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(incorporated in Hong Kong with limited liability)
(Stock code: 00123)

Announcement of 2014 Interim Results

Results Highlights

- **Operating results achieved stable growth.** In the first half of 2014, the revenue was approximately RMB6,326 million, an increase of 4.4% comparing with the corresponding period of last year. Gross profit margin was 34.4%. 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.
- **Contracted sales rose during the market downturn.** In the first half of 2014, the aggregate contracted sales value (including contracted sales by joint venture projects) was approximately RMB10.63 billion, an increase of 23.4% 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, the unrecognized sales value was approximately RMB17,236 million.
- **The overall financial position remained healthy.** In the first half of 2014, the financing amount of RMB8.6 billion was realized. As of 30 June 2014, the ratio between onshore and offshore borrowings of the Group was 45%:55%. The average funding cost in the first half year was 5.2%, a decrease of 0.4 percentage point comparing with the year of 2013. Cash and cash equivalents and charged bank deposits were approximately RMB9,753 million, an increase of 16.5% comparing with 31 December 2013. The net gearing ratio was 62.7% which remained stable when comparing with the year of 2013.
- **Model of cooperation was deepened to strengthen the nationwide layout.** In the first half of 2014, the Group acquired a land parcel located at Gudun Road, Hangzhou, at the base price, through the innovative model jointly with an investment fund. The total consideration was approximately RMB1,000 million, of which the share of 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 landbank was approximately 12.25 million sq.m..
- **Return to shareholders.** 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.

Results Summary

• Revenue	RMB6,326 million (+4.4%)
• Gross profit	RMB2,176 million (-12.3%)
• Profit attributable to equity holders	RMB1,676 million (-28.4%)
• Core net profit	RMB992 million (+10.5%)
• Core net profit margin	15.7% (+0.9 percentage point)
• Contracted sales value	RMB10.63 billion (+23.4%)
• Unrecognized sales value	RMB17,236 million
• Total assets	RMB82.027 billion (+5.1%)
• Cash and cash equivalents and charged bank deposits	RMB9,753 million (+16.5%)
• Shareholders' equity	RMB25.622 billion (+6.0%)
• Shareholders' equity per share	RMB2.748 (+6.0%)
• Net gearing ratio	62.7% (+1.1 percentage points)

UNAUDITED RESULTS

The board of directors (“Directors” or “Board”) of Yuexiu Property Company Limited (“Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) prepared under Hong Kong Accounting Standard 34 “Interim Financial Reporting” for the six months ended 30 June 2014, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	6,325,576	6,059,401
Cost of sales	4	<u>(4,149,977)</u>	<u>(3,579,884)</u>
Gross profit		2,175,599	2,479,517
Proceeds from sales of investment properties		17,220	6,910
Direct costs of investment properties sold		<u>(3,212)</u>	<u>(5,278)</u>
Gain on sales of investment properties		14,008	1,632
Fair value gains on revaluation of investment properties		1,250,600	1,862,101
Other gains		199,798	95,899
Selling and marketing costs	4	(186,347)	(152,255)
Administrative expenses	4	<u>(352,340)</u>	<u>(403,408)</u>
Operating profit		3,101,318	3,883,486
Finance income		20,900	15,730
Finance costs	5	(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		<u>103,735</u>	<u>82,809</u>
Profit before taxation		2,913,745	3,906,280
Taxation	6	<u>(1,132,048)</u>	<u>(1,547,178)</u>
Profit for the period		<u><u>1,781,697</u></u>	<u><u>2,359,102</u></u>

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
Attributable to			
Equity holders of the Company		1,676,085	2,340,695
Non-controlling interests		<u>105,612</u>	<u>18,407</u>
		<u><u>1,781,697</u></u>	<u><u>2,359,102</u></u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	7		
- Basic		<u><u>0.1798</u></u>	<u><u>0.2516</u></u>
- Diluted		<u><u>0.1798</u></u>	<u><u>0.2511</u></u>

Details of dividends payable to equity holders of the Company are set out in Note 8.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>1,811,212</u>	<u>2,253,693</u>
Attributable to		
Equity holders of the Company	1,705,077	2,237,338
Non-controlling interests	<u>106,135</u>	<u>16,355</u>
	<u>1,811,212</u>	<u>2,253,693</u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014**

