GUANGZHOU R&F PROPERTIES CO., LTD.

Stock code: 2777

# Interim Report **2014**

# CORPORATE INFORMATION

| | |
|---|---|
| **Executive Directors** | Li Sze Lim, Zhang Li, Zhou Yaonan, Lu Jing |
| **Non-executive Directors** | Zhang Lin, Li Helen |
| **Independent Non-executive Directors** | Huang Kaiwen, Dai Feng (resigned on 28 February 2014), Lai Ming Joseph, Zheng Ercheng (appointed on 30 May 2014) |
| **Supervisors** | Chen Liangnuan, Liang Yingmei, Zheng Ercheng (resigned on 30 May 2014) |
| **Authorized Representatives** | Li Sze Lim, Chow Oi Wah Fergus |
| **Company Secretary** | Chow Oi Wah Fergus |
| **Registered Office in the PRC** | 45-54/F., R&F Center,<br>No. 10 Huaxia Road, Pearl River New Town,<br>Guangzhou 510623 PRC |
| **Principal Place of Business in the PRC** | 45-54/F., R&F Center,<br>No. 10 Huaxia Road, Pearl River New Town,<br>Guangzhou 510623 PRC |
| **Place of Business in Hong Kong** | Room 1103, Yue Xiu Building,<br>160-174 Lockhart Road, Wanchai, Hong Kong |
| **Auditors** | PricewaterhouseCoopers<br>22/F., Prince's Building, Central, Hong Kong |
| **Legal Advisor as to Hong Kong Law** | Sidley Austin<br>39/F., Two International Finance Centre,<br>8 Finance Street, Central, Hong Kong |
| **Hong Kong H Share Registrar** | Computershare Hong Kong Investor Services Limited<br>17M/F., Hopewell Centre,<br>183 Queen's Road East, Wanchai, Hong Kong |
| **Website** | www.rfchina.com |

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# CHAIRMAN'S MESSAGE

## RESULTS

For the six months ended 30 June 2014, the Group achieved a total turnover of RMB9.82 billion, and net profit of the Group increased by 8% over the corresponding period last year to RMB1.58 billion.

Turnover and profit from the Group's core business of property development amounted to RMB8.37 billion and RMB788 million respectively, based on the delivery of 814,500 sq.m. of area sold. Our gross margin remained satisfactory. Total saleable area of 838,000 sq.m. was completed in the period and represented approximately 23% of the full-year plan. Revenue from property investments increased by 22% to RMB413 million; at the same time a significant revaluation gain from investment properties was registered in the period, contributing to increased overall profit. Revenue for the Group's other key business segment, hotel operations, increased in line with generally better occupancy.

The directors have resolved that no interim dividend be paid for the period.

| | **Unaudited six months ended 30 June 2014 (RMB'000)** | Unaudited six months ended 30 June 2013 (RMB'000) | Percentage changes |
|---|---|---|---|
| Turnover | **9,822,432** | 10,190,635 | -4% |
| Profit for the half-year attributable to owners of the Company | **1,068,046** | 1,449,502 | -26% |
| Basic earnings per share (in RMB) | **0.3336** | 0.4538 | -26% |
| Dividend per share (in RMB) | **–** | 0.12 | -100% |

## BUSINESS REVIEW

As China continued to rebalance its economy away from being investment-driven and export-dependent, its GDP growth slowed in the first half of 2014. The slowdown was the result of a deliberate adjustment, and followed naturally after a period of rapid and prolonged economic expansion in recent years. The lower growth target of 7.5% set for 2014 is seen as adequate for maintaining acceptable levels of employment and household income growth, both of which are of more concern than GDP growth *per se*. The central government is confident that the target GDP growth for the year will be achieved given the first and second quarter GDP growth rate of 7.4% and 7.5%, which were effectively on track, especially since it has scope for making policy adjustments if necessary to ensure the target growth is attained. The property sector, which contributes a hefty 16% of GDP, plays an important role in the overall economy; the sector's well-being has a significant impact on the economy both because of its sheer scale and because of the spill-over effect into related sectors such as banking. The government has cautiously taken such macro considerations into account in its regulation of the property market. The basic tone of the government's policy has not changed significantly; its policy objectives remain those of stabilizing prices, reducing speculation, and increasing the supply of affordable housing. In regulating the property market, the government has placed greater emphasis on market mechanisms than on administrative measures, and the measures that have been implemented, have generally been successful in preventing the market overheating without placing undue restraint on the healthy development of the property industry. The government is now beginning to be less insistent on rigid across-the-board enforcement of the control measures in every cities. Instead it is now tending to give more latitude to local governments, as can be seen in the recent relaxation of the home purchase restriction ("HPR") in many tier 2 and 3 cities. Nevertheless, with HPR being continuously enforced in most tier 1 cities, and the government maintaining a relatively tight rein on credit, the business environment is not without challenges. On the positive side, two very important drivers supporting the property market remain firmly in place. Real household income is expected to continue to rise despite the deceleration of the economy; and urbanization is far from over, even though to date China's urban migration is already the greatest in history. Indeed, the flood of rural dwellers leaving their land is set to accelerate rather than slow down, with the government expected to spend trillions renminbi in the next few years to expand urban areas and support necessary infrastructure. With such fundamentals undiminished, combined with the favourable development whereby the central government has begun to allow city governments to adapt certain control measures to local conditions (e.g. appropriate adjustment of HPR and more ready financing for first-time home buyers), the business environment for the remainder of the year is not expected to pose insurmountable difficulties for the Group in executing its business plan.

The Group has at the beginning of the year set its target contracted sales at RMB70 billion for the year. This target represents a 66% increase over the actual contracted sales of 2013, and is double that of two years ago. This increase in the target arose from the Group's view that 2014 would be an opportune year to pursue more rapid growth, for several reasons. First and foremost is our expectation, as described above, that the business environment will remain stable at both the regulatory and market levels during the period in which the Group plans to expand. Another reason is that the Group is well prepared in terms of its execution capability for expanding its scale of operations to a new level. Having proceeded at a relatively modest pace of growth over the past few years, the Group has accumulated valuable expertise in every facet of the business while at the same time collecting a pool of competent personnel. Preparedness on the product development front has also been achieved, as the Group has expanded into more cities and has a good number of projects under development and ready to launch.

Contracted sales in the first six months of the year amounted to RMB25.8 billion. Although contracted sales fell short of the full year target on a time pro-rata basis, they importantly performed as expected in line with the projects launched during the period, in a market that was not particularly robust. The period's contracted sales did, however, represent a 39% increase over the same period last year. This increase reflected the increasing depth and breadth of the Group's operations both in terms of geography and product range. The number of cities contributing to contracted sales increased from 14 to 18, with new additions including Foshan and Baotou. These two cities combined to contribute RMB1.24 billion in contracted sales, equivalent to 5% of the total, a promising initial contribution. In terms of the number of projects, the Group offered 47 projects, five more than in the corresponding prior period. Brand-new projects, which often provide strong sales impetus, are mostly planned for launch in the second half of the year; there were just three in the first half. Sales in the period therefore mainly came from ongoing projects that were well-balanced by product type, including rigid-demand housing, mid-market and luxury residential properties, and commercial properties meeting different demands. Such carefully planned product diversity, coupled with the Group's especially strong niche of office properties, has proved effective in ensuring relative stability in its sales performance through market cycles. This was again demonstrated in its contracted sales for the period, in which the sales of office properties amounting to RMB5.4 billion provided strong support for total contracted sales, the other part of which was mainly made up of residential properties that included significant contributions from rigid-demand housing projects. In sum, the Group has a tactical framework in place to ensure stable and predictable sales.

As we have always emphasized when discussing our sales, business growth requires many other tasks in the development process besides sales and marketing to be carefully coordinated. The sales expansion seen in the period and the further acceleration planned for the year will be supported by a matching construction program, along with the maintenance of a land bank for sustained development. On the construction front, as the result of construction started in the period on an area of 4.8 million sq.m. GFA (higher than in any previous period), the total GFA under construction at the end of June 2014 further increased to 13.8 million sq.m., approximately 38% more than the area as at the end of 2013. Based on the scale and progress of the projects under construction, we expect that saleable resources amounting to RMB92 billion by property value will be available in the second half of the year, lifting the total for the full year to RMB118 billion.

As for land bank, the other critical component of our business growth equation, at the end of the period the Group was holding a quality portfolio which amounted to approximately 44 million attributable saleable sq.m. Following generally more active acquisition, especially in 2013, the Group's land bank has close to doubled in terms of saleable sq.m. in the last 36 months, while distribution by city has risen from 15 to 25. Despite our goal of accelerating our build-up of land bank to support the Group's target growth, we have continued to apply the usual stringent criteria for land acquisition. The Group has so far been successful in maintaining the average cost per sq.m. of its land bank at a very reasonable level, but this may come under pressure going forward since the cost of land in China is more likely to go up than down. Given this reality, though China will absolutely remain our primary market in the foreseeable future, we will not limit ourselves to its borders. Other markets that possess a suitable cost structure and a stable business, political and legal environment will not be ruled out. Among other requirements for a suitable cost structure, we require the cost of land not to exceed a relatively low percentage of the total cost. This was the rationale for our first foray into Malaysia in December last year, and we have also carried out in-depth studies of a couple of other prospective oversea markets. The land additions in the period were sites in Shanghai, Hainan, Tianjin and Fuzhou totaling 1.47 million sq.m. saleable area, most of which supplemented existing development sites which have proved successful.

Since the opening of The Ritz-Carlton Chengdu in October 2013, there has been no significant addition to our investment property portfolio. As at 30 June 2014, our investment properties comprised three main categories: seven hotels (of which all but one are 5-star hotels), two grade-A office buildings, and two shopping complexes. The Group's hotels are managed by internationally renowned hotel managers and have performed well in the period, despite keen competition in their respective markets. Our mature hotels maintained occupancy that at least equalled the already satisfactory rates achieved in 2013, while our relatively newer hotels also put in strong performances, showing significant improvements in occupancy as they matured. For example, the occupancy rate of the Chongqing Hyatt Regency, which opened in 2012, rose to over 70% in the period, a very acceptable level on its own terms and more so when the extent of its increase from 2013 is taken into account. Occupancy of the two R&F Center office buildings in Beijing and Guangzhou, with their excellent locations and superb quality and maintenance features, has been practically full for some time, and can be counted on to generate strong and stable rental income. Both R&F Centers also showcase the high standard of commercial properties developed by the Group. In the category of shopping malls, the Group currently has two R&F Plazas in operation, in Beijing and Chengdu. We plan to open further R&F Plazas in due course in other cities to form a countrywide chain. One such project at an advanced stage of construction is the shopping mall attached to the office building R&F Tianyu Plaza in Guangzhou. When it opens, this shopping mall will be the Group's third to be situated in a carefully selected location offering the promise of high shoppers traffic. The existing Beijing R&F Plaza has already established itself as a prime shopping and entertainment venue, and is generating strong rental revenues. As for the Chengdu R&F Plaza, in which an outside party has a minority interest, we intend to make any necessary overhauls to further improve its performance once the Group has gained complete ownership, which we expect to happen in the next few months. To sum up, the strong and reliable cash flow from our investment properties has benefitted the Group significantly, putting aside the potential that this quality portfolio has for substantial capital appreciation. Rental income from this portfolio is bound to grow, not only from the three mainstream categories mentioned above, but also due to increasingly significant contributions from other areas such as our various retail properties and rental logistics facilities.

