka Lun, aged 58, has been an independent non-executive director of the Company since 2000. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116) and REXLot Holdings Limited (Stock Code: 555). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 65, has been an independent non-executive director of the Company since 2004. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport Infrastructure Limited (Stock Code: 1052), The Hong Kong Parkview Group Limited (Stock Code: 207), Wing Hang Bank, Limited (Stock Code: 302), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (effective 19 October 2012) (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code (applicable to financial reports covering the period after 1 April 2012) ("Revised CG Code") and the former Code on Corporate Governance Practices (effective until 31 March 2012) ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term and the attendance of non-executive directors at general meeting, details of which are explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code and the Revised CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance, transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised below:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company.

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive directorate, and focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall business strategies and budgets, corporate governance, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. The Board comprises five executive directors and three independent non-executive directors. For a list of directors during the year ended 31 December 2012 and their respective profiles, please refer to page 73 of the Report of the Directors and the Directors' Profiles. The updated list of directors is also available on the Company's website (www. yuexiuproperty.com) and the Stock Exchange's website.

None of the members of the Board is related to one another.

During the year ended 31 December 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

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, in accordance with the Company's Articles of Association, all directors of the Company, including non-executive directors, are subject to retirement by rotation at least once every three years. All the non-executive directors of the Company had retired by rotation during the past three years, offered themselves for re-election, and had been re-elected .

Shareholders may propose a candidate for election as Director in accordance with the Articles of Association of the Company. The procedure for such proposal are available on the websites of the Company and the Stock Exchange.

Training for Directors

On appointment to the Board, each director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all Directors and senior executives are encouraged to participate in continuous professional development relating to the Listing Rules, companies ordinance and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

During the year, the Company had arranged tailor-made training programmes conducted by reputable international legal and audit firms and other professional bodies for the Directors with an emphasis on the Revised CG Code, the new statutory disclosure obligations on insider information as well as the roles, functions and duties of a director of a listed company. According to the records maintained by the Company, the Directors received trainings in the following areas:

	Corporate Governance/Updates on Laws, Rules & Regulations	
Directors	**Read Materials**	**Attended Seminars/ Briefings**
Executive Directors		
LU Zhifeng	√	√
ZHANG Zhaoxing	√	√
TANG Shouchun	√	√
CHEN Zhihong	√	√
LAM Yau Fung Curt	√	√
Independent Non-Executive Directors		
YU Lup Fat Joseph	√	√
LEE Ka Lun	√	√
Lau Hon Chuen Ambrose	√	√

Board Meetings

Number of Meetings and Directors' Attendance

In year 2012, the Board held 25 meetings (including circulation of written resolutions). All independent non-executive directors attended the annual general meeting of the Company held on 6 June 2012 other than one independent non-executive director who was not in a position to attend due to prior commitment overseas. The attendance record of each member of the Board is set out below :

Directors	Attendance/ Number of Board meetings	Written Resolutions	Attendance/ Number of General Meetings
Executive Directors			
Lu Zhifeng	**4/4**	21/21	2/2
Zhang Zhaoxing[1]	**2/4**	21/21	2/2
Liang Yi[2]	**2/3**	20/20	1/2
Tang Shouchun	**4/4**	21/21	2/2
Chen Zhihong	**4/4**	21/21	2/2
Lam Yau Fung Curt	**4/4**	21/21	2/2
Independent Non-Executive Directors			
Yu Lup Fat Joseph	**4/4**	21/21	2/2
Lee Ka Lun	**4/4**	21/21	1/2
Lau Hon Chuen Ambrose	**4/4**	20/21	2/2

Notes:

1. Mr Zhang Zhaoxing has arranged his alternate to attend the Board meetings, attendance of which have not been counted in the above attendance record.

2. Resigned with effect from 12 December 2012.

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has arranged directors and officer liability insurances for its directors and officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Lu Zhifeng while the position of General Manager is held by Mr Zhang Zhaoxing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The full terms of reference of these committees are available on the Company's website (www.yuexiuproperty.com) and the Stock Exchange's website.

In addition, the Board established an Executive Committee to approve the issuance of shares upon the exercise of share options granted under the share option scheme of the Company. The Executive Committee comprises two executive directors, Mr Zhang Zhaoxing and Mr Tang Shouchun and met 15 times during the year ended 31 December 2012.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Yu Lup Fat Joseph is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2012 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

Directors	Meetings Attended
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**2/2**
Lee Ka Lun	**2/2**
Lau Hon Chuen Ambrose	**2/2**

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose and Mr Tang Shouchun, an executive director. The chairman of the committee is Mr Yu Lup Fat Joseph.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure, and recommendations on the remuneration packages of the executive directors and the senior management, including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The composition of the Remuneration Committee and attendance record of each Remuneration Committee member are set out below:

Directors	**Meeting Attended**
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**1/1**
Lee Ka Lun	**1/1**
Lau Hon Chuen Ambrose	**1/1**
Executive Director	
Tang Shouchun	**1/1**

The Remuneration Committee met once with 100% attendance to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

Nomination Committee

The Board established the Nomination Committee on 1 March 2012. The Nomination Committee comprises two executive directors, namely Mr Lu Zhifeng and Mr Zhang Zhaoxing, and three independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose. The committee is chaired by Mr Lu Zhifeng, the Chairman of the Board.

The role and function of the Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship and the appointment or re-appointment of directors and succession planning for directors.

The composition of the Nomination Committee and the attendance record of each Nomination Committee member are set out below:

Directors	Meeting Attended
Executive Directors	
Lu Zhifeng	**1/1**
Zhang Zhaoxing	**1/1**
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**1/1**
Lee Ka Lun	**1/1**
Lau Hon Chuen Ambrose	**1/1**

The Nomination Committee met once with 100% attendance to review the structure, size and composition of the Board.

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 year ended 31 December 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.

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is also the company secretary of Yuexiu Transport Infrastructure Limited (Stock Code: 1052) and Yuexiu REIT Asset Management Limited, the asset manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2012, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Responsibilities in respect of the financial statements and auditor's remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

The remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2012 amounted to approximately RMB6,500,000 and RMB8,500,000 respectively.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets and for review, through its Audit Committee, of the effectiveness of the system. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group against material errors, loss or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

In meeting its responsibility, the Board seeks to increase risk awareness of its business operations and puts in place policies and procedures, including the parameters of delegated authority, to provide for the identification and management of business risk. The Board assumes overall responsibility in monitoring the operation of the businesses within the Group. Executive directors are appointed to the boards of all significant material operating subsidiaries to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

Business plans and budgets are prepared annually by the management of individual businesses which are subject to review and approval by both the executive management teams and the executive directors as part of the Group's corporate planning. The executive directors hold monthly meetings to review management reports on the business results and key operating statuses of each core business.

The Group has established procedures and guidelines for the approval and control of expenditure. Operating expenditure is subject to overall budget control and is controlled within each business with the approval levels for such expenditure being set by reference to the level of responsibility of each executive and officer.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective and does not note any material deviation.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the board committees are available to answer questions at the shareholders' meetings. Separate resolutions are proposed at shareholders' meetings on each substantial issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.yuexiuproperty.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Company and the Stock Exchange and respectively on the same day as the poll.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Section 113 of the Companies Ordinance, shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more shareholders concerned. If the directors of the Company do not within 21 days from the date of the deposit of the requisition proceed duly to convene a general meeting for a day not more than 28 days after the date on which the notice convening the general meeting is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date. Shareholders representing not less than one-fortieth of the total voting rights of all shareholders or of at least 50 in number holding shares in the Company on which there has been paid up to an average sum of not less than HK$2,000 per shareholder, may put forward resolutions for consideration at a general meeting of the Company by depositing at the registered office a written request for such resolutions according to Section 115A of the Companies Ordinance.

CONSTITUTIONAL DOCUMENTS

The Company's Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange. During 2012, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, and holding of investment properties. The principal activities of its principal subsidiaries, jointly controlled entities, associated entities are set out in the section headed "Group Structure" on pages 181 to 192.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 83.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2012:

	RMB'000
Interim dividend of HK$0.042 equivalent to approximately RMB0.034 per share paid on 15 November 2012	319,459
Proposed special dividend of HK$0.031 equivalent to RMB0.025 per share	232,530
Proposed final dividend of HK$0.022 equivalent to approximately RMB0.018 per share	167,422
	719,411

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 May 2013 to Monday, 3 June 2013, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 3 June 2013, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 27 May 2013.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 38 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB3,410,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Hong Kong Companies Ordinance.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	Year ended 31 December				
		As restated		As restated	
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Profit attributable to equity holders of the Company	**2,481,834**	5,235,666	918,840	(607,264)	552,760

	As at 31 December				
		As restated	As restated	As restated	
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**69,996,933**	61,213,284	50,799,557	36,953,836	38,353,575
Total liabilities	**(46,876,718)**	(40,584,474)	(34,659,758)	(24,438,585)	(19,325,881)
Non-controlling interests	**(962,075)**	(442,163)	(477,053)	(439,502)	(5,903,397)
Shareholders' equity (excluding non-controlling interests)	**22,158,140**	20,186,647	15,662,746	12,075,749	13,124,297

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

INTEREST CAPITALISED

During the year, interest capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB1,155 million (2011: RMB718 million).

DISTRIBUTABLE RESERVES

As at 31 December 2012, the distributable reserves of the Company available for distribution amounted to RMB5,494 million (2011: RMB1,818 million).

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Mr Lu Zhifeng	
Mr Zhang Zhaoxing	
Mr Liang Yi	(resigned with effect from 12 December 2012)
Mr Tang Shouchun	
Mr Chen Zhihong	
Mr Lam Yau Fung Curt	
Mr Yu Lup Fat Joseph*	
Mr Lee Ka Lun*	
Mr Lau Hon Chuen Ambrose*	

* *Independent non-executive directors*

The Directors' Profiles are set out on pages 58 and 59.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Zhang Zhaoxing, Yu Lup Fat Joseph and Lee Ka Lun retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Board recommends the re-appointment of all directors standing for re-election at the forthcoming general meeting of the Company.

DIRECTOR'S SERVICE CONTRACTS

Mr Lam Yau Fung Curt has entered into a service contract with the Company, which may be terminated, by either side, on three months' notice.

Save as disclosed above, none of the directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

During the reporting year, the following connected (leasing) transactions were entered into or continued on normal and commercial terms:

Date	Connected Party	Relationship with the Company	Premises/Tenure	Consideration	Payment made/ received during the reporting year
Guangzhou International Financial Centre ("Guangzhou IFC")					
27 February 2012 ("Announcement I")	越秀(中國)交通基建投資有限公司 Yuexiu (China) Transport Infrastructure Investment Company Limited	Subsidiary of a substantial shareholder	1701-A from 1/1/2012 to 31/12/2014	RMB366,475 per month up to 31/12/2013 thereafter RMB381,863 per month	RMB3,619,000
			0601-F from 1/1/2012 to 31/12/2014	RMB24,963 per month up to 31/12/2013 thereafter RMB26,016 per month	
	廣州越通公路運營管理有限公司 Guangzhou Yue Tong Expressway Operations and Management Company Limited	Subsidiary of a substantial shareholder	1701-B from 1/1/2012 to 31/12/2014	RMB60,411 per month up to 31/12/2013 thereafter RMB62,948 per month	RMB845,000
			0440-A from 1/1/2012 to 31/12/2012	RMB30,932 per month	
	廣州越鵬信息有限公司 Guangzhou Yue Peng Information Ltd.	Subsidiary of a substantial shareholder	1701-C from 1/1/2012 to 31/12/2014	RMB61,698 per month up to 31/12/2013 thereafter RMB64,289 per month	RMB570,000
	廣州穗橋發展有限公司 Guangzhou Suiqiao Development Co. Ltd.	Subsidiary of a substantial shareholder	1701-D from 1/1/2012 to 31/12/2014	RMB46,470 per month up to 31/12/2013 thereafter RMB48,422 per month	RMB430,000
	廣州越秀產業投資管理有限公司 Guangzhou Yuexiu Industry Investment Management Co., Ltd.	Subsidiary of a substantial shareholder	6301-A and E from 1/1/2012 to 31/12/2014	RMB198,934 per month up to 31/12/2013 thereafter RMB207,296 per month	RMB1,924,000

Date	Connected Party	Relationship with the Company	Premises/Tenure	Consideration	Payment made/ received during the reporting year
			0440-C from 1/1/2012 to 31/12/2012	RMB9,128 per month	
	廣州越秀金融投資集團有限公司 Guangzhou Yuexiu Finance Investment Group Co, Ltd.	Subsidiary of a substantial shareholder	6301-B from 1/1/2012 to 31/12/2014	RMB265,750 per month up to 31/12/2013 thereafter RMB276,920 per month	RMB2,942,000
			0601-B from 1/1/2012 to 31/12/2014	RMB44,793 per month up to 31/12/2013 thereafter RMB46,684 per month	
			0440-B from 1/1/2012 to 31/12/2012	RMB7,606 per month	
	廣州證券有限責任公司 Guangzhou Securities Limited Liability Company	Subsidiary of a substantial shareholder	1901, 2001 from 1/1/2012 to 31/12/2014	RMB1,512,000 per month up to 30/9/2013 thereafter RMB1,577,029 per month up to 30/9/2014 thereafter RMB1,645,309 per month	RMB16,308,000
			6301-C from 1/1/2012	RMB231,792 per month up to 31/5/2012 following the signing of a supplemental agreement on 1/6/2012 mentioned below	
			0601-C from 1/1/2012 to 31/12/2014	RMB48,761 per month up to 31/12/2013 thereafter RMB50,819 per month	
			0440-G from 1/1/2012 to 31/12/2012	RMB78,091 per month	
1 June 2012 ("Announcement II")	廣州廣證恒生證券投資諮詢有限公司 Guangzhou Guang Zheng Hang Seng Securities Investment Advisory Co., Ltd.	Subsidiary of a substantial shareholder	6301-C from 1/6/2012 to 31/12/2014	RMB231,792 per month up to 31/12/2013 thereafter RMB241,535 per month	RMB988,000
22 June 2012 ("Announcement III")	廣州越秀融資租賃有限公司 Guangzhou Yuexiu Financial Leasing Co., Ltd.	Subsidiary of a substantial shareholder	6301-D and F from 1/6/2012 to 31/5/2013	RMB245,814 per month	RMB1,048,000

Announcement I, Announcement II and Announcement III in respect of the Guangzhou IFC property leasing agreements ("Continuing Connected Transactions") were published on 27 February 2012, 1 June 2012 and 22 June 2012, respectively.

