



越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code : 00123

2014
Interim Report

**WHERE GOOD
LIVING STARTS**







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Financial Highlights

	For the six months ended		Change
	30 June 2014 (RMB'000) Unaudited	30 June 2013 (RMB'000) Unaudited	
Revenue	6,325,576	6,059,401	+4.4%
Gross profit	2,175,599	2,479,517	-12.3%
Profit attributable to equity holders	1,676,085	2,340,695	-28.4%
Core net profit*	992,230	898,236	+10.5%
Core net profit margin	15.7%	14.8%	+0.9 percentage point

	As of		Change
	30 June 2014 (RMB'000) Unaudited	31 December 2013 (RMB'000) Audited	
Total cash	9,752,769	8,374,233	+16.5%
Including: Cash and cash equivalents	7,611,800	5,054,749	
Charged bank deposits	2,140,969	3,319,484	
Total assets	82,026,539	78,070,648	+5.1%
Shareholders' equity	25,622,279	24,175,205	+6.0%
Shareholders' equity per share (RMB)	2.748	2.593	+6.0%
Net gearing ratio**	62.7%	61.6%	+1.1 percentage points

* Core net profit represents the profit attributable to equity holders of the Company excluding the effect of fair value gains on revaluation of investment properties net of related tax and non-controlling interests and foreign exchange loss/gain.

** Net gearing ratio represents the total borrowings less cash and cash equivalents and charged bank deposits over total equity.

Corporate Information

Board of Directors

Executive directors

Mr Zhang Zhaoxing (Chairman)
Mr Zhu Chunxiu
Mr Tang Shouchun
Mr Chen Zhihong
Mr Li Feng
Mr Ou Junming

Independent non-executive directors & audit committee members

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

Company Secretary

Mr Yu Tat Fung

Qualified Accountant

Miss Lam Sing Wah

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong Legal Adviser

Baker & McKenzie

Principal Bankers

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

ADR Depositary Bank

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

Websites to Access Company Information

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

Registered Office

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Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

Share Registrar

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Listing Exchange

Shares

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

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

Bond

The Stock Exchange of Hong Kong Limited

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

Investor Relations

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Chairman's Statement



Mr. Zhang Zhaoxing
Chairman

I. BUSINESS REVIEW

Economic and Market Environment

In the first half of 2014, both the US and Japanese economies presented a stable recovery trend, but uncertainties abound in Europe's recovery. Although economic growth slackened in developing countries, economic upturn in developed countries led to export growth for developing countries, and the implementation of structural reforms became the driver for internal growth. During the first half of 2014, facing complicated domestic and foreign conditions, the central government held a firm grip in development and reinforced the market-oriented principles, realizing continuous stable growth in the economy of China. In the first half of 2014, China recorded an economic growth of 7.4%, which was slightly below the full year target of 7.5% but the overall economy was operating at a slow yet steady pace, structural adjustments were made without hindering advancement, while upgrading transformation was gathering momentum.

Liquidity in the domestic property market of China continued to tighten. Slower domestic economic growth resulted in declines in terms of both volume and prices. In contrast to the sales GFA of commodity housing in the first half of 2013 which amounted to 510 million sq.m., an increase of nearly 30% year-on-year, the sales GFA in the first half of 2014 amounted to 480 million sq.m., representing a decline from a high base figure which was reasonable and normal. Moreover, after a rapid growth for 10 consecutive years, the overheated domestic property market was due for a cooling, a healthy adjustment indeed.

Operating Results Achieved Stable Growth

In the first half of 2014, the Group adopted the main working themes of "three ensurings, three accelerations and three strengthenings" in response to the adverse trend of market correction from a high level, and achieved the scheduled operating results by completing all operating targets for the first half of the year.

In the first half of 2014, revenue realized by the Group was approximately RMB6,326 million, an increase of 4.4% comparing with the corresponding period of last year. Gross profit margin was 34.4%. Profit attributable to equity holders was approximately RMB1,676 million, a decrease of 28.4% comparing with the corresponding period of last year. Earnings per share was approximately RMB0.1798.

Core net profit (profit attributable to equity holders excluding fair value gains on revaluation of investment properties and the related tax effect and foreign exchange loss/gain) was approximately RMB992 million, an increase of 10.5% comparing with the corresponding period of last year, core net profit margin was 15.7%.

The Board has resolved to declare an interim dividend of HK\$0.049 per share for 2014, which was equivalent to approximately RMB0.039 per share.

Contracted Sales Rose During the Market Downturn

In the first half of 2014, after recognizing the market landscape, the Group adjusted strategies flexibly to capture early opportunities in the market and responded positively to the downturn of the market. Results of contracted sales for the half year met expectations of the management by adopting diversified sales methods. The Group recorded aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB10.63 billion and the aggregate contracted sales GFA (including contracted sales by joint venture projects) was approximately 835,600 sq.m., increases of 23.4% and 34.7% respectively comparing with the corresponding period of last year, and 48% of the full year sales target RMB22 billion was completed.

As of 30 June 2014, 30 projects were being sold, of which 5 projects were brand new projects, including Guangzhou Starry Cullinan, Guangzhou Lingnan Wood, Zhongshan Starry Peakfield, Zhongshan Paradiso Jadin and Qingdao Starry Blue Bay.

The Overall Financial Position Remained Healthy

Under the liquidity tightening of the macro environment, the Group actively implemented the loan arrangement to rationalize resource allocation and optimized the debt structure proactively, which helped the balance sheet to remain liquid and healthy. In the first half of 2014, the funding amount of RMB8.6 billion was realized, of which RMB4.6 billion was onshore and RMB4.0 billion was offshore. As of 30 June 2014, the ratio between onshore and offshore borrowings of the Group was 45%:55%. By a mix of funding channels, the average funding cost in the first half year was 5.2%, a decrease of 0.4 percentage point comparing with 5.6% for the year 2013.

As of 30 June 2014, the net gearing of the Group was 62.7%, increased by 1.1 percentage points comparing with end of 2013, but it was still at a healthy level. Moody's and Fitch maintained the Group's investment grade rating of "Baa3/stable" and "BBB-/stable" respectively.

Model of Cooperation Was Deepened to Strengthen the Nationwide Layout

The Group continued to deepen cooperation with an investment fund and captured market opportunities to increase landbank prudently. In the first half of 2014, the Group acquired a land parcel located at Gudun Road, Hangzhou, at the base bidding price, the total consideration was approximately RMB1,000 million, with a GFA of approximately 190,500 sq.m.. This land parcel was acquired jointly with the investment fund, therefore the land premium payable by the Group was only RMB100 million.

As of 30 June 2014, total landbank of the Group was approximately 15.07 million sq.m.. In terms of the attributable interest, the Group's landbank was approximately 12.25 million sq.m.. The Group had 39 projects which had presence mainly in 12 cities in the Pearl River Delta, Yangtze River Delta, Bohai Rim and Central China Region, achieving remarkable results in nationwide layout. Moreover, most of the landbank was concentrated on Tier 1 and Tier 2 cities, Tier 1 cities (Guangzhou and Hong Kong) accounted for 36% and Tier 2 cities (Wuhan, Hangzhou, Qingdao, Shenyang, Haikou and Foshan) accounted for 45% and other cities (Yantai, Kunshan, Jiangmen and Zhongshan) accounted for 19% of the total landbank by GFA.

Bilateral Communication Channel with the Capital Market Was Strengthened

In the first half of 2014, the Group continued to improve investor relations. Better understanding of the operation and development of the Group was achieved through diversified communication channels with investors and analysts. Furthermore, understanding and knowledge of the middle and senior management of the Group on the capital market were also enhanced to establish a bilateral communication channel between the Group and the capital market. Meanwhile, opinions of feedback to capital market may provide reference to the management in formulating future operation strategies.

II. BUSINESS OUTLOOK

Since the beginning of July 2014, some local governments relaxed home purchasing restriction and steered the property market back to "market-oriented" model, stabilizing the domestic real estate industry. However, due to the significant sales growth in the property market in 2013, development investments were increased by property developers and led to a substantial increase in supply in 2014, resulting in intense competition.

Under the current market conditions, the Group will continue to maintain high alerts for development and adhere to the objective of "enhancing strengths through reform and innovation, facilitating forward-leaping development through transformation and upgrade" and adopt the main themes of "three ensurings, three accelerations and three strengthenings" to tackle the situation, capture opportunities and strive to neutralize adverse effects brought by changes in the macro environment, and continue to drive the performance of the Group in the second half of 2014.

Strive to Complete the "Three Ensurings"

Growth will be ensured, the full year sales target will be remained at RMB22 billion, and the Group will strive to achieve it. The saleable resources for the second half of this year will be approximately 2.19 million sq.m., which is expected to satisfy the sales in the second half of this year. **Scale will be ensured**, under the downturn of the land market, quality land parcels at reasonable prices will be identified and investment funds will be utilized effectively to increase landbank to an appropriate extent. The construction plans will also be maintained at same level which was set at the beginning of this year, e.g. the new construction starts GFA will be 1.71 million sq.m., the completion GFA will be 1.13 million sq.m. and the delivery GFA will be 1.04 million sq.m.. **Safety will be ensured**, recovery of funds will be accelerated, financial risk control system will be improved to safeguard the development funds of the Company and maintain the investment grade rating.

Implement "Three Accelerations" Pragmatically

Accelerate exploration on project expansion models, optimize the cooperation mechanism with investment funds, increase the cooperative efforts with other famous developers and explore innovative project expansion models. **Accelerate the creation of core advantages**, deepen property finance development models and implement the development strategies of "property development + commercial operation + capital operation". **Accelerate resources allocation**, in-depth research will be conducted on available resources of the parent company, increase strategic cooperation with other subsidiaries under the parent company to facilitate the combination of property and financing.

Implement "Three Strengthenings" Consistently

Strengthening talents, the Group will deepen the human resources management system that focuses on the professional manager system, increase efforts to recruit and nurture professional managers suitable for corporate strategic development needs. **Strengthening risk controls**, commence in-depth comprehensive risk controls, create a risk alert system and establish a corporate risk event database to prevent risk proactively. **Strengthening headquarter**, strengthen the construction of a "value-creating" headquarter and fortify strategy management work to strengthen the strategy guiding effect at the headquarter, while strictly controlling the management and development costs, and strengthening financial management at the same time to coordinate and consolidate resources, strengthen the overall management of capital funds and taxation.

ACKNOWLEDGMENT

With respect to the sound developments of the Group achieved over the years, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavours, as well as to express my deepest appreciation to our shareholders, our customers and business partners for their full confidence and dedicated support.

Mr. Zhang Zhaoxing

Chairman

Hong Kong, 27 August 2014

Management Discussion and Analysis

Revenue and Gross Profit

In the first half of 2014, the Group realized revenue of approximately RMB6,326 million (the same period of 2013: RMB6,059 million), an increase of 4.4% comparing with the corresponding period of last year. The total revenue (including proceeds from sales of investment properties) was approximately RMB6,343 million (the same period of 2013: RMB6,066 million), an increase of 4.6% comparing with the corresponding period of last year. The gross profit was approximately RMB2,176 million (the same period of 2013: RMB2,480 million), a decrease of 12.3% comparing with the corresponding period of last year, and the gross profit margin reached approximately 34.4%, a decrease of 6.5 percentage points with the corresponding period of last year, mainly due to the difference of product mix, specifically more commercial properties with high gross margin were recognized in the same period of 2013.

Profit Attributable to Equity Holders

In the first half of 2014, profit attributable to equity holders of the Group was approximately RMB1,676 million (the same period of 2013: RMB2,341 million), a decrease of 28.4% comparing with the corresponding period of last year, mainly due to the fair value gains in the first half of 2014 was approximately RMB1,251 million (the same period of 2013: RMB1,862 million), a decrease of 32.8% comparing with the corresponding period of last year. Excluding fair value gains on revaluation of investment properties and the related tax impact and foreign exchange loss/gain, the core net profit was approximately RMB992 million (the same period of 2013: RMB898 million), an increase of 10.5% comparing with the corresponding period of last year, core net profit margin was 15.7%.

Contracted Sales

In the first half of 2014, the Group recorded an aggregate contracted sales value (including contracted sales by joint venture projects) of approximately RMB10,630 million, an increase of 23.4% comparing with the corresponding period of last year, which achieved approximately 48.3% of the full-year sales targets of RMB22 billion. The aggregate contracted sales GFA (including contracted sales by joint venture projects) of approximately 835,600 sq.m., an increase of 34.7% comparing with the corresponding period of last year, which the average selling price was approximately RMB12,700 per sq.m., a decrease of 8.6% comparing with the corresponding period of last year, due to the difference of product mix.

In terms of regional composition, Guangzhou accounted for approximately 64.7% of the aggregated contracted sales value of the first half of 2014, Pearl River Delta (excluding Guangzhou) accounted for approximately 12.5%, Yangtze River Delta accounted for approximately 8.8%, Central China Region accounted for approximately 9.9%, and Bohai Rim Economic Zone accounted for approximately 4.1%. In terms of type, residential properties and parking accounted for approximately 89.0%, commercial properties and others accounted for approximately 11.0%.

Management Discussion and Analysis

Contracted sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	Residential	3,000	173	57,700
2	Guangzhou Fortune Century Square	Commercial	4,500	146	32,400
3	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	8,400	309	36,800
4	Guangzhou Starry Golden Sands	Residential	42,000	788	18,800
5	Guangzhou Starry Wenhua	Residential	5,200	141	27,100
6	Guangzhou Starry Wenhan	Residential	5,000	128	25,600
7	Guangzhou Starry Wenyu	Residential	7,800	206	26,400
8	Guangzhou Paradiso Riverside	Residential	25,600	399	15,600
9	Guangzhou Paradiso Sunshine	Residential	6,000	76	12,700
10	Southern Le Sand	Residential	93,200	1,127	12,100
11	Guangzhou Lingnan Hillside	Residential	50,100	965	19,300
12	Guangzhou Lingnan Villas	Residential	32,700	467	14,300
13	Guangzhou Lingnan Wood	Residential	31,100	557	17,900
14	Conghua Glade Greenland	Residential	52,200	361	6,900
15	Conghua Glade Village	Residential	1,600	28	17,500
	Other projects	N/A	17,800	295	16,600
	Subtotal (Guangzhou)		386,200	6,166	16,000
16	Jiangmen Starry Regal Court	Residential	30,200	240	7,900
17	Zhongshan Starry Winking	Residential	20,300	131	6,500
18	Zhongshan Starry Junting	Residential	9,600	124	12,900
19	Zhongshan Starry Peakfield	Residential	16,900	110	6,500
20	Zhongshan Paradiso Jadin	Residential	25,200	133	5,300
21	Foshan Lingnan Junting (Formerly: Foshan Chancheng Tongji Road Project)	Residential	75,900	592	7,800
	Subtotal (Pearl River Delta ex. Guangzhou)		178,100	1,330	7,500

Management Discussion and Analysis

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
22	Hangzhou Starry City	Residential	26,500	171	6,500
23	Kunshan Paradiso Pavilion	Residential	86,500	767	8,900
Subtotal (Yangtze River Delta)			113,000	938	8,300
24	Wuhan Starry Winking	Residential	30,800	533	17,300
25	Wuhan Starry Emperor	Residential	47,100	516	11,000
Subtotal (Central China Region)			77,900	1,049	13,500
26	Shenyang Yuexiu Hill Lake	Residential	1,400	11	7,900
27	Shenyang Starry Blue Sea	Residential	7,700	55	7,100
28	Yantai Starry Phoenix	Residential	9,000	61	6,800
29	Yantai Starry Golden Sands	Residential	26,700	153	5,700
30	Qingdao Starry Blue Bay	Residential	16,300	152	9,300
Subtotal (Bohai Rim Economic Zone)			61,100	432	7,100
	Guangzhou Starry Winking Podium	Commercial	19,300	715	37,000
Total			835,600	10,630	12,700

Recognized Sales

In the first half of 2014, the recognized sales value (including the sale of investment properties of RMB17 million) and recognized sales GFA (including the sale of investment properties of 1,400 sq.m.) were approximately RMB5,923 million and 422,400 sq.m., increases of 7.1% and 14.3% respectively comparing with the corresponding period of last year, and the average selling price was approximately RMB14,000 per sq.m..

Management Discussion and Analysis

Recognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	Commercial	4,100	107	26,100
2	Guangzhou Starry Winking	Residential, parking	500	18	36,000
3	Guangzhou Jiang Nan New Mansion	Parking	400	11	27,500
4	Guangzhou Paradiso Garden	Residential	19,400	495	25,500
5	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	48,600	1,075	22,100
6	Guangzhou Starry Golden Sands	Residential	5,800	98	16,900
7	Guangzhou Starry Wenhua	Residential	17,600	447	25,400
8	Guangzhou Starry Wenhan	Residential	11,400	249	21,800
9	Guangzhou Starry Wenyu	Residential	7,000	177	25,300
10	Guangzhou Paradiso Riverside	Residential	37,400	528	14,100
11	Guangzhou Paradiso Sunshine	Residential	73,800	878	11,900
12	Southern Le Sand	Residential	151,300	1,405	9,300
	Other projects	N/A	22,400	222	9,900
	Investment properties	N/A	1,400	17	12,100
	Subtotal (Guangzhou)		401,100	5,727	14,300
13	Jiangmen Starry Regal Court	Residential	10,500	111	10,600
14	Zhongshan Starry Winking	Residential	2,400	23	9,600
	Subtotal (Pearl River Delta ex. Guangzhou)		12,900	134	10,400
15	Shenyang Yuexiu Hill Lake	Residential	3,700	29	7,800
16	Yantai Starry Phoenix	Residential	4,700	33	7,000
	Subtotal (Bohai Rim Economic Zone)		8,400	62	7,400
	Total		422,400	5,923	14,000

Unrecognized Sales

As of 30 June 2014, the unrecognized sales value amounted to approximately RMB17,236 million, with unrecognized sales GFA of approximately 1,532,600 sq.m., and the average selling price was approximately RMB11,200 per sq.m.. Of the unrecognized sales value, approximately RMB7,385 million is expected to be recognized in the second half of 2014.

Management Discussion and Analysis

Unrecognized sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Fortune Century Square	Commercial	2,400	94	39,200
2	Guangzhou Starry Winking	Residential, parking	200	17	85,000
3	Guangzhou Starry Cullinan	Residential	3,000	173	57,700
4	Guangzhou Paradiso Garden	Residential	6,800	146	21,500
5	Guangzhou Lingnan Riverside/ Guangzhou Fortune Apartment	Commercial	11,000	390	35,500
6	Guangzhou Starry Golden Sands	Residential	45,500	856	18,800
7	Guangzhou Starry Wenhua	Residential	17,500	386	22,100
8	Guangzhou Starry Wenhan	Residential	3,400	75	22,100
9	Guangzhou Starry Wenyu	Residential	7,300	181	24,800
10	Guangzhou Paradiso Riverside	Residential	40,100	617	15,400
11	Guangzhou Paradiso Sunshine	Residential	6,000	76	12,700
12	Southern Le Sand	Residential	144,800	1,733	12,000
13	Guangzhou Lingnan Hillside	Residential	130,000	2,436	18,700
14	Guangzhou Lingnan Villas	Residential	34,100	490	14,400
15	Guangzhou Lingnan Wood	Residential	31,100	557	17,900
16	Huadu Glade Greenland	Residential	1,400	6	4,300
17	Conghua Glade Village	Residential	1,400	22	15,700
18	Conghua Glade Greenland	Residential	86,300	567	6,600
	Other projects	N/A	14,600	315	21,600
	Guangzhou Starry Winking Podium	Commercial	5,400	330	61,100
Subtotal (Guangzhou)			592,300	9,467	16,000
19	Jiangmen Starry Regal Court	Residential	97,600	615	6,300
20	Zhongshan Starry Winking	Residential	61,200	402	6,600
21	Zhongshan Starry Junting	Residential	20,000	210	10,500
22	Zhongshan Starry Peakfield	Residential	16,900	110	6,500
23	Zhongshan Paradiso Jadin	Residential	25,200	133	5,300
24	Foshan Lingnan Junting (Formerly: Foshan Chancheng Tongji Road Project)	Residential	75,900	592	7,800
Subtotal (Pearl River Delta ex. Guangzhou)			296,800	2,062	6,900

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
25	Hangzhou Starry City	Residential	192,600	1,058	5,500
26	Kunshan Paradiso Pavilion	Residential	138,500	1,187	8,600
Subtotal (Yangtze River Delta)			331,100	2,245	6,800
27	Wuhan Starry Winking	Residential	125,400	2,021	16,100
28	Wuhan Starry Emperor	Residential	49,400	540	10,900
Subtotal (Central China Region)			174,800	2,561	14,700
29	Shenyang Yuexiu Hill Lake	Residential	2,900	29	10,000
30	Shenyang Starry Blue Sea	Residential	28,000	206	7,400
31	Yantai Starry Phoenix	Residential	6,900	47	6,800
32	Yantai Starry Golden Sands	Residential	83,500	467	5,600
33	Qingdao Starry Blue Bay	Residential	16,300	152	9,300
Subtotal (Bohai Rim Economic Zone)			137,600	901	6,500
Total			1,532,600	17,236	11,200

Landbank

In the first half of 2014, the Group acquired one parcel of land with total GFA of approximately 190,500 sq.m. in Hangzhou. The total consideration was approximately RMB1,000 million.

As of 30 June 2014, the landbank of the Group reached approximately 15.07 million sq.m. with a total of 39 projects in 12 cities in the PRC with an improved balance between the regions. In terms of the attributable interest, the Group's landbank was approximately 12.25 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 35.5% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 15.5%, Bohai Rim Economic Zone accounted for approximately 13.6%, Yangtze River Delta accounted for approximately 19.5%, the Central China Region accounted for approximately 14.7%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.5%. In terms of product mix, residential properties accounted for approximately 58.1% and commercial properties and others accounted for approximately 41.9%.

Management Discussion and Analysis

Landbank is summarized as follows:

No.	Project	Equity holding	Landbank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)
1	Yuexiu Financial Tower (Formerly: Guangzhou Fortune Center)	95%	211,500	211,500	—
2	Asia Pacific Century Plaza	95%	232,000	232,000	—
3	Guangzhou Starry Cullinan	95%	34,900	34,900	—
4	Guangzhou Paradiso Courtyard	95%	9,600	9,600	—
5	Guangzhou Haizhu Nanzhou Road Project	95.48%	152,600	—	152,600
6	Guangzhou Fortune Apartment	99.06%	7,900	7,900	—
7	Guangzhou Starry Golden Sands	100%	205,300	205,300	—
8	Guangzhou Starry Wenhua	95%	40,000	40,000	—
9	Guangzhou Paradiso Riverside	95%	305,000	305,000	—
10	Southern Le Sand	95.48%	2,103,200	775,100	1,328,100
11	Guangzhou Lingnan Hillside	95%	323,400	323,400	—
12	Guangzhou Lingnan Villas	95.48%	325,000	325,000	—
13	Guangzhou Lingnan Wood	47.74%	446,200	446,200	—
14	Guangzhou Luogang Yunpu Industrial Park Project	4.77%	666,400	222,100	444,300
15	Conghua Glade Greenland	95.48%	188,700	188,700	—
	Other projects	N/A	103,900	46,700	57,200
Subtotal (Guangzhou)			5,355,600	3,373,400	1,982,200
16	Jiangmen Starry Regal Court	95%	390,400	331,100	59,300
17	Zhongshan Starry Winking	95%	283,000	137,300	145,700
18	Zhongshan Starry Junting	100%	152,700	152,700	—
19	Zhongshan Starry Peakfield	95%	478,700	113,000	365,700
20	Zhongshan Paradiso Jadin	100%	426,300	132,200	294,100
21	Nanhai Starry Winking	100%	290,700	290,700	—
22	Foshan Lingnan Junting (Formerly: Foshan Chancheng Tongji Road Project)	19%	314,500	298,300	16,200
Subtotal (Pearl River Delta ex. Guangzhou)			2,336,300	1,455,300	881,000

No.	Project	Equity holding	Landbank GFA (sq.m.)	Properties under development GFA (sq.m.)	Properties for future development GFA (sq.m.)
23	Shenyang Yuexiu Hill Lake	99.95%	290,700	20,800	269,900
24	Shenyang Starry Winking	100%	519,900	175,500	344,400
25	Shenyang Starry Blue Sea	100%	181,300	170,000	11,300
26	Yantai Starry Golden Sands	100%	590,000	387,700	202,300
27	Qingdao Starry Blue Bay	100%	463,300	215,800	247,500
Subtotal (Bohai Rim Economic Zone)			2,045,200	969,800	1,075,400
28	Hangzhou Starry City	100%	1,913,400	580,100	1,333,300
29	Hangzhou Starry Upper City (Formerly: Hangzhou Starry Gathering)	100%	227,200	129,100	98,100
30	Hangzhou Victory Center (Formerly: Hangzhou Jiangnan Sanbao Project)	20%	63,800	—	63,800
31	Hangzhou Starry Joy City (Formerly: Hangzhou Gudun Road Project)	9.55%	190,500	—	190,500
32	Kunshan Paradiso Pavilion	48.45%	550,500	334,400	216,100
Subtotal (Yangtze River Delta)			2,945,400	1,043,600	1,901,800
33	Wuhan Starry Winking	100%	661,500	661,500	—
34	Wuhan Starry Emperor	95.48%	604,100	414,100	190,000
35	Wuhan Jiangnan Jingwu Road Project	7.64%	950,000	83,200	866,800
Subtotal (Central China Region)			2,215,600	1,158,800	1,056,800
36	Hainan Simapo Island Project	47.50%	98,000	5,100	92,900
Subtotal (PRC)			14,996,100	8,006,000	6,990,100
37	Hong Kong Yau Tong Project	100%	70,500	—	70,500
38	Hong Kong Tsing Tai Road Project (Formerly: Hong Kong Treasure Court Project)	100%	900	900	—
39	Hong Kong Prince Edward Road Project	100%	3,800	3,800	—
Subtotal (Hong Kong)			75,200	4,700	70,500
Total			15,071,300	8,010,700	7,060,600

Progress of Construction

The Group always strives for high turnover and enhancing the development efficiency. Hangzhou Starry Joy City (Formerly: Hangzhou Gudun Road Project) is according to the high turnover strategy of “land acquisition, new construction starts and launching for sale in the same year”, the development is speeded up. The scale of properties under development was enhanced in the first half of 2014, project development was progressing as scheduled in order to satisfy the sales growth, new construction starts, completion and delivery was in line with the Group’s schedule.

New construction starts, completions and deliveries are summarized as follows:

Construction Progress	Actual GFA in 2014 1H (sq.m.)	Planned GFA for 2014 (sq.m.)
New construction starts	670,600	1,713,000
Completion	387,700	1,133,000
Delivery	436,100	1,041,200

Investment Properties

As of 30 June 2014, the Group owned investment properties under lease of approximately 615,100 sq.m. in total, of which offices, commercial properties and parking and others accounted for approximately 8.7%, 60.1% and 31.2%, respectively. The investment properties under construction were approximately 314,500 sq.m., mainly comprising Yuexiu Financial Tower (Formerly: Guangzhou Fortune Center) and the commercial portions of Nanhai Starry Winking. The Group recorded rental revenue of approximately RMB126 million in the first half of 2014, a decrease of 40.8% comparing with the corresponding period of last year, mainly due to the adjustment of tenant structure in Guangzhou Fortune World Plaza.

In the first half of 2014, the Group recorded the fair value gains on revaluation of investment properties of RMB1,251 million, which was mainly attributable to fair value gains recorded by Yuexiu Financial Tower (Formerly: Guangzhou Fortune Center) of approximately RMB1,162 million.

Other Gains

In June 2014, the Group completed the disposal of first batch of the equity interests in part of the properties of Guangzhou Starry Winking through its indirect wholly-owned subsidiaries and recorded profit before tax on disposal of approximately RMB199 million.

Selling and Administrative Expenses

In the first half of 2014, selling expenses of the Group were approximately RMB186 million, increased by 22.4% as compared to the same period of last year. The increase in selling expenses was mainly due to the launching of Guangzhou Starry Cullinan, Lingnan Villas and new projects outside Guangzhou in Qingdao. Selling expenses accounted for 1.8% of the contracted sales in the current period, the ratio was in line with the same period of last year.

The Group continued to strengthen controls over expenses and strictly followed the annual budget for expenses. Administrative expenses in the first half of 2014 were approximately RMB352 million, decreased by 12.7% as compared to the same period of last year. Administrative expenses accounted for 3.3% of the contracted sales in the current period, reduced by 1.4 percentage points as compared to 4.7% for the same period of last year.

Finance Costs

In the first half of 2014, interest expenses of the Group were approximately RMB740 million, representing a decrease of 8.1% as compared to the same period of last year. After deduction of capitalized interest expenses of approximately RMB550 million, recognized expenses under finance costs were approximately RMB190 million, decreased by 10.4% as compared to approximately RMB212 million for the same period of last year. In the first half of 2014, exchange losses of approximately RMB119 million were also recognized, as compared to exchange gains of approximately RMB136 million for the same period of last year.

Share of Profit from Associated Entities

In the first half of 2014, overall share of net contribution from associated entities attributable to the Group increased by 25.3% to approximately RMB104 million as compared to the same period of last year. The share of profit was mainly contributed by Yuexiu Real Estate Investment Trust ("Yuexiu REIT"), in which the Group held an equity interest of 36.11%.

Total distribution of Yuexiu REIT in the first half of 2014 was approximately RMB324 million, representing an increase of 16.1% as compared to approximately RMB279 million for the same period of last year. The share of total distribution of Yuexiu REIT in the first half of 2014 attributable to the Group was approximately RMB117 million, representing an increase of 19.4% as compared to approximately RMB98 million for the same period of last year.

Earnings Per Share

In the first half of 2014, basic earnings per share attributable to equity holders of the Company were RMB0.1798 (first half of 2013: RMB0.2516).

Interim Dividend

The Board has resolved to declare an interim dividend for 2014 of HK\$0.049 per share which is equivalent to RMB0.039 per share (2013 interim: HK\$0.049 per share which was equivalent to RMB0.039 per share) to shareholders whose names appear on the Register of Members of the Company on 25 September 2014. The interim dividend will be distributed to shareholders on or around 5 November 2014.

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

Shareholders’ Equity Per Share

As of 30 June 2014, the net assets attributable to shareholders amounted to RMB25,622 million (31 December 2013: RMB24,175 million). Shareholders’ equity per share was RMB2.748 (31 December 2013: RMB2.593).

Liquidity and Financial Resources

Operating cash receipts and committed banking facilities were the main sources of liquidity of the Group. The Group upheld prudent financial policies, emphasized on funding management and risk control in order to ensure adequate liquidity, respond to market changes and secure the development of its business. While continuing to maintain the current relationship with commercial banks in Hong Kong and Mainland China, the Group also focused on exploring more funding channels, establishing an ongoing monitoring process and optimising its capital structure so as to enhance its risk resistance capabilities.

During the period, the Group had completed bank financing of approximately RMB8,600 million, funding cost continued to decline, the average funding cost reduced further by 0.4 percentage point from approximately 5.6% for the full year of 2013 to approximately 5.2%. Borrowings with maturity within one year only accounted for approximately 15.1% of total borrowings, and bonds represented approximately 19.5% of total borrowings. The ratio of onshore to offshore borrowings was maintained at 45%:55%. The Group’s overall financial position remained healthy and solid.

Working Capital

As of 30 June 2014, the Group’s working capital (current assets less current liabilities) amounted to approximately RMB32,018 million (31 December 2013: approximately RMB26,326 million). The Group’s current ratio (current assets over current liabilities) was 2.2 times (31 December 2013: 1.8 times). Cash and cash equivalents amounted to approximately RMB7,612 million (31 December 2013: RMB5,055 million). Charged bank deposits amounted to approximately RMB2,141 million (31 December 2013: RMB3,319 million). Undrawn committed bank facilities amounted to approximately RMB5,725 million.

Capital and Financial Structure Analysis

The Group's debts are summarized as follows:

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Bank borrowings and bonds		
Denominated in RMB	12,176,277	10,355,330
Denominated in Hong Kong dollars	8,364,887	7,357,686
Denominated in United States dollars	5,968,127	6,152,157
Total bank borrowings and bonds	26,509,291	23,865,173
Finance lease obligations	162	193
Overdrafts	112	86
Total debts	26,509,565	23,865,452
Ageing analysis:		
Within one year	3,999,656	8,330,549
In the second year	7,639,176	4,817,035
In the third to fifth year	10,807,646	7,020,496
Beyond five years	4,063,087	3,697,372
Total borrowings	26,509,565	23,865,452
Less: Cash and cash equivalents	(7,611,800)	(5,054,749)
Net borrowings	18,897,765	18,810,703
Shareholders' equity	26,710,238	25,160,008
Total capitalization	45,608,003	43,970,711
Gearing ratio	41.4%	42.8%

Interest Rate Exposure

The Group's major interest rate exposure relates to RMB, HK and US dollar borrowings. The Group will closely monitor the interest rate fluctuation and manage its exposure with appropriate risk control management measures. The Group will adopt suitable instruments to mitigate the interest rate exposure at appropriate time. Meanwhile, the Group also continues to utilize onshore and offshore financing advantages for seeking more low interest borrowings. As of 30 June 2014, bonds accounted for approximately 19.5% (31 December 2013: 21.4%) of total borrowings and borrowings with a maturity of over 5 years accounted for approximately 15.3% (31 December 2013: 15.5%) of total borrowings.

Foreign Exchange Exposure

Since business operations of the Group are mainly located in Mainland China, income and cash inflows are primarily in RMB. The main cash outflows in Hong Kong are related to cash dividend payment to shareholders and repayment of interests and bank borrowings. The Group continues to monitor the potential factors on the fluctuation of RMB, evaluate the impact to the Group and will adopt suitable instruments to hedge the foreign exchange exposure when appropriate.

Commitments for Property, Plant and Equipment

As of 30 June 2014, the Group also had capital commitments in respect of purchases of property, plant, equipment and investment properties amounted to approximately RMB1,650 million (31 December 2013: RMB911 million).

Contingent Liabilities

The Group arranged bank loans for certain purchasers of the Group's properties in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest in performing its liabilities under the guarantee, and the Group owns the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 30 June 2014, total contingent liabilities relating to these guarantees amounted to approximately RMB2,896 million (31 December 2013: RMB2,781 million).

As at 31 December 2013, in connection with the disposal of a subsidiary to Yuexiu REIT in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately RMB58 million. The Deed of Indemnity had expired on 30 May 2014.

As at 30 June 2014, certain subsidiaries of the Group jointly and severally provided guarantee of approximately RMB3,335 million (31 December 2013: RMB3,680 million) in respect of a syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after full repayment of the syndicated loan.

Employees and Remuneration Policy

As of 30 June 2014, the Group had approximately 6,150 employees (31 December 2013: 6,050 employees). The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. Promotion and salary adjustments are based on performance.

Continuing Disclosure Requirements under Rule 13.21 of the Listing Rules

In accordance with the requirements under Rule 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the directors of the Company reported below details of loan facilities, which existed at any time during the six months ended 30 June 2014 and included conditions relating to specific performance of the controlling shareholder of the Company.

- (a) On 27 June 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 5-year term loan facility of up to HK\$500 million from the date of the facility agreement.
- (b) On 14 December 2012, the Company, as borrower, entered into a HK\$3,800 million loan agreement with a group of banks with a final maturity in December 2015.
- (c) On 25 July 2013, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for a 3-year term loan facility of up to US\$50 million from the date of the facility agreement.
- (d) On 30 September 2013, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of HK\$500 million from the date of the facility letter, i.e. 18 September 2013.
- (e) On 20 December 2013, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for a 12-month term loan facility of HK\$100 million from the date of drawdown.
- (f) On 20 December 2013, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for a 3-year term loan facility of HK\$200 million with effect from 30 December 2013.
- (g) On 28 March 2014, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for a 3-year term loan facility of HK\$400 million from the acceptance date of the facility letter.
- (h) On 2 April 2014, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for a 24-month term loan facility of up to US\$80 million from the first drawdown date of the facility agreement.
- (i) On 23 April 2014, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for a 36-month term loan facility of up to HK\$180 million from the date of the facility agreement.
- (j) On 14 May 2014, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for extending the final maturity date of an expired term loan facility of up to HK\$300 million to 21 May 2017.
- (k) On 23 May 2014, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for a 60-month term loan facility of up to HK\$300 million from the date of the facility agreement.
- (l) On 28 May 2014, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for a 12-month term loan facility of up to HK\$400 million from the date of the facility agreement.

Management Discussion and Analysis

- (m) On 5 June 2014, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for extending the final maturity date of an expired term loan facility of up to HK\$500 million to 9 June 2017. On 13 June 2014, the Company, as borrower, entered into a facilities letter with the bank. The facilities letter is for refinancing the existing term loan facility into two 3-year term loan facilities of up to HK\$240 million and RMB220 million, from the date of the facilities letter.
- (n) On 25 June 2014, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for a 5-year term loan facility of up to HK\$500 million from the date of the facility letter.
- (o) On 26 June 2014, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for a 36-month term loan facility of up to HK\$1,200 million from the date of the facility agreement.

Pursuant to the aforesaid loan agreement/facility(ies) agreements or letters, Yue Xiu Enterprises (Holdings) Limited, the substantial shareholder of the Company is required, at all times, (i) to be the single largest beneficial shareholder of the Company; (ii) to maintain shareholding interest of not less than 35% in the issued voting share capital of the Company; (iii) to maintain effective management control over the Company for facilities (a), (b), (c), (d), (f) and (h) to (o). Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

On 24 January 2013, the Company issued US\$350 million 3.25 per cent. notes due 2018 and US\$500 million 4.50 per cent. notes due 2023 to investors under a US\$2,000 million medium term note programme established on 11 January 2013. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited (being the ultimate controlling shareholder of the Company) is required to maintain control of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

These obligations have been duly complied with for the six months ended 30 June 2014.

Report on Review of Interim Financial Information



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF YUEXIU PROPERTY COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 25 to 61, which comprises the condensed consolidated balance sheet of Yuexiu Property Company Limited (the "Company") and its subsidiaries as at 30 June 2014 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 August 2014

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Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Revenue	6	6,325,576	6,059,401
Cost of sales	7	(4,149,977)	(3,579,884)
Gross profit		2,175,599	2,479,517
Proceeds from sales of investment properties		17,220	6,910
Direct costs of investment properties sold		(3,212)	(5,278)
Gain on sales of investment properties		14,008	1,632
Fair value gains on revaluation of investment properties	15	1,250,600	1,862,101
Other gains	8	199,798	95,899
Selling and marketing costs	7	(186,347)	(152,255)
Administrative expenses	7	(352,340)	(403,408)
Operating profit		3,101,318	3,883,486
Finance income	9	20,900	15,730
Finance costs	10	(189,865)	(211,983)
Net foreign exchange (loss)/gain on financing activities		(118,958)	136,043
Share of (loss)/profit of			
– joint ventures		(3,385)	195
– associated entities		103,735	82,809
Profit before taxation		2,913,745	3,906,280
Taxation	11	(1,132,048)	(1,547,178)
Profit for the period		1,781,697	2,359,102
Attributable to			
Equity holders of the Company		1,676,085	2,340,695
Non-controlling interests		105,612	18,407
		1,781,697	2,359,102
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	12		
– Basic		0.1798	0.2516
– Diluted		0.1798	0.2511

The notes on pages 33 to 61 form an integral part of this condensed consolidated interim financial information.

Details of dividends payable to equity holders of the Company are set out in note 13.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Profit for the period	1,781,697	2,359,102
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences	19,900	(38,336)
Change in fair value of available-for-sale financial assets, net of tax	9,615	(60,972)
Transfer of reserve to profit and loss upon disposal of subsidiaries	—	(6,101)
Other comprehensive income/(loss) for the period, net of tax	29,515	(105,409)
Total comprehensive income for the period	1,811,212	2,253,693
Attributable to		
Equity holders of the Company	1,705,077	2,237,338
Non-controlling interests	106,135	16,355
	1,811,212	2,253,693

The notes on pages 33 to 61 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	As at	
		30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,222,197	1,023,079
Investment properties	15	12,141,554	10,219,375
Land use rights	16	259,904	265,901
Interests in joint ventures		1,299,740	1,164,939
Interests in associated entities		6,626,419	6,309,075
Available-for-sale financial assets		856,173	842,226
Deferred tax assets	24	144,802	130,067
		22,550,789	19,954,662
Current assets			
Properties under development		38,969,649	37,554,999
Properties held for sale		5,267,423	6,342,773
Prepayments for land use rights		2,863,341	3,634,670
Inventories		20,928	10,676
Derivative financial instruments		48,143	47,642
Trade receivables	17	27,155	16,013
Other receivables, prepayments and deposits		1,978,086	1,704,398
Taxation recoverable		466,643	430,582
Charged bank deposits		2,140,969	3,319,484
Cash and cash equivalents		7,611,800	5,054,749
		59,394,137	58,115,986
Non-current assets held-for-sale	18	81,613	—
LIABILITIES			
Current liabilities			
Trade and note payables	19	359,596	233,069
Advance receipts from customers		11,027,873	11,310,525
Other payables and accrued charges		9,422,060	9,257,473
Borrowings	20	3,999,656	8,330,549
Taxation payable		2,648,455	2,658,633
		27,457,640	31,790,249
Net current assets		32,018,110	26,325,737
Total assets less current liabilities		54,568,899	46,280,399

Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	As at	
		30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Non-current liabilities			
Borrowings	20	22,509,909	15,534,903
Deferred tax liabilities	24	5,134,791	5,367,095
Deferred revenue		62,801	64,595
Other payables and accrued charges		151,160	153,798
		27,858,661	21,120,391
Net assets			
		26,710,238	25,160,008
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value		—	854,089
Other statutory capital reserves		—	8,893,459
Share capital and other statutory capital reserves	21	9,748,898	9,747,548
Other reserves	23	426,139	396,726
Retained earnings			
– Proposed dividends	23	363,647	251,704
– Others	23	15,083,595	13,779,227
		25,622,279	24,175,205
Non-controlling interests		1,087,959	984,803
Total equity		26,710,238	25,160,008

The notes on pages 33 to 61 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Operating activities		
Net cash generated from/(used in) operations	1,628,048	(1,645,533)
Interest received	20,900	15,730
Interest paid	(740,486)	(805,640)
Hong Kong profits tax paid	(3)	—
China taxation paid	(769,646)	(622,584)
Net cash generated from/(used in) operating activities	138,813	(3,058,027)
Investing activities		
Additions of property, plant and equipment	(222,398)	(14,511)
Proceeds from sale of property, plant and equipment	38	1,171
Additions of investment properties	(27,149)	(1,799)
Proceeds from sale of investment properties	17,220	6,910
Proceeds from sale of available-for-sale financial assets	—	76,089
Disposal of subsidiaries	96,019	827,907
Dividends received from joint ventures and associated entities	115,999	68,417
Investment in an associated entity	(35,964)	—
Payments (to)/from joint ventures and associated entities	(367,008)	86,388
Decrease/(increase) in charged bank deposits	1,178,515	(1,166,862)
Net cash generated from/(used in) investing activities	755,272	(116,290)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Financing activities		
Issue of ordinary shares	1,086	6,470
Dividends paid to equity holders of the Company	(259,089)	(398,792)
Dividends paid to non-controlling interests	(2,979)	–
Decrease in amount due to an intermediate holding company	–	(15,171)
Decrease in amounts due to joint ventures and associated entities	(210,846)	(395,375)
Decrease in amounts due to related companies	(455,690)	(141,637)
New bank borrowings	8,586,094	3,400,000
Repayment of bank borrowings	(5,995,802)	(4,164,266)
New other borrowings	–	5,184,172
Repayment of obligations under finance leases	(31)	–
Net cash generated from financing activities	1,662,743	3,475,401
Increase in cash and cash equivalents	2,556,828	301,084
Cash and cash equivalents at the beginning of period	5,054,663	7,060,397
Exchange gain/(loss) on cash and cash equivalents	2,564	(24,819)
	7,614,055	7,336,662
Less: Cash and cash equivalents included in non-current assets held-for-sale	(2,367)	–
Cash and cash equivalents at the end of period	7,611,688	7,336,662
Analysis of balances of cash and cash equivalents		
Bank balances and cash	7,611,800	7,336,769
Bank overdrafts	(112)	(107)
	7,611,688	7,336,662

The notes on pages 33 to 61 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Unaudited				
	Attributable to equity holders of the Company				Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2014	854,089	8,891,760	14,429,356	984,803	25,160,008
Comprehensive income					
Profit for the period	–	–	1,676,085	105,612	1,781,697
Other comprehensive income					
Currency translation differences	–	–	19,900	–	19,900
Change in fair value of available-for-sale financial assets, net of tax	–	–	9,092	523	9,615
Total other comprehensive income for the period	–	–	28,992	523	29,515
Total comprehensive income for the period	–	–	1,705,077	106,135	1,811,212
Transactions with owners					
Issue of shares upon exercise of share options prior to 3 March 2014	20	101	–	–	121
Issue of shares upon exercise of share options subsequent to 3 March 2014	965	–	–	–	965
Transfer to no-par value regime on 3 March 2014	8,893,589	(8,891,890)	(1,699)	–	–
Transfer upon exercise of share options	235	29	(264)	–	–
Dividends paid	–	–	(259,089)	(2,979)	(262,068)
Total transactions with owners	8,894,809	(8,891,760)	(261,052)	(2,979)	(260,982)
Balance at 30 June 2014	9,748,898	–	15,873,381	1,087,959	26,710,238

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests	Total
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000		
Balance at 1 January 2013	852,196	8,878,673	12,427,271	962,075	23,120,215
Comprehensive income					
Profit for the period	—	—	2,340,695	18,407	2,359,102
Other comprehensive income					
Currency translation differences	—	—	(38,336)	—	(38,336)
Change in fair value of available-for-sale financial assets, net of tax	—	—	(58,920)	(2,052)	(60,972)
Transfer of reserve to profit and loss upon disposal of subsidiaries (note 25)	—	—	(6,101)	—	(6,101)
Total other comprehensive loss for the period	—	—	(103,357)	(2,052)	(105,409)
Total comprehensive income for the period	—	—	2,237,338	16,355	2,253,693
Transactions with owners					
Issue of shares upon exercise of share options	1,084	5,386	—	—	6,470
Transfer upon exercise of share options	—	1,686	(1,686)	—	—
Dividends paid	—	—	(398,792)	—	(398,792)
Total transactions with owners	1,084	7,072	(400,478)	—	(392,322)
Balance at 30 June 2013	853,280	8,885,745	14,264,131	978,430	24,981,586

The notes on pages 33 to 61 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information have been approved for issue by the Board of Directors on 27 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’ issued by the Hong Kong Institute of Certified Public Accountants. 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) Amended standards and interpretation adopted and relevant to the Group:

The amendment to HKAS 32 clarifies in the application guidance on the requirements for offsetting financial assets and financial liabilities on the balance sheet.

The amendment to HKAS 36 addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HK (IFRIC) – Int 21 “Levies” addresses the accounting for a liability to pay a levy if that liability is within the scope of HKAS 37 ‘Provisions’. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised.

3 Accounting policies (Continued)

- (b) Amendments to existing standards effective in 2014 but not relevant to the Group:

The following amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2014:

HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives
HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) (Amendments)	Consolidation for Investment Entities

The application of the adopted new or revised HKFRSs has had no material effect on the Group's results and financial position.

- (c) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (Amendment)	Defined Benefit Plans – Employee Contributions	1 July 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	To be determined ¹
HKFRS 9	Financial Instruments	To be determined ¹
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual improvements 2010-2012 cycle	Improvements to HKFRSs	1 July 2014
Annual improvements 2011-2013 cycle	Improvements to HKFRSs	1 July 2014

¹ The mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

The directors and management of the Company are in the process of making an assessment of the impact of these new standards and amendments to existing standards and are not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

4 Critical accounting estimates and judgements

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013, except for the taxation. Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

5 Financial risk management

5.1 Financial risk factors

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

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

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

5.2 Fair value estimation

The table below analyses 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).

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014.

	Level 3 RMB'000
Assets	
Derivative financial instruments – call options	48,143
Available-for-sale financial assets	856,173
Total assets	904,316

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 3 RMB'000
Assets	
Derivative financial instruments – call options	47,642
Available-for-sale financial assets	842,226
Total assets	889,868

There were no changes in valuation techniques during the period.

There were no transfers between fair value hierarchy levels during the period.

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

30 June 2014	Available for sale financial assets RMB'000	Derivative financial instruments – call options RMB'000	Total RMB'000
Opening balance at 1 January	842,226	47,642	889,868
Gains recognised in profit or loss, net	–	501	501
Fair value changes recognised in other comprehensive income	13,947	–	13,947
Closing balance at 30 June	856,173	48,143	904,316
Total unrealised gains for the period included in profit or loss for assets held at the end of the reporting period	–	501	501

30 June 2013	Available for sale financial assets RMB'000
Opening balance at 1 January	895,944
Fair value changes recognised in other comprehensive income	(54,611)
Closing balance at 30 June	841,333
Total unrealised losses for the period included in profit or loss for assets held at the end of the reporting period	–

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

Group's valuation processes

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee ("AC"). Discussions of valuation processes and results are held between the management, AC and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

The main Level 3 input used by the Group for available-for-sale financial assets pertains to the discount for lack of marketability. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

The main Level 3 input used by the Group for top-up liability pertains to the discount rate. It is initially recognised at fair value. In determining the fair value of the top-up payment liability, the Group has applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the Group's effective interest rate. Top-up payment liability is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of the top-up payment liability will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate, and is a reasonable approximation of its fair value. The adjustment is recognised in "finance costs".

The main Level 3 inputs used by the Group in estimating the call options derivatives are gross development value, time to maturity, interest rate, and expected volatility. The fair value of the call options were calculated using the Black-Scholes valuation model with Binomial Tree method by assuming the present value of gross development value based on schedules provided by management of the Group, follow the Geometric Brownian motion.

The key unobservable input used in the measurement of the call options as at 30 June 2014 is as follows:

	Impact of change	
	Increase 0.5% RMB'000	Decrease 0.5% RMB'000
Expected volatility	32,244	(24,017)

5 Financial risk management (Continued)

5.3 Fair value of financial assets and liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Cash and cash equivalents and charged bank deposits
- Other receivables and deposits
- Other payables and accrued charges
- Trade and note payables
- Borrowings
- Cash & cash equivalents of non-current assets held-for-sale

6 Segment information

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

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

The Group's operating and reportable segments under HKFRS 8 and the types of turnover are as follows:

Property development	—	sales of property development activities
Property management	—	property management services
Property investment	—	property rentals
Other	—	revenue from real estate agency and construction and building design consultancy services

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

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

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

6 Segment information (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Six months ended 30 June 2014					
Revenue	5,905,685	199,977	128,067	439,305	6,673,034
Inter-segment revenue	–	(34,392)	(2,236)	(310,830)	(347,458)
Revenue from external customers	5,905,685	165,585	125,831	128,475	6,325,576
Segment results	1,661,034	4,216	1,266,824	7,967	2,940,041
Share of (loss)/profit of					
– joint ventures	(3,385)	–	–	–	(3,385)
– associated entities	865	–	92,037	10,833	103,735
Six months ended 30 June 2013					
Revenue	5,524,581	248,360	216,009	425,041	6,413,991
Inter-segment revenue	–	(47,604)	(2,926)	(304,060)	(354,590)
Revenue from external customers	5,524,581	200,756	213,083	120,981	6,059,401
Segment results	1,759,417	12,546	2,005,100	44,316	3,821,379
Share of profit of					
– joint ventures	195	–	–	–	195
– associated entities	–	–	82,809	–	82,809

6 Segment information (Continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 30 June 2014					
Segment assets	59,962,820	435,363	12,141,554	324,460	72,864,197
Interests in joint ventures	1,299,740	–	–	–	1,299,740
Interests in associated entities	619,561	–	5,881,280	125,578	6,626,419
Total reportable segments' assets	61,882,121	435,363	18,022,834	450,038	80,790,356
As at 31 December 2013					
Segment assets	58,456,305	435,884	10,219,375	336,729	69,448,293
Interests in joint ventures	1,164,939	–	–	–	1,164,939
Interests in associated entities	330,031	–	5,849,822	129,222	6,309,075
Total reportable segments' assets	59,951,275	435,884	16,069,197	465,951	76,922,307

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Segment results	2,940,041	3,821,379
Unallocated operating costs (note)	(38,521)	(33,792)
Other gains	199,798	95,899
Operating profit	3,101,318	3,883,486
Finance income	20,900	15,730
Finance costs	(189,865)	(211,983)
Net foreign exchange (loss)/gain on financing activities	(118,958)	136,043
Share of (loss)/profit of		
– joint ventures	(3,385)	195
– associated entities	103,735	82,809
Profit before taxation	2,913,745	3,906,280

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

6 Segment information (Continued)

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

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Total reportable segments' assets	80,790,356	76,922,307
Deferred tax assets (note 24)	144,802	130,067
Taxation recoverable	466,643	430,582
Corporate assets	624,738	587,692
Total assets	82,026,539	78,070,648

	Revenue Six months ended 30 June		Total assets As at	
	2014 RMB'000	2013 RMB'000	30 June 2014 RMB'000	31 December 2013 RMB'000
Mainland China	6,262,122	5,959,419	78,539,608	74,682,844
Hong Kong	62,851	99,455	2,244,016	2,231,176
Overseas	603	527	6,732	8,287
	6,325,576	6,059,401	80,790,356	76,922,307
Unallocated assets			1,236,183	1,148,341
			82,026,539	78,070,648

7 Expenses by nature

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Amortisation of land use rights (note 16)	5,997	5,730
Business tax and other levies	391,559	374,520
Depreciation		
– Owned property, plant and equipment	22,274	22,378
– Leased property, plant and equipment	31	29
Provision for/(reversal of provision for) impairment of property, plant and equipment (note 14)	3,880	(8,442)
Reversal of provision for impairment of properties under development	(990)	(27,008)

8 Other gains

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Gain on disposal of subsidiaries (note 25)	199,297	59,810
Gain on disposal of available-for-sale financial assets	—	36,089
Fair value gains on derivative financial instruments, net	501	—
	199,798	95,899

9 Finance income

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest income from bank deposits	20,900	15,730

10 Finance costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest on borrowings and bank overdrafts	585,091	634,689
Interest on loan from an associated entity	27,749	38,467
Interest on other borrowings	106,347	96,456
Interest expense from top-up payment liability	3,914	11,560
Fair value loss on top-up payment liability	17,385	24,468
Total borrowing costs incurred	740,486	805,640
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	(550,621)	(593,657)
	189,865	211,983

11 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2013: 16.5 percent) on the estimated assessable profit for the period.
- (b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and joint ventures in China at 25 percent (2013: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the period, withholding income tax was provided for the dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, joint ventures and associated entities in China at tax rates ranging from 5 percent to 10 percent (2013: 5 percent to 10 percent).

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current taxation		
Hong Kong profits tax	1,980	6,131
China enterprise income tax	180,442	56,895
China land appreciation tax	1,158,848	549,630
Deferred taxation		
Origination and reversal of temporary differences	(341,077)	794,118
Corporate withholding income tax on undistributed profits	131,855	140,404
	1,132,048	1,547,178

12 Earnings per share

Basic

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

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	1,676,085	2,340,695
Weighted average number of ordinary shares in issue ('000)	9,322,782	9,303,580
Basic earnings per share (RMB)	0.1798	0.2516

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had no share options outstanding at the end of the period which are dilutive potential ordinary shares. As at 30 June 2013, calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	1,676,085	2,340,695
Weighted average number of ordinary shares in issue ('000)	9,322,782	9,303,580
Adjustments for share options ('000)	—	18,209
Weighted average number of ordinary shares for diluted earnings per share ('000)	9,322,782	9,321,789
Diluted earnings per share (RMB)	0.1798	0.2511

13 Dividends

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
2013 final, declared, of HK\$0.035 equivalent to RMB0.027 (2012: HK\$0.022 equivalent to RMB0.018) per ordinary share	259,089	165,536
2013 special, of nil (2012: HK\$0.031 equivalent to RMB0.025) per ordinary share	—	233,256
2014 interim, proposed, of HK\$0.049 equivalent to RMB0.039 (2013: HK\$0.049 equivalent to RMB0.039) per ordinary share	363,647	363,179

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. It will be recognised in shareholders' equity in the year ending 31 December 2014.

14 Property, plant and equipment

	2014 RMB'000	2013 RMB'000
At 1 January	1,023,079	763,564
Exchange differences	2,943	(5,695)
Additions	222,398	14,511
Transfer from properties under development	—	173,826
Disposals	(38)	(1,171)
Depreciation	(22,305)	(22,407)
(Provision for)/reversal of provision for impairment	(3,880)	8,442
Disposal of subsidiaries (note 25)	—	(15)
Transfer to non-current assets held-for-sale	—	(19,931)
At 30 June	1,222,197	911,124

15 Investment properties

	2014 RMB'000	2013 RMB'000
At 1 January	10,219,375	6,185,441
Exchange differences	6,281	(11,558)
Additions	27,149	1,799
Transfer from properties under development	2,228,481	1,859,360
Transfer to properties under development	(1,588,000)	—
Disposals	(2,332)	(4,911)
Disposal of subsidiaries (note 25)	—	(82,400)
Fair value gains	1,250,600	1,862,101
At 30 June	12,141,554	9,809,832

The valuation processes, techniques and significant inputs were the same as those that applied to the annual financial statements for year ended 31 December 2013.

16 Land use rights

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

	2014 RMB'000	2013 RMB'000
At 1 January	265,901	283,234
Transfer from properties under development	—	5,186
Amortisation	(5,997)	(5,730)
Transfer to non-current assets held-for-sale	—	(19,333)
At 30 June	259,904	263,357

17 Trade receivables

The Group has defined different credit policies for different businesses. The credit terms of the Group are generally within three months. The ageing analysis of trade receivables is as follows:

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
0 - 30 days	18,304	10,240
31 - 90 days	5,592	3,620
91 - 180 days	1,256	—
181 - 365 days	956	886
Over 1 year	1,047	1,267
	27,155	16,013

18 Non-current assets held-for-sale

On 23 June 2014, the Group signed a sales and purchase agreement to dispose of Jumbo Resources Investments Limited, Supreme Peak Investments Limited and Wealthy Mind Development Limited, which owned units of Guangzhou Starry Winking, to an independent third party. Accordingly, the assets have been presented as non-current assets held-for-sale as at 30 June 2014. The transaction is expected to be completed in September 2014.

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

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Deferred tax assets	13,153	—
Properties held for sale	66,093	—
Cash and cash equivalents	2,367	—
	81,613	—

19 Trade and note payables

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

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
0 - 30 days	121,296	76,593
31 - 90 days	172,992	122,992
91 - 180 days	57,552	23,738
181 - 365 days	3,716	5,706
1 - 2 years	3,689	3,985
Over 2 years	351	55
	359,596	233,069

20 Borrowings

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Non-current		
Long-term bank borrowings		
– Secured	11,059,322	8,492,503
– Unsecured	6,277,941	1,923,556
Other borrowings, unsecured (note)	5,172,561	5,118,735
Obligations under finance leases	85	109
	22,509,909	15,534,903
Current		
Bank overdrafts	112	86
Short-term bank borrowings		
– Secured	1,000,000	1,300,000
– Unsecured	744,372	938,294
Current portion of long-term bank borrowings		
– Secured	733,648	1,100,500
– Unsecured	1,521,447	4,991,585
Obligations under finance leases	77	84
	3,999,656	8,330,549
Total borrowings	26,509,565	23,865,452

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	As at		As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000	30 June 2014 RMB'000	31 December 2013 RMB'000
Within one year	3,999,579	8,330,465	77	84
In the second year	7,639,129	4,816,987	47	48
In the third to fifth year	8,679,384	4,907,472	2,128,262	2,113,024
Over five years	1,018,750	691,600	3,044,337	3,005,772
	21,336,842	18,746,524	5,172,723	5,118,928

20 Borrowings (Continued)

Note:

On 24 January 2013, the Company issued and sold United States Dollar (“USD”) 350 million principal 3.25% notes due in 2018 and USD500 million principal 4.50% notes due in 2023 (together, the “USD Bonds”) to investors under a USD2,000 million medium term note programme established on 11 January 2013. All of the USD Bonds remained outstanding at 30 June 2014.

21 Share capital and other statutory capital reserves

	30 June 2014		31 December 2013	
	Number of shares ('000)	HK\$'000	Number of shares ('000)	HK\$'000
Authorised: (note (a))				
Ordinary shares of HK\$0.10 each (note (b))	—	—	20,000,000	2,000,000
Number of shares, Share capital, Share premium and Total (RMB'000)				
	Number of shares ('000)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2013	9,298,432	852,196	8,878,673	9,730,869
Issue of shares upon exercise of share options (note 22)	13,405	1,084	5,386	6,470
Transfer upon exercise of share options	—	—	1,686	1,686
At 30 June 2013	9,311,837	853,280	8,885,745	9,739,025
At 1 January 2014	9,322,031	854,089	8,891,760	9,745,849
Issue of shares upon exercise of share options prior to 3 March 2014 (note 22)	251	20	101	121
Issue of shares upon exercise of share options subsequent to 3 March 2014 (note 22)	2,009	965	—	965
Transfer upon exercise of share options prior to 3 March 2014	—	—	29	29
Transfer to no par value regime on 3 March 2014 (note (c))	—	8,893,589	(8,891,890)	1,699
Transfer upon exercise of share options subsequent to 3 March 2014	—	235	—	235
At 30 June 2014	9,324,291	9,748,898	—	9,748,898

21 Share capital and other statutory capital reserves (Continued)

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

22 Share options

Movements of share options are as follows:

	Number of share options '000
At 1 January 2013	29,774
Exercised during the period	(13,405)
Lapsed during the period	(3,170)
At 30 June 2013	13,199
At 1 January 2014	2,507
Exercised during the period	(2,260)
Lapsed during the period	(247)
At 30 June 2014	—

22 Share options (Continued)

Particulars of share options as at 30 June 2014 and 31 December 2013 are as follows:

Date of grant	Exercise period	Exercise price HK\$	Number of outstanding share options As at	
			30 June 2014 '000	31 December 2013 '000
2 May 2003	2 May 2003 - 1 May 2013	0.3950	—	—
27 October 2003	27 October 2003 - 26 October 2013	0.7840	—	—
23 December 2003	23 December 2003 - 22 December 2013	0.8140	—	—
23 June 2004	23 June 2004 - 22 June 2014	0.6070	—	2,507
			—	2,507

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

As at 30 June 2014, there were no (31 December 2013: 2,507,000 shares) outstanding share options.

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

23 Reserves

	Capital redemption reserve RMB'000	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Employee share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	1,699	197,567	(291,123)	490,222	60	14,030,931	14,429,356
Currency translation differences	–	–	19,900	–	–	–	19,900
Change in fair value of available-for-sale financial assets							
– gross	–	–	–	13,424	–	–	13,424
– tax	–	–	–	(3,487)	–	–	(3,487)
– effect of withholding tax	–	–	–	(845)	–	–	(845)
Profit attributable to shareholders	–	–	–	–	–	1,676,085	1,676,085
Transfer	–	481	–	–	239	(720)	–
Transfer upon exercise of share options prior to 3 March 2014	–	–	–	–	(29)	–	(29)
Transfer upon exercise of share options subsequent to 3 March 2014	–	–	–	–	(235)	–	(235)
Transfer upon lapse of share options	–	–	–	–	(35)	35	–
Dividends paid	–	–	–	–	–	(259,089)	(259,089)
Transfer to no-par value regime on 3 March 2014	(1,699)	–	–	–	–	–	(1,699)
At 30 June 2014	–	198,048	(271,223)	499,314	–	15,447,242	15,873,381
Representing:							
2014 interim dividends proposed						363,647	
Others						15,083,595	
						<u>15,447,242</u>	

23 Reserves (Continued)

	Capital redemption reserve RMB'000	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Available- for-sale financial assets fair value reserve RMB'000	Employee share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	1,699	203,283	(240,129)	547,568	3,732	11,911,118	12,427,271
Currency translation differences	–	–	(38,336)	–	–	–	(38,336)
Change in fair value of available- for-sale financial assets							
– gross	–	–	–	(82,969)	–	–	(82,969)
– tax	–	–	–	20,742	–	–	20,742
– effect of withholding tax	–	–	–	3,307	–	–	3,307
Profit attributable to shareholders	–	–	–	–	–	2,340,695	2,340,695
Transfer of reserve to profit and loss upon disposal of subsidiaries (note 25)	–	(6,101)	–	–	–	–	(6,101)
Transfer upon exercise of share options	–	–	–	–	(1,686)	–	(1,686)
Transfer upon lapse of share options	–	–	–	–	(427)	427	–
Dividends paid	–	–	–	–	–	(398,792)	(398,792)
At 30 June 2013	1,699	197,182	(278,465)	488,648	1,619	13,853,448	14,264,131
Representing:							
2013 interim dividends proposed						363,179	
Others						13,490,269	
						<u>13,853,448</u>	

Note:

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

24 Deferred taxation

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

Deferred taxation as at 30 June 2014 and 31 December 2013 represents:

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Deferred tax assets		
Hong Kong profits tax	4,901	5,016
China enterprise income tax	139,901	125,051
	144,802	130,067
Deferred tax liabilities		
Hong Kong profits tax	21,490	22,705
China enterprise income tax	2,856,221	2,187,071
China land appreciation tax	2,257,080	3,157,319
	5,134,791	5,367,095

25 Disposal of subsidiaries

	2014 RMB'000	2013 RMB'000
Gain on disposal of:		
– Guangzhou Starry Winking Companies (note (a))	199,297	–
– Tiyu Building Companies (note (b))	–	59,810

25 Disposal of subsidiaries (Continued)

(a) Disposal of the Guangzhou Starry Winking Companies

On 23 June 2014, the Group disposed of the entire interest in Bonus Fortune Development Limited and Super Linkage International Limited (together the “Guangzhou Starry Winking Companies”), subsidiaries of the Group, which ultimately owns units of properties under development in the Tianhe District, Guangzhou, to an independent third party for cash consideration of RMB385 million.