On the financing front, the Group has continued to utilize a broad range of financing options, of which the most significant remain domestic bank construction loans. We continue to enjoy good support from the banking community, thanks in no small part to our flawless credit record and the transparency of our financial management. Domestic bank loans are a reliable source of financing which offer reasonable interest rates, but the Group will not ignore other types of financing that possess desirable characteristics, such as perpetual capital instruments that offer a long tenor, and trust financing which provides flexibility in the use of proceeds. The Group is currently pursuing the issuance of domestic corporate bonds which if successful, will have the benefits of size and favourable interest rate. Offshore bonds have also become a more significant component, accounting for 18% of the Group's overall financing at the end of the period. The Group has held credit ratings from all three major rating agencies since December 2013. As a result, the US$ debt offering of the Group appealed to a wider group of investors and enabled the Group earlier in the year to successfully issue a 5-year US$1 billion 8.5% bonds due 2019, the largest issue in a single tranche by a PRC property developer in the offshore market. The Group is now an issuer with a reasonable degree of recognition among fixed income investors, and this will provide more certainty of success the next time the Group taps the offshore bond market.

## GOING FORWARD

Achieving our business plan will require us to ensure our products are competitive and our strategies are skillfully executed, two goals that will enable the Group to weather the ups and downs of the market. The second half of the year will see us selling 60 projects in 22 cities across the country, including a good mix of different product categories and also some 19 brand new projects. We are cautiously optimistic that the fundamentals of the market will remain intact and sufficient business opportunities will arise. However, the current state of the market justifies the decision to carry out a conservative and realistic review of our business plan. Having reviewed all relevant factors, the Group's contracted sales target for the year has been revised to RMB60 billion. As for the outlook for the land bank, the fact that we have already amassed a quality land bank which can meet our development needs even when growth is accelerated means that the Group can afford to be both choosy and opportunistic about further land bank acquisition, as well as more reactive to any changes in market trends.

## ACKNOWLEDGEMENT

Taking this opportunity, I would like to thank the Company's shareholders, investors, business associates and customers for their confidence and valuable supports as well as our fellow directors and staff for their many contributions to our success.

**Li Sze Lim**
*Chairman*

26 August 2014, Hong Kong

## OPERATION REVIEW

### PROPERTY DEVELOPMENT

The Group's property projects span 24 cities and area across China and one city in Malaysia. During the period, the Group completed sale properties as set out below and made satisfactory contracted sales which represented a year-on-year increase of 39%, and maintain a sufficient project pipeline.

**Completion of Sale Properties**

Completion in the period of 838,000 sq.m. represented approximately 23% of the Group's expected completion for 2014 of 3,715,000 sq.m. in saleable area, as compared to 30% for the same period in 2013. Expected completion in the second half of 2014 is approximately 2,877,000 sq.m. as shown in the following table:

| | 2014 1st Half | | 2014 2nd Half | |
|---|---|---|---|---|
| **Area** | **Approx. Total GFA (sq.m.)** | **Approx. Saleable Area (sq.m.)** | **Approx. Total GFA (sq.m.)** | **Approx. Saleable Area (sq.m.)** |
| Southern China | 191,000 | 161,000 | 1,262,000 | 1,009,000 |
| Western China | 215,000 | 178,000 | 430,000 | 338,000 |
| Eastern China | 183,000 | 124,000 | 300,000 | 217,000 |
| Northern China | 442,000 | 375,000 | 1,514,000 | 1,313,000 |
| Total | 1,031,000 | 838,000 | 3,506,000 | 2,877,000 |

**Contracted Sales**

The Group registered contracted sales of RMB25.76 billion and equivalent to 1,766,000 sq.m. in GFA during the six months ended 30 June 2014 distributed in 18 cities as follow:

| **Location** | **Approximate GFA sold (sq.m.)** | **Approximate value (RMB million)** |
|---|---|---|
| Guangzhou | 335,500 | 9,464.1 |
| Beijing and vicinity | 341,500 | 4,924.6 |
| Taiyuan | 248,700 | 1,897.6 |
| Tianjin | 82,300 | 1,662.8 |
| Hainan | 91,800 | 1,385.2 |
| Foshan | 132,400 | 1,023.8 |
| Hangzhou | 47,400 | 854.3 |
| Chongqing | 135,400 | 836.4 |
| Huizhou | 91,900 | 728.9 |
| Harbin | 19,300 | 598.2 |
| Nanjing | 24,800 | 558.9 |
| Shanghai and vicinity | 39,700 | 521.2 |
| Chengdu | 72,600 | 404.7 |
| Xian | 28,700 | 333.8 |
| Wuxi | 15,300 | 238.8 |
| Baotou | 37,200 | 215.1 |
| Datong | 18,900 | 86.0 |
| Shenyang | 2,800 | 28.8 |
| Total | 1,766,200 | 25,763.2 |

**Sale Properties Under Development**

Sale properties under development amounted to approximately 13,802,000 sq.m. GFA as at 30 June 2014, details of which are set out below:

| Location | Number of Project | Approximate GFA (sq.m.) | Approximate saleable area (sq.m.) |
|---|---|---|---|
| Guangzhou | 13 | 1,924,000 | 1,707,000 |
| Beijing and vicinity | 6 | 1,702,000 | 1,282,000 |
| Taiyuan | 4 | 1,515,000 | 1,161,000 |
| Huizhou | 3 | 1,464,000 | 1,240,000 |
| Tianjin | 7 | 1,224,000 | 739,000 |
| Hainan | 4 | 913,000 | 843,000 |
| Harbin | 1 | 840,000 | 437,000 |
| Chongqing | 1 | 669,000 | 524,000 |
| Hangzhou | 2 | 371,000 | 371,000 |
| Shanghai and vicinity | 5 | 501,000 | 244,000 |
| Meizhou | 1 | 376,000 | 298,000 |
| Chengdu | 1 | 369,000 | 269,000 |
| Wuxi | 2 | 335,000 | 276,000 |
| Xian | 2 | 315,000 | 195,000 |
| Datong | 1 | 293,000 | 232,000 |
| Baotou | 1 | 227,000 | 205,000 |
| Nanjing | 1 | 204,000 | 148,000 |
| Shenyang | 2 | 198,000 | 157,000 |
| Fuzhou | 1 | 162,000 | 132,000 |
| Guiyang | 1 | 143,000 | 131,000 |
| Changsha and vicinity | 1 | 57,000 | 39,000 |
| Total | 60 | 13,802,000 | 10,630,000 |

## PROPERTY INVESTMENT

The Group's investment properties portfolio included grade-A office buildings (Guangzhou R&F Center and Beijing R&F Center), shopping malls (Beijing R&F Plaza, Chengdu R&F Plaza and Tianjin R&F Plaza) and various retail properties. The combined office and retail space of these properties as at 30 June 2014 exceeded 600,000 sq.m. in total GFA.

The investment property portfolio of the Group also included expanding logistic and storage facilities.

## HOTEL OPERATION

The Group currently operates seven hotels, two in Beijing (Renaissance Beijing Capital Hotel and Holiday Inn Express Temple of Heaven Beijing), two in Guangzhou (the Ritz-Carlton Guangzhou and Grand Hyatt Guangzhou), Renaissance Huizhou Hotel, Hyatt Regency Chongqing and the Ritz-Carlton Chengdu.

## LAND BANK

The following five pieces of land were bought during the period:

| Location | Site Area (sq.m.) | GFA (sq.m.) | Total Land Cost (RMB million) | Average Land Cost (RMB/sq.m.) |
|---|---|---|---|---|
| Shanghai Hongqiao Project | 46,000 | 149,000 | 2,328 | 15,600 |
| Tianjin R&F New Town | 341,000 | 525,000 | 692 | 1,300 |
| Hainan R&F International Health City | 258,000 | 247,000 | 256 | 1,000 |
| Hainan R&F Bay Shore | 350,000 | 326,000 | 695 | 2,100 |
| Fuzhou JinshuiHu Project | 114,000 | 228,000 | 135 | 600 |
| Total | 1,109,000 | 1,475,000 | 4,106 | 2,800 |

As at 30 June 2014, the Group was in possession of the following land bank:

| Area | Approximate GFA (sq.m.) | Approximate saleable area (sq.m.) |
|---|---|---|
| Southern China | 16,999,000 | 16,180,000 |
| Western China | 5,882,000 | 5,532,000 |
| Eastern China | 2,458,000 | 2,419,000 |
| Northern China | 16,857,000 | 15,654,000 |
| Overseas | 3,500,000 | 3,500,000 |
| Investment Properties | 697,000 | 635,000 |
| Total | 46,393,000 | 43,920,000 |

## FINANCIAL REVIEW

The Group's net profit for the six months ended 30 June 2014 increased to RMB1.58 billion, from RMB1.46 billion for the corresponding period in the previous year. Profit from the Group's core business of property development accounted for 50% of the Group's total net profit and amounted to RMB788 million. Compared to the previous period, net profit decreased by 37%, based on a delivery of 814,500 sq.m. in terms of saleable area in the period. Profit from property investment, not including any fair value gain, increased by RMB66 million to RMB205 million. Fair value gain in the period amounted to RMB1.17 billion and contributed to the increased overall profit. Net loss from the hotel operation increased to RMB148 million due mainly to increased finance charges.

The following comments on the components of the income statement, with the exception of #6 (on financing costs) and #9 (on net profits), relate only to property development:

1. Turnover decreased by 7% to RMB8.37 billion, from RMB9.02 billion in the same period in 2013. The Group completed and delivered properties in 12 cities in the six months ended 30 June 2014. The amount of saleable area sold decreased by 16% to 814,500 sq.m. from 972,900 sq.m. The overall average selling price increased by 11%, from RMB9,300 to RMB10,300 per sq.m. This increase was mainly due to the sales mix in the period having included proportionally more turnover coming from sales of residential properties not being rigid-demand type but on the other hand, like in the previous period, turnover in the current period from commercial properties was not significant. The top three projects, Beijing R&F Danish Town, Tianjin R&F Jinmen Lake and Nanjing R&F City, which individually had turnover of over RMB1 billion and a combined turnover of RMB3.89 billion or 46% of total, were projects with a mid-market positioning and carried average selling price from RMB13,600 to RMB16,400 per sq.m. On the turnover distribution by cities in the period, the pattern was largely similar to previously except that Beijing had replaced Guangzhou to account for the most share of total turnover. Mainly with R&F Danish Town and a second sizable project, R&F New Town, turnover of Beijing amounted to RMB2.35 billion or 28% of total turnover. Nanjing ranked second in turnover with large scale delivery of R&F City which increased its turnover to RMB1.48 billion, equivalent to 18% of total. Tianjin's turnover ranked third dropping to RMB1.18 billion in the period. These top three cities ranked by turnover in the period, Beijing, Nanjing and Tianjin, together accounted for 60% of total turnover as compared to 57% from the top three cities (Beijing, Guangzhou and Tianjin) in the previous period. The remaining 40% of turnover for this period was contributed by the other nine cities in which the Group operated, the more significant of which were Chongqing, Huizhou, Taiyuan and Hainan contributed approximately 8% to 4% each.

   The following is the summary of turnover by city:

| **City** | **Amount of turnover (in RMB million)** | **Saleable area sold (sq.m.)** | **Avg. Selling Price (RMB/sq.m.)** |
|---|---:|---:|---:|
| Beijing | 2,355 | 237,300 | 9,900 |
| Nanjing | 1,477 | 101,200 | 14,600 |
| Tianjin | 1,184 | 70,800 | 16,700 |
| Guangzhou | 897 | 100,400 | 8,900 |
| Chongqing | 690 | 114,300 | 6,000 |
| Hainan | 543 | 43,700 | 12,400 |
| Taiyuan | 378 | 45,100 | 8,400 |
| Huizhou | 346 | 39,300 | 8,800 |
| Shanghai | 317 | 32,500 | 9,800 |
| Chengdu | 83 | 13,200 | 6,300 |
| Datong | 61 | 14,200 | 4,300 |
| Xian | 38 | 2,500 | 15,500 |
| Total | 8,369 | 814,500 | 10,300 |

2. Cost of goods sold was made up of land and construction costs, capitalized interest, and sales tax. For the current period, land and construction costs made up 85% of the Group's total costs, as compared to 87% in the prior period. In terms of costs per sq.m., land and construction costs increased to RMB5,630 from RMB5,000 in the previous period. A main reason for this increase was that, compared to the previous period, a smaller portion of the period's total turnover came from delivery of rigid-demand type of properties with lower land or construction costs. Capitalized interest included in the period's cost of sales amounted to RMB314 million, a figure representing approximately 5.8% of total costs, up from RMB192 million and 3.4% for the previous period. As a percentage of turnover from sale of properties, capitalized interest increased from 2.1% to 3.7%. The cost of goods sold also included RMB494 million in business tax, making up 9.2% of costs.

3. Overall gross margin for the period was 35.5%, as compared to 38.2% in the same period in 2013. This change is more the effect of sale mix rather than the effect of price trend. There were ten projects with sales directly comparable to those in the previous period and they were evenly split between projects with increased gross margin and projects with reduced gross margin. The group of projects with better gross margin had been due to higher average selling price and included the most significant projects for the period, Tianjin R&F Jinmen Lake and Nanjing R&F City, indicating that the reduction in gross margin was not due to price change. On the other hand, project with above average gross margin such as Guangzhou R&F Jingang City which was significant in the previous period was not significant in the sale mix in the period and affected overall gross margin.

4. Other gains were mainly the result of interest income, which increased in line with higher average cash on hand.

5. Selling and administrative expenses for the period increased by 42% or RMB366 million, to RMB1,234 million. This increase was in line with the expanded selling and marketing activities and the further build-up of the operating organization to achieve the contracted sales target for the year which increased by 42% over actual contracted sales for 2013. Selling and administrative expenses as a percentage of turnover temporarily increased to 14.7% from 9.6% due to concentration of the year's planned delivery and therefore turnover in the second half of the year. With expenses stable while turnover significantly increase in the second half year, selling and administrative expenses as a percentage of turnover will normalize.

6. Finance costs decreased by 21% to RMB732 million (1H 2013: RMB928 million), and were made up of the interest expenses incurred in the period after deduction of the amount capitalized to development costs. Total interest expenses for the period increased by RMB1.16 billion to RMB2.96 billion, equivalent to an increase of 64%. This increase was approximately proportional to the increase in average outstanding borrowings in the period which arose by 65% to approximately RMB69.8 billion, from RMB42.4 billion. Of the interest incurred, the amount capitalized for the period was RMB2.23 billion (1H 2013: RMB875 million). Together with previously capitalized interest released to cost of goods sold which amounted to RMB314 million for the period (1H 2013: RMB192 million), aggregate interest costs included in this period's results amounted to RMB1.05 billion (1H 2013: RMB1.12 billion).

7. The share of result of associates was mainly derived from the Group's 20% share in the Guangzhou Asian Games City project. The share of results of joint ventures were mainly 25% interest in Tianjin Jinnan New Town project and 50% in Shanghai New Jiangwan project. These three projects mentioned had a combined turnover of RMB2.1 billion in the period.

8. Land appreciation tax (LAT) of RMB325 million (1H 2013: RMB450 million) and enterprise income tax of RMB351 million brought the Group's total income tax expenses for the period to RMB676 million. As a percentage of turnover, LAT decreased to 3.9% from 5.0% for the same period in 2013. This decrease reflected the lower gross margin in the period. The effective enterprise income tax rate was 31% (1H 2013: 29%).

9. Overall, the Group's net profit margin for the period was 16.1%, as compared to 14.4% in the previous period. The net profit margin of the core property development dropped to 9.4% due to change in gross margin and selling and administrative expenses, but overall net profit margin was maintained due to significant revaluation gain from investment properties in the period.

**Financial resources and liquidity**

At 30 June 2014, total cash including amounts restricted for specified usage was RMB24.50 billion (31 December 2013: RMB24.34 billion). Cash remained steady in the period. With total borrowings at the end of the period amounted to RMB68.66 billion (31 December 2013: RMB61.45 billion), net debt increased to RMB44.16 billion from RMB37.11 billion at 31 December 2013. Net debt to total equity ratio decreased to 92.3% at 30 June 2014 from 110.8% at 31 December 2013.

During the six months ended 30 June 2014, new bank borrowings of RMB6.42 billion have been procured at interest rate ranging from 6% to 7.5325% while bank borrowings repaid amounted to RMB5.70 billion. The effective interest rate of the total bank borrowings portfolio at 30 June 2014 was 6.83% (31 December 2013: 6.66%). Other than a RMB5.5 billion domestic bond which carries fixed interest at 7.15% per annum, an offshore USD388 million 10.875% notes, an offshore USD600 million 8.75% notes and an offshore USD1 billion 8.50% notes, most of the other borrowings were in RMB and at floating interest rate bench marked to rates published by the People's Bank of China. The Group considered the RMB interest rate environment relatively stable and with the Group's borrowings substantially in RMB that matched income and assets predominantly in RMB, the Group did not consider it necessary to hedge either its interest rate or currency exposure.

**Charge on assets**

As at 30 June 2014, certain properties and bank deposits were pledged to secure bank and other borrowings amounted to RMB44.87 billion (31 December 2013: RMB41.29 billion).

**Contingent liabilities**

The Group provided guarantees in respect of bank mortgage loans taken out by purchasers of the Group's sale properties. For guarantees provided in respect of residential properties, the guarantees would be released upon the issuance of real estate ownership certificate of the properties concerned. As at 30 June 2014, such guarantees totalled RMB16.63 billion which increased 1.2% from RMB16.43 billion as at 31 December 2013. In addition, as at 30 June 2014, RMB3.26 billion (31 December 2013: RMB2.75 billion) in guarantee were provided to the Group's joint ventures and associate for their borrowings.

**Employee and remuneration policies**

As of 30 June 2014, the Group had approximately 25,117 employees (30 June 2013: 19,439). The Group provides competitive remuneration, including fringe benefits such as one-off discount on purchase of properties developed by the Group, and employees are rewarded on a performance basis within the general framework of the Group's salary and bonus system. Job-related training is also provided from time to time.

# OTHER INFORMATION

## REVIEW OF INTERIM RESULTS

The audit committee has reviewed the unaudited interim results of the Company for six months ended 30 June 2014. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## SHARE CAPITAL

The shareholding structure of the Company as at 30 June 2014 was as follows:

| Class of shares | No. of shares | Percentage |
|---|---|---|
| Domestic shares | 2,207,108,944 | 68.5% |
| H shares | 1,015,258,400 | 31.5% |
| Total | 3,222,367,344 | 100.0% |

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the following persons (other than the directors, supervisor and chief executive officer of the Company) held 5% or more interests or short position in the shares and underlying shares of the Company as recorded in the register as required to be kept under section 336 of the Securities and Futures Ordinance ("SFO"):

| Name of shareholder | Type of share | No. of shares (Note) | Percentage of H shares |
|---|---|---|---|
| JPMorgan Chase & Co. | H share | 88,002,940 (L) | 8.66% |
| | | 13,214,560 (S) | 1.30% |
| | | 41,364,705 (P) | 4.07% |
| Blackrock, Inc | H share | 64,816,985 (L) | 6.38% |
| | | 445,600 (S) | 0.04% |
| EII Capital Holding, Inc. (Formerly known as European Investors Holding Company, Inc.) | H share | 59,968,100 (L) | 5.91% |
| Lange Christian | H share | 59,968,100 (L) | 5.91% |
| Commonweath Bank of Australia | H share | 53,233,212 (L) | 5.24% |
| | | 5,067,768 (S) | 0.49% |
| Citigroup Inc. | H share | 53,109,068 (L) | 5.23% |
| | | 10,562,377 (S) | 1.04% |
| | | 41,045,677 (P) | 4.04% |
| Lehman Brothers Holdings Inc. | H share | 51,049,240 (L) | 5.03% |
| | | 67,663,183 (S) | 6.66% |

Note: The letters "L", "S" and "P" denote a long position, a short position and lending pool in the shares respectively.

## DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2014, the interests and short positions of the directors and supervisors of the Company in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be entered into the register kept by the Company under Section 352 of Part XV of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

**Long positions in the shares, underlying shares and debentures of the Company as at 30 June 2014 were as follows:**

| | | Number of Shares | | | | Percentage of the total number of issued shares |
|---|---|---|---|---|---|---|
| Director/ Supervisor | Nature of Interest | Personal | Spouse or child under 18 | Corporate Interest | Total | |
| Li Sze Lim | Domestic share | 1,045,092,672 | | | | |
| | H share | 25,000,000 | 5,000,000 | | 1,075,092,672 | 33.36% |
| Zhang Li | Domestic share | 1,005,092,672 | 20,000,000 | | | |
| | H share | 6,632,800 | | | 1,031,725,472 | 32.02% |
| Lu Jing | Domestic share | 35,078,352 | | | 35,078,352 | 1.09% |
| Zhou Yaonan | Domestic share | 22,922,624 | | | 22,922,624 | 0.71% |
| Li Helen | H share | 1,003,600 | | | 1,003,600 | 0.03% |
| Zheng Ercheng | H share | 260,280 | | | 260,280 | 0.008% |
| Chen Liangnuan | Domestic share | 20,000,000 | | | 20,000,000 | 0.62% |

**Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO)**

| Director | Name of associated corporation | Type | No. of shares | Percentage of total issued capital |
|---|---|---|---|---|
| Li Sze Lim | Guangzhou Tianfu Property Development Co., Ltd. (Note 1) | Corporate | N/A | 7.5% |
| | Beijing Fushengli Investment Consulting Co., Ltd. (Note 2) | Corporate | N/A | 35% |
| Zhang Li | Guangzhou Tianfu Property Development Co., Ltd. (Note 1) | Corporate | N/A | 7.5% |
| | Beijing Fushengli Investment Consulting Co., Ltd. (Note 2) | Corporate | N/A | 35% |

Note 1: Guangzhou Tianfu Property Development Co., Ltd. is 15% owned by Century Land Properties Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

Note 2: Beijing Fushengli Investment Consulting Co., Ltd. is 70% owned by Well Bright International Limited, which is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The following two agreements include a condition imposing specific performance obligations on Mr. Li Sze Lim ("Mr. Li"), a controlling shareholder of the Company who is interested in approximately 33.36% of the issued share capital of the Company as at 30 June 2014:

1. An agreement for a bank borrowing of RMB1.0 billion dated 21 May 2013 entered into by Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. (天津津南新城房地產開發有限公司), owned as to 25% by the Group. This loan will be fully repaid in May 2016; and

2. An agreement for a bank borrowing of HK$2.7 billion dated 10 October 2013 entered into by Charm Talent Limited, owned as to 25% by the Group. This borrowing will be fully repaid in October 2016.

For each of the above borrowings, it will be an event of default in the event that Mr. Li ceases to hold directly or indirectly an aggregate beneficial ownership of not less than 30% in the shares of and interests in the Company and in such event (amongst other things), the agreements may be terminated by the lenders and the borrowings may become due and repayable.

## BOARD COMPOSITION AND PRACTICE

The Board of the Company consists of nine members, including four executive directors, Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin (the sister of Mr. Zhang Li) and Ms. Li Helen (the sister of Mr. Li Sze Lim); and three independent non-executive directors, Mr. Huang Kaiwen, Mr. Dai Feng (resigned on 28 February 2014), Mr. Lai Ming, Joseph and Mr. Zheng Ercheng (appointed on 30 May 2014). Save as disclosed, there is no business or other relationship among members of the Board, and in particular between the chairman and the chief executive officer of the Company. The structure, size and composition of the Board will be reviewed from time to time to ensure that the Board retains a mix of balanced skills and expertise to provide effective leadership of the Company.

All directors have entered into letters of appointment with the Company for a specific terms of three years. All directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association of the Company ("Articles of Association").

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have offered sufficient time and effort to serve the business affairs of the Company. All non-executive and independent non-executive directors possess appropriate academic and professional qualifications and related management experience and have contribute to the Board with their professional advice. Pursuant to the requirement of Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualification in accounting and financial management. All independent non-executive directors have confirmed their independence of the Company.

The notice of Board meeting, as stipulated under Article 97 of the Articles of Association, will be given to all directors at least 10 days prior to the date of meeting. All directors are given opportunities to include any matters to be discussed in the agenda. The company secretary is responsible to the Board for ensuring that all board procedures are followed, and detailed minutes of the Board meetings are prepared, circulated and approved. The company secretary is also responsible for the Company's compliance with the continuing obligations of the Listing Rules, Code on Takeovers and Mergers and Share Repurchases, Company Ordinance, SFO and other applicable laws, rules and regulations.

The Company continuously updates all directors on its latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

The positions of the chairman and the chief executive officer are held by separate individuals with the view to maintaining an effective segregation of duties.

## DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") as the code of conduct for directors in their dealings in the Company's securities. The Company made specific enquires with each director, and each of them confirmed that he or she had complied with the Model Code during the six months ended 30 June 2014.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Except for from 28 February 2014 to 30 May 2014, the number of independent non-executive directors fell below the minimum number required by the Listing Rules due to the resignation as an independent non-executive director of Mr. Dai Feng on 28 February 2014, the Company complied strictly with the rules and principles set out under the Code on Corporate Governance Practices as stated in the Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014. The number of independent non-executive directors met the requirement of the Listing Rules as from 30 May 2014 upon the appointment of Mr. Zheng Ercheng.

## AUDIT COMMITTEE

The audit committee of the Company has been set up with terms of reference in accordance with Appendix 14 of the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationship with external auditors, the Company's financial reporting, the internal control and risk management system. There were no disagreements from the audit committee or the external auditors on the accounting policies adopted by the Company.

The audit committee comprises Mr. Lai Ming, Joseph (Chairman of the audit committee) and Mr. Zheng Ercheng (Appointed on 30 May 2014) who are independent non-executive directors of the Company and Ms. Helen Li who is a non-executive director of the Company. The audit committee has reviewed the unaudited interim results of the Company for six months ended 30 June 2014. The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## REMUNERATION COMMITTEE

The remuneration committee of the Company has been set up with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises Mr. Zheng Ercheng (Chairman of the remuneration committee), Mr. Li Sze Lim and Mr. Huang Kaiwen. The principal responsibilities of the remuneration committee include the reviewing and making of recommendation to the Board on the Company's policies, structure and specific remuneration packages of directors and senior management of the Company.

The remuneration committee has reviewed the compensation payable to all directors and senior managers in accordance with the contractual terms and that such compensation is fair and not excessive to the Company.

## NOMINATION COMMITTEE

The nomination committee has been established on 20 March 2012 with written terms of reference. The committee comprised three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Lai Ming, Joseph and Mr. Zheng Ercheng. Mr. Li Sze Lim is chairman of the committee.

The nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implements the policy approved by the Board. Specific responsibilities include, among others, review the structure, size and composition of the Board, identify and nominate candidates to fill causal vacancies of directors, review the time required from directors to perform their duties and make recommendation to the Board in respect of succession planning.

## SHAREHOLDERS RELATION

The Company has established different communication channels with its shareholders. Apart from annual and special general meetings; annual reports, interim reports, circulars and announcement as required under the Listing Rules, shareholders are encouraged to visit the web-site of the Company which is updated with the most recent key information of the Group. The Company also holds regular press conferences and briefing meetings with analysts.

# INTERIM CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | **Unaudited 30 June 2014** | Audited 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 7 | **1,135,852** | 1,098,345 |
| Property, plant and equipment | 7 | **6,777,059** | 6,566,671 |
| Investment properties | 7 | **17,458,950** | 15,888,187 |
| Intangible assets | 7 | **986,854** | 897,836 |
| Interests in joint ventures | 8 | **4,239,784** | 4,258,931 |
| Interests in associates | 9 | **109,355** | 122,600 |
| Deferred income tax assets | | **3,497,909** | 3,217,888 |
| Available-for-sale financial assets | | **303,900** | 281,400 |
| Trade and other receivables and prepayments | 10 | **1,539,916** | 1,450,024 |
| | | **36,049,579** | 33,781,882 |
| **Current assets** | | | |
| Properties under development | | **78,292,797** | 56,111,099 |
| Completed properties held for sale | | **13,222,363** | 10,992,876 |
| Inventories | | **352,567** | 297,920 |
| Trade and other receivables and prepayments | 10 | **11,433,638** | 13,162,768 |
| Tax prepayments | | **2,644,421** | 1,656,242 |
| Restricted cash | 11 | **7,815,048** | 6,622,173 |
| Cash and cash equivalents | | **16,685,836** | 17,722,162 |
| | | **130,446,670** | 106,565,240 |
| **Total assets** | | **166,496,249** | 140,347,122 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 12 | **805,592** | 805,592 |
| Other reserves | | **4,355,016** | 4,344,253 |
| Shares held for Share Award Scheme | 13 | **(128,711)** | (172,563) |
| Retained earnings | | | |
| – Proposed dividends | 21 | **–** | 1,596,859 |
| – Others | | **26,597,101** | 25,532,695 |
| | | **31,628,998** | 32,106,836 |
| **Perpetual capital instruments** | 14 | **15,643,781** | 1,000,000 |
| **Non-controlling interests** | | **569,292** | 375,207 |
| **Total equity** | | **47,842,071** | 33,482,043 |

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | **Unaudited 30 June 2014** | Audited 31 December 2013 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | 15 | **50,707,775** | 43,352,514 |
| Accruals and other payables | 16 | **440,353** | 596,257 |
| Deferred income tax liabilities | | **3,840,271** | 3,589,702 |
| | | **54,988,399** | 47,538,473 |
| **Current liabilities** | | | |
| Accruals and other payables | 16 | **15,605,871** | 17,781,734 |
| Deposits received on sale of properties | | **21,582,080** | 13,777,892 |
| Current income tax liabilities | | **8,526,978** | 9,671,667 |
| Short-term borrowings | 15 | **2,567,000** | 2,549,535 |
| Current portion of long-term borrowings | 15 | **15,383,850** | 15,545,778 |
| | | **63,665,779** | 59,326,606 |
| **Total liabilities** | | **118,654,178** | 106,865,079 |
| **Total equity and liabilities** | | **166,496,249** | 140,347,122 |
| **Net current assets** | | **66,780,891** | 47,238,634 |
| **Total assets less current liabilities** | | **102,830,470** | 81,020,516 |

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Unaudited<br>Six months ended 30 June<br>2014 | 2013 |
|---|---|---|---|
| Revenue | 6 | **9,822,432** | 10,190,635 |
| Cost of sales | | **(6,490,438)** | (6,499,791) |
| **Gross profit** | | **3,331,994** | 3,690,844 |
| Other gains – net | 17 | **1,287,079** | 512,645 |
| Selling and marketing costs | | **(344,586)** | (238,941) |
| Administrative expenses | | **(1,058,157)** | (760,538) |
| Other operating income | | **83,141** | 50,712 |
| **Operating profit** | 18 | **3,299,471** | 3,254,722 |
| Finance costs | 19 | **(731,762)** | (927,838) |
| Share of results of joint ventures | | **14,961** | 216,858 |
| Share of results of associates | | **(14,614)** | (30,613) |
| **Profit before income tax** | | **2,568,056** | 2,513,129 |
| Income tax expenses | 20 | **(983,825)** | (1,050,744) |
| **Profit for the period** | | **1,584,231** | 1,462,385 |
| **Profit/(loss) attributable to:** | | | |
| – Owners of the Company | | **1,068,046** | 1,449,502 |
| – Holders of perpetual capital instruments | | **522,377** | – |
| – Non-controlling interests | | **(6,192)** | 12,883 |
| | | **1,584,231** | 1,462,385 |
| **Basic and diluted earnings per share for profit attributable to owners of the Company** (expressed in RMB Yuan per share) | | **0.3336** | 0.4538 |

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

| | | Unaudited<br>Six months ended 30 June<br>2014 | 2013 |
|---|---|---|---|
| **Dividends** | 21 | **–** | 383,324 |

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Note | Unaudited<br>Six months ended 30 June<br>2014 | <br><br>2013 |
|---|---|---|---|
| **Profit for the period** | | **1,584,231** | 1,462,385 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| – Currency translation differences | | **(544)** | – |
| **Total comprehensive income for the period** | | **1,583,687** | 1,462,385 |
| **Total comprehensive income/(loss) for the period attributable to:** | | | |
| – Owners of the Company | | **1,067,502** | 1,449,502 |
| – Holders of perpetual capital instruments | 14 | **522,377** | – |
| – Non-controlling interests | | **(6,192)** | 12,883 |
| | | **1,583,687** | 1,462,385 |

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | |
| | Share capital | Shares held for Share Award Scheme | Other reserves | Retained earnings | Total | Perpetual capital instruments | Non-controlling interests | Total equity |
| **Balance at 1 January 2014** | 805,592 | (172,563) | 4,344,253 | 27,129,554 | 32,106,836 | 1,000,000 | 375,207 | 33,482,043 |
| **Total comprehensive income for the period ended 30 June 2014** | – | – | (544) | 1,068,046 | 1,067,502 | 522,377 | (6,192) | 1,583,687 |
| **Transactions with owners** | | | | | | | | |
| Decrease in ownership interests in a subsidiary without change of control | – | – | – | – | – | – | 200,277 | 200,277 |
| Dividends (Note 21) | – | – | – | (1,600,499) | (1,600,499) | – | – | (1,600,499) |
| Disposals of shares held for Share Award Scheme (Note 13) | – | 43,852 | 11,307 | – | 55,159 | – | – | 55,159 |
| Issuance of perpetual capital instruments (Note 14) | – | – | – | – | – | 14,543,912 | – | 14,543,912 |
| Distributions to holders of perpetual capital instruments (Note 14) | – | – | – | – | – | (422,508) | – | (422,508) |
| **Total transactions with owners** | – | 43,852 | 11,307 | (1,600,499) | (1,545,340) | 14,121,404 | 200,277 | 12,776,341 |
| **Balance at 30 June 2014** | 805,592 | (128,711) | 4,355,016 | 26,597,101 | 31,628,998 | 15,643,781 | 569,292 | 47,842,071 |
| **Balance at 1 January 2013** | 805,592 | (167,364) | 4,351,603 | 21,476,124 | 26,465,955 | – | 363,919 | 26,829,874 |
| **Total comprehensive income for the period ended 30 June 2013** | – | – | – | 1,449,502 | 1,449,502 | – | 12,883 | 1,462,385 |
| **Transactions with owners** | | | | | | | | |
| Disposal of a subsidiary | – | – | – | – | – | – | (500) | (500) |
| Dividends | – | – | – | (1,597,184) | (1,597,184) | – | – | (1,597,184) |
| **Total transactions with owners** | – | – | – | (1,597,184) | (1,597,184) | – | (500) | (1,597,684) |
| **Balance at 30 June 2013** | 805,592 | (167,364) | 4,351,603 | 21,328,442 | 26,318,273 | – | 376,302 | 26,694,575 |

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| **Cash flows from operating activities** | | |
| – Cash (used in)/generated from operations | **(16,267,528)** | 1,738,368 |
| – Interest paid | **(2,239,375)** | (1,746,495) |
| – Enterprise income tax and land appreciation tax paid | **(2,654,086)** | (2,079,242) |
| **Cash flows from operating activities – net** | **(21,160,989)** | (2,087,369) |
| **Cash flows from investing activities** | | |
| – Purchases of property, plant and equipment and land use rights | **(189,922)** | (291,662) |
| – Purchases of intangible assets | **(112,991)** | (35,505) |
| – Proceeds on disposals of property, plant and equipment | **14,412** | 435 |
| – Proceeds on disposals of investment properties | **–** | 983 |
| – Investments in available-for-sale financial instruments | **(22,500)** | – |
| – Investments in joint ventures | **–** | (127,812) |
| – Cash advanced to joint ventures and associates | **(433,622)** | (568,620) |
| – Interest received | **94,379** | 69,392 |
| **Cash flows from investing activities – net** | **(650,244)** | (952,789) |
| **Cash flows from financing activities** | | |
| – Proceeds from borrowings, net of transaction costs | **15,849,968** | 15,185,691 |
| – Net proceeds from issuance of perpetual capital instruments | **14,543,912** | – |
| – Repayments of borrowings | **(8,810,478)** | (5,461,818) |
| – Repayments of finance lease liabilities | **(25,111)** | (25,111) |
| – Decrease/(increase) in guarantee deposits for borrowing | **1,009,521** | (118,830) |
| – Proceeds from disposals of shares held for Share Award Scheme | **58,928** | – |
| – Proceeds on disposal of equity interests in a subsidiary | **200,277** | – |
| – Distributions paid to holders of perpetual capital instruments | **(422,508)** | – |
| – Dividends paid to owners of the Company | **(1,652,628)** | (442,867) |
| **Cash flows from financing activities – net** | **20,751,881** | 9,137,065 |
| **Net (decrease)/increase in cash and cash equivalents** | **(1,059,352)** | 6,096,907 |
| Exchange gains on cash and cash equivalents | **23,026** | – |
| Cash and cash equivalents at beginning of period | **17,722,162** | 7,026,092 |
| **Cash and cash equivalents at end of period** | **16,685,836** | 13,122,999 |

The notes on pages 24 to 52 form an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

## 1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") mainly engages in the development and sale of properties, property investment, hotel operations and other property development related service in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 26 August 2014.

This condensed consolidated interim financial information has been reviewed, not audited.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## 3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

### (a) New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2014.

| Standards/Interpretations | Subject of amendment |
|---|---|
| Amendments to HKAS32 | Offsetting financial assets and financial liabilities |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Consolidation for investment entities |
| Amendment to HKAS 36 | Recoverable amount disclosures |
| Amendment to HKAS 39 | Novation of derivatives |
| HK(IFRIC) – Int 21 | Levies |

The adoption of the above new and amended standards and interpretations did not have any material impact on the Interim Financial Information except for disclosure.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 3. ACCOUNTING POLICIES (continued)

### (b) New and amended standards that have been issued and are effective for periods commencing after 1 July 2014 and have not been early adopted by the Group

| Standards | Subject of amendment | Effective for annual periods beginning on or after |
|---|---|---|
| Amendment to HKAS 19 | Defined benefit plans | 1 July 2014 |
| Annual improvements 2012 | Annual improvements 2010-2012 cycle | 1 July 2014 |
| Annual improvements 2013 | Annual improvements 2011-2013 cycle | 1 July 2014 |
| HKFRS 14 | Regulatory deferral accounts | 1 January 2016 |
| Amendment to HKFRS 11 | Accounting for acquisitions of interests in joint operation | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| HKFRS 9 | Financial instruments | 1 January 2018 |

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

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

## 4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, 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.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department or in any risk management policies since 31 December 2013.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **At 30 June 2014** | | | | | |
| Borrowings (excluding finance lease liabilities) (Note (1)) | **22,827,802** | **24,842,396** | **25,995,468** | **9,478,194** | **83,143,860** |
| Finance lease liabilities | **50,222** | **50,222** | **37,668** | **–** | **138,112** |
| Accruals and other payables (excluding statutory liabilities) | **15,300,656** | **440,353** | **–** | **–** | **15,741,009** |
| Guarantees in respect of borrowings of joint ventures and an associate | **1,332,593** | **520,478** | **1,871,471** | **–** | **3,724,542** |
| **At 31 December 2013** | | | | | |
| Borrowings (excluding finance lease liabilities) (Note (1)) | 22,585,534 | 21,897,481 | 20,263,899 | 8,673,464 | 73,420,378 |
| Finance lease liabilities | 50,222 | 50,222 | 62,779 | – | 163,223 |
| Accruals and other payables (excluding statutory liabilities) | 16,707,975 | 425,036 | 171,221 | – | 17,304,232 |
| Guarantees in respect of borrowings of joint ventures and an associate | 1,301,374 | 844,974 | 883,219 | – | 3,029,567 |

Note:

(1) Interest on borrowings is calculated on borrowings held as at 30 June 2014 and 31 December 2013 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2014 and 31 December 2013 respectively.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.3 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 equity holders 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 will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

The gearing ratio is calculated as follows:

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| Total borrowings (Note 15) | **68,658,625** | 61,447,827 |
| Less: Cash and cash equivalents | **(16,685,836)** | (17,722,162) |
| Restricted cash | **(7,815,048)** | (6,622,173) |
| Net debt | **44,157,741** | 37,103,492 |
| Total equity | **47,842,071** | 33,482,043 |
| Gearing ratio | **92.3%** | 110.8% |

### 5.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

As at 30 June 2014 and 31 December 2013, the Group's financial assets that are measured at fair value are available-for-sale financial assets.

There were no transfers between Levels 1, Levels 2 and Levels 3 and no changes in valuation techniques during this period.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 5.4 Fair value estimation (continued)

**Level 3 financial instruments**

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| **Available-for-sale financial assets** | | |
| Opening balance | **281,400** | – |
| Additions | **22,500** | 22,500 |
| Transfers from Level 2 | **–** | 224,000 |
| Closing balance | **303,900** | 246,500 |

### 5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair values and carrying amounts of borrowings are as follows:

| | **30 June 2014** | | 31 December 2013 | |
|---|---|---|---|---|
| | **Fair value** | **Carrying amount** | Fair value | Carrying amount |
| Non-current | **17,396,771** | **16,594,722** | 11,530,725 | 10,514,355 |
| Current | **6,602,562** | **6,543,820** | 9,866,741 | 9,698,358 |
| | **23,999,333** | **23,138,542** | 21,397,466 | 20,212,713 |

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Restricted cash
- Cash and cash equivalents
- Accruals and other payables

(All amounts in RMB Yuan thousands unless otherwise stated)

## 6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2014 and 2013 are as follows:

| | Property development | Property investment | Hotel operations | All other segments | Group |
|---|---|---|---|---|---|
| **Six months ended 30 June 2014** | | | | | |
| Segment revenue | 8,368,948 | 439,586 | 534,488 | 527,884 | 9,870,906 |
| Inter-segment revenue | – | (26,270) | (20,659) | (1,545) | (48,474) |
| **Revenue from external customers** | 8,368,948 | 413,316 | 513,829 | 526,339 | 9,822,432 |
| **Profit/(loss) for the period** | 787,884 | 1,084,469 | (148,089) | (140,033) | 1,584,231 |
| Finance costs | (468,540) | (66,343) | (162,717) | (34,162) | (731,762) |
| Share of results of joint ventures | 14,961 | – | – | – | 14,961 |
| Share of results of associates | (14,306) | – | – | (308) | (14,614) |
| Income tax (expenses)/credits | (675,857) | (361,489) | 49,363 | 4,158 | (983,825) |
| Depreciation and amortisation | (135,958) | – | (82,280) | (26,777) | (245,015) |
| (Allowance for)/reversal of impairment losses | (870) | (1,764) | 134 | (94) | (2,594) |
| Fair value gains on investment properties | – | 1,172,864 | – | – | 1,172,864 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 6. SEGMENT INFORMATION (continued)

| | Property development | Property investment | Hotel operations | All other segments | Group |
|---|---|---|---|---|---|
| **Six months ended 30 June 2013** | | | | | |
| Segment revenue | 9,015,968 | 364,820 | 439,288 | 426,724 | 10,246,800 |
| Inter-segment revenue | – | (26,270) | (27,391) | (2,504) | (56,165) |
| **Revenue from external customers** | 9,015,968 | 338,550 | 411,897 | 424,220 | 10,190,635 |
| **Profit/(loss) for the period** | 1,255,688 | 461,730 | (111,623) | (143,410) | 1,462,385 |
| Finance costs | (665,965) | (76,625) | (123,419) | (61,829) | (927,838) |
| Share of results of joint ventures | 216,858 | – | – | – | 216,858 |
| Share of results of associates | (28,901) | – | – | (1,712) | (30,613) |
| Income tax (expenses)/credit | (979,346) | (153,891) | 37,207 | 45,286 | (1,050,744) |
| Depreciation and amortisation | (73,315) | – | (79,584) | (17,028) | (169,927) |
| Goodwill disposed for sales of properties (Note 7) | (8,362) | – | – | – | (8,362) |
| (Allowance for)/reversal of impairment losses | (2,073) | – | 74 | (1,184) | (3,183) |
| Fair value gains on investment properties | – | 430,627 | – | – | 430,627 |

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated income statement.

| | **Property development** | **Property investment** | **Hotel operations** | **All other segments** | **Group** |
|---|---|---|---|---|---|
| **As at 30 June 2014** | | | | | |
| **Segment assets** | **139,088,102** | **17,458,950** | **5,363,318** | **784,070** | **162,694,440** |
| Segment assets include: | | | | | |
| Interests in joint ventures | **4,239,784** | **–** | **–** | **–** | **4,239,784** |
| Interests in associates | **58,103** | **–** | **–** | **51,252** | **109,355** |
| **Segment liabilities** | **37,088,193** | **–** | **82,694** | **457,417** | **37,628,304** |
| **As at 31 December 2013** | | | | | |
| **Segment assets** | 115,052,178 | 15,888,187 | 5,273,055 | 634,414 | 136,847,834 |
| Segment assets include: | | | | | |
| Interests in joint ventures | 4,258,931 | – | – | – | 4,258,931 |
| Interests in associates | 71,040 | – | – | 51,560 | 122,600 |
| **Segment liabilities** | 31,490,566 | – | 121,936 | 543,381 | 32,155,883 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 6. SEGMENT INFORMATION (continued)

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Deferred income tax assets and available-for-sale financial assets held by the Group are not considered to be segment assets but rather are managed on a central basis.

**Reportable segments' assets are reconciled to total assets as follows:**

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| Segment assets for reportable segments | **162,694,440** | 136,847,834 |
| Deferred income tax assets | **3,497,909** | 3,217,888 |
| Available-for-sale financial assets | **303,900** | 281,400 |
| **Total assets per balance sheet** | **166,496,249** | 140,347,122 |

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed on a central basis.

**Reportable segments' liabilities are reconciled to total liabilities as follows:**

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| Segment liabilities for reportable segments | **37,628,304** | 32,155,883 |
| Deferred income tax liabilities | **3,840,271** | 3,589,702 |
| Current income tax liabilities | **8,526,978** | 9,671,667 |
| Current borrowings | **17,950,850** | 18,095,313 |
| Non-current borrowings | **50,707,775** | 43,352,514 |
| **Total liabilities per balance sheet** | **118,654,178** | 106,865,079 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 7. CAPITAL EXPENDITURE

| | Intangible assets | Investment properties | Property, plant and equipment: Owned assets | Property, plant and equipment: Assets acquired under finance lease | Land use rights |
|---|---|---|---|---|---|
| **Six months ended 30 June 2014** | | | | | |
| **At 1 January 2014** | 897,836 | 15,888,187 | 6,213,251 | 353,420 | 1,098,345 |
| Additions | 112,991 | 397,899 | 198,004 | – | 613 |
| Transfers from properties under development | – | – | 244,076 | – | 58,668 |
| Transfers to properties under development | – | – | (8,641) | – | – |
| Disposals | – | – | (15,088) | – | – |
| Fair value gains (included in other gains – net) | – | 1,172,864 | – | – | – |
| Depreciation and amortisation | (23,973) | – | (195,392) | (12,571) | (21,774) |
| **At 30 June 2014** | 986,854 | 17,458,950 | 6,436,210 | 340,849 | 1,135,852 |
| **Six months ended 30 June 2013** | | | | | |
| **At 1 January 2013** | 897,797 | 13,347,220 | 5,110,637 | 378,563 | 850,398 |
| Additions | 35,505 | – | 287,573 | – | 4,089 |
| Transfers from properties under development | – | – | 107,680 | – | 273,917 |
| Transfers to properties under development | – | – | (16,251) | – | (25,598) |
| Disposals | – | (577) | (480) | – | – |
| Fair value gains (included in other gains – net) | – | 430,627 | – | – | – |
| Goodwill disposed for sales of properties, charged to cost of sales | (8,362) | – | – | – | – |
| Depreciation and amortisation | (16,441) | – | (131,969) | (12,571) | (12,316) |
| **At 30 June 2013** | 908,499 | 13,777,270 | 5,357,190 | 365,992 | 1,090,490 |

### (a) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent, professionally qualified valuers to determine the fair values of the investment properties as at 30 June 2014, 30 June 2013 and 31 December 2013. The fair value gains or losses are included in "other gains – net" (Note 17).

As at 30 June 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

### (b) Valuation processes of the Group

Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the timing of Group's interim and annual reporting.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 7. CAPITAL EXPENDITURE (continued)

### (c) Valuation techniques

For completed office and retail buildings, valuations are based on the term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting the term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison method. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, which are the main unobservable inputs. The higher the market price, the higher the fair value.

For investment properties under construction, the Group has valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development plans. Valuations are based on residual method, which is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

There were no changes to the valuation techniques during the period.

### (d) Information about fair value measurements using significant unobservable inputs (level 3)

- Term yield, revisionary yield and market rent

  For completed investment properties, increase in term yield and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

- Budgeted construction costs to be incurred, developer's profit margin and discount rate

  For investment properties under construction, increase in budgeted construction costs to be incurred may result in decrease in fair value. Increase in the developer's profit may result in decrease in fair value. Increase in discount rate may result in lower fair value.

## 8. INTERESTS IN JOINT VENTURES

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **4,258,931** | 3,795,093 |
| Additions | **–** | 127,812 |
| Acquisition of remaining equity interests in a joint venture (Note (a)) | **(34,108)** | (216,795) |
| Share of results | **14,961** | 216,858 |
| Elimination of unrealised profits | **–** | (2,228) |
| At 30 June | **4,239,784** | 3,920,740 |

(a) The Group acquired the remaining interests in Value Success Investments Limited ("Value Success") during the period, making it a wholly-owned subsidiary of the Group.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 9. INTERESTS IN ASSOCIATES

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **122,600** | 179,843 |
| Share of results | **(13,245)** | (27,033) |
| At 30 June | **109,355** | 152,810 |

(a) According to the revised payment schedule of the land premium of the property development project of 廣州利合房地產開發有限公司 ("廣州利合", an associate of the Group), the remaining land premium RMB3,200,000,000 will become due and payable in November 2014.

## 10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| Trade receivables | | |
| – Due from a joint venture (Note 25(i)) | **–** | 105,214 |
| – Due from third parties | **3,266,932** | 4,535,155 |
| | **3,266,932** | 4,640,369 |
| Less: allowance for impairment of trade receivables | **(1,818)** | (1,818) |
| Trade receivables – net | **3,265,114** | 4,638,551 |
| Other receivables | **4,521,338** | 3,245,350 |
| Prepayments | **1,263,506** | 3,170,441 |
| Due from joint ventures (Note 25(i)) | **1,829,359** | 1,561,563 |
| Due from an associate (Note 25(i)) | **2,139,377** | 2,039,377 |
| Less: allowance for impairment of other receivables | **(45,140)** | (42,490) |
| | **9,708,440** | 9,974,241 |
| Total | **12,973,554** | 14,612,792 |
| Less: non-current portion | **(1,539,916)** | (1,450,024) |
| Current portion | **11,433,638** | 13,162,768 |

The carrying amounts of the Group's trade and other receivables and prepayments are denominated in RMB.

The carrying amounts of trade and other receivables, net of provision for impairment, approximate their fair values.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

At 30 June 2014 and 31 December 2013, the ageing analysis of trade receivables is as follows:

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| 0 to 90 days | **1,200,218** | 3,307,354 |
| 91 to 180 days | **396,876** | 231,697 |
| 181 to 365 days | **859,005** | 338,733 |
| 1 year to 2 years | **553,905** | 495,724 |
| Over 2 years | **256,928** | 266,861 |
| | **3,266,932** | 4,640,369 |

## 11. RESTRICTED CASH

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| Guarantee deposits for construction of pre-sold properties (Note (a)) | **5,743,431** | 3,683,549 |
| Guarantee deposits for resettlement costs (Note (b)) | **113,836** | 11,250 |
| Guarantee deposits for construction payables (Note (c)) | **77,068** | 120,774 |
| Guarantee deposits for borrowings (Note (d)) | **1,314,750** | 2,325,655 |
| Guarantee deposits for mortgage loans provided to customers (Note (e)) | **8,631** | 21,132 |
| Guarantee deposits for interest of senior notes (Note (f)) | **384,762** | 382,009 |
| Others (Note (g)) | **172,570** | 77,804 |
| | **7,815,048** | 6,622,173 |

Notes:

(a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.

## 11. RESTRICTED CASH (continued)

Notes: (continued)

(c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.

(d) Pursuant to certain funding agreements, the Group is required to place all proceeds from certain business operations at designated bank accounts. The deposits can be withdrawn only with approval of the banks. As at 30 June 2014, the guarantee deposits amounted to RMB314,750,000 (31 December 2013: RMB363,955,000).

Pursuant to certain bank borrowing agreements, the Group is required to place at designated bank accounts certain amount as cash collateral. Such guarantee deposits will only be released after full repayment of the borrowing. As at 30 June 2014, the guarantee deposits amounted to RMB1,000,000,000 (31 December 2013: RMB1,961,700,000). Such cash collateral and corresponding borrowings are subject to enforceable master netting arrangements. Under the terms of each agreement, the Group and the counterparty will have the option to settle all such amounts on a net basis in the event of default of the other party.

(e) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.

(f) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after payment of interest.

(g) Others mainly include guarantee deposits for letters of credit and salary payments for construction workers.

## 12. SHARE CAPITAL

| | Number of shares (thousands) | Share capital | Share premium | Total |
|---|---|---|---|---|
| **At 30 June 2014 and 31 December 2013** | | | | |
| – Domestic shares | 2,207,109 | 551,777 | – | 551,777 |
| – H shares* | 1,015,258 | 253,815 | 3,636,625 | 3,890,440 |
| | 3,222,367 | 805,592 | 3,636,625 | 4,442,217 |

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

As at 30 June 2014 and 31 December 2013, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares of RMB0.25 each, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 13. SHARES HELD FOR SHARE AWARD SCHEME

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **172,563** | 167,364 |
| Disposals of shares held for Share Award Scheme | **(43,852)** | – |
| At 30 June | **128,711** | 167,364 |

On 23 August 2011, a Share Award Scheme (the "Scheme") was approved and adopted by the Board of Directors of the Company. Such shares purchased for Share Award Scheme was terminated on 25 November 2013. No shares were awarded to eligible employees upon or prior to the termination of the Scheme.

As at 30 June 2014, 21,370,000 H shares (31 December 2013: 28,650,800 H shares) held by the Group were recorded as 'Shares held for Share Award Scheme' within a component of equity.

## 14. PERPETUAL CAPITAL INSTRUMENTS

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **1,000,000** | – |
| Additions | **14,543,912** | – |
| Profit attributable to holders of perpetual capital instruments | **522,377** | – |
| Distributions to holders of perpetual capital instruments | **(422,508)** | – |
| At 30 June | **15,643,781** | – |

For the six months ended 30 June 2014, certain wholly-owned subsidiaries of the Company issued subordinated perpetual capital instruments (the "Perpetual Capital Instruments") with the aggregate principal amount of RMB14,543,912,000 (30 June 2013: Nil).

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledges of the shares of the subsidiaries. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 15. BORROWINGS

| | As at 30 June 2014 | As at 31 December 2013 |
|---|---|---|
| **Non-current** | | |
| Long-term borrowings | | |
| Bank borrowings (Note (a)) | | |
| – Secured (Note (f)) | **27,552,451** | 24,062,632 |
| – Unsecured (Note (g)) | **2,664,000** | 4,524,000 |
| | **30,216,451** | 28,586,632 |
| Corporate bonds (Note (b)) | | |
| – Unsecured | **5,499,588** | 5,498,933 |
| Senior notes (Note (c)) | | |
| – Secured | **12,036,333** | 8,521,961 |
| Other borrowings (Note (d)) | | |
| – Secured (Note (f)) | **16,162,634** | 15,143,577 |
| – Unsecured (Note (g)) | **2,050,000** | 1,000,000 |
| | **18,212,634** | 16,143,577 |
| Finance lease liabilities (Note (e)) | | |
| – Secured | **126,619** | 147,189 |
| Less: current portion of long-term borrowings | **(15,383,850)** | (15,545,778) |
| | **50,707,775** | 43,352,514 |
| **Current** | | |
| Short-term borrowings | | |
| Bank borrowings (Note (a)) | | |
| – Secured (Note (f)) | **1,150,000** | 2,080,535 |
| – Unsecured (Note (g)) | **517,000** | 469,000 |
| | **1,667,000** | 2,549,535 |
| Other borrowings (Note (d)) | | |
| – Unsecured | **900,000** | – |
| | **2,567,000** | 2,549,535 |
| Current portion of long-term borrowings | **15,383,850** | 15,545,778 |
| Total borrowings | **68,658,625** | 61,447,827 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 15. BORROWINGS (continued)

### (a) Bank borrowings

(i) Movements in bank borrowings are analysed as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **31,136,167** | 19,222,080 |
| Additions | **6,420,427** | 6,777,660 |
| Acquisition of a subsidiary | **–** | 200,000 |
| Repayments | **(5,698,458)** | (4,333,818) |
| Amortisation of transaction costs | **25,315** | 4,915 |
| At 30 June | **31,883,451** | 21,870,837 |

(ii) The maturity of bank borrowings is as follows:

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| Within one year | **7,502,101** | 8,455,235 |
| Between one and two years | **8,337,850** | 7,332,041 |
| Between two and five years | **12,088,949** | 11,732,780 |
| Over five years | **3,954,551** | 3,616,111 |
| | **31,883,451** | 31,136,167 |

(iii) The carrying amounts of bank borrowings are denominated in the following currencies:

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| RMB | **31,883,451** | 30,221,632 |
| USD | **–** | 914,535 |
| | **31,883,451** | 31,136,167 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 15. BORROWINGS (continued)

### (b) Corporate bonds

The Company issued 55,000,000 corporate bonds at a par value of RMB5.5 billion in the PRC on 23 October 2009. The corporate bonds are listed on the Shanghai Stock Exchange. The bonds will mature in October 2014.

The principal terms of the corporate bonds are as follows:

**(i) Interest rate**

The interest rate of the corporate bonds is fixed at 6.85% per annum. On the third anniversary of the issue date, the Company has an option to increase the interest rate by up to 100 basis points for the remaining periods.

**(ii) Maturity**

The corporate bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount on the third anniversary of the issue date.

Effective from 23 October 2012, the third anniversary of the issue date, the Company increased the interest rate for the remaining two years by 30 basis points to 7.15% per annum. The bond holders did not exercise the put option for early redemption on the third anniversary of the issue date.

The effective interest rate of the corporate bonds is 7.18%.

The movements of the corporate bonds for the six months ended 30 June 2014 and 2013 are set out below:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **5,498,933** | 5,497,684 |
| Interest charged (Note 19) | **195,664** | 195,620 |
| Interest included in other payables | **(195,009)** | (195,009) |
| At 30 June | **5,499,588** | 5,498,295 |

The fair value of the corporate bonds as at 30 June 2014 amounted to RMB5,530,800,000 (31 December 2013: RMB5,636,950,000). The value is determined directly by reference to the price quotations published by the Shanghai Stock Exchange on 30 June 2014.

## 15. BORROWINGS (continued)

### (c) Senior notes

#### (i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 7% senior notes due 29 April 2014 in the aggregate nominal value of RMB2,612,000,000 and 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at face value (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB3,527,947,000.

On 29 April 2014 (the "Maturity Date"), Big Will, redeemed the 2011 Notes in full at a redemption price equal to 100% of the principal amount of the 2011 Senior Notes outstanding thereof which amounted to RMB2,612,000,000 plus the accrued and unpaid interest of RMB 91,420,000 as of the Maturity Date.

#### (ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandums of these senior notes at the redemption date.

#### (iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 at face value (the "Original Notes").

On 6 February, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes").

The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

#### (iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 15. BORROWINGS (continued)

### (c) Senior notes (continued)

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by the equity of certain guarantors.

The effective interest rate of senior notes ranged from 7.16% to 11.30%.

The movements of senior notes are set out below:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **8,521,961** | 4,948,275 |
| Issuance of the 2014 Notes | **5,991,541** | – |
| Issuance of the 2013 Notes | **–** | 3,708,031 |
| Redemption of the 2011 Notes | **(2,612,000)** | – |
| Interest charged (Note 19) | **622,173** | 382,162 |
| Interest included in other payables | **(594,236)** | (359,769) |
| Exchange loss/(gain) | **106,894** | (102,522) |
| At 30 June | **12,036,333** | 8,576,177 |

The fair value of the senior notes as at 30 June 2014 amounted to RMB12,534,656,000 (31 December 2013: RMB8,976,323,000). The value is determined directly by reference to the price quotations published by Bloomberg on the last trading date of June 2014.

The carrying amount of senior notes are denominated in the following currencies:

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| RMB | **–** | 2,606,317 |
| USD | **12,036,333** | 5,915,644 |
| | **12,036,333** | 8,521,961 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 15. BORROWINGS (continued)

### (d) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

One of the Trustees is managed by廣州盛安創富投資管理有限公司, which is an associate of the Company and certain directors of the Company are also the minority shareholders.

The effective interest rate of these funding arrangements ranged from 7.36% to 13.82%.

The movements of other borrowings are set out below:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| At 1 January | **16,143,577** | 5,777,935 |
| Additions | **3,438,000** | 4,700,000 |
| Acquisition of a subsidiary | **–** | 318,000 |
| Repayments | **(500,020)** | (1,128,000) |
| Interest charged (Note 19) | **951,097** | 520,283 |
| Interest included in other payables | **(920,020)** | (484,027) |
| At 30 June | **19,112,634** | 9,704,191 |

### (e) Finance lease liabilities

In April 2012, a subsidiary of the Company (the "Lessee") entered into an aircraft rental agreement with an independent third party under financial lease (the "Arrangement"). Under the Arrangement, the Lessee leased an aircraft for an agreed term of five years commencing 15 April 2012. Upon the maturity date of the lease, the Lessee has an option to purchase the aircraft at a consideration of RMB94,830,000.

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| Gross finance lease liabilities – minimum lease payments | | |
| Not later than 1 year | **50,222** | 50,222 |
| Later than 1 year and not later than 5 years | **87,890** | 113,001 |
| | **138,112** | 163,223 |
| Future finance charges on finance leases | **(11,493)** | (16,034) |
| Present value of finance lease liabilities | **126,619** | 147,189 |
| Present value of finance lease liabilities | | |
| Not later than 1 year | **44,493** | 43,349 |
| Later than 1 year and not later than 5 years | **82,126** | 103,840 |
| | **126,619** | 147,189 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 15. BORROWINGS (continued)

**(f)** As at 30 June 2014, bank and other borrowings totalling RMB44,865,085,000 (31 December 2013: RMB41,286,744,000) of the Group are secured by the following:

| | As at 30 June 2014 | As at 31 December 2013 |
|---|---|---|
| Land use rights | **651,998** | 582,136 |
| Property, plant and equipment | **4,418,197** | 4,070,513 |
| Investment properties | **10,874,118** | 10,921,305 |
| Properties under development | **12,028,539** | 8,360,956 |
| Completed properties held for sale | **338,806** | 285,489 |
| Restricted cash | **1,314,750** | 2,325,655 |
| Equity investments in subsidiaries | **2,754,000** | 2,627,000 |
| | **32,380,408** | 29,173,054 |

**(g)** The majority of unsecured bank and other borrowings are supported by guarantees. Details are as follows:

| | As at 30 June 2014 | As at 31 December 2013 |
|---|---|---|
| Guarantors: | | |
| – The Company | **3,255,000** | 2,971,000 |
| – Subsidiaries | **590,000** | 446,000 |
| | **3,845,000** | 3,417,000 |

## 16. ACCRUALS AND OTHER PAYABLES

| | As at 30 June 2014 | As at 31 December 2013 |
|---|---|---|
| Amounts due to joint ventures (Notes (b) and 25(i)) | **2,480,808** | 2,546,634 |
| Construction payables (Note (c)) | **6,735,791** | 8,751,317 |
| Other payables and accrued charges (Note (d)) | **6,829,625** | 7,080,040 |
| Total | **16,046,224** | 18,377,991 |
| Less: non-current portion | **(440,353)** | (596,257) |
| Current portion | **15,605,871** | 17,781,734 |

(a) The carrying amounts of the Group's accruals and other payables are denominated in RMB, except for balance due to a joint venture amounted to RMB438,824,000 as at 30 June 2014 which is denominated in HKD (31 December 2013: RMB596,650,000).

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

(All amounts in RMB Yuan thousands unless otherwise stated)

## 16. ACCRUALS AND OTHER PAYABLES (continued)

(c) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade payables is presented.

(d) The balance mainly represents interest payables, temporary receipts, accruals and other taxes payable excluding income tax.

(e) The carrying amount of accruals and other payables approximate their fair values.

## 17. OTHER GAINS – NET

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Fair value gains on investment properties – net | **1,172,864** | 430,627 |
| Losses on disposals of property, plant and equipment | **(676)** | (45) |
| Gains on disposals of investment properties | **–** | 406 |
| Interest income | **94,379** | 69,392 |
| Others | **20,512** | 12,265 |
| | **1,287,079** | 512,645 |

## 18. OPERATING PROFIT

The following items which are unusual because of their nature, size or incidence, have been (credited)/charged to the operating profit during the period:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| **Crediting:** | | |
| Reversal of impairment of doubtful debts | **(21,139)** | (6,877) |
| **Charging:** | | |
| Allowance for impairment of doubtful debts | **23,733** | 10,060 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 19. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Interest on bank borrowings | **1,125,092** | 731,385 |
| Interest on corporate bonds (Note 15(b)) | **195,664** | 195,620 |
| Interest on senior notes (Note 15(c)) | **622,173** | 382,162 |
| Interest on other borrowings (Note 15(d)) | **951,097** | 520,283 |
| Interest on finance lease liabilities | **4,541** | 5,890 |
| | **2,898,567** | 1,835,340 |
| Net foreign exchange losses/(gains) | **58,986** | (33,002) |
| Less: interest capitalised | **(2,225,791)** | (874,500) |
| | **731,762** | 927,838 |

## 20. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Current income tax | | |
| – PRC enterprise income tax (Note (b)) | **687,989** | 556,430 |
| Deferred income tax | **(29,452)** | 44,084 |
| | **658,537** | 600,514 |
| Current PRC land appreciation tax (Note (c)) | **325,288** | 450,230 |
| Total income tax expenses | **983,825** | 1,050,744 |

### (a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the six months ended 30 June 2014 (30 June 2013: Nil).

### (b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the six months ended 30 June 2014, except for certain companies in the Group which were taxed at 2.5%-3.5% (30 June 2013: 2%-3.75%) on their revenue, other businesses within the Group were primarily taxed at 25% (30 June 2013: 25%) on their profits.

### (c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 21. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Interim dividends per ordinary share | **–** | 386,684 |
| Less: dividends for shares held by Share Award Scheme | **–** | (3,360) |
| | **–** | 383,324 |

A final dividend in respect of 2013 of RMB0.5 per ordinary share, totalling RMB1,611,184,000 was declared in the Company's Annual General Meeting on 29 May 2014, of which RMB10,685,000 was declared and paid for shares held by Share Award Scheme.

No interim dividend in respect of six months ended 30 June 2014 was proposed by the Board of Directors (six months ended 30 June 2013: RMB386,684,000).

## 22. FINANCIAL GUARANTEE CONTRACTS

| | As at | |
|---|---|---|
| | **30 June 2014** | 31 December 2013 |
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a)) | **16,629,381** | 16,424,379 |
| Guarantees in respect of borrowings of joint ventures and an associate (Notes (b) and 25(h)) | **3,256,175** | 2,754,336 |
| | **19,885,556** | 19,178,715 |

Notes:

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay 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. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgagee is issued and submitted to the banks. The Executive Directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

(b) The balance represents the maximum exposure of the guarantee provided for joint ventures and an associate for their borrowings.

(All amounts in RMB Yuan thousands unless otherwise stated)

## 23. COMMITMENTS

### (a) Expenditure commitments for properties under development

| | As at 30 June 2014 | 31 December 2013 |
|---|---|---|
| Authorised but not contracted for | **11,448,655** | 11,277,421 |
| Contracted but not provided for | **22,330,621** | 27,908,661 |
| | **33,779,276** | 39,186,082 |

### (b) Operating lease commitments

At 30 June 2014, the Group had future aggregate minimum lease payments for buildings and aircraft under non-cancellable operating leases as follows:

| | As at 30 June 2014 | 31 December 2013 |
|---|---|---|
| Not later than one year | **29,487** | 30,504 |
| Later than one year and not later than five years | **26,833** | 27,964 |
| Over five years | **59,167** | 61,929 |
| | **115,487** | 120,397 |

## 24. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 30 June 2014, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

| | As at 30 June 2014 | 31 December 2013 |
|---|---|---|
| Not later than one year | **725,571** | 699,610 |
| Later than one year and not later than five years | **1,396,395** | 1,108,343 |
| Over five years | **926,268** | 504,815 |
| | **3,048,234** | 2,312,768 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 25. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr Li Sze Lim and Mr Zhang Li, who own 33.36% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

### (a) Provision of restaurant services

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Common shareholders: | | |
| 惠州市金鵝溫泉實業有限公司 | **2,049** | 2,182 |

### (b) Provision of lease of properties

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Common shareholders: | | |
| 廣州金貝殼投資有限公司(“廣州金貝殼”) | **708** | 686 |
| Joint Venture: | | |
| 廣州市富景房地產開發有限公司(“廣州富景”) | **23** | – |

### (c) Key management compensation

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Salaries and welfare benefits | **8,822** | 8,318 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 25. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

### (d) Provision of property management services

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Common shareholders: | | |
| 廣州金貝殼 | **111** | 111 |

### (e) Provision of design services

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Joint venture: | | |
| 廣州富景 | **1,668** | – |

### (f) Provision of construction services

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Joint venture: | | |
| 瀋陽億隆房屋開發有限公司(“瀋陽億隆”) | **–** | 32,326 |

### (g) Lease of an aircraft under operating lease

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| Common shareholders: | | |
| Power Ease Investments Limited | **8,164** | 9,016 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 25. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

### (h) Provision of guarantees for borrowings

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and an associate for project development purpose. As at 30 June 2014, the Group's guarantees for borrowings provided to its joint ventures and associate are shown as follows:

#### (i) Bank borrowings

| | As at 30 June 2014 | As at 31 December 2013 |
|---|---|---|
| Joint ventures: | | |
| 廣州富景 | **139,706** | 199,718 |
| Hines Shanghai New Jiangwan Development Co., Ltd ("Hines Shanghai") | **–** | 301,733 |
| 上海城投悦城置業有限公司(“上海悦城”) | **286,550** | 286,550 |
| 天津津南新城房地產開發有限公司(“津南新城”) | **156,428** | 57,000 |
| Charm Talent Limited ("Charm Talent") | **526,666** | 522,646 |
| 廣州市森華房地產有限公司(“森華房地產”) | **23,500** | – |
| | **1,132,850** | 1,367,647 |
| Associate: | | |
| 廣州利合 | **559,980** | 540,000 |

#### (ii) Other borrowings

| | As at 30 June 2014 | As at 31 December 2013 |
|---|---|---|
| Joint venture: | | |
| 津南新城 | **–** | 300,000 |
| Associate: | | |
| 廣州利合 | **1,563,345** | 546,689 |

(All amounts in RMB Yuan thousands unless otherwise stated)

## 25. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

### (i) Balances with related parties

As at 30 June 2014, the Group had the following significant balances with related parties:

| | As at 30 June 2014 | As at 31 December 2013 |
|---|---|---|
| Due from: | | |
| Joint ventures | | |
| – Non-trade balances | | |
| 津南新城 | **1,133,176** | 835,607 |
| 森華房地產 | **116,845** | 86,845 |
| 廣州市騰順投資有限公司 | **90,552** | 90,552 |
| 貴州大西南房地產開發有限公司 | **141,480** | 141,480 |
| Hines Shanghai | **156,743** | – |
| 廣西富雅投資有限公司 | **190,563** | – |
| Value Success | **–** | 82,740 |
| 瀋陽億隆 | **–** | 251,370 |
| 富力(瀋陽)商務諮詢有限公司 | **–** | 72,969 |
| | **1,829,359** | 1,561,563 |
| – Trade balance | | |
| 瀋陽億隆 | **–** | 105,214 |
| Due from: | | |
| Associate | | |
| – Non-trade balance | | |
| 廣州利合 | **2,139,377** | 2,039,377 |
| Due to: | | |
| Joint ventures | | |
| – Non-trade balances | | |
| Hines Shanghai | **–** | 144,978 |
| 上海悅城 | **554,000** | 462,000 |
| 廣州富景 | **1,487,984** | 1,487,984 |
| 和榮有限公司 | **438,824** | 451,672 |
| | **2,480,808** | 2,546,634 |

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and settled according to contract terms.