The Continuing Connected Transactions had also been disclosed as related party transaction in note 45(b)(VII) to (XV) to the consolidated financial statements. On 28 May 2012, the Group announced to dispose of 99.99% equity interest in Tower Top Development Limited ("Tower Top"), a subsidiary of the Group which is holding 99% interest in the Guangzhou IFC to Yuexiu Real Estate Investment Trust, in which 35.58% of its units were then held by the Group. The disposal was completed on 8 October 2012 and Tower Top ceased to be a subsidiary of the Group. Accordingly, the consideration disclosed covered the period up to 8 October 2012.

The Continuing Connected Transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the Continuing Connected Transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.38 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions: (i) have not been approved by the Board of Directors of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

Other related party transactions including rental expenses paid to and rental income received from related parties disclosed in note 45(b)(I) and (VI) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as "de minimis transactions" pursuant to the Listing Rules. Administrative services fee received from a related party disclosed in note 45(b)(V) to the consolidated financial statements constitutes an exempt continuing connected transaction pursuant to the Listing Rules.

INTERESTS OF DIRECTORS

As at 31 December 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 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	1,374,961	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 year	Outstanding as at 31 December 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 percent; and (ii) 60 percent (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 31 December 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.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 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	Number of shares held	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 (Long position)	49.81

Note:

廣州越秀集團有限公司(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 the old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). The 2002 Share Option Scheme has expired in June 2012 (after which period no further options would be granted or accepted); and thereafter only those provisions of the 2002 Share Option Scheme which are required to give effect to the outstanding options will continue to remain in full force and effect for such purpose.

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("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 percent 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 percent limit.

On 2 June 2004, the shareholders of the Company approved the refreshment of the 10 percent 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 percent 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 percent 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 percent; and (ii) 60 percent (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 paid for each grant of option was HK$10, with full payment of the exercise price to be made upon exercise of an option.

Movements during the year of the options granted under the share option scheme of the Company to the Participants including the directors of the Company as disclosed on pages 76 and 77 were as follows:

Number of share options						
outstanding as at 1 January 2012	exercised during the year	outstanding as at 31 December 2012	Exercise price per share HK$	Date of grant	Exercisable period	Weighted average closing price (c) HK$
10,251,984	(5,908,364)	4,343,620	0.395	02/05/2003	02/05/2003 - 01/05/2013 (b)	2.01
1,142,572	—	1,142,572	0.784	27/10/2003	27/10/2003 - 26/10/2013 (b)	N/A
6,363,085	(1,090,635)	5,272,450	0.814	23/12/2003	23/12/2003 - 22/12/2013 (b)	2.00
26,436,751	(7,421,053)	19,015,698	0.607	23/06/2004	23/06/2004 - 22/06/2014 (b)	1.93

Notes:

(a) No options have been granted or cancelled during the year.

(b) The options are exercisable in 3 tranches.

(c) The weighted average closing price per share immediately before the dates on which the options were exercised.

INDEPENDENT NON-EXECUTIVE DIRECTOR'S FEES

Three independent non-executive directors of the Company each received RMB180,000 as director's fees for the year ended 31 December 2012.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 percent of the Group's total sales and purchases respectively.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lu Zhifeng
Chairman

Hong Kong, 21 March 2013

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF YUEXIU PROPERTY COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 83 to 192, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated)
Revenue	5	**8,119,945**	9,569,006
Cost of sales	6	**(4,262,064)**	(5,564,912)
Gross profit		**3,857,881**	4,004,094
Proceeds from sales of investment properties		**856,419**	703,142
Direct costs of investment properties sold		**(617,232)**	(595,802)
Gain on sales of investment properties	21	**239,187**	107,340
Fair value gains on revaluation of investment properties	16	**1,566,979**	4,955,613
Gain on disposal of subsidiaries	20	**436,938**	—
Selling and marketing costs	6	**(465,277)**	(255,344)
Administrative expenses	6	**(830,923)**	(729,957)
Operating profit		**4,804,785**	8,081,746
Finance income	7	**60,984**	53,339
Finance costs	8	**(552,673)**	(472,950)
Net foreign exchange (loss)/gain on financing activities		**(80,363)**	221,886
Excess of the share of the fair value of net assets acquired over acquisition cost	19	**155,460**	—
Share of (loss)/profit of			
– jointly controlled entities	22	**(89)**	(761)
– associated entities	23	**246,440**	480,886
Profit before taxation		**4,634,544**	8,364,146
Taxation	9	**(2,075,470)**	(3,008,018)
Profit for the year	10	**2,559,074**	5,356,128
Attributable to			
Equity holders of the Company		**2,481,834**	5,235,666
Non-controlling interests		**77,240**	120,462
		2,559,074	5,356,128
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	11		
– Basic		**0.2672**	0.5640
– Diluted		**0.2664**	0.5623

The notes on pages 94 to 192 form an integral part of these consolidated financial statements.

Details of dividends payable to equity holders of the Company are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000 (Restated)
Profit for the year	**2,559,074**	5,356,128
Other comprehensive income:		
Currency translation differences	**2,276**	(83,015)
Change in fair value of available-for-sale financial assets, net of tax	**147,906**	(324,866)
Transfer of reserve to profit and loss upon disposal of a subsidiary	**(754)**	—
Other comprehensive income/(loss) for the year, net of tax	**149,428**	(407,881)
Total comprehensive income for the year	**2,708,502**	4,948,247
Attributable to		
Equity holders of the Company	**2,623,412**	4,844,145
Non-controlling interests	**85,090**	104,102
	2,708,502	4,948,247

The notes on pages 94 to 192 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	**31 December 2012 RMB'000**	31 December 2011 RMB'000 (Restated)	1 January 2011 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	15	**763,564**	2,624,912	2,199,676
Investment properties	16	**6,185,441**	11,922,571	7,632,075
Land use rights	17	**283,234**	557,609	547,113
Interests in jointly controlled entities	22	**990,734**	100,477	110,289
Interests in associated entities	23	**5,964,993**	2,008,062	1,608,654
Available-for-sale financial assets	24	**895,944**	722,573	1,154,600
Deferred tax assets	39	**81,679**	82,594	62,843
Accrued rent receivable		**—**	75,889	—
		15,165,589	18,094,687	13,315,250
Current assets				
Properties under development	25	**34,672,854**	29,777,812	17,305,880
Properties held for sale	26	**3,147,952**	2,666,073	2,621,017
Prepayments for land use rights		**5,439,939**	2,064,505	6,254,647
Inventories	28	**11,645**	100,798	47,847
Trade receivables	29	**18,424**	4,523	10,041
Other receivables, prepayments and deposits		**1,569,860**	847,434	3,329,834
Taxation recoverable		**625,729**	501,004	442,329
Charged bank deposits	30	**2,202,948**	1,306,754	1,021,635
Cash and cash equivalents	31	**7,060,453**	4,820,904	6,451,077
		54,749,804	42,089,807	37,484,307
Non-current assets held-for-sale	32	**81,540**	1,028,790	—

Consolidated Balance Sheet

As at 31 December 2012

	Note	**31 December 2012 RMB'000**	31 December 2011 RMB'000 (Restated)	1 January 2011 RMB'000 (Restated)
LIABILITIES				
Current liabilities				
Trade and note payables	33	**336,173**	327,476	171,301
Land premium payable		**45,944**	45,944	45,944
Advance receipts from customers		**10,002,524**	5,392,740	7,900,585
Other payables and accrued charges	34	**8,809,342**	6,108,568	4,633,355
Borrowings	35	**6,828,742**	10,590,713	6,033,686
Taxation payable		**1,533,756**	770,604	536,868
		27,556,481	23,236,045	19,321,739
Liabilities associated with non-current assets held-for-sale	32	**—**	122,552	—
Net current assets		**27,274,863**	19,760,000	18,162,568
Total assets less current liabilities		**42,440,452**	37,854,687	31,477,818
Non-current liabilities				
Borrowings	35	**13,302,235**	11,191,453	11,702,660
Deferred tax liabilities	39	**5,707,741**	5,966,240	3,635,359
Deferred revenue		**66,389**	68,184	—
Other payables and accrued charges	34	**243,872**	—	—
		19,320,237	17,225,877	15,338,019
Net assets		**23,120,215**	20,628,810	16,139,799

	Note	31 December 2012 RMB'000	31 December 2011 RMB'000 (Restated)	1 January 2011 RMB'000 (Restated)
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	36	**852,196**	851,021	850,915
Share premium	36	**8,878,673**	8,871,970	8,870,951
Other reserves	38	**516,153**	375,716	768,399
Retained earnings				
– Proposed dividends	38	**399,952**	343,551	—
– Others	38	**11,511,166**	9,744,389	5,172,481
		22,158,140	20,186,647	15,662,746
Non-controlling interests		**962,075**	442,163	477,053
Total equity		**23,120,215**	20,628,810	16,139,799

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

The notes on pages 94 to 192 form an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**10,042**	9,036
Investment properties	16	—	4,779
Interests in subsidiaries	18	**21,617,867**	18,541,119
		21,627,909	18,554,934
Current assets			
Other receivables, prepayments and deposits		**1,622**	1,585
Dividend receivables		**1,003,599**	1,007,914
Cash and cash equivalents	31	**949,988**	246,984
		1,955,209	1,256,483
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	18	**50,538**	46,543
Other payables and accrued charges		**306,860**	565,914
Borrowings	35	**1,061,503**	4,032,895
		1,418,901	4,645,352
Net current assets/(liabilities)		**536,308**	(3,388,869)
Total assets less current liabilities		**22,164,217**	15,166,065

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Other payables and accrued charges		**210,891**	—
Borrowings	35	**6,723,164**	3,618,512
		6,934,055	3,618,512
Net assets		**15,230,162**	11,547,553
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	36	**852,196**	851,021
Share premium	36	**8,878,673**	8,871,970
Other reserves	38	**5,431**	7,019
Retained earnings			
– Proposed dividends	38	**399,952**	343,551
– Others	38	**5,093,910**	1,473,992
Total equity		**15,230,162**	11,547,553

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

The notes on pages 94 to 192 form an integral part of this balance sheet.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Net cash used in operations	40	**(1,248,121)**	(3,221,581)
Interest received		**60,984**	53,339
Interest paid		**(1,707,341)**	(1,191,290)
Hong Kong profits tax paid		**(4,332)**	(1,264)
China taxation paid		**(838,911)**	(529,543)
Net cash used in operating activities		**(3,737,721)**	(4,890,339)
Investing activities			
Purchases of property, plant and equipment		**(892,222)**	(535,149)
Purchases of investment properties		**(39,731)**	(954,084)
Purchases of available-for-sale financial assets		—	(752)
Proceeds from sale of available-for-sale financial assets		**951**	—
Proceeds from sale of property, plant and equipment		**60,353**	18,967
Proceeds from sale of investment properties		**856,419**	703,142
Disposal of subsidiaries	20	**4,905,920**	—
Acquisition of a subsidiary	19	**(295,467)**	(615,739)
Dividends received from jointly controlled entities and associated entities		**99,528**	78,683
Capital injection in a jointly controlled entity		**(350,000)**	—
(Payment to)/repayment from jointly controlled entities and associated entities		**(540,393)**	11,846
Increase in charged bank deposits		**(896,194)**	(285,119)
Net cash generated from/(used in) investing activities		**2,909,164**	(1,578,205)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Financing activities			
Issue of ordinary shares		**6,290**	942
Capital contribution from non-controlling interests		**24,500**	9,030
Dividends paid to equity holders of the Company		**(658,306)**	(303,261)
Dividends paid to non-controlling interests		**(351)**	—
(Decrease)/increase in amount due to a substantial shareholder		**(474,823)**	414,772
Increase in amounts due to jointly controlled entities and associated entities		**1,337,265**	96,402
Increase in amounts due to related companies		**562,484**	20,306
New bank loans		**13,495,362**	10,782,974
Repayment of bank loans		**(11,181,486)**	(5,941,249)
New other borrowings		**—**	70
Repayment of other borrowings		**(63)**	(48,940)
Acquisition of additional interest in non-controlling interests		**—**	(165,947)
Net cash generated from financing activities		**3,110,872**	4,865,099
Increase/(decrease) in cash and cash equivalents		**2,282,315**	(1,603,445)
Cash and cash equivalents at the beginning of year		**4,823,603**	6,450,864
Exchange losses on cash and cash equivalents		**(45,521)**	(23,816)
		7,060,397	4,823,603
Less: Cash and cash equivalents included in non-current assets held-for-sale	32	**—**	(3,017)
Cash and cash equivalents at the end of year		**7,060,397**	4,820,586
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**7,060,453**	4,820,904
Bank overdrafts		**(56)**	(318)
		7,060,397	4,820,586

The notes on pages 94 to 192 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to equity holders of the Company				
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012, as previously reported	851,021	8,871,970	10,564,883	449,949	20,737,823
Effect of adoption of HKAS 12 (Amendment) (note 2.1)	—	—	(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
Comprehensive income					
Profit for the year	—	—	2,481,834	77,240	2,559,074
Other comprehensive income					
Currency translation differences	—	—	2,276	—	2,276
Change in fair value of available-for-sale financial assets, net of tax	—	—	140,056	7,850	147,906
Transfer of reserve to profit and loss upon disposal of a subsidiary (note 20)	—	—	(754)	—	(754)
Total other comprehensive income	—	—	141,578	7,850	149,428
Total comprehensive income	—	—	2,623,412	85,090	2,708,502
Transactions with owners					
Issue of shares upon exercise of share options	1,175	5,115	—	—	6,290
Transfer upon exercise of share options	—	1,588	(1,588)	—	—
Acquisition of a subsidiary	—	—	97	505,460	505,557
Capital injection to a subsidiary	—	—	—	24,500	24,500
Disposal of subsidiaries (note 20)	—	—	—	(94,786)	(94,786)
Dividends paid	—	—	(658,306)	(352)	(658,658)
Total transactions with owners	1,175	6,703	(659,797)	434,822	(217,097)
At 31 December 2012	852,196	8,878,673	12,427,271	962,075	23,120,215

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company				
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011, as previously reported	850,915	8,870,951	6,138,494	485,733	16,346,093
Effect of adoption of HKAS 12 (Amendment) (note 2.1)	—	—	(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
Comprehensive income					
Profit for the year	—	—	5,235,666	120,462	5,356,128
Other comprehensive income					
Currency translation differences	—	—	(83,015)	—	(83,015)
Change in fair value of available-for-sale financial assets, net of tax	—	—	(308,506)	(16,360)	(324,866)
Total other comprehensive income	—	—	(391,521)	(16,360)	(407,881)
Total comprehensive income	—	—	4,844,145	104,102	4,948,247
Transactions with owners					
Issue of shares upon exercise of share options	106	836	—	—	942
Transfer upon exercise of share options	—	183	(183)	—	—
Capital injection to a subsidiary	—	—	—	9,030	9,030
Dividends paid	—	—	(303,261)	—	(303,261)
Total contributions by and distributions to owners of the Company	106	1,019	(303,444)	9,030	(293,289)
Changes in ownership interests in subsidiaries without change of control	—	—	(17,925)	(148,022)	(165,947)
Total transactions with owners	106	1,019	(321,369)	(138,992)	(459,236)
At 31 December 2011	851,021	8,871,970	10,463,656	442,163	20,628,810

The notes on pages 94 to 192 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 ("Stock Exchange") and Singapore Exchange Securities Trading Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 21 March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has amended Hong Kong Accounting Standard ("HKAS") 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or 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 by 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 year ended 31 December 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

As disclosed in note 16, the Group has investment properties measured at their fair values totalling RMB11,922,571,000 as at 1 January 2012. As required by the amendment, management 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. For the remaining investment properties amounting to RMB9,040,000,000, management consider that these investment properties that are measured using the fair value model will be recovered through use for the purpose of measuring deferred tax in respect of such properties. As a result, the Group rebutted the presumption for such investment properties and did not re-measure the related deferred tax.

The effects of the adoption are disclosed as below:

Effect on consolidated income statement

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Increase/(decrease) in taxation	**19,306**	(99,899)
(Decrease)/increase in net profit attributable to equity holders of the Company	**(18,536)**	99,005
(Decrease)/increase in net profit attributable to non-controlling interests	**(770)**	894
(Decrease)/increase in basic earnings per share (in RMB)	**(0.0020)**	0.0107
(Decrease)/increase in diluted earnings per share (in RMB)	**(0.0020)**	0.0106

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Effect on consolidated balance sheet

	31 December 2012 RMB'000	31 December 2011 RMB'000	1 January 2011 RMB'000
Increase in net deferred tax liabilities	**127,841**	109,013	206,294
Decrease in retained earnings	**(115,614)**	(97,078)	(196,083)
Decrease in exchange fluctuation reserve	**(3,671)**	(4,149)	(1,531)
Decrease in non-controlling interests	**(8,556)**	(7,786)	(8,680)

(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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) *New standards and amendments, revisions and interpretation to existing standards that have been issued but are not effective and have not been early adopted by the Group:*

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	First Time Adoption – Government Loans	1 January 2013
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 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements, Disclosures of Interest in Other Entities: Transitional Guidance	1 January 2013
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements	1 January 2014
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 Measurement	1 January 2013
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvement Project	Annual Improvements 2009-2011 Cycle	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 does not expect substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) *Business combinations (Continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated entity, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(f) Associated entities

Associated entities are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated entities includes goodwill identified on acquisition.

If the ownership interest in an associated entity is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated entity equals or exceeds its interest in the associated entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated entity.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated entity and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated entities' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated entity are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated entities. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated entities are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(g) Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale financial assets fair value reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associated entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated entities or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Buildings comprise mainly hotels and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	25-50 years
Plant and machinery and tools	3-30 years
Leasehold improvements, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group or for sale in the ordinary course of business, is classified as investment property. As from 1 January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. The operating lease is accounted for as if it were finance lease.

Investment property is measured initially at cost, including related transaction costs and where applicable borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties (Continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are expensed in the consolidated income statement during the period in which they are incurred.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties (Continued)

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, jointly controlled entities and associated entities) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the balance sheet (notes 2.12).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.9.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

2.9.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Impairment testing of trade and other receivables is described in note 2.12.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for sale comprises land use rights, development and construction expenditure, borrowing costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses. Income from incidental operation is recognised in the consolidated income statement.

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

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited the consolidated income statement.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.14 Trade and note payables

Trade and note payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and note payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and note payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sales.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associated entities and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated entities and jointly controlled entities, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting condition. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns rebates and discounts and after eliminating sales with the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(b) Operating lease rental income is recognised on a straight-line basis over the lease period.

(c) Revenue from property management is recognised in the period in which the services are rendered.

(d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(e) Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(f) Dividend income is recognised when the right to receive payment is established.

(g) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases including land use rights (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.23 Government grants

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

2.26 Financial guarantees

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Financial guarantees are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

2.27 Insurance contracts

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to its subsidiaries as insurance contracts.

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

3 FINANCIAL RISK MANAGEMENT

3.1 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollar ("HKD") and United State dollars ("USD"). The Group has not specifically hedged this exposure considering the steady appreciation of RMB spot rate against HKD and USD in recent years and it is of the view that such appreciation will continue on a stable and predictable trend.

At 31 December 2012, if RMB had strengthened/weakened by 5 percent against HKD and USD with all other variables held constant, post-tax profit for the year would have been approximately RMB3 million higher/lower (2011: post-tax profit RMB9 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

(ii) Cash flow interest rate risk

At 31 December 2012, if interest rates on borrowings had been 100 basis points higher/ lower with all other variables held constant, post-tax profit for the year would have been approximately RMB54 million lower/higher (2011: post-tax profit RMB66 million lower/ higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in its available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB61 million (2011: RMB49 million).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, charged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayment. Detailed disclosure of these guarantees is made in note 43.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by counterparties. The Group does not hold any collateral as security.

None of the financial assets that are fully performing has been renegotiated in last year.

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (note 31) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk (Continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2012					
Borrowings	**8,307,545**	**8,088,594**	**5,920,028**	**1,301,417**	**23,617,584**
Trade and note payables	**336,173**	—	—	—	**336,173**
Land premium payable	**45,944**	—	—	—	**45,944**
Other payables and accrued charges	**8,327,597**	**123,431**	**104,940**	**15,501**	**8,571,469**
At 31 December 2011					
Borrowings	11,862,070	5,512,141	4,084,430	5,769,699	27,228,340
Trade and note payables	327,476	—	—	—	327,476
Land premium payable	45,944	—	—	—	45,944
Other payables and accrued charges	5,637,236	—	—	—	5,637,236
Company					
At 31 December 2012					
Borrowings	**1,095,055**	**3,869,178**	**3,064,797**	—	**8,029,030**
Amounts due to subsidiaries	**50,538**	—	—	—	**50,538**
Other payables and accrued charges	**306,860**	**119,061**	**91,830**	—	**517,751**
At 31 December 2011					
Borrowings	4,217,036	914,569	2,858,266	—	7,989,871
Amounts due to subsidiaries	46,543	—	—	—	46,543
Other payables and accrued charges	551,256	—	—	—	551,256

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using a mixture of long-term and short-term borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2012 and at 31 December 2011 were as follows:

	2012 **RMB'000**	2011 RMB'000 (Restated)
Total borrowings (note 35)	**20,130,977**	21,782,166
Less: Cash and cash equivalents (note 31)	**(7,060,453)**	(4,820,904)
Net debt	**13,070,524**	16,961,262
Total equity (excluding non-controlling interests)	**22,158,140**	20,186,647
Total capital	**35,228,664**	37,147,909
Gearing ratio	**37%**	46%

The decrease in the gearing ratio during 2012 resulted primarily due to disposal of subsidiaries.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group's financial instruments are measured in the balance sheet at fair value. The fair value measurement hierarchy are 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)

At 31 December 2012 and 2011, the Group had no level 1 or level 3 financial instruments, the only level 2 financial instrument represents the available-for-sale financial assets of approximately RMB896 million (2011: RMB723 million).

The fair value of the available-for-sale financial assets that are not traded in an active market is determined by using valuation techniques. The significant inputs required to fair value the available-for-sale financial assets represent the quoted market information of the related industries which are observable.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Fair value of investment properties

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

(i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), with adjustments to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

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

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

(d) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in note 9.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Current and deferred income tax

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

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

(f) Depreciation of property, plant and equipment

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

(g) Accruals for construction cost of public facilities

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

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

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

(i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustments to reflect those differences; and

(ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

5 SEGMENT INFORMATION

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

The executive directors consider the business by nature of business activities and assess the performance of property development, property management, property investment and others.

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

Total assets excluded deferred tax assets, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive directors are measured in a manner consistent with that in the consolidated income statement.

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2012					
Revenue	**6,946,344**	**410,252**	**489,251**	**1,242,381**	**9,088,228**
Inter-segment revenue	—	**(79,430)**	**(5,438)**	**(883,415)**	**(968,283)**
Revenue from external customers	**6,946,344**	**330,822**	**483,813**	**358,966**	**8,119,945**
Segment results	**2,410,082**	**758**	**2,030,554**	**58,035**	**4,499,429**
Depreciation and amortisation	**(54,704)**	**(1,090)**	—	**(20,205)**	**(75,999)**
Share of (loss)/profit of:					
– jointly controlled entities	**(89)**	—	—	—	**(89)**
– associated entities	—	—	**246,440**	—	**246,440**
Year ended 31 December 2011					
Revenue	8,476,738	401,702	453,777	753,943	10,086,160
Inter-segment revenue	—	(50,576)	(8,489)	(458,089)	(517,154)
Revenue from external customers	8,476,738	351,126	445,288	295,854	9,569,006
Segment results	2,679,367	(8,481)	5,470,397	29,117	8,170,400
Depreciation and amortisation	(47,226)	(898)	—	(19,206)	(67,330)
Share of (loss)/profit of:					
– jointly controlled entities	(761)	—	—	—	(761)
– associated entities	—	—	480,886	—	480,886

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 31 December 2012					
Segment assets	**54,081,016**	**354,674**	**6,185,441**	**751,014**	**61,372,145**
Interests in jointly controlled entities	**990,734**	—	—	—	**990,734**
Interests in associated entities	—	—	**5,964,993**	—	**5,964,993**
Total reportable segments' assets	**55,071,750**	**354,674**	**12,150,434**	**751,014**	**68,327,872**
Total reportable segments' assets include:					
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	**966,934**	**515**	**39,731**	**814**	**1,007,994**
As at 31 December 2011					
Segment assets	45,686,760	349,060	11,922,571	300,371	58,258,762
Interests in jointly controlled entities	100,477	—	—	—	100,477
Interests in associated entities	—	—	2,008,062	—	2,008,062
Total reportable segments' assets	45,787,237	349,060	13,930,633	300,371	60,367,301
Total reportable segments' assets include:					
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	548,567	2,517	984,084	217	1,535,385

5 SEGMENT INFORMATION (Continued)

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Segment results	**4,499,429**	8,170,400
Unallocated operating costs (note)	**(131,582)**	(88,654)
Gain on disposal of subsidiaries (note 20)	**436,938**	—
Operating profit	**4,804,785**	8,081,746
Finance income	**60,984**	53,339
Finance costs	**(552,673)**	(472,950)
Net foreign exchange (loss)/gain on financing activities	**(80,363)**	221,886
Excess of the share of the fair value of net assets acquired over acquisition cost	**155,460**	—
Share of (loss)/profit of:		
– jointly controlled entities	**(89)**	(761)
– associated entities	**246,440**	480,886
Profit before taxation	**4,634,544**	8,364,146

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

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Total reportable segments' assets	**68,327,872**	60,367,301
Deferred tax assets (note 39)	**81,679**	82,594
Taxation recoverable	**625,729**	501,004
Corporate assets	**961,653**	262,385
Total assets	**69,996,933**	61,213,284

5 SEGMENT INFORMATION (Continued)

	Revenue Year ended 31 December		Total assets As at 31 December	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Hong Kong	**166,416**	147,741	**2,254,878**	1,929,069
China	**7,952,534**	9,364,683	**66,065,954**	58,427,692
Overseas	**995**	56,582	**7,040**	10,540
	8,119,945	9,569,006	**68,327,872**	60,367,301
Unallocated assets			**1,669,061**	845,983
			69,996,933	61,213,284

6 EXPENSES BY NATURE

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

	2012 RMB'000	2011 RMB'000
Advertising and promotion expenses	**377,388**	188,596
Cost of inventories/properties sold included in cost of sales	**3,605,558**	5,085,660
Direct operating expenses arising from investment properties		
– that generate rental income	**182,305**	42,699
– that did not generate rental income	**549**	128
Depreciation		
– Owned property, plant and equipments	**57,717**	49,754
– Leased property, plant and equipments	**62**	62
(Reversal of)/provision for impairment of property, plant and equipment (note 15)	**(1,103)**	31,202
Amortisation of land use rights (note 17)	**18,220**	17,514
Operating leases – Land and buildings	**45,609**	14,513
Auditor's remuneration	**6,500**	6,700
Employee benefit expenses (note 13)	**876,749**	777,620
Provision for/(reversal of) impairment of properties under development	**15,901**	(4,023)
Others	**372,809**	339,788
	5,558,264	6,550,213

7 FINANCE INCOME

	2012 **RMB'000**	2011 RMB'000
Interest income from bank deposits	**60,984**	53,339

8 FINANCE COSTS

	2012 **RMB'000**	2011 RMB'000
Interest on bank loans and overdrafts wholly repayable within five years	**1,396,061**	997,103
Interest on bank loans wholly repayable over five years	**249,963**	193,673
Interest on loans from related companies	**51,585**	514
Interest expense from top-up payment liability	**9,732**	—
Total borrowing costs incurred	**1,707,341**	1,191,290
Less: amount capitalised as investment properties, properties under development and property, plant and equipment (note)	**(1,154,668)**	(718,340)
	552,673	472,950

Note: The average interest rate of borrowing costs capitalised for the year ended 31 December 2012 was approximately 8.15 percent per annum (2011: 5.88 percent per annum).

9 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 year.

(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 year, 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 consolidated income statement comprises:

	2012 **RMB'000**	2011 RMB'000 (Restated)
Current taxation		
Hong Kong profits tax	**3,269**	25
China enterprise income tax	**302,720**	262,669
China land appreciation tax	**1,114,630**	415,094
Under/(over)-provision in prior years	**15,284**	(6,501)
Deferred taxation		
Origination and reversal of temporary difference	**508,685**	1,945,478
Corporate withholding income tax on undistributed profits	**130,882**	391,253
	2,075,470	3,008,018

9 TAXATION (Continued)

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

The taxation on the Group's profit before taxation less share of profits and losses of associated entities and jointly control entities differs from the theoretical amount that would arise using the enterprise income tax rate of China, where majority of the Group's operations were carried out, as follows:

	2012 **RMB'000**	2011 RMB'000 (Restated)
Profit before taxation less share of profits and losses of associated entities and jointly controlled entities	**4,388,193**	7,884,021
Calculated at China enterprise income tax rate of 25 percent (2011: 25 percent)	**1,097,048**	1,971,005
Effect of different taxation rates	**68,558**	2,667
Income not subject to taxation	**(141,274)**	(41,266)
Expenses not deductible for taxation purposes	**96,309**	28,056
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**(5,004)**	(4,774)
Under/(over)-provision in prior years	**15,284**	(6,501)
Effect of land appreciation tax deductible for calculation of income tax purposes	**(271,223)**	(222,526)
Corporate withholding income tax	**130,882**	391,253
	990,580	2,117,914
Land appreciation tax	**1,084,890**	890,104
Taxation charges	**2,075,470**	3,008,018

10 PROFIT FOR THE YEAR

The profit for the year is dealt with in the financial statements of the Company to the extent of RMB4,334,625,000 (2011: loss for the year RMB110,042,000).

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2012	2011 (Restated)
Profit attributable to equity holders of the Company (RMB'000)	**2,481,834**	5,235,666
Weighted average number of ordinary shares in issue ('000)	**9,289,774**	9,283,749
Basic earnings per share (RMB)	**0.2672**	0.5640

Diluted

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

	2012	2011 (Restated)
Profit attributable to equity holders of the Company (RMB'000)	**2,481,834**	5,235,666
Weighted average number of ordinary shares in issue ('000)	**9,289,774**	9,283,749
Adjustments for share options ('000)	**25,946**	26,444
Weighted average number of ordinary shares for diluted earnings per share ('000)	**9,315,720**	9,310,193
Diluted earnings per share (RMB)	**0.2664**	0.5623

12 DIVIDENDS

The dividends paid in 2012 was approximately RMB658 million (HK$0.087 per share) (2011: RMB305 million (HK$0.045 per share)). The directors proposed a final dividend and special dividend of RMB0.018 (HK$0.022) and RMB0.025 (HK$0.031) per ordinary share, respectively, totaling approximately RMB400 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 3 June 2013. These financial statements do not reflect this dividend payable.

	2012 **RMB'000**	2011 RMB'000
Interim, paid, of HK$0.042 equivalent to RMB0.034 (2011: HK$0.04 equivalent to RMB0.033) per ordinary share	**319,459**	304,758
Special, proposed, of HK$0.031 equivalent to RMB0.025 (2011: nil) per ordinary share	**232,530**	—
Final, proposed, of HK$0.022 equivalent to RMB0.018 (2011: HK$0.045 equivalent to RMB0.037) per ordinary share	**167,422**	343,551
	719,411	648,309

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 **RMB'000**	2011 RMB'000
Wages, salaries and bonus	**681,030**	614,071
Pension costs (defined contribution plans)	**48,745**	38,994
Medical benefits costs (defined contribution plans)	**19,245**	18,082
Social security costs	**66,308**	59,821
Termination benefits	**345**	78
Staff welfare	**61,076**	46,574
	876,749	777,620

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

Pension scheme arrangements

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees under the Occupational Retirement Schemes Ordinance. Contributions to the ORSO Scheme by the employer and employees are calculated at 5 percent to 20 percent and 5 percent respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at 5 percent of the employee's relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subjected to a cap of HK$1,250 per month and contributions thereafter are voluntary. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans in the range of 16 to 24 percent of the monthly salaries of the employees. The Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director received from the Company for the year ended 31 December 2012 is set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension costs RMB'000	Total RMB'000
LU Zhifeng	—	1,537	11,917	77	13,531
ZHANG Zhaoxing	—	1,595	10,900	112	12,607
TANG Shouchun	—	1,626	9,339	93	11,058
CHEN Zhihong	—	2,275	9,337	—	11,612
LIANG Yi (note (i))	—	1,332	7,323	56	8,711
LAM Yau Fung Curt	—	1,930	—	11	1,941
YU Lup Fat Joseph	180	—	—	—	180
LEE Ka Lun	180	—	—	—	180
LAU Hon Chuen Ambrose	180	—	—	—	180
Total	540	10,295	48,816	349	60,000

Note:

(i) Resigned on 12 December 2012

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) The remuneration of every Director received from the Company for the year ended 31 December 2011 is set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension costs RMB'000	Total RMB'000
LU Zhifeng	—	1,759	10,760	66	12,585
ZHANG Zhaoxing	—	1,948	9,818	110	11,876
CHEN Zhihong (note (i))	—	1,558	4,211	—	5,769
LIANG Yi	—	1,834	9,356	64	11,254
TANG Shouchun	—	1,846	8,426	89	10,361
LIANG Youpan (note (ii))	—	1,662	4,211	72	5,945
LAM Yau Fung Curt	—	1,660	—	10	1,670
YU Lup Fat Joseph	180	—	—	—	180
LEE Ka Lun	180	—	—	—	180
LAU Hon Chuen Ambrose	180	—	—	—	180
Total	540	12,267	46,782	411	60,000

Note:

(i) Appointed on 13 June 2011

(ii) Resigned on 13 June 2011

No directors waived emoluments in respect of the years ended 31 December 2012 and 2011. No emoluments were paid or payable by the Group to any Director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2012 and 2011 are also Directors whose emoluments are reflected in the analysis presented above.

15 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings RMB'000	Land RMB'000 (note)	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2011						
Cost	526,500	442,333	1,600,373	87,840	61,318	2,718,364
Accumulated depreciation and impairment	(246,964)	(166,586)	—	(59,110)	(46,028)	(518,688)
Net book amount	279,536	275,747	1,600,373	28,730	15,290	2,199,676
Year ended 31 December 2011						
Opening net book amount	279,536	275,747	1,600,373	28,730	15,290	2,199,676
Exchange differences	(1,789)	(13,092)	—	(336)	(23)	(15,240)
Additions	55,029	—	449,860	19,027	11,233	535,149
Acquisition of a subsidiary (note 19)	646	—	—	11	576	1,233
Disposals	(19,891)	—	—	(1,371)	(496)	(21,758)
Transfer upon completion	41,686	—	(41,686)	—	—	—
Depreciation	(28,362)	(3,924)	—	(9,810)	(7,720)	(49,816)
Impairment	(31,202)	—	—	—	—	(31,202)
Transfer from investment properties (note 16)	6,870	—	—	—	—	6,870
Closing net book amount	302,523	258,731	2,008,547	36,251	18,860	2,624,912
At 31 December 2011						
Cost	539,738	421,088	2,008,547	98,842	70,170	3,138,385
Accumulated depreciation and impairment	(237,215)	(162,357)	—	(62,591)	(51,310)	(513,473)
Net book amount	302,523	258,731	2,008,547	36,251	18,860	2,624,912

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Group (Continued)

	Buildings RMB'000	Land RMB'000 (note)	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2012						
Opening net book amount	302,523	258,731	2,008,547	36,251	18,860	2,624,912
Exchange differences	38	213	—	5	—	256
Additions	40,028	—	811,195	24,758	16,241	892,222
Acquisition of subsidiary (note 19)	—	—	60,711	1,738	6,304	68,753
Disposals	(57,286)	—	—	(2,594)	(473)	(60,353)
Transfer upon completion	3,995,639	—	(3,995,639)	—	—	—
Disposal of a subsidiary (note 20)	(4,055,804)	—	—	(492)	(9,504)	(4,065,800)
Depreciation	(38,278)	(2,831)	—	(10,958)	(5,712)	(57,779)
Reversal of impairment	1,103	—	—	—	—	1,103
Transfer from investment properties (note 16)	94,431	—	—	—	—	94,431
Transfer from properties under development	—	—	1,265,819	—	—	1,265,819
Closing net book amount	282,394	256,113	150,633	48,708	25,716	763,564
At 31 December 2012						
Cost	541,279	421,438	150,633	119,331	82,809	1,315,490
Accumulated depreciation and impairment	(258,885)	(165,325)	—	(70,623)	(57,093)	(551,926)
Net book amount	282,394	256,113	150,633	48,708	25,716	763,564

Note: All the land of the Group are located in Hong Kong with lease terms over 50 years.

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

	Buildings RMB'000	Land RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2011					
Cost	3,533	10,214	2,310	7,431	23,488
Accumulated depreciation	(1,534)	(4,470)	(1,092)	(6,630)	(13,726)
Net book amount	1,999	5,744	1,218	801	9,762
Year ended 31 December 2011					
Opening net book amount	1,999	5,744	1,218	801	9,762
Additions	—	—	669	—	669
Disposal	—	—	(5)	—	(5)
Depreciation	(71)	(193)	(392)	(734)	(1,390)
Closing net book amount	1,928	5,551	1,490	67	9,036
At 31 December 2011					
Cost	3,533	10,214	2,955	7,431	24,133
Accumulated depreciation	(1,605)	(4,663)	(1,465)	(7,364)	(15,097)
Net book amount	1,928	5,551	1,490	67	9,036
Year ended 31 December 2012					
Opening net book amount	**1,928**	**5,551**	**1,490**	**67**	**9,036**
Additions	—	—	**113**	**2,156**	**2,269**
Depreciation	**(70)**	**(193)**	**(454)**	**(546)**	**(1,263)**
Closing net book amount	**1,858**	**5,358**	**1,149**	**1,677**	**10,042**
At 31 December 2012					
Cost	**3,533**	**10,214**	**3,068**	**9,587**	**26,402**
Accumulated depreciation	**(1,675)**	**(4,856)**	**(1,919)**	**(7,910)**	**(16,360)**
Net book amount	**1,858**	**5,358**	**1,149**	**1,677**	**10,042**

Property, plant and equipment of the Group with an aggregate carrying amount of RMB568 million (2011: RMB2,375 million) were pledged as collateral for the Group's bank borrowings (note 44).

16 INVESTMENT PROPERTIES

(a) Group

	2012 RMB'000	2011 RMB'000
Beginning of the year	**11,922,571**	7,632,075
Exchange differences	**483**	(25,510)
Additions	**39,731**	954,084
Transfer to property, plant and equipment (note 15)	**(94,431)**	(6,870)
Disposals	**(328,717)**	(561,221)
Transfer from properties under development	**2,829,365**	—
Disposal of a subsidiary (note 20)	**(9,709,000)**	—
Fair value gains	**1,566,979**	4,955,613
Transfer to non-current assets held-for-sale (note 32)	**(41,540)**	(1,025,600)
End of the year	**6,185,441**	11,922,571

(b) Company

	2012 RMB'000	2011 RMB'000
Beginning of the year	**4,779**	15,403
Fair value gains	—	431
Disposals	**(4,779)**	(11,055)
End of the year	—	4,779

The investment properties were revalued at 31 December 2012 on an open market value basis by an independent firm of professional qualified surveyors, Greater China Appraisal Limited, employed by the Group. Valuations were performed using discounted cash flow projections based on estimates of future cash flows derived from the terms of any existing leases and other contracts and from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2012, investment properties with an aggregate net book amount of RMB4,031 million (2011: RMB10,464 million) were pledged as collateral for the Group's bank borrowings (note 44).

16 INVESTMENT PROPERTIES (Continued)

The Group's and the Company's interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
In Hong Kong:				
Leases of between 10 to 50 years	**616,211**	505,447	—	—
Leases of over 50 years	—	52,854	—	4,779
Outside Hong Kong (note):				
Leases or land use rights of between 10 to 50 years	**5,569,230**	11,364,270	—	—
	6,185,441	11,922,571	—	4,779

Note: Properties outside Hong Kong mainly comprise properties located in China.

17 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:

	2012 RMB'000	2011 RMB'000
Beginning of the year	**557,609**	547,113
Additions	—	53,849
Acquisition of a subsidiary (note 19)	**7,288**	—
Transfer from properties under development	**164,706**	—
Disposal of a subsidiary (note 20)	**(428,149)**	—
Transfer to properties held for sale	—	(25,839)
Amortisation	**(18,220)**	(17,514)
End of the year	**283,234**	557,609

	2012 RMB'000	2011 RMB'000
Analysed as:		
Non-current, in China	**283,234**	557,609

The Group's land use rights at their net book values are analysed as follows:

	2012 RMB'000	2011 RMB'000
In China:		
Land use rights of between 10 to 50 years	**283,234**	557,609

Land use rights with an aggregate net book amount of RMB26 million (2011: RMB270 million) as at 31 December 2012 were pledged as collateral for the Group's bank borrowings (note 44).

18 INTERESTS IN SUBSIDIARIES

	Company 2012 RMB'000	Company 2011 RMB'000
Investments in unlisted shares, at cost	**59,714**	59,714
Amounts due from subsidiaries (note (a))	**21,558,153**	18,481,405
	21,617,867	18,541,119
Amounts due to subsidiaries (note (b))	**(50,538)**	(46,543)

(a) The amounts due from subsidiaries are unsecured and not repayable within one year. Except for a total amount of approximately RMB19,312 million (2011: approximately RMB15,548 million) which are interest free, all amounts due from subsidiaries are interest bearing at 2.5 to 5.5 percent (2011: 2.5 to 5.5 percent) per annum.

The balances as at 31 December 2012 and 2011 were not in default or impaired.

The amounts due from subsidiaries are denominated in the following currencies:

	Company 2012 RMB'000	Company 2011 RMB'000
HKD	**6,782,762**	2,973,397
RMB	**14,775,391**	15,508,008
	21,558,153	18,481,405

(b) The amounts due to subsidiaries are interest free, unsecured and repayable on demand.

The amounts due to subsidiaries are denominated in the following currencies:

	Company 2012 RMB'000	Company 2011 RMB'000
RMB	**32,776**	32,781
Singapore dollars	**17,762**	13,762
	50,538	46,543

(c) Details of the principal subsidiaries of the Group as at 31 December 2012 are set out on pages 181 to 191.

19 BUSINESS COMBINATION

(a) Acquisition of Hainan Baima

On 24 November 2012, the Group entered into sales and purchase agreements with an independent third party to acquire 50% equity interest in Hainan White Horse Construction & Development Co., Ltd. ("Hainan Baima") at a total consideration of RMB350 million. Hainan Baima is engaged in the development and construction of real estates in Hainan Province, China. The transaction was completed on 14 December 2012.

Details of the excess of the fair value of net assets of a subsidiary acquired over acquisition cost are as follows:

	RMB'000
Total cash consideration	350,000
Less: fair value of net identifiable assets acquired (note (i))	(505,460)
Excess of the fair value of net assets of a subsidiary acquired over acquisition cost	(155,460)

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

	Fair value RMB'000
Property, plant and equipment	68,753
Land use rights	7,288
Properties under development	2,330,000
Other receivables, prepayments and deposits	23,726
Cash and cash equivalents	54,533
Borrowings	(591,600)
Trade and other payables and accrued charges	(69,368)
Deferred tax liabilities	(812,412)
	1,010,920
Non-controlling interests	(505,460)
Net identifiable assets acquired	505,460
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration	350,000
Cash and cash equivalents in the subsidiary acquired	(54,533)
Cash outflow on acquisition	295,467

19 BUSINESS COMBINATION (Continued)

(a) Acquisition of Hainan Baima (Continued)

Acquisition-related costs of approximately RMB0.5 million have been recorded in administrative expenses during the year ended 31 December 2012.

No revenue included in the consolidated income statement since 14 December 2012 was contributed by Hainan Baima. Hainan Baima also contributed no profit/loss over the same period. Had Hainan Baima been consolidated from 1 January 2012, Hainan Baima would contribute no revenue and contribute loss of approximately RMB10 million.

(b) Acquisition of Shenyang Linghai

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:

	RMB'000
Purchase consideration:	
Cash paid	388,326
Liabilities assumed and paid	229,674
	618,000
Less: fair value of net identifiable assets acquired (note (i))	(618,000)
Goodwill	—

19 BUSINESS COMBINATION (Continued)

(b) Acquisition of Shenyang Linghai (Continued)

(i) 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	618,000
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration	618,000
Cash and cash equivalents in the subsidiary acquired	(2,261)
Cash outflow on acquisition	615,739

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

No revenue included in the consolidated income statement for the period from 27 January 2011 to 31 December 2011 was contributed by Shenyang Linghai. Shenyang Linghai also contributed loss of approximately RMB10 million over the same period. Had Shenyang Linghai been consolidated from 1 January 2011, Shenyang Linghai would contribute no revenue and contribute loss of approximately RMB10 million.

20 DISPOSAL OF SUBSIDIARIES

	2012 RMB'000	2011 RMB'000
Gain on disposal of:		
– Tower Top (note (a))	**256,474**	—
– Speed Advance (note (b))	**180,464**	—
Gain on disposal of subsidiaries	**436,938**	—

(a) Disposal of Tower Top

On 28 May 2012, the Group announced to dispose of 99.99% equity interest in Tower Top Development Limited ("Tower Top"), a subsidiary of the Group which is holding 99% interest in Guangzhou International Finance Center ("Guangzhou IFC"), a mixed-use commercial building in Guangzhou, to Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), an associated entity of the Company. The total transfer value of the transaction was approximately RMB13,440 million which was determined with reference to the fair value of Guangzhou IFC. According to the relevant agreements, the Group transferred the outstanding amount due from Tower Top to Yuexiu REIT. The consideration was satisfied partially by cash and partially by units and deferred units issued by Yuexiu REIT.

20 DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of Tower Top (Continued)

The transaction was completed on 8 October 2012 and the details of the assets and liabilities of Tower Top disposed of and the gain on disposal are as follows:

	2012 RMB'000
Assets and liabilities disposed of:	
Property, plant and equipment	4,065,800
Investment properties	9,709,000
Land use rights	428,149
Accrued rent receivable	60,883
Inventories	3,272
Trade and other receivables	1,084,618
Cash and cash equivalents	425,105
Trade and other payables	(10,352,861)
Borrowings	(4,430,802)
Deferred tax liabilities	(1,773,181)
Non-controlling interests	(77,906)
Net liabilities disposed of	(857,923)
Cash received	4,868,728
Consideration units received	1,697,763
Deferred units received	2,129,581
Top-up payments liability assumed (note 34)	(410,402)
	8,285,670
In respect of indebtedness arrangement (note)	(8,850,027)
Direct costs attributable to the disposal	(19,720)
Less: Net liabilities disposed of	857,923
Dilution loss on change of unitholding in Yuexiu REIT	(17,372)
Gain on disposal of Tower Top	256,474

Note:

Pursuant to the terms of indebtedness agreement, the Company has agreed to transfer and assign the entire amount owed by Tower Top to the Company at the completion date of the disposal to Yuexiu REIT.

20 DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of Tower Top (Continued)

Inflow of cash arising from disposal of Tower Top:

	2012 RMB'000
Cash consideration	4,868,728
Direct costs attributable to the disposal	(19,720)
Cash and cash equivalents in the subsidiary disposed of	(425,105)
Cash inflow on disposal	4,423,903

(b) Disposal of Speed Advance

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 receivables	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	314,290
Cash received	494,000
Less: Net assets disposed of	(314,290)
Add: Release of reserve	754
Gain on disposal of Speed Advance	180,464

20 DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of Speed Advance (Continued)

(ii) Inflow of cash arising from disposal of Speed Advance:

	2012 RMB'000
Cash consideration	**494,000**
Cash and cash equivalents in the subsidiary disposed of	**(11,983)**
Cash inflow on disposal	**482,017**

21 GAIN ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB856 million (2011: RMB703 million) resulting in a total net gain of approximately RMB239 million (2011: RMB107 million).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2012 **RMB'000**	2011 RMB'000
Share of net assets	**411,142**	61,231
Amounts due from jointly controlled entities (note 45(c))	**580,591**	59,589
Less: provision for impairment of amounts due from jointly controlled entities	**(999)**	(20,343)
	990,734	100,477
Amounts due to jointly controlled entities (note 45(c))	**(556,849)**	(236,344)

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The Group's interests in its jointly controlled entities, all of which are unlisted, are as follows:

	2012 RMB'000	2011 RMB'000
Revenue	**1,930**	3,508
Expenses	**(2,019)**	(4,269)
Loss for the year	**(89)**	(761)
Assets:		
Non-current assets	**1,559**	1,599
Current assets	**775,932**	94,828
	777,491	96,427
Liabilities:		
Current liabilities	**(366,349)**	(35,196)
Net assets	**411,142**	61,231

Details of the Group's jointly controlled entities as at 31 December 2012 are set out on page 192.

The Group's jointly controlled entities did not have any significant capital commitments at 31 December 2012 (2011: nil).

23 INTERESTS IN ASSOCIATED ENTITIES

	Group	
	2012 RMB'000	2011 RMB'000
Share of net assets	**3,779,558**	1,952,255
Deferred units (note)	**2,129,581**	—
Amounts due from associated entities (note 45(c))	**55,854**	55,807
	5,964,993	2,008,062
Amounts due to associated entities (note 45(c))	**(1,153,531)**	(156,871)

Note:

In connection with the disposal of Tower Top to Yuexiu REIT as disclosed in note 20, the Company will, on 31 December of each year, receive from Yuexiu REIT certain numbers of units of Yuexiu REIT starting from 31 December 2016. The number of units to be received each year will be limited to the maximum number of units that may be issued to the Company which will not trigger an obligation on the part of the Company to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by the Company at the relevant time.

23 INTERESTS IN ASSOCIATED ENTITIES (Continued)

Note: (Continued)

Deferred units are part of the consideration of the business acquisition. The number of units to be issued to the Company was fixed at disposal date and is not subject to change across time. It is in substance the prepaid forward contract to deliver a fixed number of units for which the consideration has been received in advance. There is no cash option or derivatives elements in the deferred unit arrangement. This is a contractual arrangement to physically issue the units in accordance with the issuing schedule and no redemption option. The deferred units, once issued, will make the voting right/dividend right of the Company on Yuexiu REIT effective.

All the interests in associated entities held by the Group are unlisted except for an investment in an associated entity with a carrying value of approximately RMB3,657 million (2011: RMB1,820 million) which is listed on the Stock Exchange. The fair value of the interests in this associated entity amounted to approximately RMB2,878 million as at 31 December 2012 (2011: RMB1,055 million).

The Group's interests in its associated entities are as follows:

	2012 RMB'000	2011 RMB'000
Revenue	**261,024**	206,435
Profit after tax	**246,440**	480,886
Assets	**8,975,078**	2,901,058
Liabilities	**(5,195,520)**	(948,803)
Net assets	**3,779,558**	1,952,255

Details of the Group's associated entities as at 31 December 2012 are set out on page 192.

The Group's associated entities did not have any significant capital commitments at 31 December 2012 (2011: nil).

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**722,573**	1,154,600
Additions	—	752
Disposals	**(951)**	(6,500)
Increase/(decrease) in fair value	**214,322**	(426,279)
Transfer to non-current assets held-for-sale (note 32)	**(40,000)**	—
End of the year	**895,944**	722,573

Available-for-sale financial assets represent unlisted securities in companies located in China without external credit ratings.

25 PROPERTIES UNDER DEVELOPMENT

	Group	
	2012	2011
	RMB'000	RMB'000
Properties under development	**34,672,854**	29,777,812

Properties under development are mainly located in China.

As at 31 December 2012, the Group's properties under development of approximately RMB25,272 million (2011: RMB18,965 million) were pledged as collateral for the Group's bank borrowings (note 44).

26 PROPERTIES HELD FOR SALE

	Group	
	2012	2011
	RMB'000	RMB'000
Properties held for sale	**3,147,952**	2,666,073

Properties held for sale are mainly located in China.

As at 31 December 2012, the Group's properties held for sale of approximately RMB172 million (2011: RMB43 million) were pledged as collateral for the Group's bank borrowings (note 44).

27 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:

	2012	2011
	RMB'000	RMB'000
Not later than one year	**19,557**	18,819
Later than one year and not later than five years	**44,273**	34,207
	63,830	53,026

28 INVENTORIES

	Group	
	2012	2011
	RMB'000	RMB'000
Raw materials	**93**	99
Work-in-progress	**8,455**	99,069
Finished goods	**3,097**	1,630
	11,645	100,798

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately of RMB82,038,000 (2011: RMB165,231,000).

29 TRADE RECEIVABLES

	Group	
	2012	2011
	RMB'000	RMB'000
Trade receivables	**27,710**	60,753
Less: provision for impairment of trade receivables	**(9,286)**	(56,230)
	18,424	4,523

The fair values of trade receivables approximate their carrying amounts.

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:

	Group	
	2012	2011
	RMB'000	RMB'000
0 - 30 days	**10,195**	2,112
31 - 90 days	**6,246**	409
91 - 180 days	**—**	125
181 - 365 days	**183**	77
Over 1 year	**11,086**	58,030
	27,710	60,753

As at 31 December 2012, trade receivables of approximately RMB16,441,000 (2011: RMB2,521,000) were fully performing.

As at 31 December 2012, trade receivables of approximately RMB1,983,000 (2011: RMB2,002,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Up to 3 months	**—**	125
Over 3 months	**1,983**	1,877
	1,983	2,002

29 TRADE RECEIVABLES (Continued)

As at 31 December 2012, trade receivables of approximately RMB9,286,000 (2011: RMB56,230,000) were impaired. The amount of the provision was RMB9,286,000 as at 31 December 2012 (2011: RMB56,230,000). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Over 3 months	**9,286**	56,230

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**56,230**	65,906
Receivables written-off during the year as uncollectable	**(46,944)**	(9,676)
End of the year	**9,286**	56,230

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement.

The Group's trade receivables are denominated in RMB.

30 CHARGED BANK DEPOSITS

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchase of construction materials and settlement of construction fees of the relevant property projects. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.

31 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank	**6,719,894**	4,630,781	**624,870**	84,844
Short-term bank deposits	**340,559**	190,123	**325,118**	162,140
	7,060,453	4,820,904	**949,988**	246,984

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**1,001,870**	522,493	**812,952**	222,580
RMB	**5,927,110**	3,630,865	**5,563**	1,135
USD	**128,671**	650,727	**128,671**	6,450
Others	**2,802**	16,819	**2,802**	16,819
	7,060,453	4,820,904	**949,988**	246,984

The Group's RMB balances are placed with banks in China. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

The average effective interest rate on short-term bank deposits was 0.5 percent (2011: 0.8 percent).

The Group's bank deposits are mainly placed with major state-owned financial institutions.

32 NON-CURRENT ASSETS HELD-FOR-SALE

On 29 March 2012, the Group signed a sales and purchase agreement to dispose of Yuexiu City Plaza in Guangzhou. The transaction is expected to be completed in 2013.

On 16 June 2012, the Group entered into a sales and purchase agreement to dispose of an available-for-sale financial asset in Shanghai. The transaction is expected to be completed in 2013.

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 20).

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

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

	2012	2011
	RMB'000	RMB'000
Investment properties	**41,540**	1,025,600
Available-for-sale financial assets	**40,000**	—
Cash and cash equivalents	—	3,017
Other assets	—	173
	81,540	1,028,790

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

	2012	2011
	RMB'000	RMB'000
Other payables and accrued charges	—	67,472
Deferred tax liabilities	—	55,080
	—	122,552

33 TRADE AND NOTE PAYABLES

	Group	
	2012	2011
	RMB'000	RMB'000
Trade payables	**43,778**	22,111
Note payables	**292,395**	305,365
	336,173	327,476

The fair values of trade and note payables approximate their carrying amounts.

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

	Group	
	2012	2011
	RMB'000	RMB'000
0 - 30 days	**79,610**	33,419
31 - 90 days	**221,188**	292,344
91 - 180 days	**25,800**	744
181 - 365 days	**6,494**	296
1 - 2 years	**3,039**	59
Over 2 years	**42**	614
	336,173	327,476

Majority of the Group's trade and note payables are denominated in RMB.

34 OTHER PAYABLES AND ACCRUED CHARGES

	Group 2012 RMB'000	Group 2011 RMB'000
Accrual for construction related costs	**5,110,750**	4,188,168
Accrued employee benefits costs	**204,198**	152,116
Amounts due to related parties	**2,313,221**	908,395
Top-up payment liability (note)	**420,134**	—
Other payables	**1,004,911**	859,889
	9,053,214	6,108,568

	Group 2012 RMB'000	Group 2011 RMB'000
Current liabilities	**8,809,342**	6,108,568
Non-current liabilities	**243,872**	—
	9,053,214	6,108,568

Majority of the Group's other payables and accrued charges are denominated in RMB.

Note:

In connection with the disposal of Guangzhou IFC, the Group agreed to provide an income support to Yuexiu REIT for the period from 1 July 2012 until 31 December 2016 for the hotel and serviced apartment business. The top-up payment is the shortfall of actual gross operating profits ("GOP") and the guaranteed GOP of the hotel and serviced apartments. Please refer to note 20 for further details of the disposal.

Top-up payment liability is denominated in RMB and recognised as a financial liability in the Group.

It is initially recoginsed at fair value. In determining the fair value of the top-up payment liability, the Group has applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the market interest rate of 7.28% per annum. Top-up payment liability is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of top-up payment liability will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance costs".

35 BORROWINGS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Long-term bank borrowings				
– Secured	**7,716,554**	6,732,744	**2,596,384**	14,803
– Unsecured	**5,585,587**	4,458,552	**4,126,686**	3,603,552
Obligations under finance leases	**94**	157	**94**	157
	13,302,235	11,191,453	**6,723,164**	3,618,512
Current				
Bank overdrafts	**56**	318	**—**	—
Short-term bank borrowings				
– Secured	**520,000**	680,000	**—**	—
– Unsecured	**1,617,031**	936,623	**314,322**	636,623
Current portion of long-term bank borrowings				
– Secured	**3,944,474**	5,651,562	**—**	2,551,062
– Unsecured	**747,114**	3,322,143	**747,114**	845,143
Obligations under finance leases	**67**	67	**67**	67
	6,828,742	10,590,713	**1,061,503**	4,032,895
Total borrowings	**20,130,977**	21,782,166	**7,784,667**	7,651,407

The maturity of borrowings is as follows:

Group

	Bank borrowings and overdrafts		Other loans	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**6,828,675**	10,590,646	**67**	67
In the second year	**7,219,929**	4,842,387	**49**	38
In the third to fifth year	**5,490,612**	3,348,909	**45**	119
Over five years	**591,600**	3,000,000	**—**	—
	20,130,816	21,781,942	**161**	224

35 BORROWINGS (Continued)

Company

	Bank borrowings and overdrafts		Other loans	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,061,436**	4,032,828	**67**	67
In the second year	**3,751,928**	827,446	**49**	38
In the third to fifth year	**2,971,142**	2,790,909	**45**	119
	7,784,506	7,651,183	**161**	224

The effective interest rates at the balance sheet date were as follows:

	2012			2011		
	HK$	**RMB**	**USD**	HK$	RMB	USD
Bank overdrafts	**6.60%**	**—**	**—**	5.72%	1.23%	—
Bank borrowings	**3.15%**	**9.88%**	**3.18%**	2.43%	7.65%	2.11%

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**7,250,402**	6,808,984	**7,250,344**	6,808,667
RMB	**12,566,252**	14,347,503	**220,000**	217,061
USD	**314,323**	625,679	**314,323**	625,679
	20,130,977	21,782,166	**7,784,667**	7,651,407

The fair values of borrowings approximate their carrying amounts.

36 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 upon exercise of share options (note 37)	1,249	106	836	942
Transfer upon exercise of share options	—	—	183	183
At 31 December 2011	9,284,012	851,021	8,871,970	9,722,991
Issue of shares upon exercise of share options (note 37)	14,420	1,175	5,115	6,290
Transfer upon exercise of share options	—	—	1,588	1,588
At 31 December 2012	9,298,432	852,196	8,878,673	9,730,869

The total authorised number of ordinary shares is 20,000 million shares (2011: 20,000 million shares) with a par value of HK$0.1 per share (2011: HK$0.1 per share). All issued shares are fully paid.

37 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options '000
At 1 January 2011	58,028
Exercised during the year	(1,249)
Lapsed during the year	(12,585)
At 31 December 2011	44,194
At 1 January 2012	**44,194**
Exercised during the year	**(14,420)**
At 31 December 2012	**29,774**

37 SHARE OPTIONS (Continued)

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

Date of grant	Exercise period	Exercise price	Number of outstanding share options 2012	2011
		HK$	'000	'000
2 May 2003	2 May 2003 - 1 May 2013	0.3950	**4,344**	10,252
27 October 2003	27 October 2003 - 26 October 2013	0.7840	**1,143**	1,142
23 December 2003	23 December 2003 - 22 December 2013	0.8140	**5,272**	6,363
23 June 2004	23 June 2004 - 22 June 2014	0.6070	**19,015**	26,437
			29,774	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.

All (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.

38 RESERVES

(a) Group

	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
At 1 January 2012, as previously reported	1,699	203,590	(238,256)	407,512	5,320	10,185,018	10,564,883
Effect of adoption of HKAS 12 (Amendment) (note 2.1)	—	—	(4,149)	—	—	(97,078)	(101,227)
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	—	—	2,276	—	—	—	2,276
Change in fair value of available-for-sale financial assets							
– gross	—	—	—	203,856	—	—	203,856
– tax	—	—	—	(50,964)	—	—	(50,964)
– effect of withholding tax	—	—	—	(12,836)	—	—	(12,836)
Profit attributable to shareholders	—	—	—	—	—	2,481,834	2,481,834
Transfer	—	350	—	—	—	(350)	—
Transfer upon exercise of share options	—	—	—	—	(1,588)	—	(1,588)
Acquisition of a subsidiary	—	97	—	—	—	—	97
Transfer of reserve to profit and loss upon disposal of a subsidiary (note 20)	—	(754)	—	—	—	—	(754)
Dividends paid	—	—	—	—	—	(658,306)	(658,306)
At 31 December 2012	1,699	203,283	(240,129)	547,568	3,732	11,911,118	12,427,271
Representing:							
2012 final and special dividend proposed						399,952	
Others						11,511,166	
						11,911,118	

38 RESERVES (Continued)

(a) Group (Continued)

	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
At 1 January 2011, as previously reported	1,699	202,575	(157,859)	716,018	7,497	5,368,564	6,138,494
Effect of adoption of HKAS 12 (Amendment) (note 2.1)	—	—	(1,531)	—	—	(196,083)	(197,614)
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	—	—	(83,015)	—	—	—	(83,015)
Change in fair value of available-for-sale financial assets							
– gross	—	—	—	(404,465)	—	—	(404,465)
– tax	—	—	—	101,116	—	—	101,116
– effect of withholding tax	—	—	—	(5,157)	—	—	(5,157)
Profit attributable to shareholders	—	—	—	—	—	5,235,666	5,235,666
Transfer	—	1,015	—	—	—	(1,015)	—
Transfer upon exercise of share options	—	—	—	—	(183)	—	(183)
Transfer upon lapse of share options	—	—	—	—	(1,994)	1,994	—
Changes in ownership interests in subsidiaries without change of control (note)	—	—	—	—	—	(17,925)	(17,925)
Dividends paid	—	—	—	—	—	(303,261)	(303,261)
At 31 December 2011	1,699	203,590	(242,405)	407,512	5,320	10,087,940	10,463,656
Representing:							
2011 final dividend proposed						343,551	
Others						9,744,389	
						10,087,940	

Note: On 6 December 2011, the Group acquired the remaining equity interest of certain subsidiaries at a total consideration of RMB166 million. The carrying amount of the non-controlling interests of these subsidiaries acquired was RMB148 million in total on the date of acquisition. The Group recognised a decrease in non-controlling interests of RMB148 million and a decrease in equity attributable to shareholders of approximately RMB18 million.

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.

38 RESERVES (Continued)

(b) Company

	Capital redemption reserve RMB'000	Employee share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012	**1,699**	**5,320**	**1,817,543**	**1,824,562**
Transfer upon exercise of share options	—	**(1,588)**	—	**(1,588)**
Profit for the year	—	—	**4,334,625**	**4,334,625**
Dividends paid	—	—	**(658,306)**	**(658,306)**
At 31 December 2012	**1,699**	**3,732**	**5,493,862**	**5,499,293**
Representing:				
2012 final and special dividend proposed			**399,952**	
Others			**5,093,910**	
			5,493,862	
At 1 January 2011	1,699	7,497	2,228,852	2,238,048
Transfer upon exercise of share options	—	(183)	—	(183)
Transfer upon lapse of share options	—	(1,994)	1,994	—
Loss for the year	—	—	(110,042)	(110,042)
Dividends paid	—	—	(303,261)	(303,261)
At 31 December 2011	1,699	5,320	1,817,543	1,824,562
Representing:				
2011 final dividend proposed			343,551	
Others			1,473,992	
			1,817,543	

39 DEFERRED TAXATION

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

The movements in the deferred tax liabilities account are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
		(Restated)
Beginning of the year, as previously reported	**5,774,633**	3,366,222
Effect of adoption of HKAS 12 (Amendment) (note 2.1)	**109,013**	206,294
Beginning of the year, as restated	**5,883,646**	3,572,516
Deferred taxation charged to consolidated income statement (note 9(d))	**639,567**	2,336,731
Acquisition of a subsidiary (note 19)	**812,412**	130,080
Disposal of a subsidiary (note 20)	**(1,773,181)**	—
Deferred taxation charged to equity	**66,416**	(101,413)
Exchange differences	**(2,798)**	812
Transfer to liabilities associated with non-current assets held-for-sale (note 32)	**—**	(55,080)
End of the year	**5,626,062**	5,883,646

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Group				
	Different bases in reporting expenses with tax authorities RMB'000	**Provision for impairment of properties RMB'000**	**Tax losses RMB'000**	**Others RMB'000**	**Total RMB'000**
At 1 January 2012, as previously reported	**272,325**	**18,608**	**42,843**	**625**	**334,401**
Effect of adoption of HKAS 12 (Amendment)	—	—	**17,475**	—	**17,475**
At 1 January 2012, as restated	**272,325**	**18,608**	**60,318**	**625**	**351,876**
Exchange differences	**118**	—	—	—	**118**
Credited/(charged) to income statement	**17,688**	—	**(21,377)**	**238**	**(3,451)**
Disposal of a subsidiary (note 20)	**9,173**	—	**(21,107)**	—	**(11,934)**
At 31 December 2012	**299,304**	**18,608**	**17,834**	**863**	**336,609**

39 DEFERRED TAXATION (Continued)

	Group				
	Different bases in reporting expenses with tax authorities RMB'000	Provision for impairment of properties RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011, as previously reported	254,647	—	22,415	—	277,062
Effect of adoption of HKAS 12 (Amendment)	—	—	18,626	—	18,626
At 1 January 2011, as restated	254,647	—	41,041	—	295,688
Credited to income statement	17,678	18,608	19,277	625	56,188
At 31 December 2011, as restated	272,325	18,608	60,318	625	351,876

The movements in deferred tax liabilities (prior to offsetting of balances within the same jurisdiction), during the year are as follows:

	Group						
	Revaluation of properties RMB'000	Accelerated depreciation RMB'000	Revaluation of investments RMB'000	Different bases in reporting revenue with tax authorities RMB'000	Others RMB'000	Undistributed profits of subsidiaries, jointly controlled entities and associated entities RMB'000	Total RMB'000
At 1 January 2012, as previously reported	2,631,034	80,028	121,729	2,649,327	20,521	606,395	6,109,034
Effect of adoption of HKAS 12 (Amendment)	138,777	—	—	—	—	(12,289)	126,488
At 1 January 2012, as restated	2,769,811	80,028	121,729	2,649,327	20,521	594,106	6,235,522
Exchange differences	(2,685)	5	—	—	—	—	(2,680)
Charged/(credited) to income statement	251,843	(10,365)	79,505	184,163	88	130,882	636,116
Charged to reserves	—	—	53,580	—	—	12,836	66,416
Acquisition of a subsidiary (note 19)	812,412	—	—	—	—	—	812,412
Disposal of a subsidiary (note 20)	(1,542,050)	—	—	(19,949)	—	(223,116)	(1,785,115)
At 31 December 2012	2,289,331	69,668	254,814	2,813,541	20,609	514,708	5,962,671

39 DEFERRED TAXATION (Continued)

	Group						
	Revaluation of properties RMB'000	Accelerated depreciation RMB'000	Revaluation of investments RMB'000	Different bases in reporting revenue with tax authorities RMB'000	Others RMB'000	Undistributed profits of subsidiaries, jointly controlled entities and associated entities RMB'000	Total RMB'000
At 1 January 2011, as previously reported	1,162,041	64,469	264,068	1,914,287	16,995	221,424	3,643,284
Effect of adoption of HKAS 12 (Amendment)	242,695	—	—	—	—	(17,775)	224,920
At 1 January 2011, as restated	1,404,736	64,469	264,068	1,914,287	16,995	203,649	3,868,204
Exchange differences	3,184	(2,372)	—	—	—	—	812
Charged/(credited) to income statement	1,280,938	17,931	(35,769)	735,040	3,526	391,253	2,392,919
Charged to reserves	—	—	(106,570)	—	—	5,157	(101,413)
Acquisition of a subsidiary (note 19)	130,080	—	—	—	—	—	130,080
Transfer to liabilities associate with non-current assets held-for-sale (note 32)	(49,127)	—	—	—	—	(5,953)	(55,080)
At 31 December 2011, as restated	2,769,811	80,028	121,729	2,649,327	20,521	594,106	6,235,522

39 DEFERRED TAXATION (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	Group		
	31 December 2012 RMB'000	31 December 2011 RMB'000 (Restated)	1 January 2011 RMB'000 (Restated)
Deferred tax assets			
– Hong Kong profits tax	**9,643**	36,968	40,292
– China enterprise income tax	**72,036**	45,626	22,551
	81,679	82,594	62,843
Deferred tax liabilities			
– Hong Kong profits tax	**20,685**	13,561	11,923
– China enterprise income tax	**2,873,743**	3,772,899	1,898,165
– China land appreciation tax	**2,813,313**	2,179,780	1,725,271
	5,707,741	5,966,240	3,635,359

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2012, the Group had unrecognised deferred tax benefits of approximately RMB248 million (2011: RMB190 million) in respect of tax losses of approximately RMB1,439 million (2011: RMB1,102 million). Tax losses amounting to RMB123 million (2011: RMB91 million) will expire at various dates up to and including 2017 (2011: 2016). The remaining tax losses have no expiry date.

40 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash used in operations:

	2012 RMB'000	2011 RMB'000
Operating profit	**4,804,785**	8,081,746
Depreciation and amortisation	**75,999**	67,330
Loss on disposal of property, plant and equipment	**—**	2,791
(Reversal of)/provision for impairment of property, plant and equipment	**(1,103)**	31,202
Gain on sales of investment properties	**(239,187)**	(107,340)
Fair value gains on revaluation of investment properties	**(1,566,979)**	(4,955,613)
Gain on disposal of subsidiaries	**(436,938)**	—
Trade receivables written off as uncollectible	**46,944**	9,676
Decrease/(increase) in accrual rental receivable	**15,006**	(75,889)
Increase in properties under development, properties held for sale and prepayments for land use rights	**(9,527,577)**	(6,467,516)
Decrease/(increase) in inventories	**85,881**	(52,951)
(Increase)/decrease in trade receivables, other receivables, prepayments and deposits	**(1,794,733)**	2,470,780
Increase/(decrease) in trade and note payables, other payables and accrued charges	**7,442,610**	(1,760,008)
Decrease/(increase) in deferred revenue	**(1,795)**	68,184
Movement in balances with related companies	**(51,614)**	15,692
Increase/(decrease) in amount due to non-controlling interests	**58,910**	(6,774)
Net exchange differences for working capital	**(158,330)**	(542,891)
Net cash used in operations	**(1,248,121)**	(3,221,581)

41 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2012, the Group and the Company had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Group	
	2012 **RMB'000**	2011 RMB'000
Not later than one year	**157,551**	415,400
Later than one year and not later than five years	**335,388**	1,074,865
Later than five years	**287,778**	287,882
	780,717	1,778,147

There was no future minimum rental payment receivable for the Company as at 31 December 2012 (2011: nil).

42 CAPITAL COMMITMENTS

	Group 2012 RMB'000	Group 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
	553,708	1,456,253

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

The Company did not have any significant capital commitments at 31 December 2012 (2011: nil).

43 GUARANTEES

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	**1,886,682**	2,122,850	—	—
Guarantees for banking and loan facilities granted to subsidiaries (note (b))	—	—	**33,491**	37,545
	1,886,682	2,122,850	**33,491**	37,545

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) The Company provided guarantees in respect of certain banking and loan facilities granted to subsidiaries.

(c) 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 (2011: RMB60 million). The Deed of Indemnity will expire on 30 May 2014.

(d) Certain subsidiaries of the Group jointly and severally provided guarantees in respect of a syndicated loan borrowed by Yuexiu REIT amounting to RMB4,500 million with an effective period expiring on the date two years after full repayment of the syndicated loan.

44 SECURITIES FOR BANKING FACILITIES

At 31 December 2012, certain banking facilities and loans granted to the Group and the Company were secured by:

(a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with aggregate carrying values of approximately RMB25,272 million (2011: RMB18,965 million), RMB172 million (2011: RMB43 million), RMB4,031 million (2011: RMB10,464 million) and RMB568 million (2011: RMB2,375 million) respectively;

(b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB26 million (2011: RMB270 million); and

(c) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately RMB11,164 million (2011: RMB10,254 million).

45 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 year, and their relationship with the Company as at 31 December 2012:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited	A substantial shareholder
Guangzhou Yuexiu Holdings Limited ("GYHL")	A substantial shareholder
Kiu Fung Limited ("Kiu Fung")	A subsidiary of YXE
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
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 Information Ltd. ("GYPIL")	A subsidiary of YXE
Guangzhou Suiqiao Development Co., Ltd. ("GSDCL")	A subsidiary of YXE
Guangzhou Yuexiu Financial Leasing Co., Ltd. ("GYFL")	A subsidiary of GYHL
Guangzhou Securities Limited Liability Company ("GSLL")	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 GuangZheng Hang Seng Securities Investment Advisory Co., Ltd. ("GGHSSIA")	A subsidiary of GYHL
Yuexiu Real Estate Investment Trust ("Yuexiu REIT")	An associated entity

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2012 RMB'000	2011 RMB'000
(I) Transactions with YXE		
Rental expenses and property management fees paid to YXE	**(2,207)**	(1,793)
Rental income received from YXE	**156**	129
Loan interest paid to YXE	**(24,606)**	(228)
(II) Transaction with YXF		
Service fees paid to YXF	**—**	(301)
(III) Transaction with YXIDL		
Loan interest paid to YXIDL	**—**	(286)
(IV) Transactions with Yuexiu REIT		
Asset management fees received from Yuexiu REIT	**49,756**	34,414
Tenancy service fees received from Yuexiu REIT	**20,569**	17,828
Rental expenses paid to Yuexiu REIT	**(26,209)**	(3,519)
Naming rights expenses paid to Yuexiu REIT	**(4,565)**	—
Interest paid to Yuexiu REIT	**(22,129)**	—
(V) Transaction with Kiu Fung		
Administrative service fees received from Kiu Fung	**1,058**	1,078
(VI) Transaction with YXCSWL		
Rental income received from YXCSWL	**2,433**	2,493

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	2012 RMB'000	2011 RMB'000
(VII) Transaction with YCTIIC		
Rental income received from YCTIIC	**3,619**	—
(VIII) Transaction with GYTEOM		
Rental income received from GYTEOM	**845**	—
(IX) Transaction with GYPIL		
Rental income received from GYPIL	**570**	—
(X) Transaction with GSDCL		
Rental income received from GSDCL	**430**	—
(XI) Transaction with GYFL		
Rental income received from GYFL	**1,048**	—
(XII) Transaction with GSLL		
Rental income received from GSLL	**16,308**	—
(XIII) Transaction with GYFIG		
Rental income received from GYFIG	**2,942**	—
(XIV) Transaction with GYIIM		
Rental income received from GYIIM	**1,924**	—
(XV) Transaction with GGHSSIA		
Rental income received from GGHSSIA	**988**	—

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

		Group	
		2012	2011
	Note	**RMB'000**	RMB'000
Amount due to a substantial shareholder	(ii), (iii)	**(15,179)**	(490,002)
Amounts due from associated entities	(i), (v), (vi)	**106,065**	76,579
Amounts due to associated entities	(iii), (vii)	**(1,153,531)**	(156,871)
Amounts due from jointly controlled entities	(i), (iv), (vi)	**579,592**	39,246
Amounts due to jointly controlled entities	(i), (iii)	**(556,849)**	(236,344)
Amounts due to related companies	(i), (iii)	**(587,662)**	(25,178)

		Company	
		2012	2011
	Note	**RMB'000**	RMB'000
Amount due to a substantial shareholder	(ii), (iii)	**(15,171)**	(489,700)

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

Note:

(i) The balance is unsecured, interest free and repayable on demand.

(ii) Except for an amount approximately RMB15,171,000 (2011: RMB486,420,000) is unsecured, interest bearing at 4.2 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 approximately RMB50,211,000 (2011: RMB20,772,000) 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 RMB999,000 (2011: RMB20,343,000) was made for an amount due from a jointly controlled entity.

(vii) Except for an amount of approximately RMB977,679,000 (2011: nil) which is unsecured and interest bearing at 9.0 percent per annum, the remaining balances are unsecured, interest free and repayable on demand.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

The aggregate amounts of emoluments paid or payable to key management of the Group are as follows:

	2012 RMB'000	2011 RMB'000
Fees	**540**	540
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	**59,111**	59,049
Pension costs	**349**	411
	60,000	60,000

46. EVENT AFTER THE REPORTING PERIOD

A US$2,000 million medium term note programme was established by the Company on 11 January 2013. Medium term notes at gross proceeds of approximately US$847 million were issued by the Company on 16 January 2013.

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES

As at 31 December 2012, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2012		2011		
			Direct	Indirect	Direct	Indirect	
Able Business Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	100	—	100	Property investment
Able Step Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	100	—	100	Property investment
Acon Investment Ltd.	British Virgin Islands	1 Ordinary share of US$1 each	—	100	—	100	Investment holding
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HK$7,000,000	—	100	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share of HK$1 each	—	100	—	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	100	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	100	—	100	Property investment
Dalian Perfect Base Property Development Co., Ltd.	China, limited liability company	Registered capital US$7,500,000	—	100	—	100	Property development
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of US$1 each	100	—	100	—	Investment holding

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2012 Direct	2012 Indirect	2011 Direct	2011 Indirect	Principal activities
Easy Excel Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Elsburg Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Extra Act Limited	Hong Kong	1,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Glory Mission Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Green Park Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	—	**95**	—	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	—	**95**	—	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HK$259,670,000	—	**100**	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	**75**	—	75	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2012 Direct	2012 Indirect	2011 Direct	2011 Indirect	Principal activities
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital RMB190,000,000	–	**100**	–	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,908,610,000	–	**95**	–	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	–	**98.13**	–	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	–	**98.62**	–	98.62	Decoration and design
Guangzhou City Construction & Development Group Nansha Co. Ltd	China, limited liability company	Registered capital RMB380,000,000	–	**95.48**	–	95.48	Property development
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	–	**99.75**	–	99.75	Property development
Guangzhou City Construction & Development Property Ltd.	China, limited liability company	Registered capital RMB12,994,800	–	**99.75**	–	99.75	Property development and investment
Guangzhou City Construction Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	–	**98.25**	–	98.25	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	–	**80**	–	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	–	**97.60**	–	97.60	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	–	100	–	Investment holding

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2012 Direct	2012 Indirect	2011 Direct	2011 Indirect	Principal activities
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	—	**95**	—	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	—	**95**	—	95	Property development
GZ City Construction & Development Grandcity Parking Property Management Co., Ltd.	China, limited liability company	Registered capital RMB2,730,600	—	**99.06**	—	99.06	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	—	**100**	—	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	—	**95**	—	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	**95**	—	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	—	100	—	Financial services
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	**95**	—	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	**95**	—	95	Property development

PRINCIPAL SUBSIDIARIES (Cont inued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2012		2011		
			Direct	Indirect	Direct	Indirect	
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	95	—	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	95	—	95	Property development
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Tiyu Building Company Limited	China, limited liability company	Registered capital US$26,700,000	—	100	—	100	Property development and investment
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd	China, limited liability company	Registered capital RMB19,776,700	—	95	—	95	Property development
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	100	—	100	Property investment
Guangzhou White Horse Property Management Co., Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	99.84	—	99.84	Property management
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2012 Direct	2012 Indirect	2011 Direct	2011 Indirect	Principal activities
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	**99.75**	—	99.75	Property investment
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	**99.28**	—	99.28	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou Yuehui Property Development Limited	China, limited liability company	Registered capital RMB1,612,244,900	—	**98.84**	—	98.84	Property development
Guangzhou Yuexiu Asset Management Company Limited	China, limited liability company	Registered capital HKD12,000,000	—	**100**	—	100	Asset management
Hangzhou Yuexiu Property Development Limited	China, limited liability company	Registered capital US$299,480,000	—	**100**	—	100	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	**100**	—	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	—	100	—	Property holding
Jiangmen Yue Xiu City Construction Property Development Limited	China, limited liability company	Registered capital RMB570,000,000	—	**95**	—	95	Property development
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Jumbo King Development Limited	Hong Kong, Singapore	2 Ordinary shares of HK$1 each	**100**	—	100	—	Property investment

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2012		2011		
			Direct	Indirect	Direct	Indirect	
Kingswell Limited	Hong Kong	1 Ordinary share of HK$1 each	—	100	—	100	Property investment
Lucken Limited	Hong Kong	3 Ordinary shares of HK$1 each	—	100	—	100	Property investment
Market Rise Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	100	—	100	Investment holding
Merry Growth Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	—	100	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	—	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	100	—	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	—	100	—	100	Property investment
Sociedade de Fomento Predial Codo (Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	—	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HK$1 each	—	100	—	100	Investment holding
Superland Development Ltd.	British Virgin Islands	10,000 Ordinary shares of HK$1 each	—	100	—	100	Investment holding

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2012 Direct	2012 Indirect	2011 Direct	2011 Indirect	Principal activities
Techcon Investment Limited	Hong Kong	1,000 Ordinary shares of HK$1 each	—	**100**	—	100	Hotel operations
Viclong Company Limited	Hong Kong	100 Ordinary shares of HK$100 each	—	**100**	—	100	Property investment
Winston Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares of HK$1 each and 500,000 Non-voting deferred shares of HK$1 each	—	**100**	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	100	—	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2012 Direct	2012 Indirect	2011 Direct	2011 Indirect	Principal activities
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	–	100	–	100	Investment holding
Yuexiu REIT Asset Management Limited	Hong Kong	10,000,000 Ordinary shares of HK$1 each	100	–	100	–	Asset management
廣州華振科技投資有限公司	China, limited liability company	Registered capital RMB 20,000,000	–	100	–	100	Investment holding
佛山市南海區越秀地產開發有限公司	China, limited liability company	Registered capital RMB 100,000,000	–	95	–	95	Property development
海南白馬建設開發有限公司	China, limited liability company	Registered capital RMB523,613,085	–	47.50	–	–	Property development
昆山市越秀廣電投資發展有限公司	China, limited liability company	Registered capital RMB50,000,000	–	48.45	–	–	Property management
煙台越秀地產開發有限公司	China, limited liability company	Registered capital RMB560,000,000	–	100	–	95	Property development
煙台越星地產開發有限公司	China, limited liability company	Registered capital RMB261,416,400	–	100	–	–	Property management
中山越星房地產開發有限公司	China, limited liability company	Registered capital US$50,000,000	–	100	–	100	Property development
中山市越秀地產開發有限公司	China, limited liability company	Registered capital RMB605,000,000	–	95	–	95	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2012 Direct	2012 Indirect	2011 Direct	2011 Indirect	Principal activities
中山市金滿房地產開發有限公司	China, limited liability company	Registered capital RMB28,994,528	—	**100**	—	100	Property development
瀋陽嶺海房地產有限公司	China, limited liability company	Registered capital US$2,980,000	—	**99.95**	—	99.95	Property development
越秀地產(瀋陽)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	**99.95**	—	99.95	Property management
廣州市富城物業管理有限公司	China, limited liability company	Registered capital RMB800,000	—	**49.88**	—	49.88	Property management
越秀地產(煙台)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	**100**	—	95	Property management
瀋陽越秀地產有限公司	China, limited liability company	Registered capital HKD2,280,000,000	—	**100**	—	100	Property development
武漢越秀地產開發有限公司	China, limited liability company	Registered capital RMB1,920,000,000	—	**99.75**	—	99.75	Property development
中山市越秀地產物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	**95**	—	95	Property management
廣州城建物業家政服務有限公司	China, limited liability company	Registered capital RMB500,000	—	**99.74**	—	99.74	Landscape engineering services
廣州市薈景綠化有限公司	China, limited liability company	Registered capital RMB2,000,000	—	**99.70**	—	99.70	Greening services
廣州城建物業設備工程有限公司	China, limited liability company	Registered capital RMB500,000	—	**99.70**	—	99.70	Provision of construction service
武漢越秀嘉潤房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	**95.48**	—	—	Property management

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2012		2011		
			Direct	Indirect	Direct	Indirect	
武漢越秀嘉益房地產開發有限公司	China, limited liability company	Registered capital RMB150,000,000	–	95.48	–	–	Property management
廣州市城秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	95	–	95	Property development
廣州東輝房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	–	95	–	–	Property management
廣州市宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	100	–	100	Property development
廣州市宏錦房地產開發有限公司	China, limited liability company	Registered capital RMB650,000,000	–	100	–	100	Property development
廣州宏景房地產開發有限公司	China, limited liability company	Registered capital RMB500,000,000	–	95.48	–	–	Property management
越秀地產(江門)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	–	95	–	95	Property management
廣州越秀城建仲量聯行物業服務有限公司	China, limited liability company	Registered capital RMB5,000,000	–	57	–	57	Property management
廣州祥錦房地產開發有限公司	China, limited liability company	Registered capital RMB60,000,000	–	95.48	–	–	Property management
廣州越港房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	–	100	–	–	Property management
廣州盈勝投資有限公司	China, limited liability company	Registered capital RMB30,000,000	–	95.48	–	–	Property management

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 31 December 2012, the Group held the following principal jointly controlled entities:

Name of jointly controlled entity	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/profit sharing				Principal activities
			2012		2011		
			Direct	Indirect	Direct	Indirect	
Hainan China City Property Development Co., Ltd.	China	57.14	—	**52**	—	52	Property development
Guangdong Xinshidai Real Estate Ltd.	China	33.33	—	**45/44**	—	45/44	Property development
Guangzhou South House Property Industry Co., Ltd	China	28.57	—	**30**	—	30	Property development and management

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2012, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/voting power/profit sharing				Principal activities
		2012		2011		
		Direct	Indirect	Direct	Indirect	
Guangzhou Xin Yue Real Estate Development Co. Ltd	China	—	**28.20**	—	28.20	Property development
Yuexiu Real Estate Investment Trust	Hong Kong	—	**35.14**	—	35.58	Property investment

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