Details of the assets and liabilities of the Guangzhou Starry Winking Companies disposed of and the gain on disposal are as follows:

	2014 RMB'000
Assets and liabilities disposed of:	
Properties held for sale	181,294
Cash and cash equivalents	3,981
Other payables and accrued charges	<u>(188,019)</u>
Net liabilities disposed of	<u>(2,744)</u>
Consideration received/receivable	384,536
Add: Net liabilities disposed of	2,744
Less: Shareholder's loan	<u>(187,983)</u>
Gain on disposal of the Guangzhou Starry Winking Companies	<u>199,297</u>

(b) Disposal of the Tiyu Building Companies

On 15 May 2013, the Group disposed of the entire interest in Jankon International Limited, Takwill International Limited, and Citiland International Limited (together the “Tiyu Building Companies”), subsidiaries of the Group, which ultimately owns a parcel of land and the buildings erected on it in Yuexiu District, Guangzhou, to a fellow subsidiary of the Company for consideration of RMB830 million.

25 Disposal of subsidiaries (Continued)

(b) Disposal of the Tiyu Building Companies (Continued)

- (i) Details of the assets and liabilities of the Tiyu Building Companies disposed of and the gain on disposal are as follows:

	2013 RMB'000
Assets and liabilities disposed of:	
Property, plant and equipment	15
Investment properties	82,400
Properties under development	744,000
Cash and cash equivalents	673
Trade and other receivables	409
Taxation recoverable	143
Other payables and accrued charges	(707,463)
Deferred tax liabilities	(1,336)
Other liabilities	(2,478)
Net assets disposed of	116,363
Cash received	830,000
Direct costs attributable to the disposal	(1,420)
Less: Net assets disposed of	(116,363)
Shareholder's loan	(658,508)
Add: Release of reserve	6,101
Gain on disposal of the Tiyu Building Companies	59,810

- (ii) Inflow of cash arising from disposal of the Tiyu Building Companies:

	2013 RMB'000
Cash consideration	830,000
Direct costs attributable to the disposal	(1,420)
Cash and cash equivalents in the subsidiary disposed of	(673)
Cash inflow on disposal	827,907

26 Guarantees

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	2,896,334	2,781,108
Guarantees for banking and loan facilities granted to an associated entity (note (c))	3,335,000	3,680,000
	6,231,334	6,461,108

Notes:

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group owns the legal title of such pledged related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (b) In connection with the disposal of a subsidiary to Yuexiu Real Estate Investment Trust ("Yuexiu REIT") in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium and deferred taxation with an estimated total amount of approximately RMB nil (31 December 2013: RMB58 million). The Deed of Indemnity has expired on 30 May 2014.
- (c) Certain subsidiaries of the Group jointly and severally provided guarantee in respect of a syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after full repayment of the syndicated loan.

27 Commitments under operating leases

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

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Not later than one year	71,605	11,516
Later than one year and not later than five years	71,997	12,513
	143,602	24,029

28 Capital commitments

	As at	
	30 June 2014 RMB'000	31 December 2013 RMB'000
Capital commitments in respect of property, plant and equipment and investment properties:		
Contracted but not provided for	888,682	199,840
Authorised but not contracted for	760,924	711,538
	1,649,606	911,378

29 Securities for banking facilities

At 30 June 2014, certain banking facilities and loans granted to the Group were secured by:

- (a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property and plant and equipment with an aggregate carrying value of approximately RMB17,793 million (31 December 2013: RMB22,109 million), RMB689 million (31 December 2013: RMB292 million), RMB10,193 million (31 December 2013: RMB2,158 million) and RMB604 million (31 December 2013: RMB857 million) respectively;
- (b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB19 million (31 December 2013: RMB7 million); and
- (c) assignment of shareholder's loans between certain companies in the Group with an aggregate amount of approximately RMB16,410 million (31 December 2013: RMB16,099 million).

30 Significant related party transactions

(a) Related parties

The Company's ultimate holding company is Guangzhou Yuexiu Holdings Limited. The table below summarises the names of related parties, with whom the Group has significant transactions during the period, and their relationship with the Company as at 30 June 2014:

Significant related parties	Relationship with the Company
Guangzhou Yuexiu Holdings Limited ("GYHL")	Ultimate holding company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	Intermediate holding company
Kiu Fung Limited ("Kiu Fung")	A fellow subsidiary
Yue Xiu International Development Limited ("YXIDL")	A fellow subsidiary
Yue Xiu Cold Storage and Warehousing Limited ("YXCSWL")	A fellow subsidiary
Yuexiu REIT	An associated entity

(b) Transactions with related parties

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
(I) Transaction with YXE		
Rental expenses paid to YXE	(1,393)	(1,567)
(II) Transactions with YXIDL		
Rental income received from YXIDL	92	39
Management fee paid to YXIDL	(514)	(906)
(III) Transaction with YXCSWL		
Rental income received from YXCSWL	1,327	1,260
(IV) Transaction with Kiu Fung		
Administrative service fees received from Kiu Fung	511	526
(V) Transactions with Yuexiu REIT		
Tenancy service fees received from Yuexiu REIT	10,024	14,271
Rental expenses paid to Yuexiu REIT	(41,877)	(45,734)
Naming rights expenses paid to Yuexiu REIT	(10,000)	(10,000)
Interest paid to Yuexiu REIT	(27,749)	(38,467)

30 Significant related party transactions (Continued)

(c) Balances with related parties

	Note	As at	
		30 June 2014 RMB'000	31 December 2013 RMB'000
Amount due to an intermediate holding company	(i), (ii)	(8)	(8)
Amounts due from associated entities	(i), (iv)	323,124	116,400
Amounts due to associated entities	(ii), (vi)	(1,018,116)	(1,215,571)
Amounts due from joint ventures	(i), (iii), (v)	795,840	695,654
Amounts due to joint ventures	(i), (ii)	(271,060)	(270,457)
Amounts due to related companies	(i), (ii)	(59,603)	(54,908)

Except for the amount due to an intermediate holding company and amounts due from associated entities which are denominated in HKD, all others related party balances are denominated in RMB.

Notes:

- (i) These balances are unsecured, interest free and repayable on demand.
- (ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.
- (iii) The balance is included in interests in joint ventures except for an amount of RMB38,925,000 (31 December 2013: RMB38,000,000) which is include in other receivables, prepayment and deposits.
- (iv) The balance is included in interests in associated entities except for an amount of RMB15,962,000 (31 December 2013: RMB28,246,000) which is included in other receivables, prepayments and deposits.
- (v) These balances were not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (31 December 2013: RMB999,000) was made for an amount due from a joint venture.
- (vi) Except for an amount of approximately RMB571,000,000 (31 December 2013: RMB729,000,000) which is unsecured and interest bearing at 9.0 percent per annum, the remaining balances are unsecured, interest free and repayable on demand.

(d) Key management compensation

Key management compensation amounted to RMB2,037,000 for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB2,977,000).

Other Information

INTERESTS OF DIRECTORS

As at 30 June 2014, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") were as follows:

The Company

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lee Ka Lun	Personal	4,200,000	0.045
Mr Lau Hon Chuen Ambrose	Personal	3,640,000	0.039
Mr Chen Zhihong	Personal	574,961	0.006
Mr Li Feng	Personal	130,000	0.001

Yuexiu Transport Infrastructure Limited

Long positions in shares of Yuexiu Transport Infrastructure Limited:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012
Mr Chen Zhihong	Personal	69,900	0.004

Save as disclosed herein, as at 30 June 2014, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Other Information

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 30 June 2014, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Approximate % of interest
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note)	Interests of controlled corporations	4,631,163,657 (Long position)	49.67
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Interests of controlled corporations	4,631,163,657 (Long position)	49.67

Note:

廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) is deemed by the SFO to be interested in 4,631,163,657 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long positions in shares
Yue Xiu	4,631,163,657
Superb Master Ltd.	302,247,835
Excellence Enterprises Co., Ltd. ("Excellence")	4,323,213,675
Bosworth International Limited ("Bosworth") (Note i)	3,160,100,867
Sun Peak Enterprises Ltd. ("Sun Peak")	735,387,900
Novena Pacific Limited ("Novena") (Note ii)	735,387,900
Shine Wah Worldwide Limited ("Shine Wah")	205,463,700
Morrison Pacific Limited ("Morrison") (Note iii)	205,463,700
Perfect Goal Development Co., Ltd. ("Perfect Goal")	176,458,100
Greenwood Pacific Limited ("Greenwood") (Note iv)	176,458,100
Seaport Development Limited ("Seaport")	45,803,108
Goldstock International Limited ("Goldstock") (Note v)	45,803,108
Yue Xiu Finance Company Limited	5,702,147

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

SHARE OPTIONS

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of an old share option scheme and the adoption of a new share option scheme of the Company ("2002 Share Option Scheme"). The 2002 Share Option Scheme had expired in June 2012 (after which period no further options would be granted or accepted); and thereafter only those provisions of the 2002 Share Option Scheme which are required to give effect to the outstanding options will continue to remain in full force and effect for such purpose.

Movements during the period of the options granted under the share option scheme of the Company to the participants including the directors of the Company were as follows:

Number of share options			outstanding as at 30 June 2014	Exercise price per share HK\$	Date of grant	Exercisable period	Weighted average closing price (b) HK\$
outstanding as at 1 January 2014	exercised during the period	lapsed during the period					
2,507,144	(2,259,933)	(247,211)	—	0.607	23/06/2004	23/06/2004 - 22/06/2014 (a)	1.56

Notes:

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

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the six months ended 30 June 2014.

Code Provision A.4.1

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

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive (being general manager in the case of the Company) should be separated and should not be performed by the same individual. With effect from 31 July 2013, Mr Zhang Zhaoxing, General Manager of the Company, was appointed as Chairman of the Board of the Company upon the retirement of the then Chairman, Mr Lu Zhifeng.

With effect from 21 March 2014, Mr Chen Zhihong, an executive director of the Company, was appointed as General Manager of the Company. Mr Zhang Zhaoxing ceased to be General Manager but remains as Chairman and an executive director of the Company.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2014 have been reviewed by the Audit Committee and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2014. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 September 2014 to Thursday, 25 September 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company’s Share Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 19 September 2014.