		As at	
	<i>Note</i>	30 June 2014	31 December 2013
		<i>Unaudited</i>	<i>Audited</i>
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,222,197	1,023,079
Investment properties		12,141,554	10,219,375
Land use rights		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		<u>144,802</u>	<u>130,067</u>
		<u>22,550,789</u>	<u>19,954,662</u>
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	9	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		<u>7,611,800</u>	<u>5,054,749</u>
		<u>59,394,137</u>	<u>58,115,986</u>
Non-current assets held-for-sale		<u>81,613</u>	<u>—</u>

		As at	
	Note	30 June 2014	31 December 2013
		<i>Unaudited</i> RMB'000	<i>Audited</i> RMB'000
LIABILITIES			
Current liabilities			
Trade and note payables	10	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		3,999,656	8,330,549
Taxation payable		<u>2,648,455</u>	<u>2,658,633</u>
		<u>27,457,640</u>	<u>31,790,249</u>
Net current assets		<u>32,018,110</u>	<u>26,325,737</u>
Total assets less current liabilities		<u>54,568,899</u>	<u>46,280,399</u>
Non-current liabilities			
Borrowings		22,509,909	15,534,903
Deferred tax liabilities		5,134,791	5,367,095
Deferred revenue		62,801	64,595
Other payables and accrued charges		<u>151,160</u>	<u>153,798</u>
		<u>27,858,661</u>	<u>21,120,391</u>
Net assets		<u>26,710,238</u>	<u>25,160,008</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value		—	854,089
Other statutory capital reserves		—	<u>8,893,459</u>
Share capital and other statutory capital reserves	11	9,748,898	9,747,548
Other reserves		426,139	396,726
Retained earnings			
- Proposed dividends	8	363,647	251,704
- Others		<u>15,083,595</u>	<u>13,779,227</u>
		25,622,279	24,175,205
Non-controlling interests		<u>1,087,959</u>	<u>984,803</u>
Total equity		<u>26,710,238</u>	<u>25,160,008</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 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”).

2 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 by 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.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(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)	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements

- (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)	Joint Arrangement	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.

3 SEGMENT INFORMATION

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

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

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

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Six months ended 30 June 2014					
Revenue	5,905,685	199,977	128,067	439,305	6,673,034
Inter-segment revenue	<u>—</u>	<u>(34,392)</u>	<u>(2,236)</u>	<u>(310,830)</u>	<u>(347,458)</u>
Revenue from external customers	<u>5,905,685</u>	<u>165,585</u>	<u>125,831</u>	<u>128,475</u>	<u>6,325,576</u>
Segment results	<u>1,661,034</u>	<u>4,216</u>	<u>1,266,824</u>	<u>7,967</u>	<u>2,940,041</u>
Share of (loss)/profit of					
- joint ventures	(3,385)	—	—	—	(3,385)
- associated entities	<u>865</u>	<u>—</u>	<u>92,037</u>	<u>10,833</u>	<u>103,735</u>
Six months ended 30 June 2013					
Revenue	5,524,581	248,360	216,009	425,041	6,413,991
Inter-segment revenue	<u>—</u>	<u>(47,604)</u>	<u>(2,926)</u>	<u>(304,060)</u>	<u>(354,590)</u>
Revenue from external customers	<u>5,524,581</u>	<u>200,756</u>	<u>213,083</u>	<u>120,981</u>	<u>6,059,401</u>
Segment results	<u>1,759,417</u>	<u>12,546</u>	<u>2,005,100</u>	<u>44,316</u>	<u>3,821,379</u>
Share of profit of					
- joint ventures	195	—	—	—	195
- associated entities	<u>—</u>	<u>—</u>	<u>82,809</u>	<u>—</u>	<u>82,809</u>
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	<u>619,561</u>	<u>—</u>	<u>5,881,280</u>	<u>125,578</u>	<u>6,626,419</u>
Total reportable segments' assets	<u>61,882,121</u>	<u>435,363</u>	<u>18,022,834</u>	<u>450,038</u>	<u>80,790,356</u>
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	<u>330,031</u>	<u>—</u>	<u>5,849,822</u>	<u>129,222</u>	<u>6,309,075</u>
Total reportable segments' assets	<u>59,951,275</u>	<u>435,884</u>	<u>16,069,197</u>	<u>465,951</u>	<u>76,922,307</u>

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

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	2,940,041	3,821,379
Unallocated operating costs (<i>note</i>)	(38,521)	(33,792)
Other gains	<u>199,798</u>	<u>95,899</u>
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	<u>103,735</u>	<u>82,809</u>
Profit before taxation	<u><u>2,913,745</u></u>	<u><u>3,906,280</u></u>

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

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

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

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

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of land use rights	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	3,880	(8,442)
Reversal of provision for impairment of properties under development	<u>(990)</u>	<u>(27,008)</u>

5 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	<u>17,385</u>	<u>24,468</u>
Total borrowing costs incurred	740,486	805,640
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	<u>(550,621)</u>	<u>(593,657)</u>
	<u>189,865</u>	<u>211,983</u>

6 TAXATION

- (a) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.
- (b) 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.
- (c) 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).

- (d) 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.

(e) The amount of taxation charged to the condensed consolidated income statement comprises:

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>131,855</u>	<u>140,404</u>
	<u><u>1,132,048</u></u>	<u><u>1,547,178</u></u>

7 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)	<u>1,676,085</u>	<u>2,340,695</u>
Weighted average number of ordinary shares in issue ('000)	<u>9,322,782</u>	<u>9,303,580</u>
Basic earnings per share (RMB)	<u><u>0.1798</u></u>	<u><u>0.2516</u></u>

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)	<u>1,676,085</u>	<u>2,340,695</u>
Weighted average number of ordinary shares in issue ('000)	9,322,782	9,303,580
Adjustments for share options ('000)	<u>—</u>	<u>18,209</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>9,322,782</u>	<u>9,321,789</u>
Diluted earnings per share (RMB)	<u>0.1798</u>	<u>0.2511</u>

8 DIVIDENDS

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

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.

9 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	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>1,047</u>	<u>1,267</u>
	<u>27,155</u>	<u>16,013</u>

10 TRADE AND NOTE PAYABLES

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

	As at	
	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>351</u>	<u>55</u>
	<u>359,596</u>	<u>233,069</u>

11 SHARE CAPITAL AND OTHER STATUTORY CAPITAL RESERVES

	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	13,405	1,084	5,386	6,470
Transfer upon exercise of share options	<u>—</u>	<u>—</u>	<u>1,686</u>	<u>1,686</u>
At 30 June 2013	<u>9,311,837</u>	<u>853,280</u>	<u>8,885,745</u>	<u>9,739,025</u>
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	251	20	101	121
Issue of shares upon exercise of share options subsequent to 3 March 2014	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)	—	8,893,589	(8,891,890)	1,699
Transfer upon exercise of share options subsequent to 3 March 2014	<u>—</u>	<u>235</u>	<u>—</u>	<u>235</u>
At 30 June 2014	<u>9,324,291</u>	<u>9,748,898</u>	<u>—</u>	<u>9,748,898</u>

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

CHAIRMAN’S STATEMENT

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 effects, 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 not unreasonable or abnormal. 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 Ensuring”

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.

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%.

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

No.	Project	Type	GFA <i>(sq.m.)</i>	Value <i>(RMB mil)</i>	ASP <i>(RMB/sq.m.)</i>
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
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..

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.

Unrecognized sales are summarized as follows:

No.	Project	Type	GFA <i>(sq.m.)</i>	Value <i>(RMB/</i> <i>mil)</i>	ASP <i>(RMB/</i> <i>sq.m.)</i>
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%.

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 Jianggan 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	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>5,968,127</u>	<u>6,152,157</u>
Total bank borrowings and bonds	26,509,291	23,865,173
Finance lease obligations	162	193
Overdrafts	<u>112</u>	<u>86</u>
Total debts	<u>26,509,565</u>	<u>23,865,452</u>
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	<u>4,063,087</u>	<u>3,697,372</u>
Total borrowings	26,509,565	23,865,452
Less: Cash and cash equivalents	<u>(7,611,800)</u>	<u>(5,054,749)</u>
Net borrowings	18,897,765	18,810,703
Shareholders' equity	<u>26,710,238</u>	<u>25,160,008</u>
Total capitalization	<u>45,608,003</u>	<u>43,970,711</u>
Gearing ratio	<u>41.4%</u>	<u>42.8%</u>

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 will then be entitled to take over the legal title until the property ownership certificate is officially issued to the purchaser. 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.

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.

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.

By order of the Board
Yuexiu Property Company Limited
ZHANG Zhaoxing
Chairman

Hong Kong, 27 August 2014

As at the date of this announcement, the Board comprises:

Executive Directors: ZHANG Zhaoxing (Chairman), ZHU Chunxiu, TANG Shouchun, CHEN Zhihong, LI Feng and OU Junming

Independent Non-executive Directors: YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose